

Deloitte.

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CIRCULAR TO CREDITORS & NOTEHOLDERS

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18 March 2009

Dear Sir / Madam

BABCOCK & BROWN LIMITED
ACN 108 614 955
(ADMINISTRATORS APPOINTED) (the "Company")

I refer to our circular to creditors dated 13 March 2009, notifying of the appointment of Simon John Cathro and I as Joint Administrators of Babcock & Brown Limited

Noteholders Rights

In the circular dated 13 March 2009, we invited Noteholders to lodge proofs of debt, attend the meetings of creditors and consider nominating for the Committee of Creditors which the administrators propose forming at the first meeting which is due to be held on 25 March 2009.

Since sending that circular to you, the administrators have received representations from Trust Company Fiduciary Services Limited (formerly known as Permanent Trustee Company Limited), the trustee to the Noteholders (Trustee), to the effect that under the Trust Deed, it is the party that is the creditor of BBL (albeit that it holds that obligation on behalf of Noteholders) with the entitlement to lodge proofs of debt and vote at meetings of creditors of BBL on behalf of Noteholders.

Having reviewed the relevant terms of the Trust Deed, the administrators have formed the opinion that the Trustee is correct in its assertions as to the legal status of the creditor.

Accordingly the administrators propose the following arrangements in relation to the participation of Noteholders in the administration process:

- Noteholders will be able to attend all creditor meetings;
- The Trustee will lodge a proof of debt and vote at the meeting on behalf of all Noteholders; and
- The Trustee will be appointed to the Committee of Creditors.

It may also be possible for a number of Noteholders to be appointed to the Committee of Creditors. We are in discussions with the Trustee as to the best way of ensuring that this can occur. If this is not possible then the administrators will consider forming an informal committee of Noteholders in order to ensure that Noteholders are able to fully participate in the administration process.

Noteholders may attend the meeting venues, or view the web-cast, as previously notified. We remind all creditors and noteholders that notification must be sent to Paul Redpath of this

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office at predpath@deloitte.com.au of your intention to view the web-cast. Access details will be provided by return e-mail to creditors and noteholders before the meeting.

Any proofs or proxies received from noteholders at the meeting will be provided to the Trustee and recorded and those attending will be recorded as observers in the register.

Declaration of Independence, Relevant Relationships and Indemnities

The notice included a Declaration of Independence, Relevant Relationships and Indemnities, an updated notice is attached.

For all other questions in relation to this matter, please contact

- Dugald Laurie on +61 2 9322 7103 or dlaurie@deloitte.com.au or
- Bethany Down on +612 9322 3274 or bdown@deloitte.com.au.

Yours faithfully



D J F Lombe
For and on behalf of
DJF Lombe and SJ Cathro
Joint and Several Administrators

CORPORATIONS ACT 2001

Section 436DA

SUPPLEMENTARY DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

Babcock & Brown Limited
A.C.N. 108 614 955
(Administrators Appointed)

1. Independence

Simon Cathro and I, of Deloitte Touche Tohmatsu ("Deloitte") have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the abovementioned entity ("the Company" or "the Insolvent"). This assessment identified no real or potential risks to our independence. I am not aware of any reasons that would prevent us from accepting this appointment.

2. Relevant Relationships

Neither Simon Cathro nor I, have had within the preceding 24 months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially the whole of the Company's property.

Subject to the comments at 2.2, neither Deloitte, nor any other Deloitte partners, have had within the preceding 24 months, any other personal or business relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially the whole of the Company's property.

2.1 Prior engagements with the Insolvent

Neither Simon Cathro nor I have undertaken any prior engagements for the Insolvent.

Neither Deloitte, nor any other Deloitte partners, have provided any professional services to the Insolvent in the preceding 24 months.

There are no other relevant relationships between Simon Cathro and I, Deloitte, other Deloitte partners and the Insolvent that should be disclosed.

The following disclosures are provided pursuant to section 60 of the Corporations Act "Declaration of Relevant Relationships":

2.2 Prior Engagements with related bodies corporate of the Insolvent

We also disclose the following information, which relates to professional services provided by Deloitte to related bodies corporate (subsidiaries) of the Insolvent. In the preceding 24 months, Deloitte has undertaken various professional services engagements as follows:

