

Regulatory Guide 45 Product Disclosure under ASIC

The following table provides an update from the 11 June 2009 disclosure on the benchmarks set by the Australian Securities and Investments Commission in the Regulatory Guide 45: Mortgage Schemes – improving disclosure for retail investors and explains to what extent Balmain Trilogy Investment Management Pty Limited (“Balmain Trilogy”) as Investment Manager and Trilogy Funds Management Limited (“Trilogy”) as Responsible Entity of the Pacific First Mortgage Fund (the “Fund”) satisfies them.

This disclosure is correct at 30 November 2009.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
<p>Benchmark 1 — Liquidity</p> <p>RG 45.38</p> <p>a) The Responsible Entity should have cash flow estimates for the Fund for the next 3 months.</p> <p>b) The Responsible Entity should ensure that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months.</p> <p>c) The Responsible Entity should not take undrawn credit facilities into account when calculating cash flow estimates.</p>	Satisfied	<p>RG 45.38</p> <p>The Fund is currently operating as an illiquid managed investment scheme.</p> <p>The proportion of cash or cash equivalents currently in the fund is low. As at 30 November 09, the Fund held \$7,828,452 in cash which represents 1.5% of total Fund assets.</p> <p>Balmain Trilogy, the Investment Manager appointed to manage the assets of the Fund, has cash flow estimates for the Fund for the next 3 months and forecasts that it has cash or cash equivalents sufficient to meet the Fund's projected cash needs over the next 3 months. These projected cash needs include operating expenses of the Fund, but do not include cash for distributions to Unitholders or redemption to Unitholders.</p>
<p>RG 45.39</p> <p>The Responsible Entity should disclose its policy on balancing the maturity of assets and maturity of liabilities</p>		<p>RG 45.39</p> <p>Balmain Trilogy closely monitors the maturity of the portfolio assets and liabilities.</p>

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 2 — Fund Borrowing	Satisfied	
<p>RG 45.47</p> <p>If the Responsible Entity has borrowed funds it should disclose;</p> <ul style="list-style-type: none"> a) For each borrowing that will mature in 5yrs or less, the amount owing and the maturity profile in increments of not more than 12 months b) For borrowings that mature in more than 5 years, the aggregate amount owing c) For each credit facility, the aggregate undrawn amount and the maturity profile in increments of no more than 12 months d) The fact that amounts owing to lenders and other creditors of the Fund rank before an investors interests in the Fund e) The purpose for which the funds have been borrowed, including whether they will be used to fund distributions or withdrawal amounts 		<p>RG 45.47 - 50</p> <p>As stated in June 2009 disclosure, the Fund currently has a finance facility with Commonwealth Bank of Australia. This finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the Bank with priority over investors to all assets in the Fund. The former Responsible Entity (City Pacific Limited) entered into these finance agreements to meet cash flow requirements, including to pay expenses of the Fund and to continue to pay existing progress draws to the funds borrowers.</p> <p>Since the appointment of Trilogy as Responsible Entity in July 2009, the finance facility has been paid down by more than 8% and the current amount outstanding is \$83,266,221. There are no undrawn amounts in respect of the credit facility.</p> <p>Trilogy has negotiated an extension of the facility to 30 June 2010. The facility is annually renewable provided that the financier remains comfortable with the performance of the Fund. Trilogy is fully aware of the risk that if the facility is not renewed the outstanding loan balance is to be repaid in full or refinanced.</p>
<p>RG45.48</p> <p>If borrowings and credit facilities are due to mature within 12 months, the Responsible Entity should make appropriate disclosure about the prospects of refinancing or possible alternative actions. If the Responsible Entity has no reasonable grounds for commenting on the prospect of refinancing or possible alternative returns, they should state this and explain why to investors.</p>		<p>As a condition of the extension, the facility is to be paid down by the net proceeds of the forthcoming site sale and a portion of current scheduled repayments of first mortgage loans in the next 6 months.</p> <p>The forecasted cash flows for the Fund detail the Fund's ability to meet these covenants, as detailed in the facility extension, and the Fund has sufficient cash to repay the financier in full if required.</p>
<p>RG 45.49</p> <p>The Responsible Entity should explain any risks associated with borrowing and credit facility maturity profile, including whether borrowings have been hedged and if so, to what extent.</p>		<p>We also note that there are no borrowings that mature in more than 5 years</p>
<p>RG 45.50</p> <p>The Responsible Entity should also disclose any information about breaches of loan covenants that is reasonably required by investors and update investors about the status of any breaches through ongoing disclosure.</p>		

