



GENERAL PROPERTY TRUST

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**General Property Trust  
Stock Exchange Announcement and  
Media Release**

**GPT PROPOSES TO INTERNALISE MANAGEMENT AND CREATE A  
\$1 BILLION JOINT VENTURE WITH BABCOCK & BROWN**

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The Independent Directors<sup>1</sup> of GPT today announced a proposal to internalise its management and form a \$1 billion Joint Venture with Babcock & Brown ("**Joint Venture**"). The Joint Venture will pursue investment and property development opportunities and establish a listed and unlisted funds management business.

The proposal has the unanimous support of GPT's Independent Directors, subject to an independent expert confirming that the transaction is in the best interests of GPT unitholders, and no superior proposal emerging.

The Chairman of the Independent Directors, Peter Joseph, said, the proposal offered GPT unitholders the opportunity to create an independent GPT with improved diversification and significant earnings growth.

"The proposal to restructure GPT will bring together GPT's high quality investment portfolio with Babcock & Brown's proven deal sourcing and structuring skills to create higher returns for investors," Mr Joseph said.

"We believe this proposal will provide what our investors have been asking for – independence, with internalised management able to pursue higher growth and better returns, coupled with the Joint Venture with Babcock & Brown which will provide an immediate positive impact. The package, we believe, speaks for itself and we are enthusiastic in our support," he said.

The Independent Directors continue to recommend against acceptance of the Stockland takeover offer.

We have discussed this proposal with Lend Lease who owns the responsible entity which manages the Trust. Lend Lease respects GPT's decision to put an internalisation proposal to unitholders. Lend Lease has advised us that it remains committed to maintaining a strong relationship between the two organisations in the future and both parties have every intention of maintaining a co-operative and productive working relationship.

**KEY BENEFITS OF THE PROPOSAL**

Key benefits of the proposal include:

- ❑ **Creates an independently managed group** – delivers an independent GPT, eliminates management fees and aligns the interests of investors and management.
- ❑ **Builds a platform for growth** – a stapled vehicle having a growth platform in its own right combined with an initial \$1 billion strategic Joint Venture with Babcock & Brown. The Joint Venture combines GPT's asset management skills with Babcock & Brown's sourcing and

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<sup>1</sup> The GPT Independent Directors comprise Peter Joseph (Chairman), Ken Moss and Malcolm Latham

structuring expertise and provides a platform for development of a funds management business.

- ❑ **Significant distribution uplift** – GPT's estimated CY2006 distribution will increase by 16.5% should the proposal be implemented.
- ❑ **Significant increase in ongoing distribution growth** – 6.6% DPS growth in CY2006 versus 2H2005 annualised.
- ❑ **Maintains moderate gearing of 31.3% (December 2004 proforma adjusted) within GPT's target range of 30-40%** – investment in the Joint Venture is backed by stable, income producing property and predominantly funded by GPT's proposed sell-down of interests in three retail assets to Westfield (in the case of Sunshine Plaza, subject to pre-emptive rights).
- ❑ **A Control Premium is preserved** – for the potential benefit of GPT investors.

## THE PROPOSAL

The key elements of the proposal are described below:

### ❑ **Internalisation**

The internalisation of GPT will create an independent, internally managed property group combining GPT's premium quality investment portfolio with the flexibility to pursue higher earnings growth activities such as an unlisted funds management business and investments with GPT's Joint Venture partner Babcock & Brown.

The proposed internalisation is expected to deliver annualised cost savings of approximately \$20 million.

The GPT Independent Directors and key members of GPT's executive team have confirmed they will accept employment with the new responsible entity and GPT plans to discuss transitional arrangements with Lend Lease.

### ❑ **Joint Venture**

The 50:50 Joint Venture will initially be capitalised at \$1 billion, growing to \$1.4 billion within 18 months.

GPT will initially contribute \$900 million comprised of \$700 million of 9% cumulative preferred capital and \$200 million of ordinary equity. Babcock & Brown will contribute \$100 million of ordinary equity.

Key activities of the Joint Venture will include:

- ❑ investment in offshore property initially focussed on Europe
- ❑ selective investment, active management, development and recycling of capital
- ❑ external funds management – both listed and wholesale.

The Joint Venture will have exclusive first rights to Babcock & Brown's global real estate pipeline where funded by non-Babcock & Brown Australian capital and property and funds management activities of Babcock & Brown and GPT in Australia<sup>2</sup>.