Name of subsidiary	Nature of engagement and fees	Reasons why not an Impediment or Conflict
Babcock and Brown Australia Ltd	Deloitte was engaged to advise on the development of a global policy for the group wide document management system. Fees were approximately \$994,000 exclusive of GST up to May 2008.	The engagement was of limited scope and of an administrative nature. It is our opinion that this piece of work does not present a conflict or impediment.
Babcock & Brown Australia Pty Limited	Deloitte were engaged to undertake a small engagement on risk review on IT internal controls which included treasury, guarantees and license compliance. The fee for this work was approximately \$23,500 exclusive of GST for the period up to December 2007.	The engagement was of limited scope and of an administrative nature. It is our opinion that this piece of work does not present a conflict or impediment
Babcock & Brown Australia Pty Limited	Deloitte were engaged to undertake assistance through a secondment to the joint venture between GPT and Babcock & Brown to create a risk profile for the fund and create a reporting mechanism for the joint venture. The fee for this work was approximately \$140,000 exclusive of GST for the period up to May 2008.	The engagement was of limited scope and of an administrative nature. It is our opinion that this piece of work does not present a conflict or impediment.
Babcock & Brown Australia Pty Limited	Deloitte were engaged to undertake various pieces of financial, stamp duty and tax due diligence for identified targets. These pieces of work did not result in a successful purchase of any assets. The fee for this work was approximately \$36,000 exclusive of GST for the period up to Dec 2007.	The engagement was of limited scope related to corporate finance services. As there was no successful acquisition, it is our opinion that this piece of work does not present a conflict or impediment.
Babcock & Brown Australia Pty Limited	Deloitte were engaged to undertake tax advisory work for a potential acquisition that never occurred. The fees were approximately \$70,000 exclusive of GST for the period May 2008.	The engagement was of limited scope related to tax services. It is our opinion that this piece of work does not present a conflict or impediment.
Babcock & Brown Australia Pty Limited	Deloitte were engaged to undertake tax structuring related to a framework for financing of property acquisition. It did not involve any tax advice around potential acquisitions. Fees were approximately \$25,000 exclusive of GST for the period May 2008.	The engagement was of limited scope related to tax services. It is our opinion that this piece of work does not present a conflict or impediment.
Babcock & Brown Australia Pty Limited	Deloitte were engaged to undertake tax advice regarding personal and ex pat redundancy tax advice. Fees were approximately \$103,400 exclusive of GST for period up to March 2009.	The engagement was of limited scope related to tax services. It is our opinion that this piece of work does not present a conflict or impediment.
Babcock & Brown International Pty Ltd	Deloitte was engaged to provide advice to a subsidiary company about the insolvency process and options available including <ul style="list-style-type: none"> • Assisting management with 	We do not believe that this assignment gives rise to a conflict because we had no involvement in the formulation of the restructure plan which

	<p>assessment of cash flows and solvency.</p> <ul style="list-style-type: none"> • Assisting management with preparing information regarding possible cost reduction for management's previously devised restructure plan to the secured lenders' advisors • Assisting management with preparing of information to provide to the secured lenders advisors. • Advising management regarding the consequences of insolvency and alternative courses of action. <p>In respect of the Australian firm we rendered fees of approximately \$175,000 exclusive of GST. Our US and UK firms received fees of approximately \$925,000 exclusive of GST. The majority of these fees were incurred for the period November 2008 and February 2009 in relation to the above engagement.</p>	<p>was completed by other advisors with management. Further, we have not provided any advice to the board and directors individually in relation to the restructure plan or its ultimate formalisation.</p> <p>It is common for practitioners to provide advice to the insolvent about the insolvency process and options available pre-appointment. The IPA Code of Professional Practice ("the Code") allow such advice to be provided to the insolvent. Although the advice provided was not to the insolvent, the services that were provided were of the same type allowed by the Code, were of a limited scope and pursuant to instructions received from the company. We do not consider any aspect of the work will impact our review of the insolvent or that we will be required to review this work.</p> <p>Finally, we do not believe the work done will influence in any way our ability to comply with our statutory or fiduciary obligations.</p>
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3. Other Deloitte Touche Tohmatsu (DTT) member firms

Whilst not required under the Code, we make the following disclosures:

- Deloitte Australia is a member firm of Deloitte Touche Tohmatsu, a Swiss Verein (DTT). DTT and member firms in other countries are separate and distinct legal entities.
- In the preceding 24 months, other DTT member firms have undertaken various professional services engagements for certain subsidiaries of the Insolvent in their jurisdictions. These engagements can be summarised as follows:
 - United Kingdom & Europe
 - Tax compliance services
 - Corporate finance services
 - Employment taxation services including executive remuneration and share option structuring advice
 - IT consulting services
 - Deloitte & Touche LLP is the auditor of Babcock & Brown Public Partnerships Limited, an entity which the Insolvent's subsidiaries have a minority shareholding (less than 10%)
 - Israel

- Corporate finance services
- North America
 - Tax compliance services
 - Corporate finance services
- China and Hong Kong
 - Tax and financial due diligence services

We do not believe that engagements provided by other DTT member firms to subsidiaries of the Insolvent are relevant relationships, nor give rise to a conflict, as these professional services were not provided to the Insolvent and DTT member firms are not associates of one another.

4. Other

Whilst not required under the Code, we disclose that Deloitte Australia is the external auditor of Babcock & Brown Infrastructure Group, an entity which the Insolvent's subsidiaries have a minority shareholding (less than 10%).

We do not believe that this external audit appointment gives rise to a conflict as the Insolvent only holds a minority shareholding and Babcock and Brown Infrastructure Group is not an associate of the Company.

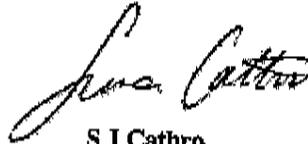
Indemnities

No indemnity has been provided in respect to the Administrators' remuneration.

DATED this 18th day of March 2009.



D J F Lombe
Joint and Several Administrator



S J Cathro
Joint and Several Administrator

NOTE: If circumstances change, or new information is identified, I am required under the IPA Code of Professional Practice to update this Declaration and provide a copy to creditors with my next communication as well as table a copy of any replacement declaration at the next meeting of the company's creditors.