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CORPORATE RECOVERY

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 Supplementary Report dated 4 November 2008, attaching a Notice re-convening the meetings of creditors which are being held on Wednesday, 12 November 2008. The purpose of this further Update is to inform creditors of the outcome of discussions with Merrill Lynch ("ML") following on from the position up to the date of the Report.

As you are aware, the administrators encouraged ML to make a global offer to Lift Clients in order to see whether the issues between Lift, ML and Lift Clients might be brought to an early and efficient conclusion in the interests of all parties.

The Administrators remained in regular dialogue with ML throughout the week, and on Wednesday 5 November 2008 were informed that ML had approved the key terms of a Revised DOCA Proposal. However, the Administrators did not receive a formal Proposal from ML until Friday, 7 November 2008. The 'without prejudice' proposal included a number of conditions and preconditions, and proposed a contribution into a fund against which Lift Clients who considered they had potential claims against ML in respect of shares which were transferred by Lift to ML ("**Share Loss Claims**") could participate, on the basis that they execute individual releases in favour of ML.

After discussing the terms of the proposal with the Creditors Committee and other major creditors, the Administrators determined that the Revised DOCA Proposal would not have the support of creditors. Taking into account their views, we make the following observations:

- + The NSW Proceedings, due to commence on 11 November 2008, will provide a valuable insight into ML's position on the Lift arrangements, which the Committee consider should be taken into account in considering any settlement offer;
- + ML have still not filed their defence in the Swaby & Crabb Proceedings (Section 3.3 of the 4 November Supplementary Report). Aspects of that share loss claim may also be relevant for creditors in considering settlement offers;
- + Creditor claims may (subject to adjudication) increase after allowing for damages, taxation and other issues, diluting the return; and so,
- + While the prospects of success of Share Loss Claims by Lift creditors against ML is uncertain and a matter on which some creditors are obtaining their own legal advice, the quantum of the proposed payment appears likely to be viewed by creditors as insufficient to persuade them to give up (release) their right to claim against ML, having regard to the above matters.

We indicated to ML that unless an offer was made which included a substantially higher settlement sum and removal of other preconditions, the Administrators would not be able to recommend the DOCA to the meeting, nor would they consider obtaining from the Court a further extension to the time to re-convene the meeting, in order to extend the negotiation.

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ML determined in light of that feedback it would elect to withdraw the offer.

Under s439C of the Corporations Act, there are 3 options available that creditors may vote on by resolution at the meetings of creditors which are being held on Wednesday, 12 November 2008. Those options and our opinions on each of those options are as follows:

- (1) Whether it would be in creditors' interests for the Lift companies to execute a Deed of Company Arrangement.

There is no DOCA Proposal being advanced for consideration by creditors and accordingly in our opinion it would not be in creditors' interests to resolve that the Lift companies execute a Deed of Company Arrangement.

- (2) Whether it would be in creditors' interests for the administration of the Lift companies to end.

The Lift companies are insolvent and in our opinion for that reason it would not be appropriate to resolve to end the administration, which would confer control of the Lift companies back to the directors of Lift.

- (3) Whether it would be in creditors' interests for the Lift companies to be wound up

As there is no DOCA Proposal for creditors to consider and the Lift companies are insolvent, the Administrators are of the opinion that it is in the interests of creditors that the Lift companies be wound up.

Having regard to the time elapsed since creditors last met in July 2008, it is unfortunate a DOCA Proposal permitting a prompt resolution of all Lift matters cannot be put to the re-convened meeting. ML have taken considerably longer than the timeframe we outlined to them to consider the matter. We have adjourned the meeting and have also obtained an extension of the meeting through the Courts to permit an offer be made. We considered approaching the Court for a further extension of time to permit negotiations to continue, but given the time devoted to settlement options thus far, we consider the future of the company should now be resolved.

We will provide a further update at the meeting.

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

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