

Babcock & Brown Infrastructure Recapitalisation Tax Guide

Important Information

Until 20 November 2009, Babcock & Brown Infrastructure (BBI) Securities were listed on the Australian Stock Exchange (ASX) as BBI. Exchangeable Preference Shares (EPS) issued by BBI EPS Limited were listed on the ASX as BEPPA. Following the Recapitalisation, BBI has changed its name to Prime Infrastructure and from 7 December 2009 will be listed on the ASX as PIH. All EPS have been converted to ordinary stapled securities and BEPPA is no longer traded. Note that for purposes of historical consistency, this document has been prepared with reference to BBI Securities, rather than Prime Infrastructure Securities.

Babcock & Brown Infrastructure (BBI) comprises Babcock & Brown Infrastructure Limited (BBIL), Babcock & Brown Infrastructure Trust (BBIT) and Prime Infrastructure Trust No 2 (PIT 2) (together BBI). Babcock & Brown Investor Services Limited is the responsible entity for BBIT and PIT 2 (Responsible Entity). An investment in BBI is an investment in a Triple Stapled Security comprising a share in BBIL, a unit in BBIT and a unit in PIT 2.

The purpose of this Taxation Statement Guide (the Guide) is to provide general information relating to certain components of the Recapitalisation for holders of Stapled Securities in BBI (BBI Securityholders) and Exchangeable Preference Shares (EPS) issued by BBI EPS Limited (EPS Holders) (together Securityholders).

This Guide is intended to assist Securityholders in meeting their Australian income tax compliance obligations and has been prepared on the basis of taxation laws prevailing at the date of this Guide. The advice is general in nature and a Securityholders' individual circumstances may affect the taxation implications of the Recapitalisation. Securityholders are not entitled to rely upon this information in relation to the completion of their income tax return or in managing their specific tax affairs. Securityholders should obtain their own appropriate independent professional tax advice regarding the taxation implications associated with their investments in BBI and BBI EPS Limited. Further, this advice is primarily intended for Securityholders investing on Capital Account. Different outcomes will potentially arise for Securityholders who are investing on Revenue Account. Again, we recommend Securityholders obtain their own appropriate independent professional tax advice in relation to the Recapitalisation.

This Guide uses technical tax terms describing the character of Securityholders and the nature of their investments that are important in determining the taxation consequences in respect of the Recapitalisation. These terms are set out in Title Case (e.g. Capital Account). Where these terms are not described in the body of this Guide, a brief explanation as to their meaning is set out in the Appendix. In some instances it may be difficult to determine how these terms apply to Securityholders and their investment. If this is the case, it is particularly important that Securityholders seek professional independent tax advice.

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A. The Recapitalisation

Details of the Recapitalisation are set out in the Prospectus and Product Disclosure Statement to the Recapitalisation. Further information particularly relevant to EPS Holders has been provided by ASX Announcements dated 29 and 30 October 2009. These documents are available on the BBI website at <http://primeinfrastructure.com/investor-information/ Recapitalisation.aspx>. The implications of the Recapitalisation will differ as between Securityholders' investment in BBI Stapled Securities and EPS.

For Historical BBI Securityholders (being those who held BBI Stapled Securities prior to the Recapitalisation), the Recapitalisation comprises:

- a distribution of Trust corpus (Capital Distribution);
- a distribution of units in the PIT 2 (PIT 2 Distribution);
- a consolidation of Stapled Securities (Security Consolidation); and
- an entitlement to acquire Stapled Securities through participation in the Security Purchase Plan.

For Historical EPS Holders (being those who held EPS prior to the Recapitalisation), the Recapitalisation comprises:

- a dividend distribution;
- a receipt of rights in relation to the Australian Energy Transmission & Distribution (AET&D) assets (AET&D Rights);
- a conversion of their EPS into Stapled Securities (Conversion);
- the PIT 2 Distribution;
- the Security Consolidation; and
- an entitlement to acquire Stapled Securities through participation in the Security Purchase Plan.

