

LYNCH LITIGATION LOAN

The Chairman's memorandum dated 14 July 2003 (Strategic Overview July 2003) includes a summary of the position relating to the Lynch litigation matter.

As Howard has indicated in his memorandum, the School has been required to contribute approximately \$1.3million towards the settlements. This amount has been drawn temporarily from the Endowment Fund, pending approval of a borrowing facility through QTC.

The Letter of Offer from QTC relating to this facility has been received and is now attached for your consideration and approval.

One aspect of this facility which requires your advice is the structure of the interest component.

Given that there is some prospect of recovering some of our contribution from the insurance brokers, QTC have suggested that part of the facility should be established as a floating rate loan. Our other loans have all been ten year fixed rate loans.

Drawing part of the funds on a floating rate basis will avoid any penalties which would be payable if the School repays part of the loan early, in the event that contributions are received from brokers. Based on Howard's expectations, up to 25 per cent of our contributions to date may be recovered from the brokers. This suggests that \$500,000 of the \$2million loan should be established on a floating rate, and the loan drawn down on a pro rata basis (i.e. 75 per cent fixed / 25 per cent floating).

STEPHEN TYRRELL
21 July 2003