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 3 — Portfolio Diversification	Satisfied	
<p>RG 45.53</p> <p>The Responsible Entity should disclose the current nature of the Fund's investment portfolio, including the following:</p> <ul style="list-style-type: none"> a) By number and value, loans by class of activity (industry sector) b) By number and value, loans by geographic region c) By number and value, what proportion of loans are in default or arrears d) By number and value of loans, what is the nature of the security for loans made by the Fund (e.g. first or second ranking) e) What proportion of the total loan monies have been lent to the largest borrower and the largest 10 borrowers f) By number and value, loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any undrawn loan commitments g) By number and value, the maturity profile of all loans in increments of not more than 12 months h) By number and value of loans, LVR for loans in percentage ranges i) By number and value of loans, interest rates on loans, in percentage ranges j) By number and value, loans where interest has been capitalised k) The use of derivatives (if any) l) A description of the non-loan assets of the Fund, include the value of these assets 		<p>RG45.53</p> <p>Portfolio information required under RG 45.53 a) – i) is detailed in Annexure A</p> <ul style="list-style-type: none"> k) Derivatives are not used in the Fund. l) The only non-loan asset of the Fund is cash. Cash is held with the Commonwealth Bank of Australia. The balance of the accounts as at 30 November 2009 represents 1.5% of the assets of the Fund.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
<p>RG 45.54</p> <p>Disclose the policy on the above items and on how the Fund will lend funds generally including;</p> <ul style="list-style-type: none"> a) The maximum loan amount for any one borrower b) The method of assessing borrowers' capacity to service loans c) Policy on revaluing security properties when a loan is rolled over d) Approach to taking security on lending by Fund (eg security type, if it must be income producing) 		<p>RG 45.54</p> <p>Balmain Trilogy adheres to specific lending principles that are governed by an internal Credit Policy which are in line with the Product Disclosure Statement ('PDS') for the Fund (the PDS for the Fund was withdrawn on 6 March 2008). The profile of the Fund's portfolio (as detailed in Annexure A) is dominated by non performing loans which are in significant arrears, it has resulted in several policy guidelines being breached in terms of Loan to Value ratios and individual exposure limits. Balmain Trilogy is actively managing the portfolio to ensure the risks associated with these exposures are mitigated.</p> <p>The Fund's Credit Policy provides, amongst other things, that:</p> <ul style="list-style-type: none"> a) the maximum loan to any one borrower is 20% of the total assets of the Fund; b) a borrower's capacity to service loans must be assessed through the servicing capability of the borrower and the feasibility of the project; and c) security properties will be revalued prior to each loan roll-over in accordance with the valuation requirements as detailed in the valuation policy. Further details regarding the valuation policy has been detailed in Benchmark 5. <p>At the present time, of the total of 45 loans provided by the Fund, 38 have a first ranking mortgage, six have a second ranking mortgage and one has both a first and second ranking mortgage over real estate situated within specified states and territories in Australia. Additional types of security may be taken including company charges and personal guarantees to support the primary security. It is not a requirement of the Fund that the security property be income producing. Please refer to Annexure A for further details regarding the mortgages held by the Fund.</p>
<p>RG 45.55</p> <p>If the Fund invests in other unlisted mortgage schemes, the Responsible Entity should disclose their policy on investing in those schemes, including the extent to which the Responsible Entity requires the other scheme to satisfy these benchmarks.</p>		<p>RG 45.55</p> <p>The Fund does not invest in any unlisted mortgage schemes.</p>