Each of these implications is discussed separately below.

1. Capital Distribution to BBI Securityholders

The Capital Distribution is a cash payment of \$0.04 paid by the Responsible Entity of BBIT for each Stapled Security held by a BBI Securityholder on the Capital Distribution Record Date of 16 November 2009. EPS Holders are not eligible for this distribution.

2. Dividend payable to EPS Holders

The dividend payable to EPS Holders is a cash payment to each EPS Holder, representing the accrued dividends on EPS up to and including the EPS conversion date of 20 November 2009.

3. Receipt of AET&D Rights for EPS Holders

Pursuant to the ASX Announcements dated 29 and 30 October 2009, EPS Holders have been granted rights to the residual proceeds from the sale of the AET&D assets.

4. Conversion of EPS into Stapled Securities

Each EPS will convert into 0.07207 BBI Stapled Securities pursuant to the EPS Terms on the EPS conversion date of 20 November 2009.

5. Distribution of units in PIT 2

The PIT 2 Distribution is an in-specie distribution of 1 unit in PIT 2 by the Responsible Entity of BBIT for each Stapled Security held by a BBI Securityholder.

6. Security Purchase Plan

The Security Purchase Plan is an entitlement for each Eligible Securityholder to acquire up to \$15,000 worth of New Securities, being the new Stapled Securities offered and issued under the Recapitalisation, free of brokerage or other transaction costs, with the ability to apply for more if there is a shortfall.

7. Security Consolidation

The Security Consolidation involves parcels of 15,000 BBI Stapled Securities being consolidated into one Stapled Security. Any fractions of Stapled Securities that result from the Security Consolidation will be compulsorily acquired.

B. Australian income tax implications from the Recapitalisation

1. INCOME TAX TREATMENT OF THE CAPITAL DISTRIBUTION

Australian Tax Resident BBI Securityholders

Capital Account

BBI Securityholders that hold their investment in BBI on Capital Account are expected to not be required to include the Capital Distribution in their assessable income or disclose this on their income tax return.

However, the Capital Distribution received by a BBI Securityholder will trigger a 'Capital Gains Tax (CGT) Event' and reduces that Securityholder's CGT cost base in their Stapled Securities (specifically, the BBIT units component) by the amount of the Capital Distribution. Any such cost base reduction is triggered in respect of the year ended 30 June 2010, being the relevant income year in which the Capital Distribution was paid.

For example, for BBI Securityholders who acquired their investment in BBI through the IPO, the CGT cost base of a unit in BBIT, excluding the impact of any distributions received, is calculated based upon the initial investment in BBI of \$1.00, allocated between the two Securities on the basis of \$0.99 to BBIT and \$0.01 to BBIL.

This allocation gives rise to a cost base in BBIT units of at least \$0.990 per unit (i.e. \$1.00 x 99%) and a cost base in a share in BBIL of at least \$0.010 per share (i.e. \$1.00 x 1%). The combined cost bases of one unit in BBIT and one share in BBIL will equate to, at least, the cost of the initial subscription in BBI (i.e. \$1.00). Please note that there may be other costs incurred which also form part of the cost base of the relevant Stapled Securities.

Taking into account the 2010 Capital Distribution, the tax deferred distributions paid in respect of Stapled Securities issued in the IPO are as follows:

