

**Lift Capital Partners Pty Ltd, ACN 111 015 500  
Lift Capital Nominees No. 1 Pty Ltd, ACN 112 913 532  
(In Liquidation) ("Lift")**

### **Update to Category 2 and 3 Clients**

#### **Income Tax Obligations**

Our section 439A Report to Creditors dated 4 July 2008 made reference to three broad categories of Lift clients, referred to as Category 1, 2 and 3 clients. Capitalised terms in this update have the same meaning as previously defined in our Report to Creditors dated 4 July 2008 and subsequent updates to creditors.

This update is relevant to Category 2 and Category 3 clients that have had at least one Non-Identifiable Security that has been transferred by Lift to, and sold by, Merrill Lynch International (Australia) Limited, Merrill Lynch International or their nominees (collectively "Merrill Lynch").

As set out in our Supplementary Creditors Report dated 4 November 2008, clients may have income tax obligations associated with various transactions undertaken by Lift Capital and Merrill Lynch, in particular the sale of Non-Identifiable Securities by Merrill Lynch in the initial days of the administration.

Central to determining client tax outcomes is determining if and when beneficial ownership of the Non-Identifiable Securities changed. For example, in the event that beneficial ownership of the securities changed at the time Merrill Lynch disposed of the securities, a capital or revenue gain or loss may arise for clients, in circumstances where clients have not received the proceeds of the sale of securities. Such an outcome is likely to be of concern to many clients.

We have met with the Australian Taxation Office ("ATO") to appraise it of the circumstances facing Lift clients with the aim of agreeing an acceptable approach Lift clients can adopt to meet their income tax obligations.

We have provided the ATO with relevant background information, discussed the possible impact of various Court Proceedings involving Lift, and have advised the ATO that, even if a capital gain or loss arose under CGT event A1 or a revenue gain or loss arose for those clients who held their securities on revenue account, clients have not received the proceeds of sale of Non-Identifiable Securities and it is not currently possible for clients to quantify the proceeds they may or will ultimately receive. We have further advised it is likely some clients may not be aware if a CGT or other tax event has occurred.

In the first instance, we will be requesting the ATO allow clients to defer the income tax consequences associated with the potential CGT or other tax event to enable clients to meet their income tax obligations for the year ended 30 June 2008.

We will continue to work with the ATO to provide mutually agreed guidance to clients in relation to their income tax obligations associated with these arrangements and will provide further updates in due course.

As each client's position is different, clients should seek their own independent tax advice including in regards to the treatment of any distributions, returns of securities or dividends they receive. This preliminary communication is provided to creditors as a general guide only and does not constitute tax advice.

D18-090129-LIFTCAP02-Tax website Update-JPH

Should you wish to discuss the above information, please contact Adrian Koochew of this office on telephone number (02) 9248 9946.

Dated: 29 January 2009

A handwritten signature in black ink, appearing to be 'A G McGrath'.

A G McGrath  
*Liquidator*

A handwritten signature in black ink, appearing to be 'J D Hayes'.

J D Hayes  
*Liquidator*