

## BABCOCK & BROWN

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### ASX Release

12 June 2008

#### RESPONSE TO ASX QUERY

International investment and specialised fund and asset management group Babcock & Brown (ASX: BNB) wishes to clarify the operation of the market capitalisation review clause contained in the Group's corporate debt facility as announced to the market on 27 March 2008.

The key elements and effect of the market capitalisation clause are very different to other market capitalisation events that have occurred in recent times with other listed entities on the ASX.

In summary the market capitalisation clause in the Group's corporate debt facility is not a default or breach of covenant event but rather a review event based on an absolute market capitalisation level.

The review event applies if the market capitalisation is below \$2.5 billion at close of trading. The review event operates as follows:

- Once the market cap level is reached, the corporate facility lenders have the option of deciding whether to call for a review.
- Should the banks call for a review, this would entail a four month consultation period with lenders during which time the company will continue to operate as normal with no impact on its access to the corporate debt facility.
- The consultation period is designed to allow discussions, including whether in fact any action at all is required – as the market capitalisation clause can cure itself through natural movement of the markets.
- There are no automatic prescriptive requirements such as acceleration of debt repayments. During a review period, the company would need to seek the lenders' permission to pay dividends and subordinated note interest.

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- At the end of the four months if the market capitalisation is above \$2.5 billion the review is automatically cured and no further action is required.
- If at the end of the four month review period, the market capitalisation remains below \$2.5 billion, Babcock & Brown would be required to execute any course of action that has been agreed with the lenders during the four month review period.
- If at the end of the four month period the market capitalisation remains below \$2.5 billion and there is no agreement between Babcock & Brown and its lenders as the course of action required, a minimum 2/3<sup>rd</sup> of the lenders by participation have the right to serve notice on Babcock & Brown to repay the corporate facility within 90 days.

Phil Green, Babcock & Brown CEO said, "The market capitalisation review clause in the group's corporate debt facility serves as a point where the companies lenders could choose to review the security of their loans with the company.

"Reaching the market capitalisation level does not in itself trigger any requirement to repay the debt or accelerate repayment of the debt.

"Our lenders are more focused on fundamentals than the daily share price movements. The Group's fundamentals continue to be in robust shape, particularly in the infrastructure business. Operating cash flows, interest cover and liquidity are strong and we remain well within all debt covenants.

"We expect this position to be enhanced during the third quarter of this year with completion of the European wind asset sale process which is well under way.

"Further, it should be noted that there are no cross shareholdings or loans between our listed funds," Mr Green concluded.

Babcock & Brown acknowledges its continuous disclosure obligations under ASX Listing Rule 3.1 and confirms it is in compliance with those obligations.

**For further information please contact:**

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### **About Babcock & Brown**

Babcock & Brown is an international investment and specialised fund and asset management group with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown was founded in 1977 and is listed on the Australian Securities Exchange.

Babcock & Brown operates from 32 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,400 employees worldwide. Babcock & Brown has four operating divisions including real estate, infrastructure, operating leasing, corporate and structured finance. The company has established a funds management platform across the operating divisions that has resulted in the creation of a number of focused investment vehicles in areas including real estate, renewable energy and infrastructure.

For further information about Babcock & Brown please see our website: [www.babcockbrown.com](http://www.babcockbrown.com)