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**Lift Capital Partners Pty Limited**

**ACN 111 015 500**

**Lift Capital Nominees No.1 Pty Limited**

**ACN 112 913 532**

**(Administrators Appointed) (“the  
Companies”)**

**1<sup>st</sup> Creditors Meeting**

Tony McGrath

22 April 2008



## Agenda

1. Formalities
2. Resolution for concurrent meetings
3. Administrators Independence
4. Group Structure
5. Business Operations
6. Resolutions
7. General Discussion



## Formalities

- + Chairman – Administrator acts as Chairman - Regulation 5.6.17(1)
- + Creditors and observers present
- + Corporations regulations
  - Quorum
  - Meeting convened pursuant to S436E by Notice dated 14 April 2008
  - Voting
    - Amount admitted to vote for Companies clients is difference between market value of Securities at 10 April 2008 and loan balance due
    - Current proof is for voting purposes only
    - Creditors will ultimately be requested to prove debts for dividend purposes
  - Time and place of meeting
  - Proxies
  - Purpose of meeting



## Resolution for concurrent meetings

- + Resolution to hold meetings concurrently,

In relation to Lift Capital Partners Pty Limited and Lift Capital Nominees No.1 Pty Limited, the following resolution is proposed:

*“ that the first meeting of creditors of the Companies be held concurrently”*

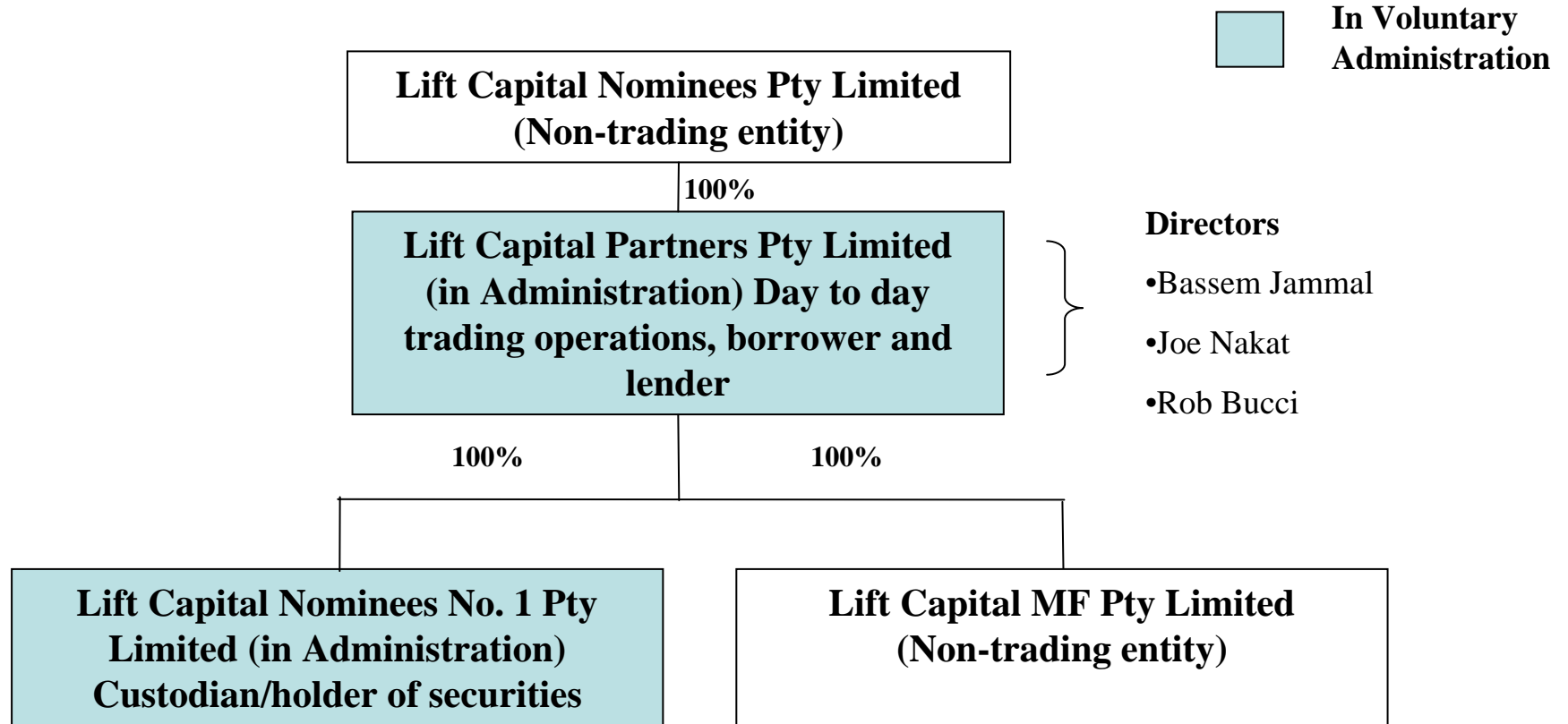


## Administrators Independence

- + Declaration of Independence, relevant relationships and Indemnities was attached to Notice of meeting
- + Administrators required to disclose to creditors any prior relationships with the Companies, the directors, key creditors and related parties in the previous 24 months
- + Administrators also required to disclose whether they have received any indemnities or undertaken any prior engagements for the Companies
- + After considering all relevant matters, we have formed the view that we can act as Voluntary Administrators of the Companies

