



16th September, 2010.

Dear Shareholders,

**RE: REQUISITION OF EXTRAORDINARY MEETING**

You will find enclosed a notice of extraordinary meeting of shareholders being held on the same day as the Annual General Meeting.

This meeting is being called at the request of 3 shareholders, Tato Pty. Ltd., Gary Kurzer & Virginia Aghan and Cuthbert Superannuation Fund who between them hold just over 5% of the issued share capital. Those shareholders are seeking to discuss the future direction of the company and to replace 3 of your directors with 2 new directors, neither of whom hold shares in the company.

In support of their move to replace directors the enclosed statement has been prepared which is critical of the existing board. The 'Statement regarding the election of new directors to the board of BBX Property Investment Fund Limited' contains a number of discrepancies, errors or omissions:

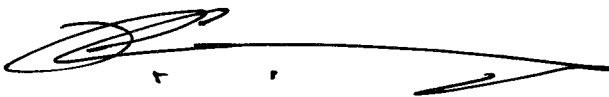
- (1) The statement that "The company has failed to achieve any and all of the key objectives set out at the time of the initial public offer " is factually incorrect and ignores the fact that 17 investment properties have been purchased, all with a 30% trade dollar deposit.
- (2) Under the heading of "LOSSES" the assertion that the "company has accumulated losses totalling over \$5,000,000" fails to point out that \$3.8million of that is an accounting adjustment relating to the carrying value of BBX trade dollars which was included at our auditors request.
- (3) The heading "BALLOONING DEBT" is completely false as the company's debt has not materially changed in the past 2 financial years.
- (4) In the latest financial year interest payments have not exceeded gross revenue.
- (5) The statement that 'existing directors appear to be unwilling or unable to address these issues' ignores the impact of the global financial crisis and the many attempts to refinance existing facilities. It does not mention 2 years of discussions with representatives of Tato Pty. Ltd. relating to a possible restructure and it does not mention the many contracts we have had to purchase properties that have not settled due to a lack of financing. These experiences have been common to all other property investors in the last 2 years.

- (6) Mr Massimo Cellante has been put forward as a director but the statement fails to point out that as Managing Director of NSX listed Bell IXL Investments Ltd. nearly 20% of shareholders funds have been lost since this company was established in 2005 with the primary objective of investing in the sharemarket. Many of the company's investments have declined recently by up to 50%.
- (7) The statement that 'The new directors will act quickly and take the following action necessary to salvage the company from the perilous position that it is now in' is made notwithstanding that,
  - (a) they cannot substantiate that they will be able to secure short term financial support or sell so called 'poorly performing properties'.
  - (b) they fail to point out that the proposal for raising new cash share capital would be at a deep discount to the \$1 at which all other shareholders have participated (15 cents had been suggested to us in earlier discussions) and therefore existing shareholders interests will be heavily diluted.
  - (c) the proposal to seek out new properties we understand would involve a transfer of vacant land at a valuation of approx. \$10 million from themselves and/or their associates in return for up to 66.67 million shares at 15 cents each. This course, if approved by shareholders would expose the company to the very high risks associated with the development of a residential subdivision in non metropolitan Melbourne. The mandate of your company has never included the development of real estate but has been limited to the purchase of finished stock for rental only.

For all of the above reasons this statement cannot be relied upon by shareholders seeking to make an informed judgement about the current position of the company. We would recommend that you take no action in relation to this statement without talking with us first or attend the meeting in person so that you can hear the current plan to acquire further properties and ultimately get the company listed on the ASX.

Yours faithfully,

**BBX PROPERTY INVESTMENT FUND LTD.**



**TIM CREASY**

Secretary

Direct Line: 02 9499 1118

Email: [timc@ebbx.com](mailto:timc@ebbx.com)