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8 October 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 30 June 2008.

2. CMBI Assets on Receivership

As shown in our last update the table below summarises CMBI's assets at the date of receivership:

Asset Description	Note	Book Value (\$)
Cash at Bank	2.1	760
Parent Company Loan	2.2	131,000
Loan Debtors under our control	2.3	873,987
Loans transferred to Third Party	2.4	1,097,581
Total	\$	2,103,328

In relation to the realisations of the assets stated above we advise the following:

2.1 Cash at Bank

The cash at bank has been transferred into the receivers' bank account.

2.2 Parent Company Loan

As the debt from CMBI's parent Capital+Merchant Group Limited ("CMG") remains outstanding, we have applied to the Court to have CMG placed into liquidation. The hearing for this is to be held on 5 December 2008. We have been advised that CMG has no assets, however, we will allow the liquidator to investigate this.

2.3 *Loan Debtors under our control*

There are 12 loans in this category. To date we have collected \$434k. We have collected 7 loans in full and are receiving instalment payments for another 2 loans. For the remaining 3 loans in arrears we are undertaking various actions to maximise recoveries on these loans. Due to the impairment of the outstanding loans future recoveries will prove difficult.

2.4 *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 were transferred to a third party prior to the receivership. We applied to the High Court to place CMBF into liquidation. However before our application was heard CMBF's shareholder placed the company into voluntary liquidation.

We have provided details of our claims and met with the Liquidators. They are undertaking an investigation in an attempt to provide further information that will assist in any potential legal claims we will take.

We are unable to provide you with any further information in this regard as it may prejudice any recovery actions we are/or may be taking.

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. There have been technical difficulties in extracting the information, however, we have been advised we should receive the information shortly. We will forward the certificates to investors as soon as they have been prepared.

The information extracted will also determine the Inland Revenue Department's ("IRD") preferential claim against CMBI in respect of unpaid Resident Withholding Tax and Non-Resident Withholding Tax. Based on previous payments made to the IRD, we estimate the preferential claim to be around \$15k, however, this is only an estimate and is not confirmed.

4. Investigation

We are still completing our investigation to determine if there have been any breaches of legislation or CMBI's Trust Deed by CMBI directors or officers. Where any breaches are discovered, they will be referred to the appropriate Government authorities. Those authorities may take such actions as they deem appropriate.

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 \$208k on hand.

6. Other Matters

We will endeavour to keep investors updated on a regular basis. We are required to file a 6 monthly statutory report with the Companies Office by early November. A copy of this report will also be available on our website. Our next formal update to investors will be issued by the end of December 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