

CIRCULAR TO NOTEHOLDERS AND CREDITORS

9 June 2010

Dear Sir / Madam,

BABCOCK & BROWN LIMITED (IN LIQUIDATION) (“BBL”) ACN 108 614 955 (“the Company”)

David Lombe and Simon Cathro were appointed Joint Administrators of the above named Company on 13 March 2009 pursuant to Section 436A of the *Corporations Act 2001*. At the second meeting of BBL creditors, held on 24 August 2009, the creditors resolved that BBL be wound up and that we be appointed as Liquidators pursuant to Section 446A(1)(2) of the *Corporations Act 2001 (the Act)*.

Public Examinations

On 23 November 2009, the Liquidators announced the postponement of the public examinations until 2010. On 27 April 2010 new public examination dates for early July 2010 were announced. Due to issues with the availability of certain examinees and/or their legal counsel, we have agreed to a further two week deferment of the public examinations which will now commence in the Federal Court of Australia on 20 July 2010. We have also scheduled further examinations during the week of 2 August 2010.

The public examinations will provide us with the opportunity to examine in detail various issues including but not limited to those identified in our Section 439A report. The information obtained from the public examinations will allow the Liquidators' to determine the strength of various causes of action against relevant parties.

Update on US Litigation

On 11 December 2009, the BBL Committee of Inspection resolved to authorise the Liquidators of BBL to conclude a litigation funding agreement with IMF (Australia) Limited to fund the legal proceedings in California regarding BBL's entitlement to funds from the Babcock & Brown Executive Achievement Trust.

This litigation is proceeding and a directions hearing was held before the Californian Civil Court on 3 March 2010. The court ordered that the parties attend before it on 9 June 2010 to advise the scope of the discovery and depositions that will be required in these proceedings. Our Californian counsel estimate that the substantive hearing of this matter is likely to take place in early 2011.

No noteholder tax declaration

Following a review of all relevant information, the Liquidators have determined that they will not be in a position to make a tax declaration in relation to the BBL subordinated notes before the end of the current tax year on 30 June 2010.


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

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Yours faithfully



D J F Lippie
Joint and Several Liquidators



S J Cathro
Joint and Several Liquidators