

Without prejudice

Steven Reynolds
Parsons Brinckerhoff
Citypoint Offices
Edinburgh

Our Ref:

COM-SDS Claim-567

Date: 24th August 2007

Dear Steve,

SDS Claims

As discussed, Geoff Gilbert will be sending you an e-mail shortly which encapsulates my understanding of what we have now agreed as the principles of settlement of all claims put forward by PB.

You have set out (in your letter to me of 7th August) at some length various positions and counter-positions which we went over at our meeting on 25th July. Given the outcome of our further productive meetings on 16th and 17th August, a detailed rejoinder from me on these matters would now be redundant and I simply reserve my position on your letter's content. Nevertheless, I appreciate that you have gone to some effort to provide these additional commentaries and I respond as follows:

1. Protocol

We note that you are delivering the design to the PB V18 programme.

2. Changes

Noted.

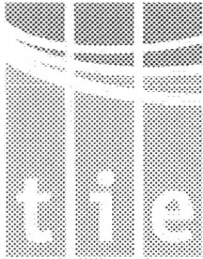
3. Claim for Additional Services

3.1 Quantum

tie limited

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The claim settlement is not intended as a recognition by tie of any particular amount against particular services or costs.

4. Response to Heads of Claim

4.1 Noted.

4.2 Noted and dealt with by the settlement.

4.3 Noted.

4.4 tie rejects the substance and relevance of PB's additional response.

5. Counter Arguments Review

5.1 & 5.2 tie does not accept the thrust of these supplementary comments which is that the PB Preliminary Design Submission was timely and of requisite quality.

5.3 Noted.

5.4 tie does not accept that the Master Programme had any material influence on the adequacy of PB project risk management.

5.5 Value Engineering Report

tie remains entirely unpersuaded that its behaviour impeded PB whose function was to bring experience to bear on these prioritisations.

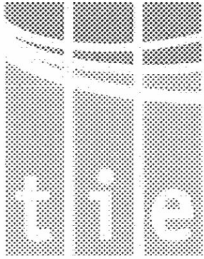
In closing, I would make two general points:

- tie's agreement to settle the PB's claims will not in any measure imply acceptance of the interpretations which PB's claim documents have sought to put on the Contract or that PB's versions of factual background are correct.

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- tie senior management's view of PB's overall performance during the SDS mandate has resulted in serious consideration on three separate occasions as to the need for issue of a contractual Persistent Breach Notice. The decision was taken not to take this step in order to concentrate efforts on restoring tie's trust and confidence as to PB's ability to stand up to promises to improve and to meet clear obligations. Latterly, your personal focus and commitment has been very welcome.

I know that Geoff is working with you on finalising the claim settlement and I hope that this will be satisfactorily concluded within the timescales outlined by us.

Yours sincerely,

Matthew Crosse
Project Director

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