Refer to: Lloyd Hayward

No. of Company: 1770645

Liquidators' Further Report

ART Apartments Limited (In Liquidation)

For the period to 6 February 2011

Introduction

ART Apartments Limited was placed into voluntary liquidation on 8 February 2008 when Jeff Meltzer, Arron Heath and Lloyd Hayward of Meltzer Mason Heath were appointed joint and several Liquidators.

In accordance with section 255 of the Companies Act 1993 the Liquidators are obliged to report to all creditors and shareholders on the conduct of the liquidation during the preceding six months. This report covers the period to 6 February 2011

Action to Date

The Liquidators have previously reported on actions undertaken. See below for further comment on actions proposed by the Liquidators.

Receipts and Payments

There have been no receipts and no payments during the period covered by this report.

Asset Realisations

There have been no realisations of assets during the period covered by this report.

Dividends

There have been no dividends paid during the period covered by this report. At this time the Liquidators do not expect that there will be any dividend available for creditors.

The following sections of this report incorporate comments relating to all of the Blue Chip companies to which we have been appointed.

Jeff Meltzer
Karen Mason
Arron Heath

CHARTERED ACCOUNTANTS

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Based on the opinion obtained from Queen's Counsel, the Liquidators are seeking funding to commence proceedings for breach of duty by directors and/or in relation to advice given to the Blue Chip Group regarding its products. As at the date of this report, discussions were continuing with several possible funders.

The Liquidators understand that the present position in the investor group proceedings is:

1. The Supreme Court has overturned the Court of Appeal decision that investors' loan agreements with GE Custodians Limited to purchase Blue Chip Group apartments or properties were oppressive. The Court said it would be unfair to hold the finance company responsible for the investors' predicament. The outcome of this litigation is unfortunate for affected investors but the Court found that the finance company had no knowledge of any matter which would make the investors' loan contracts oppressive.

2. The Liquidators understand that the appeal against the High Court's decision that investors' sale and purchase agreements in respect of three central Auckland apartment buildings were valid, has not yet been heard by the Court of Appeal.

Also, during the period covered by this report, the Serious Fraud Office advised that it had completed its Blue Chip Group investigation and, based on the available evidence, did not intend to lay charges as insufficient evidence existed for a criminal prosecution.

Although discussions are continuing with potential funders, the Liquidators' view that it is unlikely that creditors will receive a dividend from the liquidations remains unchanged. As reported previously the Liquidators' view is that whether creditors will receive any dividend from the liquidations depends on whether proceedings can be issued against directors and others and that, in turn, is dependent on whether funding is available. The Liquidators will issue a media release if funding is obtained with details being posted on the Meltzer Mason Heath website.

Creditors are reminded that not all Blue Chip companies will be involved in any proceedings that may be issued. Only the creditors of those Blue Chip companies that are involved have any prospect of receiving a dividend.

Please contact Lloyd Hayward of this office should you require any further information.

Dated this 28th day of March 2011

L J Hayward
Liquidator