

Update to Creditors
Lift Capital Partners Pty Limited and Lift Capital Nominees No. 1 Pty Limited
(Administrators Appointed)

10 November 2008

We refer to our report dated 4 November 2008, and in particular Section 6.4 where we provided a revised estimate of the returns to creditors. We have been asked by a number of creditors to calculate the impact on the returns of changes to key assumptions, in particular relating to the status of the surplus held by ML (the subject of the NSW Proceedings).

Key assumptions

To estimate returns to creditors, we have to date assumed:

- + Client claims have been calculated based on valuations of securities transferred to ML at 10 April 2008, less loan amounts;
- + The ML Surplus is the property of Lift rather than individual clients (and so the proceeds are available to all creditors);
- + The ML surplus is realised for the cash equivalent of the securities at market value, current at time of reporting. The valuations used for the report are as at 19 October 2008;
- + Based on on in principle arrangements we have reached with BVA, the BVA loans are repaid in full and the securities returned to the principals of BVA
- + Loan recoveries from Category 1 clients are recovered in full.

Using these assumptions, we have estimated returns at 50 cents in the dollar.

Changes to key assumption regarding title to ML Securities

There are 122 security lines within the ML Surplus. If the ML Surplus is the property of the individual clients with an interest in those securities, rather than Lift, we must make a range of further assumptions:

- + In respect of the non traded securities:
 - 28 security lines valued at \$1.2M have not traded at all, so all clients initial holdings remain at ML. These were valued at \$1.2M at 10 April 2008 and the current market value is \$880K;
 - For the purposes of calculating client claims, we would treat these returned securities as "Identifiable Securities", which means that client claims are reduced by \$1.2M and realisations for the general pool are reduced by \$880K;
- + In respect of the traded securities:
 - 94 security lines have been traded, so some proportion of the original holdings remain at ML. These were valued at \$29.3M at 10 April 2008 and the current market value is \$18.3M;
 - For the purposes of calculating client claims, we would treat these returned securities as "Identifiable Securities", which means that client claims are reduced by \$29.3M (reduced on a pro rata basis in line with initial holdings of a particular stock) and realisations for the general pool are reduced by \$18.3M

Summary

The table below sets out 2 scenarios:

- + Scenario A: The Revised returns to creditors set out in the 4 November 2008 Report;
- + Scenario B: the ML surplus is an Identifiable Security and individual client claims are reduced by the 10 April 2008 valuation of returned securities, on a pro rata basis in line with initial holdings of particular stock. Assets available reduce by the current market value of securities. We have also ascribed a prudential reduction in general asset recoveries by a further \$5M to account for the financial impact of other assumptions made.

These results are summarised in the table below:

	Scenario A <i>ML Surplus property of Lift</i> \$M	Scenario B <i>ML Surplus as Identifiable Securities (10 April valuation)</i> \$M
Client claims (original)	150	150
Less: "new" IS from above	-	(31)
Revised Client claims	150	119
Asset pool (original)	74	74
Less: ML Surplus returned to clients	-	(19)
Less: Adjustment to recoveries	-	(5)
Available to distribute	74	50
Cents in \$	50	42

The results do not make any allowance for the impact of other claims that clients might make against Lift, which will be considered further as claims are made and assessed.

Conclusion

Should you require any further information in the meantime, please do not hesitate to contact one of us or Graham Cope.

Yours faithfully



Joseph Hayes
Administrator



Tony McGrath
Administrator