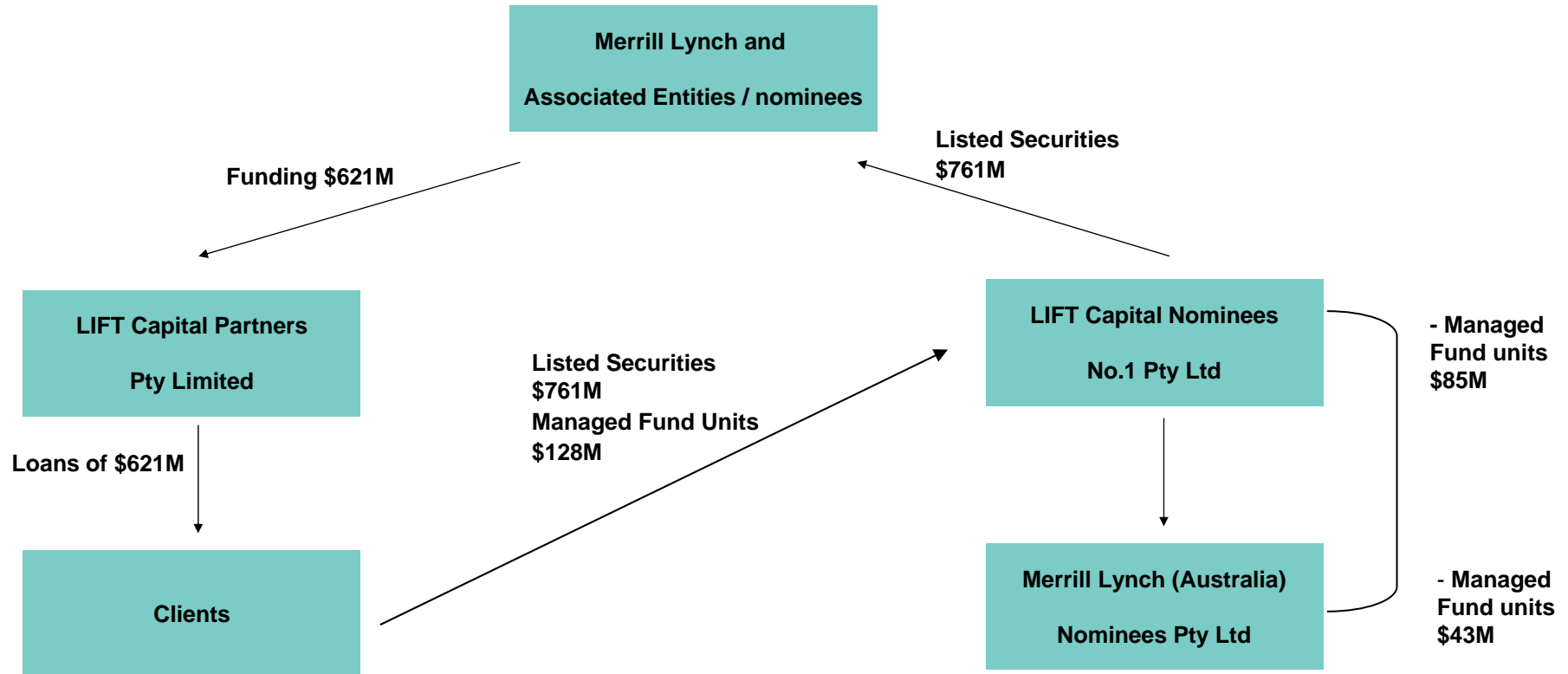


## Group Structure





## Lift Capital Business: as at 10 April 2008





## Categories of investor issues

- + Investors where loans were repaid prior to appointment but securities not returned by Lift to investors
- + Investors where refinancing was pending, but the transactions were incomplete at time of appointment
- + Investors with exposure only to Managed Funds capable of refinancing
- + Investors who have defaulted on loan repayments
- + Investors who have no loan with funds held by Lift prior to appointment of Administrators
- + Investors who have requested to repay loan and receive securities since Administration



## Reasons for Companies Failure

- + Local Market conditions:
  - led to significant number of clients repaying loans and withdrawing their collateral, thereby putting pressure on Lift's financing facility
  - Adverse impact on Lift's ability to sell the business to interested parties
  - General decline in stock market in 2008
- + Impact of global credit crunch on Lift's ability to obtain alternative financing sources, particularly in relation to Managed Funds
- + No further funding available from existing sources: the structure of Lift's business model put pressure on solvency.



## Lift Business

### Margin Lending business

- + Margin lending business for investments in ASX-listed securities (shares, options & hybrids) and in Managed Funds either held directly or via Wrap Platforms
- + 4 products offered under the LIFT facility (*Share Loans, Gear Installments, Protected Share Loans & LIFT OptionEdge*)
- + Typical lending ratios range from 50% to 70% of market value of securities
- + Securities pledged as Mortgage Property to Lift
- + Bulk of ASX-listed securities transferred to Merrill Lynch/its nominee

