

**EDINBURGH TRAM PROJECT**  
**FINANCIAL CLOSE PROGRAMME, QC AND APPROVALS PROCESS**

**(1) Background**

This note summarises the process we will follow through to Financial Close and focuses on the quality control actions needed to ensure we have robust final legal documents for which tie and TEL take appropriate collective responsibility.

**(2) Overall programme**

w/b 24 <sup>th</sup> March	<ul style="list-style-type: none"> <li>• Completion of the drafting for all critical Infraco Contract Suite issues, schedules and terms</li> <li>• QC programme on all finalised Infraco Schedules, third party agreements</li> </ul>
w/b 31 <sup>st</sup> March	<ul style="list-style-type: none"> <li>• Completion of the drafting for all remaining Infraco Contract Suite issues, schedules and terms</li> <li>• QC programme on all finalised Infraco Schedules, third party agreements</li> <li>• Finalisation of Close Report and DLA Report</li> </ul>
w/b 7 <sup>th</sup> April	<ul style="list-style-type: none"> <li>• QC programme, all remaining areas</li> <li>• Conclusion to Close Report and DLA Report including CEC sign-off</li> <li>• Approvals required from all parties to support Close</li> </ul>
Monday 14 <sup>th</sup> April	<ul style="list-style-type: none"> <li>• All documents ready for signature</li> </ul>
Tuesday 15 <sup>th</sup> April	<ul style="list-style-type: none"> <li>• Financial Close – contract completion</li> </ul>

**(3) Quality control**

***Outputs***

- Infraco Contract Suite
- Necessary third party agreements
- Close Report + Appendices
- DLA Report + Appendices
- Grant Funding Letter (completed)
- Operating Agreements x2

***Processes***

- Management of Close process & issue resolution (JM)
- Finalisation of Infraco contract suite (DLA)
- DLA Report + Appendices finalisation (DLA)
- Close Report + Appendices finalisation (GB)
- Approvals process – counter-parties (DLA)
- Approvals process – tie / CEC (GB – see below)

***Quality control approach***

The objective is to ensure that a knowledgeable tie or TEL person, semi-independent of the front-line negotiating and legal team, reviews the final form of the documents. The review should identify 1) fatal flaws ; 2) potentially important issues needing an internal debate before sign-off ; and 3) obvious errors. This review is not about nuances or minor drafting changes nor is it designed to second-guess negotiated commercial positions unless there is an obvious serious issue.

The attached matrix sets out the detailed responsibilities :

- The responsibility for finalisation of the Infraco Contract Suite is based on the matrix controlled by Geoff Gilbert.
- The Primary Reviewers for each important document must review the document in full and sign-off.
- The scope of work by the Secondary Reviewers should be agreed with the Primary Reviewer and comments finally provided to the Primary Reviewer, who can judge how they should be handled.

Certain of the third party agreements have already been signed. There is no point raising issues on these for amendment, but we should identify any points which may be inconsistent or problematic in some way relative to the final Infraco documents. These reviews are therefore light touch only, but still potentially important.

All matters identified by (or through) the Primary Reviewers should be discussed with Jim McEwan, Steven Bell and Andrew Fitchie before being communicated in any way to the counterparties.

DLA will perform their own legal QC review on the full set of final documents and this will support and complement the review by tie / TEL people.

Susan will manage the Close Programme including the QC work. Each person involved will be expected to sign-off on conclusion of their role in sensible terms, to evidence execution of our QC processes.

#### (4) Approvals Process

The approvals process should be straight-forward :

Documents required by CEC officials :

- Close Report update
- DLA Report / appendices update
- Letter from WG to CEC Chief Executive recommending completion

The Close Report and DLA Report will be finalised and sent to CEC next week (w/b 31/3) with Q&A and approval by CEC the following week (w/b 7/4).

The letter to Tom will be in similar form to the letter which supported issue of the Notification letters and will be supported by a formal conclusion by the tie / TEL management team.

Once the CEC officials are content, they will no doubt convene with Tom and we should then get the reciprocal letter from Tom to WG approving contract commitment. This letter will be the basis of a meeting of the WG / DM / NR Approvals Committee to finally authorise WG to sign the contracts.

The next TPB is scheduled for Wednesday 9<sup>th</sup> April and an update on progress will be presented.

There is no further approval required from TS, although courtesy calls on progress and to ensure the money is ready to move would be appropriate.

GB  
28<sup>th</sup> March 2008