From: Graeme Bissett [graeme.bissett@

Sent: 01 February 2010 15:25

To: Stewart McGarrity; Alan Coyle - CEC

Subject: FW: Phase 2 reorganisation - tax planning scope and fees

Stewart, Alan

Attached is the final version of PwC's fee proposal for the tax work to execute the long funding lease. The fees are estimated at £239k and are now where I believe they will stay after a series of discussions on scope and structure. Earlier estimates from PwC were substantially higher.

The existing engagement letter embeds a 20% reduction from their standard rates and this will be reduced by a further 25% of the discounted rate if the tax planning doesn't proceed for reasons outwith tie's control including project termination and identification that the lease structure won't work. This is not defined in great detail but provides tie / CEC with adequate protection on termination, which I am sure can be easily and honestly represented to be for reasons outwith tie's control. If tie decides not to proceed with a workable plan, then their discounted rates will apply at the 80% level. As a quid pro quo, if the planning is successfully implemented, the fees will revert to the standard rates. This is based on current legislation and the 25% discount will not apply if the law changes. I think this gives tie / CEC a reasonable level of protection, reinforced by the ability to terminate the work at any stage if there is a serious risk of project termination.

The letter does not at present specify a duty of care to CEC, but I think this is covered in the main engagement letter.

The legal fees are the subject of a separate letter from DLA, which I will forward when received. These are based on the work to draft the lease documentation and the last estimate was c£50k. The scope schedule and timetable have been prepared by DLA and PWC together.

Any questions please give me a shout. To achieve a clean handover, I will assume that Stewart will now take over control of the execution and I am obviously happy to support you as you wish.

Regards		
Graeme		
Craeme Rissett		

Graeme Bissett

m: +44

From: christine.martin@uk.pwc.com [mailto:christine.martin@uk.pwc.com]

Sent: 29 January 2010 15:07 **To:** graeme.bissett@virgin.net **Cc:** rhona.irving@uk.pwc.com

Subject: Fw: Phase 2 reorganisation - tax planning scope and fees

Graeme

I attach our proposed letter setting out the fee arrangements. I have deliberately not referred to contingent fees but referred to discounts as if the arrangements get out into the wider market place discounts are less emotive. Based on the arrangements tie would pay

60% of our standard rates if the lease does not proceed for issues outside tie's control; 80% of our standard rates if the lease structure works but you decide not to implement 100% of our standard rates if successfully implemented

I think this was what you were looking for.

One question for you do CEC and ETN also need to agree to the change?

Please give me a call if you would like to discuss.

KR's

Christine

Christine Martin Senior Tax Manager

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(See attached file: Tie Limited - Framework amendment.doc)(See attached file: Edinburgh Tram Network .pdf)(See attached file: Tie Long Funding lease timetable 2.DOC)

---- Forwarded by Christine Martin/UK/TLS/PwC on 28/01/2010 14:59 -----

"Graeme Bissett" <graeme.bissett@virgin.net>

Action (To)Christine Martin/UK/TLS/PwC@EMEA-UK

22/01/2010 16:59

Information (cc)Rhona Irving/UK/TLS/PwC@EMEA-UK

SubjectRE: Phase 2 reorganisation - tax planning scope and fees

Christine, from the perspective of the public purse, the cushion I am seeking is against work which does not bear fruit. In the event of tie determining that it does not want to proceed with the planning, it would be logical that the risk would remain with tie so that fees to that date would not be discounted and similarly if there is a material change in legislation which stymies the planning and which no-one can control, the equitable position is that the discount would not apply. However, if the scheme does not work (absenting a change in legislation) or if the project overall does not proceed (a matter outwith tie's control) the protection would apply.

If you let me have a draft we can conclude some sensible wording.

Regards	
Graeme	

Graeme Bissett

m:+44

From: christine.martin@uk.pwc.com [mailto:christine.martin@uk.pwc.com]

Sent: 22 January 2010 16:48 To: graeme.bissett@virgin.net **Cc:** rhona.irving@uk.pwc.com

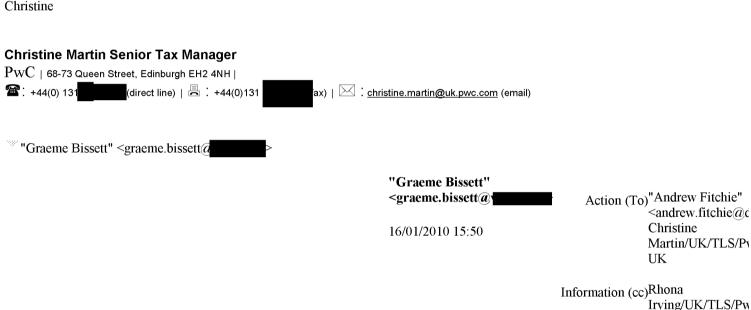
Subject: Re: Phase 2 reorganisation - tax planning scope and fees

Graeme

On the contractual terms I just wanted to check when you would expect the contingent fee discount to apply so as I can pull some wording together. I would expect it to apply if the long funding lease tax structure did not work and I think you indicated that it would also apply if the project aborted but not if the tax legislation changed - can I confirm. Could I also confirm what the position would be if tie etc decided for some other reason not to proceed.

KR's

Christine



Following exchanges last week, I think we are reasonably clear on the fee structure on the terms discussed. Can I ask two things of PwC and of DLA to conclude the admin and llet the work proceed:

- 1. Can DLA and PwC combine their work programmes so that tie has one consistent programme across legal and tax advice. This need not be in fine detail, but sufficient to allow tie to monitor progress on the key steps.
- 2. Can DLA and PwC then provide tie with an engagement letter, limited to summarizing the scope and the fee proposals, bearing in mind that tie will be relying on the extant contracts with each firm.

UK, "'Stewart McC <Stewart.McGarrit

SubjectPhase 2 reorganisa planning scope and

Thanks.
Regards Graeme
Graeme Bissett m:
End of message text
Things change. What matters is you stay ahead. http://www.pwc.co.uk/stayahead
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