

## BABCOCK & BROWN

Babcock & Brown Limited · ABN 53 108 614 955  
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia  
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### ASX Release/ NZX Release

13 February 2009

#### **SUBORDINATED NOTE TRIGGER EVENT NOTICES**

Please find enclosed subordinated note Trigger Event Notices for both the subordinated notes listed in Australia and the subordinated notes listed in New Zealand. These notices will be mailed to note holders over the next few days.

#### **ENDS**

#### **For further information please contact:**

Kelly Hibbins  
Babcock & Brown  
+61 2 9229 1800  
[kelly.hibbins@babcockbrown.com](mailto:kelly.hibbins@babcockbrown.com)

For further information about Babcock & Brown please see our website:  
[www.babcockbrown.com](http://www.babcockbrown.com)

# [BNB letterhead]

[13] February 2009

[*insert name*]

[*insert address*]

Dear Holder

## **Babcock & Brown Subordinated Notes - Notice of Trigger Event**

As you are no doubt aware, Babcock & Brown Limited (**BNB**) has recently made a number of significant announcements to the Australian Securities Exchange (**ASX**) in relation to its current financial position and prospects. The purpose of this letter is to give you notice of several matters which are of importance to you as a Holder of Babcock & Brown Subordinated Notes (**Notes**).

We refer to the terms of issue (**Terms of Issue**) for the Notes. The Terms of Issue are contained in schedule 1 to the Trust Deed dated 9 November 2005 between BNB, Babcock & Brown International Pty Ltd (**BBIPL**) and Trust Company Fiduciary Services Limited (previously called Permanent Trustee Company Limited as at the date of the Trust Deed).

Unless otherwise defined in this notice, terms defined in the Terms of Issue have the same meaning when used in this notice.

### **1 Notice of Trigger Event**

Pursuant to clause 4.2(a) of the Terms of Issue, BNB hereby gives notice that a Trigger Event has occurred in relation to your Notes. The Trigger Event occurred because BNB's Ordinary Shares were suspended from trading for a period of 20 consecutive Business Days.

As a result of the Trigger Event, you may request Exchange or Repayment of all (but not a smaller number) of your Notes by providing an Exit Notice (in the form attached to this notice) to BNB no later than 6 March 2009.

Exit Notices should be sent to:

Babcock & Brown Limited  
Attention: Company Secretary  
Level 23, The Chifley Tower  
Chifley Square  
Sydney, NSW 2000

or by facsimile to +61 2 9233 2907.

The Exit Notice must be accompanied by evidence of title reasonably acceptable to BNB (eg a copy of a current holding statement in relation to your Notes). BNB cannot accept it as a valid Exit Notice unless and until such evidence is actually received by BNB.

## **2 Repayment Notice**

On receipt of a valid Exit Notice from you, BNB must give you a Repayment Notice. The Repayment Notice must be given by 6 April 2009 and specify whether BNB will Exchange or Repay your Notes on the Realisation Date (being, 13 May 2009).

It is important for you to know that, for the reasons set out below, BNB expects it will not be able to Repay your Notes on the Realisation Date.

## **3 Possible restructure of the Notes**

As set out in its announcement to the ASX on 6 February 2009, BNB is considering a possible restructure of the Notes.

At the time of issue, the proceeds of the Notes were on-lent by BNB to its principal operating subsidiary BBIPL. Payments under these loans were expected to be the principal source of funds for BNB to pay interest on the Notes and/or repay the Notes. Under the applicable subordination arrangements, BBIPL can only repay funds to BNB after it has met its commitments to its syndicate of bankers. In other words, BNB's right to be repaid is subordinated to the rights of BBIPL's bankers. Similarly, BBIPL's obligations under its guarantee of the Notes are also subordinated to the rights of BBIPL's bankers (which also have security over all of BBIPL's assets). The subordination arrangements were disclosed at the time of issue of the Notes.

Given the subordination arrangements in relation to Notes, BBIPL is unable to repay the loans made to it by BNB with the proceeds of the issue of your Notes. Therefore, because BNB does not have access to other sources of funds to make payments under the Notes, the BNB Board does not believe that BNB will be in a position to resume paying interest on the Notes or be in a position to Repay any Notes the subject of Exit Notices.

Accordingly, BNB expects that even if you lodge an Exit Notice, BNB will not be able to Repay your Notes on the Realisation Date.

In these circumstances, the Directors of BNB believe that it is in the best interests of Holders to amend the terms of the Notes so that the continued existence of the Notes does not cause BNB to be insolvent. BNB is considering proposing a restructuring and expects to provide full details in materials to be sent to Holders in mid February. These materials will provide much more detail of any such proposal - which will allow you to fully consider your position. You should obtain your own independent financial and legal advice in relation to any such restructure proposal.

