

EVEREST BABCOCK & BROWN

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8 May 2007

EVEREST BABCOCK & BROWN ALTERNATIVE INVESTMENT TRUST (EBI) EVEREST BABCOCK & BROWN LIMITED (EBB)

CALCULATING THE COST BASE OF NEW EBI UNITS AND NEW EBB SHARES ALLOTTED UNDER THE EBI CAPITAL RAISING 8 MAY 2007

Please find below general information for capital gains tax (CGT) purposes on the calculation of the cost base of new EBI units and new EBB shares issued on 8 May 2007 under the EBI Placement and Entitlement Offers.

This general information may be of importance to investors when calculating any capital gains or losses on the disposal of EBI units or EBB shares issued under the EBI Placement and Entitlement Offers.

The Australian Tax Office requires that the consideration paid by unitholders to exercise Entitlements, and the consideration paid by applicants under the Placement, must be apportioned to the new EBI units and new EBB shares on a “*reasonable basis*”.

Whilst the method of apportioning the amount paid between new EBI units and new EBB shares is the responsibility of the investor, one reasonable method of apportionment would be to use the relative market values of units of EBI and shares of EBB at the time of issuance on 8 May 2007.

Everest Babcock & Brown is not able to give tax advice and accordingly investors should obtain independent advice from an accountant and/or lawyer regarding the tax treatment of investments in EBB and/or EBI.

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Example

Consider an investor who was issued 9 new EBI units and 2 new EBB shares under the Entitlement Offer and another investor issued the same under the Placement Offer. On the issue date of 8 May 2007, the closing market price of EBI units was \$3.57 and the closing market price of EBB shares was \$3.60.

Of the total consideration paid, the investor could reasonably apportion approximately 81.7% to the cost base of the 9 new EBI units acquired, with the remaining 18.3% being apportioned to the cost base of the 2 new EBB shares acquired.

Description	Calculation	Value
8 May 2007 closing market value of 9 EBI units	$9 \times \$3.57$	\$32.13
8 May 2007 closing market value of 2 EBB shares	$2 \times \$3.60$	\$7.20
8 May 2007 combined market value of 9 EBI units and 2 EBB shares	$\$32.13 + \7.20	\$39.33
Cost base apportioned to EBI	$\$32.13 \div \39.33	81.6934%
Cost base apportioned to EBB	$\$7.20 \div \39.33	18.3066%

Entitlement Offer

Total consideration for 9 new EBI units and 2 new EBB shares issued under the Entitlement Offer	$9 \times \$4.07$	\$36.63
Cost base apportioned to 1 EBI unit	$(81.6934\% \times \$36.63) \div 9$	\$3.32492
Cost base apportioned to 1 EBB share	$(18.3066\% \times \$36.63) \div 2$	\$3.35286

Placement Offer

Total consideration for 9 new EBI units and 2 new EBB shares issued under the Placement Offer	$9 \times \$4.29$	\$38.61
Cost base apportioned to 1 EBI unit	$(81.6934\% \times \$38.61) \div 9$	\$3.50464
Cost base apportioned to 1 EBB share	$(18.3066\% \times \$38.61) \div 2$	\$3.53412

In applying this approach the following cost bases per new EBI unit and new EBB share issued under the Entitlement Offer and the Placement Offer are obtained:

Security	Market Price 8 May 2007	Entitlement Offer Cost Base	Placement Offer Cost Base
EBI unit	\$3.57	\$3.32492	\$3.50464
EBB share	\$3.60	\$3.35286	\$3.53412

Please note that the actual cost bases for new EBI units and new EBB shares may vary where investors' fractional entitlements to EBB shares were rounded up.

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For further information, please contact +61 2 8001 9100 or email info@everest.com.au