	\$ per unit	Record Date	Payment Date
2003 Interim Distribution	0.0359	14 March 2003	26 March 2003
2003 Final Distribution	0.0359	11 September 2003	25 September 2003
2004 Interim Distribution	0.0525	31 December 2003	26 March 2004
2004 Final Distribution	0.0525	30 June 2004	26 August 2004
2005 Interim Distribution	0.0525	31 December 2004	24 February 2005
2005 Final Distribution	0.0550	30 June 2005	26 August 2005
2006 Interim Distribution	0.0650	31 December 2005	24 February 2
2006 Final Distribution	0.0675	30 June 2006	25 August 2006
2007 Interim Distribution	0.0700	20 December 2006	2 March 2007
2007 Final Distribution	0.0725	29 June 2007	3 September 2007
2008 Interim Distribution	0.0750	31 December 2007	29 February 2008
2008 Final Distribution	0.0250	30 June 2008	15 September 2008
2009 Interim Distribution	-	-	-
2009 Final Distribution	-	-	-
2010 Capital Distribution	0.0400	16 November 2009	25 November 2009
Total Distributions	0.6993		

Therefore, given the tax deferred nature of the distributions to date, if a BBI Securityholder has held their investment in BBI since the IPO, it would reduce its original cost base by \$0.6993, per unit held in BBIT, being the aggregate amount of all tax deferred distributions received to date.

Accordingly, as an IPO Securityholder, the CGT cost base of units in BBIT will be at least \$0.2907 per unit (i.e. \$0.990 less \$0.6993).

As there have been no dividends or capital returns declared by BBIL to date, the CGT cost base for shares in BBIL as an IPO Securityholder should remain at least \$0.01 per share.

For a BBI Securityholder who did not acquire their investment in BBI through the IPO, additional information regarding the determination of the relative cost bases of shares and units is provided on the BBI website at <http://primeinfrastructure.com/investor-information/tax-information.aspx>.

If the amount of the Capital Distribution exceeds the BBI Securityholder's cost base in their BBIT units calculated just prior to the Capital Distribution, a prima facie capital gain equal to the excess may arise. Any such prima facie capital gain may be eligible to be reduced by the CGT discount rules. Comments in relation to the potential CGT rules on disposal of the BBI Stapled Securities by a Resident BBI Securityholder are outlined in Section D below.

Revenue Account

BBI Securityholders that hold their investment in BBI on Revenue Account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the receipt of tax deferred distributions.

Non-Australian Tax Resident (Non-Resident) BBI Securityholders

Capital Account

For Non-Australian tax resident (Non-Resident) BBI Securityholders, these CGT implications should only be applicable in certain circumstances as discussed in Section D below.

Revenue Account

Non-Resident BBI Securityholders who hold their investment in BBI on Revenue Account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the receipt of Capital Distributions.

2. INCOME TAX TREATMENT OF THE DIVIDEND PAYABLE TO EPS HOLDERS

Australian Tax Resident EPS Holders

As part of the Recapitalisation, EPS Holders receive a dividend distribution of \$0.06211392 in relation to each EPS held. The distribution comprises an unfranked dividend. The dividend should be included in an EPS Holder's assessable income in the year in which it is derived. For those EPS Holders that hold their EPS on Capital Account, the dividend income should be considered to be derived when it is received, that is, during the year ended 30 June 2010.

Non-Resident EPS Holders

Where the payment is made to a Non-Resident EPS Holder, Australian dividend withholding tax should apply at a rate of 30%. Note that this rate can be reduced under the terms of a relevant Double Tax Agreement. Non-Resident EPS Holders should not otherwise be subject to Australian income tax (by assessment) in relation to the dividend payment. That is, the dividend withholding tax should represent a final Australian tax impost.

3. AET&D RIGHTS

As part of the Recapitalisation, EPS Holders were granted certain rights by BBI EPS Limited in the event that residual proceeds emanate from the sale of the AET&D assets. The contractual rights should form part of the proceeds for EPS Holders from the Conversion (i.e. disposal of their EPS in exchange for BBI Securities - discussed further below).