Any restructuring proposal relating to the Notes will be subject to approval by a special resolution of holders of the Notes and the holders of Babcock & Brown Subordinated Notes issued in New Zealand and the restructure being able to be implemented by 15 March 2009, being the next interest payment date for the New Zealand notes. You are not under any obligation to vote in favour of any restructure proposal and are entitled to vote against it.

No assurance can be given that BNB will put a restructure proposal to Holders or, if it does, that a restructuring will be achievable. We are doing our best to work through these matters quickly so that you can be fully informed as soon as possible.

The Board and Management of BNB deeply regret the loss of Holder value and acknowledge the financial hardship this has caused investors.

If you have any questions in relation to the above, please feel free to contact the Babcock & Brown Shareholder Information Line on 1800 818 562 (TOLLFREE within Australia), +64 9 375 5998 in New Zealand or +61 2 8280 7452 (outside Australia and New Zealand). All ASX announcements released to the market can be found on our website at [www.babcockbrown.com](http://www.babcockbrown.com).

Yours sincerely

**[name]**  
Company secretary  
Babcock & Brown Limited

**Babcock & Brown Limited  
ABN 53 108 614 955**

**Babcock & Brown Subordinated Notes**

**EXIT NOTICE**

This Exit Notice is issued pursuant to the Babcock & Brown Subordinated Note (**Note**) terms of issue (**Terms of Issue**).

Unless otherwise defined in this Exit Notice, terms defined in the notice of the Trigger Event dated 13 February 2009 have the same meaning when used in this notice.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

No. of BBSN held: \_\_\_\_\_

HIN/SRN: \_\_\_\_\_

I/We refer to the notice of Trigger Event from Babcock & Brown Limited (**BNB**) dated [13] February 2009.

I/We are the holder/s of the number of Notes detailed above. Pursuant to clause 4.2(b) of the Terms, I/we issue this Exit Notice to BNB and request:

Repayment  **As noted in the accompanying notice of a Trigger Event, BNB does not expect to be able to repay the Notes the subject of Exit Notices if you request REPAYMENT.**

Exchange  **If you request EXCHANGE, BNB will elect whether to Repay, Resell or Exchange your Notes. BNB has not made any decision on whether to Exchange your Notes if you so elect. However, if BNB elected to Exchange your Notes, you would receive BNB Ordinary Shares. BNB has announced that it expects its Ordinary Shares to have no value. Accordingly, if your Notes are Exchanged you will receive Ordinary Shares that are expected to have no value.**

of all of the Notes detailed above.

**Please tick only ONE box.**

I/We enclose with this Exit Notice evidence of title to the Notes.

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Position Held: \_\_\_\_\_

Phone Contact: \_\_\_\_\_

Email Address: \_\_\_\_\_

# [BNB letterhead]

[13] February 2009

[*insert name*]

[*insert address*]

Dear Holder

## **Babcock & Brown Subordinated Notes 2 - Notice of Trigger Event**

As you are no doubt aware, Babcock & Brown Limited (**BNB**) has recently made a number of significant announcements to the Australian Securities Exchange (**ASX**) in relation to its current financial position and prospects. The purpose of this letter is to give you notice of several matters which are of importance to you as a Holder of Babcock & Brown Subordinated Notes 2 (**Notes**).

We refer to the terms of issue (**Terms of Issue**) for the Notes. The Terms of Issue are contained in schedule 1 to the Trust Deed dated 1 May 2006 between BNB, Babcock & Brown International Pty Ltd (**BIPL**) and Trust Company Fiduciary Services Limited (previously called Permanent Trustee Company Limited as at the date of the Trust Deed).

Unless otherwise defined in this notice, terms defined in the Terms of Issue have the same meaning when used in this notice.

### **1 Notice of Trigger Event**

Pursuant to clause 4.2(a) of the Terms of Issue, BNB hereby gives notice that a Trigger Event has occurred in relation to your Notes. The Trigger Event occurred because BNB's Ordinary Shares were suspended from trading for a period of 20 consecutive Business Days.

As a result of the Trigger Event, you may request Exchange or Repayment of all (but not a smaller number) of your Notes by providing an Exit Notice (in the form attached to this notice) to BNB no later than 6 March 2009.

Exit Notices should be sent to:

Babcock & Brown Limited  
Attention: Company Secretary  
Level 23, The Chifley Tower  
Chifley Square  
Sydney, NSW 2000

or by facsimile to +61 2 9233 2907.

The Exit Notice must be accompanied by evidence of title reasonably acceptable to BNB (eg a copy of a current holding statement in relation to your Notes). BNB cannot accept it as a valid Exit Notice unless and until such evidence is actually received by BNB.