### SuperLIFT

- + Financing business to trustees of superannuation funds for investments in ASX-listed securities (shares, options & hybrids) and in Managed Funds either held directly or via Wrap Platforms
- + 2 products offered under the SuperLIFT facility (*SuperLIFT Installments & SuperLIFT Protected Loans*)
- + SuperLIFT Installments: Share purchase arrangements with deferred payment terms, 2<sup>nd</sup> Installment payable on nominated Reset Date unless rolled-over
- + SuperLIFT Protected Loans: Margin loan arrangements with capital protection feature, repayment payable on nominated Reset Date (between 12 to 15 months after commencement of loan) unless rolled over



## Categories of “assets” available to Administrators

	Value held by Lift Nominees \$M
Securities to be received from Merrill Lynch	85 - 95
Cash to be received from Merrill Lynch	2
Managed Funds	128
Cash Holdings	11
Berndale Securities	23
Clients in default	0-13

At present we are unable to ascertain the returns to investors from “assets” available. There is work to be done in ascertaining whether parcels of securities, proceeds of realisations and cash at bank ought to be allocated to the pool of creditors or to specific investors



## Merrill Lynch International (Australia) Limited (“MLIA”)

- + MLIA terminated Prime Brokerage Agreement and exercised rights over the Securities
- + MLIA has realised Securities to extinguish indebtedness
- + MLIA realisation near completion and to complete in next few days
- + Reconciliation of all trades to be provided
- + Details of remaining Securities to be provided: Book value about \$85M – 95M
- + ‘Proceeds’ available will depend on whether ultimate ownership of underlying Securities, and in particular, whether specific investors are entitled to specific Securities upon repayment of loan
- + MLIA will also provide surplus cash holdings to Lift: uncertain as to entitlement to cash proceeds.