Assets comprising European retail, residential and commercial to the value of approximately \$1.1 billion will seed the Joint Venture. A diverse range of follow-on investments and developments in Europe and Australia to the value of approximately \$1.3 billion have also been identified. Further investments are expected to be contributed to the Joint Venture within 18 months. Babcock & Brown has underwritten the delivery of investment opportunities to the Joint Venture that will increase GPT's DPS by 1 cent (2H2005) and 2.75 cents CY2006.

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<sup>2</sup> Excluding Japan

Each party has a right of veto over proposed investments.

The Joint Venture's Board and Investment Committee will have equal representation from both GPT and Babcock & Brown.

The Joint Venture will initially have consolidated third party non-recourse gearing of 65% with an agreed maximum of 75% and will have dedicated staff and systems and appropriate governance arrangements put in place.

**□ Funds Management Business**

The Joint Venture intends to establish a funds management business with both listed and unlisted products.

The combination of GPT's Australian asset and fund management expertise with Babcock & Brown's deal sourcing ability and global platform as well as both parties' potential to provide seed assets means the Joint Venture will be well positioned to aggressively pursue such opportunities.

**□ Sale of Assets to Westfield**

Subject to unitholder approval of the internalisation proposal and pre-emptive rights on Sunshine Plaza, Westfield has agreed to acquire 50% interests in Penrith Plaza and Woden Plaza and a 25% interest in Sunshine Plaza. Following settlement, Westfield will manage the Penrith and Woden properties. Westfield has agreed to pay \$744 million which represents a weighted average sale yield below 6.0% on passing income and a premium to the independent valuations commissioned in December 2004.

GPT will use the proceeds from the sales to invest in the Joint Venture with Babcock & Brown which will provide higher yielding investments thereby increasing forecast distributions per GPT security.

## **FINANCIAL IMPACT**

The proposal provides an immediate and significant increase in distributions as well as an increase in distribution growth. The table below summarises the estimated impact of the transaction on GPT's distributions:

	<b>CY04</b>	<b>CY05 Actual</b>	<b>CY06</b>
DPS stand alone (cps)	22.0	22.9	23.6
DPS post internalisation / JV (cps)	n/a	24.4	27.5
% increase (vs stand alone)	n/a	6.5%	16.5%
% growth (year on year)	3.8%	10.9%	12.7%

- DPS growth CY2006 vs 2H2005 annualised = 6.6%
- No material change in NTA - \$3.00 vs \$3.02
- Pro-forma December 2004 gearing post transaction = 31.3%

## **MANAGEMENT**

GPT's senior executives will continue to manage GPT's portfolio as well as assist in the funds management operations of the Joint Venture. The Joint Venture will be managed by staff from GPT, Babcock & Brown and new employees.

## **CONDITIONS TO IMPLEMENTATION**

**□ Independent Expert**

An Independent Expert will be appointed to report on whether the proposal is in the best interests of GPT unitholders. An Explanatory Memorandum and Independent Expert's Report will be sent to investors by late April 2005, with a unitholder meeting to approve the necessary resolutions expected to take place in May 2005.

❑ **Formal Documentation**

GPT and Babcock & Brown will now move to develop and finalise all the formal agreements necessary to implement the proposal, including the information to be sent to unitholders to approve the proposal.

**GPT's Independent Directors unanimously support the proposal set out in this announcement subject to the Independent Expert confirming it is in the best interests of unitholders and subject to no superior proposal emerging. GPT's Independent Directors recommend unitholders take no action until they receive a copy of the Explanatory Memorandum. If unitholders wish to act, GPT's Independent Directors recommend you consult an investment advisor.**

**BREAK FEE**

GPT has agreed to pay to Babcock & Brown a break fee of up to \$15 million in the circumstances detailed in Appendix A, in compensation to Babcock & Brown for keeping available through to the proposed effective date the seed and other identified assets and in compensation for advisory costs, costs of management time, out-of-pocket expenses, including air fares and hotel accommodation, its holding costs in relation to the seed assets for the Joint Venture and reasonable opportunity costs incurred by Babcock & Brown in pursuing the proposal including delaying commitment of finance and taking interest rate risk and, conversely, in not pursuing other alternative acquisitions or strategic initiatives.

**OTHER**

The GPT Board is comprised of the Independent Directors, Peter Joseph (Chairman), Malcolm Latham, and Ken Moss for the purpose of considering the proposed internalisation and Joint Venture. GPT Director Elizabeth Nosworthy is also a director of Babcock & Brown and stood aside from the GPT Board for the consideration of the proposal.

The GPT Board and management continue to retain independent advisers: Macquarie Bank, as financial adviser; Allens Arthur Robinson as legal adviser and Blake Dawson Waldron as adviser on governance processes for purposes of evaluating the proposals.