4. INCOME TAX TREATMENT OF CONVERSION OF EPS INTO BBI STAPLED SECURITIES

Australian Tax Resident EPS Holders

When the EPS are converted into BBI Stapled Securities, a 'CGT Event' will arise. Any capital gain (or loss) will be calculated by reference to the difference between the proceeds from the Conversion and the EPS Holder's cost base (or reduced cost base) of the EPS. A capital gain will arise where the EPS Holder's proceeds exceed their cost base. A capital loss will arise where the proceeds are less than the EPS Holder's reduced cost base. No CGT rollover relief is available in respect of the Conversion.

The cost base (or reduced cost base) of the EPS should be the amount paid to acquire the EPS plus any acquisition and disposal costs. For example, the cost base of the EPS may include such things as stamp duty and brokerage fees.

The proceeds from the Conversion of the EPS should be:

- the market value of the BBI Stapled Securities received by the EPS Holder as consideration for the Conversion; and
- the market value of the AET&D Rights.

In the context of listed securities received as proceeds for a CGT Event, the ATO has published guidelines in relation to the determination of market value which indicate that it may be appropriate to adopt a volume weighted average price (VWAP) of the securities over a particular period (usually the day the securities are received). On this basis, the proceeds from the Conversion would be equal to \$0.31420 per EPS (being the VWAP of the BBI Securities received for each EPS on 20 November 2009).

As the AET&D Rights are not publicly traded, there is no guidance as to the market value of these rights. While it is a matter for each taxpayer to determine reasonably, it is the Directors' opinion that these rights have \$nil market value. As such, there should be no increase to the proceeds received by the EPS Holders for the market value of the AET&D Rights.

An individual, complying superannuation fund or a trust that has held EPS for more than 12 months may be eligible for the CGT discount on any prima facie capital gain upon Conversion. This reduces any net capital gain (after offsetting capital losses) that is subject to taxation by 50% (for individuals either directly or through a trust) or 33⅓% (for superannuation funds).

Attention Former Alinta Shareholders only

BBI EPS acquired through the Alinta Share Scheme (if applicable)

For Securityholders who acquired EPS through participating in the Alinta Scheme of Arrangement (the "Share Scheme") in August 2007¹, the cost base and date of acquisition will differ depending on the CGT treatment applied on acquisition of the EPS during the year ended 30 June 2008.

Rollover relief was chosen

To the extent that a Securityholder was eligible for and chose CGT rollover relief to apply to the EPS acquired through the Alinta Share Scheme, the cost base (or reduced cost base) of the EPS acquired should be equal to the portion of the Securityholder's original cost base (or reduced cost base) in the Alinta Shares allocated to the EPS Component of their consideration. This cost base should have been allocated between the EPS and other Securities issued in exchange for Alinta Shares. For further information regarding the tax implications associated with the Alinta Share Scheme, the following additional sources of information should be considered.

- The Alinta Share Scheme Participant Tax Statement (Statement) (posted to each Securityholder in August 2008);
- The Alinta Share Scheme Participant Taxation Guide which accompanied the Statement;
- The Alinta Scheme Booklet (available on the BBI website at <http://www.primeinfrastructure.com/investor-information/tax-information.aspx>);
- The Babcock & Brown Online Alinta Share Scheme Participant Tax Calculator (available on the BBI website at <http://www.primeinfrastructure.com/investor-information/tax-information.aspx>); and
- Australian Taxation Office (ATO) guidance (available on the ATO website at www.ato.gov.au).

Where CGT rollover relief was chosen, the acquisition date of the EPS for CGT purposes is deemed to be the date that the original Alinta Shares were acquired. This is important in determining the availability of the CGT discount on the subsequent disposal of the EPS.

Rollover relief was not chosen

To the extent that CGT rollover relief was not chosen, the cost base of EPS acquired should be the proportion of the market value of the Alinta Shares exchanged for EPS under the Share Scheme, plus incidental costs of acquiring and disposing of the EPS.

Where CGT rollover relief was not chosen, the acquisition date of the EPS for CGT purposes is deemed to be the date of the implementation of the Share Scheme (i.e. 31 August 2007).