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 4 – Related Party Transactions	Satisfied	
<p>RG 45.61</p> <p>Where the Responsible Entity transacts with related parties of the Fund (including lending or investing the Fund funds with related parties) it should disclose its approach to these transactions, including</p> <ul style="list-style-type: none"> a) Details of loans, investments and transactions made to or with a related party b) Its policy on related party transactions including the assessment and approval process for related party lending and arrangements to manage conflicts of interest c) How the processes and arrangements are monitored to ensure its policy is followed 		<p>RG 45.61</p> <ul style="list-style-type: none"> a) As at 30th November 2009 the Fund does not provide any loans to any related parties of the Investment Manager or Responsible Entity. The 11 June 2009 disclosure detailed that the responsible entity at the time, City Pacific Limited, had entered in to several related party transactions totaling 28.12% of the loan portfolio. As a direct result of Trilogy Funds Management Limited's appointment as Responsible Entity in July 2009, these related party transactions are no longer related to the Responsible Entity. Please note that there are management fees and other costs that are paid to the Responsible Entity. b) Trilogy has a policy of not making a Mortgage Investment on behalf of the Fund in any other fund, whether or not it is an entity associated with Trilogy. Directors and staff may invest in the Fund on the same terms and conditions as other investors. c) There is no related party lending or borrowing in relation to the Fund. Trilogy's Compliance plan for the Fund outlines the controls in place around related party transactions. The Compliance Plan is audited externally on an annual basis and monitored by the Responsible Entity Compliance Committee on a quarterly basis.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 5 – Valuation Policy	Satisfied	<p>RG 45.64</p> <p>The Responsible Entity should take the following approach to valuations of properties over which it has taken security</p> <ul style="list-style-type: none"> a) Properties should be valued on an ‘as is’ basis (and on an ‘if complete’ basis for development properties) b) The Responsible Entity should have a policy on how often it obtains valuations, including how recent a valuation has to be when it makes a new loan c) The Responsible Entity should establish a panel of valuers and ensure that no one valuer conducts more than 1/3 of our valuation work for the Fund, calculated by value of properties <p>RG 45.64</p> <ul style="list-style-type: none"> a) Where a loan is for development or construction purposes, the valuer assesses the property on both an ‘as is’ and an ‘as if complete’ basis. All other property loans are valued on an ‘as is’ basis. b) Balmain Trilogy’s valuation policy is as follows; <ul style="list-style-type: none"> i) All external valuations must be performed by panel valuers who must undergo an accreditation process prior to formal inclusion on the panel. ii) It is preferred that Balmain Trilogy instruct the valuer, however if not, the valuation must be addressed or assigned to Balmain Trilogy for mortgage purposes under standard instructions. Balmain Trilogy will provide its standard instructions to the valuer that the valuation should be addressed or assigned to Trilogy Funds Management Limited or the Custodian. iii) The panel valuer must be independent of the borrower and Balmain Trilogy. iv) The valuer must be instructed to prepare the valuation report in a format which clearly sets out the primary methodology used and, if so requested, a secondary check valuation methodology, and in accordance with the instructions. v) The report must comment as to whether the mortgaged property represents satisfactory security for mortgage purposes as appropriate. vi) All valuations must be addressed to Trilogy Funds Management Limited or the Custodian and be able to be relied upon by Balmain Trilogy. vii) All valuations must be not more than 3 months old as at the date of approval of the loan. viii) Valuations for construction projects should state a replacement value in the valuation for the purpose of Balmain Trilogy determining the amount of insurance required c) Balmain Trilogy maintains a panel of valuers and ensures that no one valuer conducts more than one-third of the valuation work. A ‘Valuation Register’ is maintained to monitor the valuations conducted. The panel of valuers is reviewed annually.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE								
RG 45.65		RG 45.65								
Disclose information about the valuation of a particular property where a loan secured against the property accounts for 5% or more of the total value of the Fund's loan book.		Three valuations in the Fund's mortgage portfolio account for more than 5% of total value of the Fund's book on an impaired basis and is detailed as follows;								
		<table border="1"> <thead> <tr> <th>Impaired Value</th> <th>% of Impaired Book Value</th> </tr> </thead> <tbody> <tr> <td>41,263,765</td> <td>8.04%</td> </tr> <tr> <td>51,178,873</td> <td>9.97%</td> </tr> <tr> <td>82,403,832</td> <td>16.05%</td> </tr> </tbody> </table>	Impaired Value	% of Impaired Book Value	41,263,765	8.04%	51,178,873	9.97%	82,403,832	16.05%
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		Please refer to Part E of Annexure A for further details regarding Loan to Value Ratios.								
RG 45.66		RG 45.66								
The Responsible Entity should only use valuers who:		Valuers who are appointed by Balmain Trilogy:								
<ul style="list-style-type: none"> a) Where possible, are registered under one of the state/territory valuer registration regimes or a relevant overseas registration regime b) Include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes. 		<ul style="list-style-type: none"> a) Are registered under one of the state/territory valuer registration regimes; and b) Include a statement in their valuation reports as to whether the valuation complies with all relevant industry standards and codes. 								
Benchmark 6 – Lending Principles – Loan to Valuation Ratios	Not satisfied									
RG 45.70		RG 45.70								
The Responsible Entity should maintain the following loan to valuation ratios for loans made by the Fund.		The Fund does not meet this benchmark as most of the loans are in default and the LVR exceeds 70%. If lending resumes in future, standard lending principles will apply.								
<ul style="list-style-type: none"> a) Where the loan relates to development property – 70% on the basis of the latest 'if complete' valuation b) All other cases – 80% on the basis of the last market valuation 										
RG 45.71		RG 45.71								
Where the loan relates to property development, the Responsible Entity should ensure that the Fund only provides funds to the developer in stages, based on external evidence of the progress of the development		Development loans relate to where a borrower utilises the loan monies to construct buildings (e.g. units, houses, commercial or retail property) or to undertake land development. On the sale of a unit, house, commercial or retail building, or part of the land, all or part of the proceeds are utilised to reduce the borrower's debt.								
		Development loans involve close supervision by Balmain Trilogy. To this end, Balmain Trilogy will appoint an external quantity surveyor, engineer, project manager or valuer to advise and monitor as to:								
		<ul style="list-style-type: none"> i) the amount of all draw downs by a borrower and all payments which are to be made to contractors in stages based on the progress of development; and ii) the costs to complete the project. 								

