

«Title» «First_Name» «Surname»
«Address1»
«Address2»
«Address3»
«Address4»
«Address5»

23 December 2008

Dear Investor

Capital+Merchant Business Investments Limited (In Receivership) - "CMBI"

1. Introduction

As you are aware Colin Thomas McCloy and John Anthony Waller were appointed joint and several receivers of CMBI on 27 February 2008. We take this opportunity to provide you with an update on the progress of the receivership since our last letter to you dated 8 October 2008.

2. Realisation of Assets

We continue to take action to realise the following assets.

2.1 Parent Company Loan

As Capital+Merchant Group Limited ("CMG") owed CMBI \$131k and were unable to repay it, we applied to the High Court to place it into liquidation. On 5 December 2008 Anthony Boswell and Vivian Fatupaito of PricewaterhouseCoopers were appointed liquidators of CMG. The liquidators will investigate the financial position of CMG to ascertain whether there are any funds available to distribute to unsecured creditors. We believe it is unlikely that any funds will be recoverable from this loan.

2.2 Loan Debtors under our control

On receivership, 12 loans totalling \$874k were owed to CMBI. To date we have collected \$453k. We have collected 8 loans in full and are receiving instalment payments for 1 other loan. For the remaining 3 loans in arrears we are undertaking various actions to maximise recoveries on these loans, including taking legal action. Due to the impairment of the outstanding loans future recoveries are and will continue to prove difficult.

2.3 Loans transferred to Third Party

As previously advised prior to receivership all CMBI's loans were managed by Capital+Merchant Business Finance Limited ("CMBF"). A number of these loans totalling \$1.1 million were transferred to a third party prior to the receivership.

The liquidator continues to investigate CMBF and is using his statutory powers to obtain information on the transaction that may assist us in our claims. This information is necessary for us before determining what action we can take in regard to recovering funds in relation to the loans that were transferred.

3. Tax Deduction Certificates

As advised in our previous update, we have engaged the former IT manager for Capital+Merchant Finance Limited ("CMF") to extract the information required to prepare the tax deduction certificates. We have been provided some initial information to prepare these certificates, however following a review of the information there were inaccuracies in the data. The former IT manager is working to compile the correct data.

4. Investigation

We have completed our investigation into CMBI's affairs and will be issuing a report to the appropriate government authorities where we have discovered potential breaches of legislation or CMBI's Trust Deed by CMBI directors or officers. Those authorities may take such actions as they deem appropriate. We will provide any assistance we are able should the government authorities choose to undertake an investigation into these actions.

5. Estimated Return for Secured Debenture Investors

Due to the issues raised in the report we are unable at this stage to provide an estimate on the quantum and timing of a possible return to secured debenture investors. However, we note that we currently have \$185k on hand.

6. Other Matters

We will endeavour to keep investors updated on a regular basis. Our next formal update to investors will be issued by the end of April 2008. In the meantime, should investors or other stakeholders have any queries arising from this update, please contact us via our website, telephone, facsimile, email, or private bag address, as follows:

Capital+Merchant Business Investments Limited (In Receivership)
c/- PricewaterhouseCoopers
Private Bag 92-162, AUCKLAND
Facsimile: +64 9 355 8013
Telephone: (09) 355 8808
Website: www.pwc.com/nz/cmbi
Email: nicholas.r.innes-jones@nz.pwc.com

Yours faithfully
Capital+Merchant Business Investments Limited (In Receivership)



Colin McCloy
Receiver