Non-Resident EPS Holders

For Non-Resident EPS Holders, these CGT implications are only applicable in certain circumstances as discussed in Section D below.

Cost base of BBI Stapled Securities for EPS Holders

The cost base of the BBI Stapled Securities acquired on Conversion of the EPS should be the market value of the EPS that are converted (practically, this should equal the VWAP of the BBI Securities received for each EPS on 20 November 2009 being \$0.3142 per Security), plus incidental costs of acquiring the Securities (if any). The acquisition date for the Stapled Securities for CGT purposes should be the EPS conversion date, being 20 November 2009.

1. The Alinta Scheme of Arrangement happened when a Consortium consisting of Babcock & Brown Infrastructure, Babcock & Brown Power, Babcock & Brown Wind Partners (now Infigen Energy) and Singapore Power International Pte Limited acquired the issued share capital of Alinta Limited ("Alinta").

5. INCOME TAX TREATMENT OF THE PIT 2 DISTRIBUTION

Australian Tax Resident BBI Securityholders

The PIT 2 Distribution received by a BBI Securityholder should technically trigger a 'CGT Event' and should reduce that Securityholder's CGT cost base in their BBI Stapled Securities (specifically, the PIT 2 units component) by the value of the units in PIT 2 received.

Any such cost base reduction is triggered in respect of the year ended 30 June 2010, being the relevant income year in which the distribution was paid.

As PIT 2 only has a nominal value, there should be no practical implications for Securityholders as a result of this distribution.

Non-Resident BBI Securityholders

For Non-Resident BBI Securityholders, these CGT implications should only be applicable in certain circumstances as discussed in Section D below.

6. INCOME TAX TREATMENT OF THE SECURITY PURCHASE PLAN

The entitlement to participate in the Security Purchase Plan should not constitute assessable income to the Eligible Securityholder for income tax purposes. An Eligible Securityholder is a person who:

- was registered as the holder of BBI Securities as at 7.00pm (Sydney time) on 8 October 2009 (Security Purchase Plan record date);
- has a registered address in Australia or New Zealand;
- is not in the US, and is not a US Person (pursuant to Regulation 5 under the US Securities Act) and is not acting for the account or benefit of a US Person; and
- is eligible under all applicable securities laws to receive an offer under the SPP.

Cost base of New Securities

Where an Eligible Securityholder chooses to participate in the Security Purchase Plan, the cost base or reduced cost base of the New Securities offered and issued under the Recapitalisation, should be the amount paid to acquire the New Securities plus the incidental costs of acquisition (if any). The acquisition date for the New Securities for CGT purposes is 20 November 2009, being the date the New Securities are allotted to Eligible Securityholders.

7. INCOME TAX TREATMENT OF THE STAPLED SECURITY CONSOLIDATION

Australian Tax Resident BBI Securityholders

The Security Consolidation should not, of itself, result in any income tax implications for Securityholders. Practically, the cost base (or reduced cost base) and acquisition date for each parcel of Securities should not change for each Securityholder.

Where fractions of Securities are sold as part of the Security Consolidation, this should constitute a disposal for CGT purposes. Any capital gain (or loss) on the disposal is calculated by reference to the difference between the proceeds from the disposal and the cost base (or reduced cost base) of the fractions. The relevant cost base (or reduced cost base) of the fraction should be based on an apportionment of the cost base of the original parcel of Stapled Securities.

Link Market Services will advise you of any Stapled Securities disposed as part of the Security Consolidation.

In addition, any prima facie capital gain upon the Security Consolidation may be eligible to be reduced by the CGT discount. Comments in relation to the potential CGT discount are outlined in Section D below.

Non-Resident BBI Securityholders

For Non-Resident BBI Securityholders, these CGT implications are only applicable in certain circumstances as discussed in Section D below.

C. US withholding tax implications from the Recapitalisation

The US withholding tax implications associated with the payment of the Capital Distribution are set out below.

