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15 October 2009

Dear Investor

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

**1. Introduction**

As you are aware Colin Thomas McCloy and Maurice George Noone of PricewaterhouseCoopers are acting as receivers of CMBI. We take this opportunity to provide you with an update on the progress of the receivership since our last letter to you dated 13 May 2009.

**2. Realisation of Assets**

We continue to take action to realise the following assets:

*2.1 Loan Debtors under our control*

On receivership, 12 loans totalling \$874k were owed to CMBI. To date we have collected \$528k. 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.

*2.2 Loans transferred to Third Party*

As you are aware 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. Investigation

As advised in our previous update, we 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.

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.

### 4. 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 advise that the return to Investors from other recoveries is likely to be in the region of 9% of your investment. We had previously advised that we had hoped to make this distribution by September 2009. Due to ongoing legal issues and other matters we have not been able to make this distribution. We hope to make this distribution by the end of 2009.

We assure you that we have and will continue to do everything in our power to maximise returns for Investors.

### 5. 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 March 2010. 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:

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



Colin McCloy  
Receiver