## Managed Funds: falls into three categories

- A. Lift accounts with Managed Funds only: 111 accounts valued at \$18M (Loans of \$9M)
  - B. SuperLIFT accounts with Managed Funds only: 64 accounts valued at \$21.4M (Loans of \$9M)
  - C. Lift and SuperLIFT accounts with Managed Funds and Securities sold to Merrill Lynch, collectively valued at \$88M
- + Categories A & B: Administrators are considering short-term realisation strategy
    - Repayment of loans by clients and release of Managed Fund units to clients
    - Termination and redemption of units
    - Results in quick resolution of issue and release of loan funds to Lift
  - + Category C: More complex, the issue tied to the underlying ownership of Securities, as some were sold to Merrill Lynch



## Managed Funds issue to be resolved

- + Confirmation as to ownership status of MFs
- + Determination of current registered owner of MFs & subsequent retransfer to Lift Nominees if necessary
- + Verification of client accounts
  - Determination of final loan balances
  - Valuation of related Mortgage Properties
  - Existence of other client commitments to Lift e.g. whether client is Guarantor to other Lift accounts
- + Confirmation that realisation strategy consistent with terms of facility agreements with clients particularly for SuperLIFT Accounts
- + Establishment of realisation process for directly-held and Wrap Platform MFs



## Key issues facing the Administrators

- + Allocation of securities returned by Merrill Lynch: Some securities have been sold by Merrill Lynch to reduce their exposure
- + There will be surplus of shares remaining after Merrill Lynch discharge their debt
- + Issue facing Administrators is whether after shares are returned, they can be identified as being shares over which particular investors have an interest, or whether they are available for creditors generally
- + There are other securities which were not sold to Merrill Lynch over which investors (arguably) retain a beneficial interest
- + The Administrators are considering these issues. In the meantime, the Administrators will not dispose of any shares without the consent of all relevant interests
- + The Administrators may seek directions from the Court.



## Returns to Creditors

- + Client equity currently approximately \$270M
- + Before the Administrators can determine an estimated return to investors, the following issues require further consideration:
  - Entitlement to returned securities: in particular whether particular investors have a specific interest
  - Allocation of cash proceeds received from Merrill Lynch
  - Whether the Administrators can arrange for the refinance of Managed Funds not exposed to the Merrill Lynch arrangements, and the ultimate quantum of proceeds from that course of action
  - Whether the Administrators can “apportion” client loan balances where necessary
  - The methodology applied to the calculation of “investor equity”
  - Whether “pooling” is appropriate for those investors without a specific beneficial interest.



## Conclusion

Subject to the ultimate entitlement to securities:

- + Some investors will receive a substantial / full return of the underlying equity
- + Investors without claims over particular securities should be entitled to the proceeds from an “asset realisation pool”

It is not presently possible to determine these returns, but they could be significant for those investors with a clear entitlement



## Future consideration

- + Continue to work with and provide information to ASIC
- + Commence investigation into Companies failure
- + Consider entitlement to securities and determine returns to creditors
- + Report pursuant to Section 439A of the Corporations Act



## Resolutions

- + Creditors may determine to appoint a committee of creditors and subsequently determine who are to be committed members
- + Creditors may resolve to remove the current Administrators from office and appoint someone else as Administrators of the company



## Committee of Creditors

### Functions of Committee of Creditors

- + Consult with the Administrators
- + Receive and consider reports by the Administrator
- + Cannot give directions to the Administrator
- + Will be bound by a Confidentiality Agreement
- + Committee will only be in place during administration period

### Membership of Committee

- + Must be a creditor of the company



## Questions from Creditors

- + Please state creditor name
- + Direct questions through the Chairman



## Basis of transfer of Securities to Merrill Lynch

### Lift Facility Agreement

Clause 10.15(c) provides:

- + [The mortgage in this clause 10] will not apply to the Relevant Loan Securities during any period in which they are lent in accordance with clause 17.2. Instead, the mortgage in respect of the Relevant Loan Securities is released and operates as a fixed and floating charge, over all present and future rights of Nominees under any lending agreement entered into pursuant to clause 17.2. Upon return of the Relevant Loan Securities to the Lender or Nominees, clause 10 will apply.

Clause 17.2 provides:

- + The Lender or Nominees is authorised to transfer Relevant Loan Securities held by Nominees to any person under a custodial, financing, lending ... or hedging agreement, without giving you notice or requesting your consent ...

### SuperLIFT Facility Agreement

Clause 20.6 provides:

- + The Lender may hedge any liability, obligation or risk the Lender has or might have under the terms of this agreement by entering into physical or derivative transactions over the Relevant Securities in your Portfolio (including using your Relevant Securities as collateral) without giving you notice or requesting your consent. You have no right, interest or entitlement that arises from such arrangements entered into by the Lender.