All beneficial holders of BBI Stapled Securities (either through a direct registered holding or an indirect holding) at 31 December 2008 and 30 June 2009 are required to provide the Responsible Entity of BBIT with a complete US withholding tax declaration (typically Form W-8BEN and/or W-8IMY, or W-9) to ensure any distribution is paid without the impost of US withholding tax.

BBI Securityholders are deemed tax "owners" of US interest revenue derived from a loan made by BBI to the Natural Gas Pipeline Company of America (NGPL). To date, the US interest revenue derived equates to approximately US\$0.02716 per BBI Stapled Security.

If a BBI Securityholder has not completed a US withholding tax form or has completed an incorrect form, the Responsible Entity of BBIT is required to deduct US withholding tax from the US interest revenue derived and remit that amount directly to the US Internal Revenue Service (IRS). The rate of the withholding tax is 10%, 30% or 31% depending on the residency status of the BBI Securityholder. Where applicable, the Responsible Entity of BBIT will deduct US withholding tax from the Capital Distribution and pay the net amount to the securityholder.

Example

An Australian resident individual BBI Securityholder has been on the BBI share registry at 31 December 2008 and 30 June 2009 and has not provided the Responsible Entity of BBIT with an accurately completed US withholding tax form at the Record Date of 16 November 2009.

For each Stapled Security held, the BBI Securityholder will prima facie receive a Capital Distribution of \$0.04.

Withholding tax of 10% will be withheld and remitted to the IRS from the portion of the Capital Distribution that relates to the US source interest revenue (US\$0.02716). For purposes of this example it is assumed that US\$0.02716 is AU\$0.03.

For each Stapled Security held, the BBI Securityholder will receive a net cash payment of \$0.037, being a Capital Distribution of \$0.04 less US withholding tax of \$0.03.

A BBI Securityholder who has incurred a deduction of US withholding tax as a result of not providing an accurately completed US withholding tax form may be able to obtain a refund of US withholding by:

1. Lodging a US tax return; or
2. Providing the Responsible Entity of BBIT with an accurate US withholding tax form by 31 December 2009. In this case, the Responsible Entity of BBIT will arrange for the US tax withheld to be refunded to the BBI Securityholder.

BBI Securityholders can contact the BBI Securityholder Infoline on 1800 770 407 (within Australia) or +61 2 9376 8535 (outside Australia) between 8.30am and 5.30pm, Monday to Friday (Sydney time) with any questions regarding their US withholding tax obligations. Alternatively, BBI Securityholders can complete their US withholding tax forms online at <https://www.taxforms.bbinfrastructure.com/index.php>.

Note that to alleviate this administrative burden on BBI Securityholders in respect of future distributions and to provide certainty to the US income tax treatment of BBI for US investors, BBI will not be required to collect US withholding tax forms from any BBI Securityholder following the Recapitalisation.

D. Australian CGT implications for Non-Australian Tax Residents

Capital gains derived by a Non-Resident are generally only subject to income tax in Australia to the extent that they relate to relevant direct and indirect interests in Australian real property. BBI Securityholders and EPS Holders may only have an indirect interest in Australian real property through their holding of shares in BBIL, units in BBIT and shares in BBI EPS Limited.

However, capital gains are also not subject to tax in Australia where a Non-Resident holds less than 10% of the interests in that company or trust at the time of the disposal and has not held 10% or more of the interests for a period of 12 months at any time in the two years prior to disposal. As a result, a Non-Resident BBI Securityholder or EPS Holder who (together with its associates) holds less than a 10% interest in BBI Stapled Securities or EPS at the relevant times should not be subject to Australian income tax resulting from any capital gain derived in relation to the Recapitalisation.

