



BRISBANE GRAMMAR SCHOOL

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From the Board of Trustees

STRICTLY PRIVATE AND CONFIDENTIAL

10 December 2002

Ms Anna Bligh MLA
Minister for Education
Queensland Government
PO Box 33
ALBERT STREET Q.4002

Dear Minister

Brisbane Grammar School has been engaged for some time now in litigation by some 65 former students arising from the misconduct of a former school counsellor. You may recall the extensive Courier Mail publicity in May 2000 when these allegations came to light.

Throughout October, and since, we have been involved in a mediation process in an effort to settle these claims. While it is unrealistic to expect all to settle as a consequence, at least initially, we are confident that most of the plaintiffs will eventually accept the offers which have been made. That is our objective.

As a matter of prudence, I should inform you that these claims are not fully underwritten and that the School will be required to make a financial contribution to these settlements. The reasons for this are complex and arise from the nature of long tail insurance, potential gaps in our cover at certain times, and two allegations that the School was warned (denied) which the underwriters have relied upon to reduce their exposure.

The precise amount the School will be liable for is not yet known because negotiations continue, however, we believe the School's contribution could be in the order of \$2 million. I attach a Schedule prepared by our solicitors. To encourage settlements we have agreed that the settlement amounts will be paid prior to 20 December 2002.

I wish to foreshadow that the School does not have free cash reserves to fund this liability, and that it is the School's intention to fund the settlements by borrowing the funds which are required. It is my view that Brisbane Grammar School can comfortably service this additional debt, though it may be prudent to defer some of our other development plans such as the additional \$5m debt funding factored into our five year forecast (in 2005) for our next major project (a new Resource Centre).

I also attach a copy of the School Bursar's letter to Education Queensland seeking formal approval of the School's borrowing requirement for 2003.



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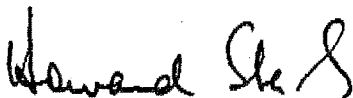
2.

We are, of course, attempting to minimise the financial contribution from the School, and are seeking advice concerning possible contributions to our liability by other parties. Any proceeds derived from these efforts would be immediately applied to reduce the borrowed sum.

It is important that the School maintains the strictest confidentiality with respect to the outcome of the mediations until there is some finality. We do not wish to "invite" further claims, nor do we wish to alarm our community.

I will write to you again when the financial outcome of the mediations is confirmed. In the meantime, I am at your disposal to meet and discuss this matter further if you wish, either now or when our final liability is ascertained.

Yours sincerely



HOWARD STACK
CHAIRMAN, BOARD OF TRUSTEES



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