## **2 Repayment Notice**

On receipt of a valid Exit Notice from you, BNB must give you a Repayment Notice. The Repayment Notice must be given by 6 April 2009 and specify whether BNB will Exchange or Repay your Notes on the Realisation Date (being, 13 May 2009).

It is important for you to know that, for the reasons set out below, BNB expects it will not be able to Repay your Notes on the Realisation Date.

## **3 Possible restructure of the Notes**

As set out in its announcement to the ASX on 6 February 2009, BNB is considering a possible restructure of the Notes.

At the time of issue, the proceeds of the Notes were on-lent by BNB to its principal operating subsidiary BBIPL. Payments under these loans were expected to be the principal source of funds for BNB to pay interest on the Notes and/or repay the Notes. Under the applicable subordination arrangements, BBIPL can only repay funds to BNB after it has met its commitments to its syndicate of bankers. In other words, BNB's right to be repaid is subordinated to the rights of BBIPL's bankers. Similarly, BBIPL's obligations under its guarantee of the Notes are also subordinated to the rights of BBIPL's bankers (which also have security over all of BBIPL's assets). The subordination arrangements were disclosed at the time of issue of the Notes.

Given the subordination arrangements in relation to the Notes, BBIPL is unable to repay the loans made to it by BNB with the proceeds of the issue of your Notes. Therefore, because BNB does not have access to other sources of funds to make payments under the Notes, the BNB Board does not believe that BNB will be in a position to resume paying interest on the Notes or be in a position to Repay any Notes the subject of Exit Notices.

Accordingly, BNB expects that even if you lodge an Exit Notice, BNB will not be able to Repay your Notes on the Realisation Date.

In these circumstances, the Directors of BNB believe that it is in the best interests of Holders to amend the terms of the Notes so that the continued existence of the Notes does not cause BNB to be insolvent. BNB is considering proposing a restructuring and expects to provide full details in materials to be sent to Holders in mid February. These materials will provide much more detail of any such proposal - which will allow you to fully consider your position. You should obtain your own independent financial and legal advice in relation to any such restructure proposal.

Any restructuring proposal relating to the Notes will be subject to approval by a special resolution of holders of the Notes and the holders of Babcock & Brown Subordinated Notes issued in Australia and the restructure being able to be implemented by 15 March 2009, being the next interest payment date for the Notes. You are not under any obligation to vote in favour of any restructure proposal and are entitled to vote against it.

No assurance can be given that BNB will put a restructure proposal to Holders or, if it does, that a restructuring will be achievable. We are doing our best to work through these matters quickly so that you can be fully informed as soon as possible.

The Board and Management of BNB deeply regret the loss of Holder value and acknowledge the financial hardship this has caused investors.

If you have any questions in relation to the above, please feel free to contact the Babcock & Brown Shareholder Information Line on 1800 818 562 (TOLLFREE within Australia), +64 9 375 5998 in New Zealand or +61 2 8280 7452 (outside Australia and New Zealand). All ASX announcements released to the market can be found on our website at [www.babcockbrown.com](http://www.babcockbrown.com).

Yours sincerely

**[name]**  
Company secretary  
Babcock & Brown Limited



**Babcock & Brown Limited**  
**ABN 53 108 614 955**

**Babcock & Brown Subordinated Notes 2**

**EXIT NOTICE**

This Exit Notice is issued pursuant to the Babcock & Brown Subordinated Note 2 (**Note**) terms of issue (**Terms of Issue**).

Unless otherwise defined in this Exit Notice, terms defined in the notice of the Trigger Event dated 13 February 2009 have the same meaning when used in this notice.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

No. of BBSN held: \_\_\_\_\_

HIN/SRN: \_\_\_\_\_

I/We refer to the notice of Trigger Event from Babcock & Brown Limited (**BNB**) dated [13] February 2009.

I/We are the holder/s of the number of Notes detailed above. Pursuant to clause 4.2(b) of the Terms, I/we issue this Exit Notice to BNB and request:

Repayment  **As noted in the accompanying notice of a Trigger Event, BNB does not expect to be able to repay the Notes the subject of Exit Notices if you request REPAYMENT.**

Exchange  **If you request EXCHANGE, BNB will elect whether to Repay, Resell or Exchange your Notes. BNB has not made any decision on whether to Exchange your Notes if you so elect. However, if BNB elected to Exchange your Notes, you would receive BNB Ordinary Shares. BNB has announced that it expects its Ordinary Shares to have no value. Accordingly, if your Notes are Exchanged you will receive Ordinary Shares that are expected to have no value.**

of all of the Notes detailed above.

**Please tick only ONE box.**

I/We enclose with this Exit Notice evidence of title to the Notes.

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Position Held: \_\_\_\_\_

Phone Contact: \_\_\_\_\_

Email Address: \_\_\_\_\_