

29 October 2009

Name  
Designated Account  
Address  
Address  
Suburb State Postcode

**Becton Investment  
Management Limited**

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AFS Licence No 223739

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Dear Investor

## **Becton Industrial Fund (“Fund”) – Entitlement Offer / Suspension of distributions**

**Becton will return all Becton Industrial Fund Entitlement Offer application monies along with any interest earned.**

**Distributions from the Becton Industrial Fund will be suspended from 1 November 2009.**

### **Entitlement offer update**

The Becton Industrial Fund Entitlement Offer (“**the Offer**”) closed on 26 October 2009. We sincerely thank those who supported this important equity raising initiative.

The purpose of the Offer was to raise up to \$23 million of additional capital to be used to:

- (a) repay debt so as to reduce the risk of the Fund breaching loan covenants (and, in particular, exceeding the maximum loan to value ratio (“**LVR**”) under its loan facility agreements with its senior lenders); and
- (b) fund necessary capital works and tenant lease incentives, which are core parts of the manager’s active management strategy.

As of the Offer closing date, the Fund had received applications under the Offer totalling approximately \$6.2 million.

Since the Offer opened on 1 June 2009, property markets and valuations have continued to deteriorate and the value of the Fund’s assets has continued to fall.

### **Suspension of distributions**

Given the continued decline in the value of the Fund’s assets, and after further discussions with the Fund’s lenders, Becton Investment Management Limited (“**BIML**”) as the responsible entity for the Fund, has determined that if the Fund were to continue to pay distributions to investors, it would increase the risk of breaching its LVR covenants. BIML considers that this would not be in the best interests of investors, as it could lead to increased costs for the Fund and forced asset sales. On this basis, BIML has determined to suspend distributions from 1 November 2009.

### **Return of application monies**

In light of factors including the total amount raised under the Offer, the decision to suspend distributions and the continued volatility of property markets, BIML considers that it is not appropriate to retain the monies raised under the Offer. While part of these monies could be used to fund some

capital works and tenant lease incentives, BIML considers that the amount raised is insufficient to enable any significant repayment of debt.

Accordingly, BIML has decided to **return all application monies received from investors under the Offer along with the interest on such monies earned during the Offer period.**

**Asset sales and active management**

Over the last 18 months, the manager of BIF has undertaken a sustained active management and asset sale program to reduce debt and stabilise the Fund. Since June 2008, the Fund has sold eight assets with a value of \$56.7 million. The proceeds of these sales have been applied in reduction of debt.

In that same time the Fund has completed 22 leasing deals contributing approximately \$6.96 million in rental income.

Despite these efforts, the Fund continues to be affected by falling asset values and the risk of a potential breach of its LVR covenants remains.

**Proposed course of action**

BIML will consider a range of alternative strategies for the Fund going forward. These may include:

- further sale of fund assets; and
- potential capital management initiatives and other transactions to address the Fund's balance sheet challenges.

BIML will continue to act in the best interests of investors at all times during this process and will communicate directly with investors in relation to any material developments. In the meantime, if you have any questions regarding the matters raised in this letter, please call Becton Customer Service on 1800 182 257.

Thank you for your continued support of Becton Property Group.

Yours sincerely



**James Goodwin**  
CEO Funds Management



**Josh Sharkey**  
Fund Manager