Non-Residents who (together with their associates) held a 10% or more interest in either BBI or EPS on issue over the relevant periods may be subject to Australian capital gains tax if the majority of the market value of the underlying assets of BBIL, BBIT or BBI EPS Limited comprise Australian real property. As at the date of the Recapitalisation, the Directors do not consider the majority of the market value of the assets underlying BBIL, BBIT or BBI EPS Limited to comprise Australian real property. As such, there should be no Australian CGT implications applicable to the Recapitalisation for these Non-Residents.

E. Australian Income tax implications of investing in Stapled Securities (post-Recapitalisation)

General income tax implications for Australian tax residents of investing in Stapled Securities are set out in Section 12 of the Prospectus and Product Disclosure Statement which is also available on the BBI website at <http://primeinfrastructure.com/investor-information/recapitalisation.aspx>.

Appendix

Key Technical Tax Terms

“Australian Tax Resident”

An individual Securityholder will be considered to be an **Australian tax resident** if it satisfies any one of the following tests:

- It resides in Australia under ordinary concepts. This will include a general examination of the relevant facts to consider whether the Securityholder can be considered to dwell permanently or at least for a considerable period of time in Australia;
- It is an Australian citizen and has no permanent place of abode outside Australia;
- It has been in Australia for more than half of the income year (i.e. greater than 183 days in the period 1 July to 30 June) and its usual abode is not outside Australia; or
- It is a member of a Commonwealth Superannuation Scheme (broadly, if the Securityholder works for the Australian public service).

“Company”

A company will be considered to be an **Australian tax resident** if any of the following tests are satisfied:

- It is incorporated in Australia;
- It carries on business in Australia and its central management and control is in Australia; or
- It carries on business in Australia and has its voting power controlled by Australian tax resident Securityholders.

“Trust or Superannuation Fund”

A **trust or superannuation fund** will be considered an Australian tax resident if its trustee is a resident of Australia according to the above tests.

“Non-Resident” of Australia

A Securityholder will be considered a **Non-Resident** of Australia for Australian tax purposes if it does not fall within one of the tax residence tests referred to above.

Note that Tax Treaties between Australia and other countries may alter a Securityholder’s residence status and in some circumstances it may be considered a dual resident. A Securityholder should seek professional advice to determine its tax residence if it considers that a relevant Tax Treaty entered into between Australia and its country of residence may apply.

Also note that a Securityholder’s tax residence status can change and is tested each financial year.

“Capital Account”

Broadly, an investment will be held on **Capital Account** where the intention is to hold the investment so as to benefit from both distributions from the investment and the capital growth of the investment. An intention to hold an investment for an extended period of time is generally indicative of an investment held on Capital Account.

It is expected that the majority of Securityholders will hold their investments in BBI EPS on Capital Account.

“Revenue Account”

Generally, an investment is held on **Revenue Account** if it was acquired with the intention of making a profit on resale or if the investment forms part of or is incidental to a business carried on by the Securityholder. An intention not to hold the investment for a long period of time would be indicative of an investment held on Revenue Account. Share traders usually hold their investments on Revenue Account.

This is a highly complex area of taxation law. If a Securityholder is not able to accurately determine whether it holds its investment on Capital or Revenue Account, we recommend that the Securityholder seeks professional assistance in determining the taxation implications associated with its investment.

“Triple Stapling”

The **Triple Stapling** results in the Securities in BBI consisting of three Stapled Securities, being the ‘original’ Securities (comprising a share in BBI and a unit in BBIT), stapled to a new a fully-paid ordinary unit in Prime Infrastructure Trust 2 (PIT 2), of which BBIS is the responsible entity.

The Triple Stapling took place by way of the distribution in-specie of a PIT 2 Unit by BBIT to all BBI Securityholders on 20 November 2009, immediately after the conversion of the EPS and immediately prior to the allotment of New Securities.

On the Triple Stapling taking effect, the Recapitalisation is taken to include an offering of the PIT 2 Unit which forms a part of the New Securities.

For Australian income tax purposes, PIT 2 is considered a flow-through vehicle.