

Credit Sails Community

Credit Sails Community Update

Thank you for your ongoing support through the proxy request process from May of this year. 500 parties representing approximately (\$16.5m Credit Sails Notes) have supported this action. This equates to 18% of the original \$91.5m offer or 24.8% of the \$66.5m post the Calyon buy-backs. Although we have not met the 25% we set out for, we feel if we choose to press forward the goal will be met as we have significantly cleared the 10% hurdle required to call a meeting of all holders.

Our strategy with the Investigative Committee has been to hold off on this action until the Commerce Commission reports on their investigation. Logic Fund Management has been in discussions with the Commission and they will be reporting their results by the end of September, although this may be subject to a delay.

We expect the possible results will be either a settlement substantial enough for all investors, or no settlement and the Commission to lead a lawsuit against the parties concerned. Depending on the result, the Investigative Committee will weigh the options and decide whether or not to pursue the action as supported by over 500 parties within the Credit Sails Community.

Thus far no action by the Investigative Committee has taken place and none of the residual monies have been spent on legal costs. However, litigation funders continue to contact Logic Fund Management seeking to represent Credit Sails in this case and we are aware of at least one other extensive filing against the Issuer in the High Court over negligence and breach of contract. We are pleased to be in a position of choice and feel we have a number of options to proceed if necessary.

Internationally another court case has been filed against Credit Agricole for a July 2006-designed CDO known as Pyxis. The case depicts a product that was 'designed to fail' while marketed and sold to unsuspecting investors. This is one of many CDO's described in this way, which is different from a product that was merely misrepresented and mis-sold to unsuspecting clients. We are watching this case with obvious interest.

If the Commission takes this tact with Credit Sails, the parties concerned may be liable for punitive damages over and above the cost of the product to investors. This differentiates Credit Sails from the other settled CDO case in New Zealand - the ING/ANZ CDO fund.

Please let us know if we could be of any other assistance at this time. We are happy to field any questions concerning this Credit Sails. Thank you for your ongoing support.



Greg Marshall