For unitholder questions in relation to this announcement please call the GPT Unitholder information line 1800 350 150 (in Australia) and 61 2 9278 9045 (if overseas) between 9:00am and 5:00pm Monday to Friday (excluding public holidays).

**ENDS**

**Enquiries**

For further information please contact

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## **Appendix A – Break Fee**

### **1. Triggers of break fee of \$7.5 million or \$15 million**

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- 1.1 Subject always to clause 3, GPT will pay either one of the following amounts to Babcock & Brown:
- (a) the amount of \$7.5 million (exclusive of GST), if any of the triggers detailed in clause 1.2 occurs before 16 March 2005; or
  - (b) the amount of \$15 million (exclusive of GST), if any of the triggers detailed in clause 1.2 occurs on or after 16 March 2005,
- in each case less any payment made under clause 2.
- 1.2 The following are the triggers for the payment of an amount under clause 1.1.
- (a) If:
    - (i) the Babcock & Brown proposal does not receive the necessary approvals of the GPT unitholders at the meeting convened to consider the Babcock & Brown proposal or that meeting is not convened before 30 June 2005 (or is otherwise abandoned or adjourned to a date after 30 June 2005); and
    - (ii) before that GPT unitholder meeting or 30 June 2005 (whichever is earlier), either a new competing proposal or a variation to an existing competing proposal is made or announced, and within 6 months of that announcement the competing proposal is or becomes either unconditional or is implemented.
  - (b) If:
    - (i) subject to paragraph (ii), the GPT Independent Directors fail to unanimously recommend, or withdraw their unanimous recommendation of, the Babcock & Brown proposal, or make a public statement that they no longer support that proposal;
    - (ii) the break fee shall not be payable in accordance with paragraph (i) if the Independent Expert appointed to consider the Babcock & Brown proposal gives an opinion that it is not in the best interests of GPT and its unitholders, unless that opinion is based on the announcement or making of a competing proposal or the variation of an existing competing proposal.
  - (c) If the GPT Independent Directors publicly recommend that a competing proposal (including a varied existing competing proposal) is in the interests of GPT and its unitholders.

### **2. Triggers of cost recoupment of \$2.5 million**

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Subject always to clause 3 and to there having been no payment of an amount pursuant to clause 1.1, GPT must pay to Babcock & Brown the amount of \$2.5 million (exclusive of GST) as a contribution towards the costs it has incurred in pursuing and promoting the Babcock & Brown proposal if any of the following occurs:

- 2.1 The Independent Expert appointed to consider the Babcock & Brown proposal gives an opinion that the Babcock & Brown proposal is not in the best interests of GPT and its unitholders (other than because that opinion is based on the announcement or making of a competing proposal or the variation of an existing competing proposal) and the GPT Independent Directors fail to unanimously recommend, or withdraw their unanimous recommendation of, the Babcock & Brown proposal or make a public statement that they no longer support the Babcock & Brown proposal.
- 2.2 The Babcock & Brown proposal does not receive the necessary approvals of GPT unitholders at the meeting convened to consider the Babcock & Brown proposal or that

meeting is not convened before 30 June 2005 (or is otherwise abandoned or adjourned to a date after 30 June 2005).

- 2.3 Babcock & Brown validly terminates the proposal.
- 2.4 GPT terminates the proposal for a reason other than as described in clause 3.1, below.
- 2.5 GPT is prevented under clause 3 from making a payment of a break fee under clause 1.1.

### **3. Prohibitions on payment**

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- 3.1 No amount shall be payable under clauses 1 or 2 if GPT terminates the proposal because:
  - (a) the unitholder documents or formal agreement evidencing the Babcock & Brown proposal are unable to be settled before 30 April 2005; or
  - (b) before the unitholder documents or formal agreement evidencing the Babcock & Brown proposal are settled, GPT determines that an irresolvable material issue has arisen in respect of one of the assets intended to be acquired by the Joint Venture, after the procedures for resolving these matters have been exhausted provided that no trigger event under clause 1.2 has then arisen.
- 3.2 No amount will be payable under clause 1 (and any payment made must be refunded) to the extent that a court, arbitral tribunal or the Takeovers Panel determines that the agreement by GPT to make such payment, or the making of any such payment, to Babcock & Brown:
  - (a) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the GPT board of directors to GPT; or
  - (b) constituted, or constitutes, or would constitute, unacceptable circumstances within the meaning of the Corporations Act; or
  - (c) was, or is, or would be, unlawful for any other reason.