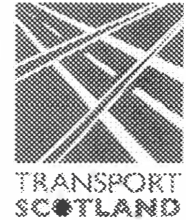


Chief Executive's Office

Buchanan House, 58 Port Dundas Road,
Glasgow G4 0HF
Direct Line: [REDACTED]
[REDACTED]
Bill.reeve@transportscotland.gsi.gov.uk



Tom Aitchison
Chief Executive
City of Edinburgh Council
Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Date:

17 January 2008

GRANT OFFER TO CITY OF EDINBURGH COUNCIL FOR CONSTRUCTION OF PHASE 1 OF THE EDINBURGH TRAM NETWORK

1. In exercise of the powers contained in Section 70 of the Transport (Scotland) Act 2001, the Scottish Ministers hereby offer to pay a grant ("the Grant") to the City of Edinburgh Council ("the Council") towards expenditure relating to that part of the proposed Edinburgh Tram Network, defined as "the Project" in the Terms and Conditions contained in Schedule 1 attached to this Letter. The Grant shall be 91.7% of the Eligible Capital Costs from time to time to a maximum of £500,000,000 (five hundred million pounds) which maximum includes Grant in respect of Eligible Capital Costs already defrayed or incurred or to be defrayed or incurred up to 31 March 2008
2. This Grant is offered on the Terms and Conditions contained in Schedule 1 attached to this Letter and acceptance of this offer will be deemed as acceptance of all the Terms and Conditions and Annexes 1 and 2 attached. Expressions defined in Schedule 1 have the same meaning in this Letter.
3. **Conditions Precedent**
 - 3.1 The obligation of the Scottish Ministers to pay the Grant or any instalment is subject to the condition that the Scottish Ministers have received all of the documents and other evidence listed in Paragraph 3.2 all in form and substance satisfactory to the Scottish Ministers.
 - 3.2.1 Evidence that the Council has approved a Final Business Case for the Edinburgh Tram Network containing
 - (a) an affordability assessment for Phase 1a (as defined in Clause 3.2.1 of Schedule 1) within a maximum capital cost of £545,000,000 (five hundred and forty five million pounds);
 - (b) a Benefits Costs Ratio greater than 1; and
 - (c) no projection of a requirement for an ongoing subsidy for the Edinburgh Tram Network during the operational phase.
 - 3.2.2 Evidence that an OGC Gateway Review has been completed and that all recommendations have been implemented and in so far as such recommendations relate to future activities robust arrangements have been made to implement such recommendations.

- 3.2.3 All reports, summaries reports and claims required by Annex 2 to date have been received by the Scottish Ministers.
- 3.4 The Scottish Ministers shall be entitled in their sole discretion to waive or deem to be satisfied in whole or in part the conditions precedent set out in Paragraph 3.1.
- 3.5 The Council shall use its best endeavours to procure that the conditions precedent set out in Paragraphs 3.2.1 and 3.2.2 shall be satisfied as soon as practicable and in any event not later than 31 January 2008 or such later date as the Scottish Ministers may agree in writing.

4. Payment arrangements

- 4.1 Subject to Clause 4.2 the Grant will be paid by 4-weekly Instalments in accordance with the provisions of the Terms and Conditions and Annex 2. If at any time the monies paid by the Scottish Ministers under this offer of Grant are in excess of the maximum amount payable at the time then such monies shall be repaid by the City of Edinburgh Council within 4 weeks of notification in writing by the Scottish Ministers and the Scottish Ministers shall be entitled to deduct such monies from any subsequent instalment.
- 4.2 The total Instalments paid or payable in the following financial years shall not exceed the totals set against each Financial Year ("the Annual Totals").

Financial Year to 31 March 2009 – £120 million

Year to 31 March 2010 – £149 million

Year to 31 March 2011 – So much of the Grant as has not been defrayed or incurred in prior Financial Years

The Scottish Ministers may at their sole discretion increase the Annual Total for any Financial Year but any such increase shall not increase the maximum Grant as defined in Paragraph 1 and such discretion will not be exercised in respect of any then current financial year.

The Scottish Ministers shall not be bound to pay to the Council, and the Council shall have no claim against the Scottish Ministers in respect of, any part of an Annual Total which has not been validly claimed by the Council by 31 March of the applicable Financial Year. The parties will from time to time agree and record such undrawn amounts.

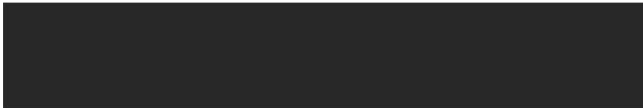
- 4.3 The Scottish Ministers shall have no obligation to pay the Grant or any instalment where, as at the due date for payment, an Event of Default or event which with the giving of notice, lapse of time or other condition may constitute an Event of Default has occurred. The Scottish Ministers may at their discretion pay the Grant or any part of an instalment otherwise due to be paid or any part thereof notwithstanding, and without waiving, any such Event of Default or event.

5. **Acceptance**

5.1 This offer of Grant is sent in duplicate and remains open for acceptance for a period of 28 days following the date of this Letter. If you wish to accept this offer of Grant on all the Terms and Conditions specified in and referred to in this Letter you should sign and date the acceptance form on the duplicate and return it to John Ramsay, Rail Delivery Directorate, Transport Scotland, Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF. You should retain the other copy for your own records.

5.2 Upon acceptance pursuant to Paragraph 5.1, this offer of Grant and the Terms and Conditions specified in and referred to in this Letter shall constitute the entire agreement between the Scottish Ministers and the Council in connection with its subject matter and shall supersede all prior representations, communications, negotiations and undertakings concerning the subject matter of this offer of Grant and the Terms and Conditions specified in and referred to in this Letter.

Yours sincerely



BILL REEVE
Director of Rail Delivery

Acceptance of Grant

On behalf of City of Edinburgh Council I accept the offer of Grant set out in the Scottish Ministers' letter above dated 17 January 2008 and the Terms and Conditions contained in or referred to in the Letter.

..... Signature

..... Full Name

..... Chief Executive, City of Edinburgh Council

..... Date

