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**From:** Steven Bell  
**Sent:** 14 November 2007 13:04  
**To:** Hudson, Steve  
**Subject:** RE: Settlement - 'without prejudice':  
**Attachments:** Proposed Settlement of AMIS Issues 13 11 07.xls

## Without Prejudice

Steve

Thanks for your note. I have spent time digesting and working through a proposal that I believe works for **tie**, and should work for AMIS, although only you can confirm that.

I agree with your comment that lack of conclusion is damaging the day to day working relationship and needs to be sorted now or an alternative approach agreed.

On the basis that we can agree this proposal, I confirm that tie will expedite certification and payment by the end of the calendar year.

In addition, looking at the diary, 29<sup>th</sup> November would suit best from Willie's diary and my own.

I would clarify a couple of points you made below:

1. I have always aimed to conclude all of the outstanding differences that we have discussed since late August, namely
  - a. Revised commercial agreement (content agreed)
  - b. Revised incentivisation agreement (uncapped)
  - c. Treatment of the impact of any schedule 13 agreements as Change Control under Clause 46.
  - d. Valuation of impact of delayed start from April to July in relation to Construction Services
  - e. Pre-Construction Services issues raised by AMIS
  - f. Under-recovery of overheads in 2007 work programme
  - g. Valuation / measurement issues to tidy up account.
  
2. In relation to the range of settlement figure discussed to close out all residual entitlement, I saw a way to a range £800k - £900k in addition to those items already agreed and you stated your view was a minimum of £1m - £1.1m. I did acknowledge there was an element of £150k or so which had been double-counted by tie in getting to the £800k - £900k. We did agree to explore any outstanding differences in certification on the existing application and in my mind that included formal agreement on items we may have paid some elements on account.  
You have clarified your position in your note below; stating you believe that needs to be "new" value" and hence cash.

I have summarised the position on these items within the attached file and highlighted where this has moved from my previous email.

The major changes are:

- Approach to incentivisation and assumption on benefit earned and shared in relation to section 7b etc. (£200k)
- Adjustment of under-recovery of 2007 O/H to reflect a likely T/O of ~£15m (£60k)
- Potential settlement of Ductile Iron Pipe issue (£120k)

Can you review the attached items and we can discuss this afternoon.

I think this closes the gap significantly from our perspective and it is essential that we clear the way for our teams to deliver in a constructive way going forward.

I genuinely want to resolve this very urgently.

Steven

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**From:** Hudson, Steve [<mailto:Steve.Hudson@alfredmcalpineplc.com>]  
**Sent:** 13 November 2007 14:31  
**To:** Steven Bell  
**Subject:** Settlement - 'without prejudice'

Steven,

Thanks for the call yesterday.

Just for clarity, before you respond to latest exchange, our settlement proposition is in respect of 'new cash' ie over and above certified to date.

This I believe has been clear throughout our discussions.

When we met on the 11th Oct you were talking 850k to 900k for 'claim' matters, for which nothing was certified to date. I stated that we would not settle below circa £1.1m and would therefore review current account contentions to see if resolving these 'in the round' could help close our gap. This resulted in our proposal of the 24th Oct, which took £900k for claims and added new money for current account contentions, splitting this between one-off and recurring.

I hope this clarifies any confusion and hope we can resolve matters asap - not least because I feel the 'lack of agreement' is damaging ongoing contract relations. Also, the deal was predicated on cash receipt before year end!

I look forward to your call and to arranging a trip up for steve and I to see you and Willie - which currently looks like 28th or 29th.

Regards  
Steve

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