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 7 – Distribution Practices	Satisfied	
<p>RG 45.75</p> <p>If the Fund is making (or forecasts making) distributions to unitholders, the Responsible Entity should disclose:</p> <ul style="list-style-type: none"> a) The source of the current distribution b) The source of any forecast distribution c) If the current or forecast distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions, d) If the current distribution or forecast distribution is sourced other than from income, whether this is sustainable over the next 12 months 		<p>RG 45.75</p> <p>At present , no distributions are being paid</p>
<p>RG 45.76</p> <p>If the Fund promotes a particular return on investments, the Responsible Entity should clearly disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined.</p>		<p>RG 45.76</p> <p>At present , no distributions are being paid</p>
Benchmark 8 – Withdrawal arrangements	Satisfied	
<p>RG 45.81</p> <p>The Responsible Entity should provide details on whether investors will be able to withdraw from a Fund. The Responsible Entity should disclose:</p> <ul style="list-style-type: none"> a) The maximum withdrawal period allowed under the constitution for the Fund b) Any significant risk factors or limitations that may affect the ability of investors to withdraw from the Fund (including factors that may prevent the Responsible Entity from meeting a promoted withdrawal period) c) The Responsible Entity’s approach to rollovers, including whether the default is that investments in the Fund are automatically rolled over d) If withdrawals from the Fund are funded from an external liquidity facility, the material terms of this facility including any rights the provider has to suspend or cancel the facility. 		<p>RG 45.81</p> <p>At present, no redemption or withdrawal from the Fund is possible.</p>
<p>RG 45.82</p> <p>If the Fund promotes a fixed redemption unit price for investments, the Responsible Entity should clearly disclose the circumstances in which a lower amount may be payable, together with details of how that amount will be determined.</p>		<p>RG 45.82</p> <p>At present, no redemption or withdrawal from the Fund is possible.</p>

