

**Lift Capital Partners Pty Limited ACN 111 015 500
Lift Capital Nominees No.1 Pty Limited ACN 112 913 532
(Administrators Appointed)(“Lift Capital”)**

Circular to Creditors

Further Adjournment of Second Creditors Meetings

The purpose of this update is to notify creditors of the Court Order granted on 4 September 2008 further adjourning the second creditors meetings from 15 September 2008 to 12 November 2008, to provide information on the potential for an enhanced DOCA proposal and update creditors on the progress of the Administration.

This update should be read in conjunction with the 2 September 2008 Update to Creditors on the proposed further adjournment of the second meetings of creditors which is available on the websites.

Further Adjournment of Second Creditors Meetings

An update to creditors on the application for a further adjournment of the second creditors meetings was recently posted on the websites. The reason for the adjournment is the prospect of receiving an enhanced DOCA proposal as set out below.

We discussed the enhanced DOCA proposal and application for the adjournment with the Committee members and major creditors who approved the application.

On 4 September 2008 the Court made orders to the effect that the second meetings of creditors, which were scheduled to take place on 15 September 2008, be adjourned such that they instead take place on 12 November 2008. Leave was granted to any person to apply to the Court to vary these orders upon notice.

Enhanced DOCA Proposal

Since the creditors meetings on 16 July 2008, we have held discussions with the Committee and the major Lift creditors concerning the original DOCA proposal. It is clear from those discussions that, in addition to the returns available from the original DOCA proposal, the Committee members and the major creditors have some interest in receiving an enhanced proposal, incorporating the provision of additional funds from Merrill Lynch (“ML”), in exchange for more comprehensive releases to be provided by Lift creditors. We have discussed this issue with ML and put a proposal for the enhanced DOCA to ML.

On 22 August 2008 the solicitors for ML stated:

“ML is considering whether to make an improved offer subject to creditor releases and can see the benefits that such an offer would bring to all stakeholders. However, ML has not had sufficient opportunity to form a view regarding the terms on which it might be willing to promote an Enhanced DOCA proposal, and requests that the Administrators seek from the Court an extension of 2 months from 15 September 2008 to enable it to conclude its deliberations.”

We discussed this issue with the Committee and major creditors who have recommended that we seek a further adjournment of the second creditors meetings.

Impact on Client Accounts

One issue that could be of concern to some creditors is that the period for which interest could be charged on loan balances might be extended by up to a further 2 months by reason of the meetings being adjourned to 12 November. Subject to obtaining legal advice, we propose to deal with this issue by applying a form of set-off as at 15 September 2008, such that the market value of Non-Identifiable Securities as at 10 April 2008 could be set-off against outstanding loans, any remaining loan balances repaid and remaining Identifiable Securities returned to those clients.

Estimated Returns to Creditors

Our initial forecasts in our Supplementary Report to Creditors dated 11 July 2008 estimated a low case return to creditors of between 60 cents and 63 cents in the dollar for liquidation and DOCA low case scenarios, respectively.

Our initial forecasts were prepared on the assumption that Category 2 clients whose portfolio contained Identifiable Securities with a market value, as at 10 April 2008, that exceeded their loan balances would elect to repay the loans in full in order to receive the Identifiable Securities back during the period of Voluntary Administration. As such, our estimated realisations included loan repayments from some Category 2 clients. Rather than repaying their loans in order to receive back their Identifiable Securities, we now consider it more likely that in a liquidation or under a DOCA, Category 2 clients would claim a statutory right of set-off. Our revised projections assume all Category 2 clients elect to apply set-off, as outlined above.

The application of set-off principles to Category 2 clients will reduce the funds collected from the repayment of Category 2 client loans and therefore the size of the pooled funds available. This combined with a decrease in the market value of securities at ML, in particular the Bravura securities, has resulted in a revised estimated return of between 50 cents and 53 cents in the dollar for liquidation and DOCA low case scenarios respectively.

There are number of other assumptions underlying the estimated returns which were outlined in the Supplementary Report to Creditors and which continue to apply to the above estimate. We will outline any changes to these assumptions in the next report to creditors. For this update, creditors should note that the estimated returns are highly sensitive to the realisation of securities held by ML, in particular the price realised for the Bravura Securities, and the collection of the \$32m debt from the Major Client Group.

Update to Clients

We provide the following update for clients with regards to the return of Identifiable Securities:

- + **Category 1 clients** – the majority of Category 1 clients with Identifiable Securities and no loans have had or are in the final process of having their Identifiable Securities returned to them. Clients with loans should have recently received correspondence providing them with options to repay their loans or provide consent for Lift to dispose of Identifiable Securities and apply proceeds against the loan. Upon payment of any residual loan balance, Identifiable Securities will be returned;
- + **Category 2 clients** – some Category 2 clients with Identifiable Securities and no loans have had or are in the final process of having their Identifiable Securities returned. As we expect clients to claim statutory set-off in a liquidation or under a DOCA, only a small number of clients with loans have repaid loans in full in exchange for the return of Identifiable Securities. Subject to obtaining legal advice, we propose to apply a form of set-off in the Administration as at 15 September 2008, noting that statutory set-off is usually only available in a liquidation or under the terms of a DOCA. Should

particular client loans be able to be set-off in full, Identifiable Securities will be returned to those clients; and

- + **Category 3 clients** – it is expected that these clients will be entitled to statutory set-off in a liquidation or under the terms of a DOCA based on the market value of their Non-Identifiable Securities as at 10 April 2008, as set out in recent updates posted on the websites.

Update on Other Administration Issues

We intend to issue a detailed report to creditors, however, we provide the following summary of the key administration issues:

- + the Declarations were listed for directions on Monday 11 August 2008. On 11 August 2008 Justice Hammerschlag made orders for further directions and stood the matter over for directions on 15 September 2008. A hearing date has not been fixed as yet, the main reason for which being that ML sought additional time to put on evidence. The Court may list the matter for hearing in November 2008;
- + the Swaby and Crabb matter was before the Federal Court in Perth on 6 August 2008 for a conference hearing. Swaby and Crabb and Merrill Lynch will be amending their pleadings. The matter is back before the Court for further directions on 17 September 2008. On Lift's application (and to reduce legal costs), the Court has made orders allowing Lift to withdraw from the proceedings on its undertaking to abide by the Court's determination;
- + we are dealing with the Major Client Group debt of \$32m. The Major Client Group's representatives are reviewing the claim. We continue to progress this issue;
- + Berndale has returned approximately a third (in value) of all securities held as at 10 April 2008. We are in discussions with our lawyers in relation to Berndale releasing the remaining securities. Category 1 and 2 clients with no loans, will shortly be receiving further correspondence with regards to transfer documentation for those securities released to date;
- + a tax update information sheet is being drafted and will be posted on the websites. We are also looking into whether we can allow some clients to access their Lift Facility Statements from the Lift Website; and
- + we are in discussions with ML's solicitors and the Directors solicitors regarding the details of the proposed releases referred to in the original DOCA proposal. A further update to creditors will be posted on the website detailing the form of the proposed releases when this information is received.

Clients should continue to monitor the websites for further updates on the Administration. Should clients require further clarification on this issue, please email liftadmin@liftcapital.com.au.



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