

## **B&B still battling to resolve crisis**

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LAST-DITCH talks were under way last night between Babcock & Brown and its banking syndicate to try to resolve the financial crisis that could plunge the beleaguered asset management group into administration.

Both sides were still hopeful of finding a way out of the impasse, which would require a further lending lifeline to be extended by the group's 25 banks in exchange for a faster repayment of its \$3.1 billion of corporate debt.

But with B&B still bogged down in a dispute over a frozen \$70 million deposit held by one of its lenders, the German bank Hypo-und Vereinsbank, the knock-on effect has been to complicate the negotiations to secure the syndicate's support for the group's latest restructuring deal.

That involves B&B cutting a further 850 jobs, reducing costs by \$150 million, selling even more of its dwindling base of assets and repaying at least \$1.5 billion of its bank debt by 2011.

The discussions have been going on for more than a week since B&B announced its most recent shake-up, a move which caused consternation among some of its lenders worried about the prospect of getting back the loans they have advanced to the group.

The negotiations went into the early hours of yesterday morning and resumed in the evening with the two parties trying to reach a deal to get B&B through to the new year, when its prospects of raising further cash from its hard-hit program of asset sales might improve.

But failure to do so would increase the likelihood of the group breaching its banking covenants and subsequently pitching towards insolvency, which would give its directors little option but to appoint an administrator.

B&B made no comment last night on the progress of the talks.

It is understood that the accountancy firm Deloitte is being lined up as a possible administrator under those circumstances while the banks are being advised by the corporate restructuring specialist McGrathNicol, who would probably be the receiver.

B&B is thought to retain the support for the time being of the large Australian banks, including the big four institutions and Suncorp which are owed about \$700 million together.

But the major difficulty for B&B is the \$2 billion-plus of further debt held by its international banks, which are showing less patience about letting the group survive in their push to recover their money.

B&B sought to buy itself a week's grace on Monday when it placed its shares in suspension at 25c, saying it planned to update investors on its financial position after December 1.