



Catholic Church Insurances Limited

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13 December 2007

Mr John Dalzell
Corrs Chambers Westgarth Lawyers
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Dear John,

JOHN ELLIS - ARCHDIOCESE OF SYDNEY

I am writing to respond to your email of 28 November 2007, concerning the recovery of costs ordered by the Courts against Mr Ellis in his failed litigation against Cardinal Pell and the Archdiocese of Sydney.

I have reflected carefully on this issue and it was very helpful to have the various different views of those representing the Archdiocese which you presented to us.

As I am sure you will all appreciate, Catholic Church Insurances has its own obligations to take reasonable and appropriate steps to pursue the recovery of amounts legally and properly due, wherever it would be fair and reasonable to do so. These requirements are particularly onerous in respect of re-insurers and to all our Church clients to maintain the integrity of our insurance pool. Compounding this are the obvious facts that:-

- ❖ Mr Ellis is not an impoverished individual, having been a partner at a major Sydney law firm for many years, during which time he would obviously have earned a substantial income and accumulated significant assets.
- ❖ Mr Ellis chose to pursue the litigation pathway, rather than engage the Archdiocese through the *Toumbis Healing* protocol or to seek meaningfully to resolve the matter by discussion rather than litigation at a much earlier stage.
- ❖ The Costs Orders have been imposed by independent, competent Courts, and as such are legally due and payable.
- ❖ As the costs incurred have been very considerable, we are clearly dealing with a very substantial sum of money, which Mr Ellis has a legal obligation (established by the Courts) to meet.

Against this, of course, we at Catholic Church Insurances are very mindful of and sympathetic to the fact that a vigorous pursuit of such costs from Mr Ellis could attract negative publicity for the Sydney Archdiocese and the Church generally.

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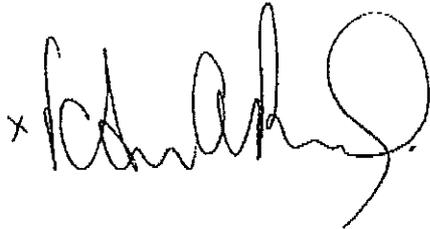
Balancing these different perspectives, I favour the option proposed by you of Corrs' writing to Mr Ellis, informing him of Corrs' estimate of the recoverable party/party costs due to the Sydney Archdiocese under the various Orders, and asking Mr Ellis politely but firmly to propose a contribution towards those costs by way of an early compromise settlement. As an adjunct to this, I would also propose that, in that letter, Corrs should ask Mr Ellis to disclose his financial position, supported where appropriate by relevant confirming documentation, so as to establish his capacity (or otherwise) to pay those costs.

I regard those requests, and that approach, as eminently reasonable. It is difficult to see that any fair reporting of that situation could result in criticism of the Sydney Archdiocese.

Catholic Church Insurances certainly does not support any proposal that Mr Ellis be told that the Archdiocese would forego recovery of the costs if he did not approach the Press about this matter again in the future. Such a request could easily be misinterpreted as, in effect, paying Mr Ellis "bush money". Further, any such request which was leaked to the Press by Mr Ellis could be very damaging, in our view.

I recognise that this is a difficult and sensitive matter and, if you believe that it would be preferable, I would be pleased to arrange to discuss the matter jointly with Michael Moore and/or Danny Casey and yourself, so that we can come to a mutual understanding on the best way forward.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Rush', with a small 'x' to its left.

Peter Rush
General Manager