

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

13 May 2009

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. On 22 December 2008, John Anthony Waller resigned as receiver and Maurice George Noone was appointed to act jointly and severally with Colin Thomas McCloy. We take this opportunity to provide you with an update on the progress of the receivership since our last letter to you dated 22 December 2009.

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 was unable to repay it, we applied to the High Court to place it into liquidation. On 5 December 2008 the High Court appointed Liquidators to CMG. Vivian Fatupaito and Maurice Noone of PricewaterhouseCoopers are now acting as liquidators of CMG. We have lodged a claim in CMG's liquidation for this amount. 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 \$480k. We have collected 9 loans in full and for the 3 outstanding 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

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 engaged the former IT manager for Capital+Merchant Finance Limited ("CMF") to extract the information required to prepare the tax deduction certificates for the year ended 31 March 2008. We were provided with initial information to prepare these certificates, however following a review of the information we found that there were inaccuracies in the data. The former IT manager has advised us that he is unable to correct the data provided to us. We regret to advise we are therefore unable to send out certificates to secured debenture investors.

4. Investigation

We have completed our investigation into CMBI's affairs and issued a report to the appropriate government authorities on areas 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 take any action in regard to these potential breaches.

Due to the nature of these investigations and potential legal consequences, we are unable to provide details regarding individual issues or our findings to date because doing so could prejudice any proceedings which may be taken.

5. Estimated Return for Secured Debenture Investors

Excluding any recoveries from any litigation against parties regarding the transfer of the loans to a third party we regret to advise that the return to Investors from other recoveries is unfortunately only likely to be in the region of 7.5% of your investment. We hope to make this distribution by the time our next update is due in September 2009.

We acknowledge that this return will be a disappointment to Investors, however, we wish to assure you that we have and will continue to do everything in our power to maximise returns for Investors.

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 September 2009. 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