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UNE

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Mr John Cassidy
Chancellor
BSc(CivilEng)(Newcastle(NSW)), FIE(Aust)
5 February 2006

The Chair
Audit and Compliance Committee,

Attention: Mr James Harris

I have recently acquired a share holding in the Tattersall's Hotel, previously owned by Services UNE (ex UNE Union).

As a matter of record I would ask you to tender this letter at the next meeting of the Audit and Compliance Committee, particularly as I understand that Mrs Crew has written to Services UNE Directors in regard to the tender process.

- a) In May 2005, the UNE Union, UNE Union Ltd and UNE appointed Mr Stephen Hall, Principal of Forsyth's Chartered Accountants as receiver and manager and administrator, respectively of the UNE Union and UNE Union Ltd. UNE Union and UNE Union Ltd were found to have been trading insolvently.
- b) Following a Deed of company Arrangement, approval of members at a Special General Meeting, approval of ASIC and approval of the NSW Treasurer, all assets and liabilities were transferred to a new controlled entity with amended Constitution and new independent directors appointed.
- c) Mrs Jennifer Crew had been UNE Council's appointed Director on the Board of the UNE Union at the time that the group was found to be trading insolvently. I considered Mrs Crew had a duty of care to advise Council either directly or through its Committees, and there was a clear breach of fiduciary duty to UNE Union, UNE Union Ltd and its members.
- d) In my role as Chancellor and Chair of UNE Council I proposed to Mrs Crew that she resign from Council. She declined to do so and more surprisingly, lobbied to be appointed as a Director of Services UNE.
- e) The decision to sell Tattersall's Hotel was made by the Directors of Services UNE, on the advice of Mr Hall and of necessity. I am not a Director of Services UNE. Further, I did not take part in the decision to sell Tattersall's Hotel or in the subsequent tender process conducted through Forsyth's.
- f) On learning that Mr Darrell Hendry had submitted a tender to purchase the hotel, I advised Services UNE Ltd's solicitors of a potential conflict as Mr Hendry was well known to me, and that potential conflict was noted.
- g) Mr Hendry's tender was accepted and his tender turned out to be substantially higher (by \$150,000) than the second highest tender.

- h) In January 2006, Mr Hendry proposed that I invest in the hotel as he had seriously underestimated the run down nature of the hotel and the high cost of renovation.
- i) I subsequently advised Services UNE's solicitors, the Deputy Chancellor, the Acting Vice-Chancellor, the Chief Financial Officer and the Secretary to Council that I was considering investing in the Tattersall's business.
- j) My decision to invest in Tattersall's was taken on 19 January 2006, following an inspection of the premises and advice from a Sydney consultant.
- k) The property has been settled on 1 February 2006.
- l) Should there be any ongoing business between UNE or its controlled or associated entities and the Tattersall's Hotel, I would ask you to note a possible conflict of interest.

Yours faithfully

John M Cassidy
Chancellor