

pfmf

PACIFIC FIRST MORTGAGE FUND

PFMF Investor Committee
Meeting #3 Report

PFMF Investor Committee - Meeting #3 Report

REPORT TO UNITHOLDERS
INVESTOR COMMITTEE MEETING HELD ON 16 APRIL 2010

Formalities

Meeting was formally opened by the Chairman and everyone was advised of their obligations as participating members of the Investor Committee. The Chairman also confirmed that the purpose of the Meeting is to allow members to engage in open discussion with a view to representing the interests of all Unitholders.

The Fund's debt position

- An update was provided on the Commonwealth Bank funding facility.
- At the time of the meeting the debt of \$90 million had been reduced to \$38 million and with continuing asset settlements it is expected that this should be reduced to \$30 million by May 2010.

Sale or development of assets

- Andrew Griffin explained to the committee how often the assets of the Fund are valued and gave a detailed overview of the assets that comprise Martha Cove.
- It was explained why some of the "long-term" assets, such as Martha Cove, would need to be developed so as to secure additional value for unitholders. This is to be included as part of the strategy going forward.

Fund strategy

- Andrew Griffin provided the committee with a copy of the proposed strategy for the Fund.
- The strategy included a number of key points and stressed that all unitholders needed to be treated equally and fairly.
- It was also confirmed that the Fund would never re-open to new investment.

Allocation of litigation proceeds

- It was decided that Trilogy would seek leave from ASIC to examine a number of parties involved in the handling of the Fund and after this a decision will be made as to the direction to be taken.
- The appointment of a litigation funder was discussed. Andrew Griffin explained how this process would work; that any litigation funder would take a percentage of any settlement or judgement made and Balmain Trilogy would look at appointing a firm that worked on a 'no win, no fee' basis.
- The introduction of a 'litigation unit' was discussed, so that all unitholders, even if they exited the Fund early, would be entitled to their share of any win.

Amended fee structure

- Balmain Trilogy discussed amending the fee structure from 1.5% management fee to a 1% management fee plus a performance fee as part of the strategy.
- The committee was told how the performance fee would work and the indexation of the funds under management. The proposed benchmark would be the RBA cash rate.
- The committee advised that any change in management fee would need to be clearly presented to unitholders and endorsed by an independent expert.

Fixed capital reduction and accelerated redemption

- Discussions were held regarding both fixed capital reductions and accelerated redemptions and how these would affect NTA.
- It was decided that the fixed capital reduction must be taken by the unitholders while the accelerated redemption would be voluntary.
- The logistics of the voluntary redemptions was discussed. It was determined that unitholders who wanted the voluntary redemption would have to respond 'in the affirmative' to a letter that would be sent to them. There would be no default answer.

Hardship Policy

- Trevor Gibson provided an update on the progress of the hardship policy for the Fund.
- Still seeking approval from ASIC that would allow for hardship redemptions to be made at a current value.

Meeting Date:

Friday 16 April 2010

Location:

Christie Corporate building, Brisbane QLD

Members Present:

Ken Atchison (Chairman of the Committee)
Rodger Bacon – Deputy Chairman, Trilogy
Michael Holm – Executive Chairman, Balmain
Andrew Griffin – Chief Executive Officer, Balmain
Deborah Bryzak – Unitholder
Graham Kells – Unitholder
Vadim Shev – Unitholder
Peter Fardoulys – Unitholder
Julian Brown – Unitholder
Bill Lawson – Unitholder
Tom Powers – Unitholder
Brad Taylor – Unitholder
John Rudajs – Unitholder

In Attendance:

Phillip Ryan – Managing Director, Trilogy
Trevor Gibson – Director - Distribution, Trilogy
Erin Dingle – Communications & Marketing Manager, Trilogy
Mitchell Tengbom – Client Services Manager, Trilogy
Maura Vijars – Compliance Manager, Trilogy (Minute Taker)

Next Meeting:

The next meeting of the Investor Committee will be held in Brisbane on Friday 16 August.

Media Requests:

All representatives of the media are required to contact the Chairman, Mr Ken Atchison on (03) 9642 3835.

All statements and releases regarding the Investor Committee are made jointly by its members and are issued by its Chairman Mr Ken Atchison.



balmainTRIOLOGY

Balmain Trilogy Investment Management Pty Limited ABN 55 136 832 945
Investment Manager of the Pacific First Mortgage Fund
Level 14, 60 Castlereagh Street, Sydney NSW 2000
GPO Box 3570, Sydney NSW 2001
Tel: 02 9232 8888 Fax: 02 9232 8588

www.pfmf.com.au
www.balmaintrilogy.com.au