Annexure A

A) CLASS OF ACTIVITY

TYPE	VALUE	% VALUE	NO.	% OF NO.
Commercial	\$39,992,987	7.8%	4	8.9%
Industrial	\$3,913,130	0.8%	1	2.2%
Residential	\$245,167,147	47.8%	22	48.9%
Vacant Land	\$224,253,558	43.7%	18	40.0%
Total	\$513,326,822	100.0%	45	100.0%

B) GEOGRAPHIC REGION

REGION	VALUE	% VALUE	NO.	% OF NO.
NSW	\$14,983,477	2.9%	2	4.4%
QLD	\$285,820,408	55.7%	28	62.2%
VIC - Martha Cove	162,503,074	31.7%	11	24.4%
VIC - Other	\$50,019,863	9.7%	4	8.9%
Total	\$513,326,822	100.0%	45	100.0%

C) LOANS IN DEFAULT OR ARREARS

LOANS IN DEFAULT	NO. OF LOANS	LOAN VALUE	% OF PORTFOLIO (BY VALUE)
Mortgagee in possession	15	\$135,355,503	26.5%
Other Loans in default or Interest/maturity arrears	28	\$374,680,247	73.5%
Total	43	\$510,035,750	100%

D) NATURE OF THE SECURITY FOR LOANS

NATURE OF SECURITY	LOAN VALUE	NO. OF LOANS
1st Ranking Mortgage	\$449,980,963	38
2nd Ranking Mortgage	\$60,093,537	6
1st and 2nd Ranking Mortgage	\$3,252,322	1
Total	\$513,326,822	45

E) LARGEST BORROWER AND THE LARGEST 10 BORROWERS

LARGEST BORROWERS	LOAN VALUE	% OF LOAN PORTFOLIO
Top 10 Borrowers	\$332,127,004	64.7%
Largest Borrower	\$82,403,832	16.1%

F) UNDRAWN LOAN COMMITMENTS

	\$ VALUE	NO. LOANS
Undrawn loan commitments	\$4,575,339	2

G) MATURITY PROFILE OF ALL LOANS

	NO. OF LOANS	LOAN VALUE	% OF PORTFOLIO (BY VALUE)
Past due	40	\$421,008,676	82.0%
< 3 months	1	\$6,623,242	1.3%
>3 Months and < 1 Year	2	\$74,041,661	14.4%
1-2 years	1	\$11,614,493	2.3%
>3 years	1	\$38,749	0.0%
Total:	45	\$513,326,822	100.0%

H) LVR FOR LOANS IN PERCENTAGE RANGES

LVR RANGE	NO. OF LOANS	LOAN VALUE	% OF PORTFOLIO (BY VALUE)
Less than 50%	1	\$38,749	0.0%
Loans between 61%-70% of security value	4	\$47,576,748	9.3%
Loans between 71%-80% of security value	6	\$53,139,928	10.4%
Loans between 81%-90% of security Value	14	\$212,997,725	41.5%
Loans between 91%-100% of security Value	13	\$183,991,550	35.8%
Loans greater 100%	1	\$15,517,977	3.0%
No Security Value	6	\$64,144	0.0%
Total:	45	\$513,326,822	100.0%

I) INTEREST RATES ON LOANS, IN PERCENTAGE RANGES

	NO. OF LOANS	LOAN VALUE
0.0%	-	\$0
9.0% -9.9%	45	\$513,326,822
10.0% -10.9%	-	\$0
11.0% -11.9%	-	\$0
12%-12.9%	-	\$0
Total:	45	\$513,326,822

J) LOANS WHERE INTEREST HAS BEEN CAPITALISED

	NO. OF LOANS	LOAN VALUE
Interest has been capitalised	45	\$513,290,183