

CIRCULAR TO NOTEHOLDERS AND CREDITORS

2 November 2009

Dear Sir / Madam,

BABCOCK AND BROWN LIMITED (IN LIQUIDATION) (“BBL”) ACN 108 614 955

At the Second Creditors meeting on 24 August 2009, the creditors resolved that the Company be wound up and Simon Cathro and I were appointed as Liquidators pursuant to Section 446A(1)(2) of the *Corporations Act 2001*. At this meeting, I outlined a proposal for creditors and note holders to make contributions towards the costs of conducting public examinations. The purpose of this Circular is to provide an update on the status of the contributions, the public examination and the liquidation in general.

UPDATE ON FUNDING CONTRIBUTIONS

An initial funding proposal was sent out to creditors and note holders on 12 August 2009. The proposal was well supported and approximately A\$270,000 was raised by the closing date of 15 September 2009.

Based on these encouraging results and feedback from creditors and note holders on timing constraints, the Liquidators decided to extend the period for contributions and on 18 September 2009, a Circular was sent to note holders and creditors outlining the extension of the contribution acceptance period to Thursday, 15 October 2009. As with the initial round of funding, the response from note holders to the extension has been very encouraging. The balance of contributions stands at more than A\$450,000. In addition, we received a commitment from a note holder to contribute A\$100,000 which will increase the total amount raised to approximately A\$550,000.

Given the success of the funding proposal, the Liquidators have decided to proceed with the public examination as detailed below.

COMMENCEMENT OF INITIAL PUBLIC EXAMINATIONS

The Liquidators are confident the funds received to date are sufficient to allow us to undertake an initial public examination of key Australian resident directors and management. In this regard, the Liquidators have made an application to the Federal Court of Australia to conduct public examinations of key persons (Potential Examinees), which will commence on Wednesday, 25 November 2009

UPDATE ON U.S LITIGATION


As outlined in the Circular dated 18 September 2009, we have appointed Californian lawyers to represent us at court hearings in California which commenced during October 2009 regarding the potential recoveries regarding the Employee Incentive Trusts (see page 21 of our report).

The next court date is scheduled for 10 November 2009 in San Francisco, at which the Court was expected to set down a timetable for future conduct of the proceedings. The indications that we have received from our lawyers on the prospects for success in this matter are encouraging.

For further information please contact **Billy Wong** of this office:

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Yours faithfully



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