

BABCOCK & BROWN
WIND PARTNERS

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**CORPORATE GOVERNANCE AND MANAGEMENT AGREEMENT
CHANGES – INDEPENDENT DIRECTORS APPOINT ADVISORS FOR
FURTHER NEGOTIATIONS**

Babcock & Brown Wind Partners (ASX: BBW) and Babcock & Brown (ASX: BNB) have been engaged in a review of the corporate governance and Management Agreement arrangements that exist in relation to BBW. The Independent Directors of BBW have now reached agreement with Babcock & Brown on a number of governance and Management Agreement changes to strengthen the alignment between securityholders and the Manager, as outlined in the attached appendix.

The changes specifically relate to the composition of the BBW Boards, the employment of BBW dedicated staff by the Manager, a reduction in the base fee with additional performance hurdles required for the payment of any incentive fee, and a provision that BBW is no longer under the obligation to use Babcock & Brown's financial advisory services exclusively.

The Independent Directors also advise that they have appointed UBS and Mallesons Stephen Jaques to assist them in reviewing the broader relationship with Babcock & Brown with the objective of further improving the independence and corporate governance of BBW and further strengthening the alignment of the Manager's interests with those of securityholders.

Tony Battle, Lead Independent Director said "The Independent Directors of BBW consider the reforms announced today as an important first step in strengthening BBW's corporate governance framework and improving BBW's management arrangements. The Independent Directors will be seeking to negotiate further changes to the relationship with Babcock & Brown that maximise benefits for BBW securityholders".

ENDS

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ANNEXURE – DETAILS OF GOVERNANCE AND MANAGEMENT AGREEMENT CHANGES

1. BBW Boards

Whereas the BBW Boards comprise four Independent Directors and two non-Independent Directors, including a non-Independent Chairman, it is proposed that the BBW Boards will now comprise:

- an Independent Chairman;
- three other Independent Directors;
- one senior Babcock & Brown executive; and
- the Chief Executive Officer of the Manager, who will be appointed as Managing Director.

The Board of the Responsible Entity will be similar to the above, with the exception that there will be one less Independent Director (but still a majority of Independent Directors).

2. Manager Board

The primary change to the Board of the Manager is that the proposed Independent Chairman has the right, but not the obligation to join the Manager Board.

The Manager Board will consist of the following:

- the Managing Director of BBW;
- the Chief Operating Officer of Babcock & Brown Specialised Funds;
- a senior executive from BNB's wind team with primary responsibility for BBW matters; and
- the Independent Chairman (if he/she chooses to join the Manager Board).

Where the Independent Chairman of BBW does not join the Manager Board, he/she will receive all Manager Board papers and will have the right, but not the obligation, to attend and participate in the discussions at Manager Board meetings.

3. Revision of the base fees and incentive fee structures

The base fees have been reduced so that the total base fees payable in accordance with the Management Agreements of the three stapled entities will be calculated in accordance with the following formula:

- 1% for the first \$2 billion of Net Investment Value
- 0.75% above \$2 billion of Net Investment Value

No Incentive Fee will be payable, regardless of outcomes otherwise occurring under the existing formula until the earlier of 1 July 2011, or sustained trading at or above \$1.80 (value adjusted by reference to any buy-back of securities and new issuance of securities occurring from May 2007 when securities were issued in the institutional placement at \$1.80). There is no change to the Management Expense Amount calculation.

4. Employment and remuneration structure of staff of the dedicated Manager of BBW

The Manager will directly employ the dedicated BBW management team which work exclusively on the provision of services to BBW pursuant to the Management Agreements. The remuneration of the dedicated BBW management team will be solely aligned with the performance of BBW. Additionally:

- the Independent Directors will be granted the right of approval for hiring and firing the Key Management Personnel, being for this purpose the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel and Company Secretary;
- the total remuneration (including Short term incentives and Long term incentives, if any) and Key Performance Indicators for the management team will be set by the BBW Boards, effective 1 July 2008; and
- Short term incentives and Long term incentive plans paid other than in cash will be in rights linked solely to BBW securities.

5. Management Agreements

The BBW Management Agreements will continue to require that the Manager is obliged to act in the best interests of BBW and its securityholders. In addition to the changes noted above, the BBW Management Agreements will be amended to:

- ensure that the BBW Boards can seek a Manager recommendation on any matters covered by the Management Agreements; can make decisions contrary to Manager recommendations, and can make decisions without Manager recommendations on any matter not covered by the Management Agreements;
- provide BBW with the right to internalise management in the event of a termination right in favour of BBW arising under the Management Agreements for a price equivalent to the Manager's net equity value.

In the event that the management arrangements are terminated and management is internalised, the Babcock & Brown Group has agreed to waive notice periods and restraint of trade periods in the employment contracts of staff employed by the Manager.

6. Exclusive Financial Advisory Mandate

Whereas Babcock & Brown Australia Pty Limited was given a first and last right of refusal regarding the provision of financial advisory and investment banking services to BBW, going forward the Financial Advisory Mandate will provide that:

- BBW has the right to obtain third party review and independent advice on related party transactions. Where such advice is sought, the Manager will rebate up to \$500,000 of fees for such advice in any one year; and
- in respect of transactions where BBW is acquiring assets from BNB or a BNB subsidiary, BBW is under no obligation to use BNB's financial advisory services.

7. Other changes

BBW's information systems will be separated from those of BNB, with the creation of a separate IT server for the Manager to be used exclusively for BBW.

About Babcock & Brown Wind Partners

Babcock & Brown Wind Partners (ASX: BBW) is a global wind energy business which owns and operates a portfolio of wind farms spanning five countries and three continents. BBW listed on the Australian Securities Exchange on 28 October 2005 and has a market capitalisation of approximately A\$0.7 billion.

BBW's portfolio comprises interests in 54 wind farms that have a total installed capacity of approximately 2,682MW and are diversified by wind resource, currency, equipment supplier, off-take arrangements and regulatory regime.

Once the sale of the Spanish wind energy assets achieve financial close, BBW's portfolio will span four countries and comprise interests in 40 wind farms with a total installed capacity of approximately 2,260MW.

BBW's investment strategy is to grow Securityholder wealth through efficient management of its portfolio of wind energy generation assets.

BBW is a stapled entity comprising Babcock & Brown Wind Partners Limited (ABN 39 105 051 616), Babcock & Brown Wind Partners Trust (ARSN 116 244 118) and Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715). BBW is managed by Babcock & Brown Wind Partners Management Pty Ltd, a subsidiary of Babcock & Brown Limited (ASX: BNB).

For further information please visit our website: www.bbwindpartners.com