

Attention: Willie Fraser
Head of Project Development - Tram
tie Limited
Verity House
19 Haymarket Yard
Edinburgh
EH12 5BH

Your reference

Our reference

FMM/MXF/310299/12/
9704278.1

11 May 2006

Dear Willie

**PARSONS BRINCKERHOFF LIMITED - SYSTEM DESIGN SERVICES
("SDS") COMMISSION**

I refer to our meeting with Chris Reid and Jim Cahill on 16 March 2006, and your subsequent meeting with Jim and my colleague Jonathan Gaskell on 26 April 2006.

My initial meeting in relation to this matter was with Gerry Henderson. Given Gerry's departure from **tie** and the subsequent departure of Ian Kendall, I thought it appropriate to report back to **tie** through you in the first instance.

Upon receiving initial instructions from Gerry in the early part of March of this year, we agreed that it would be appropriate to serve on Parsons Brinckerhoff a notice under Clause 24 of their agreement ("Persistent Breach Notice"). Our view at that time was that the notice would essentially serve as a warning, giving them the opportunity to improve their performance, or risk termination of their agreement.

Whilst it is apparent that Parsons Brinckerhoff underperformed in the early stages of their commission, I understand from Jonathan that their performance has improved significantly during the course of the past few weeks. Accordingly, my view is that it would be counter-productive to serve a Persistent Breach Notice on them at present time. The reason for this is that, as I am sure you appreciate, serving a contractual notice in these terms may create an adversarial relationship between **tie** and Parsons Brinckerhoff which, as a consequence, may have a detrimental effect on the project as a whole.

I should point out that failure by **tie** to serve a Persistent Breach Notice now would not preclude a claim by **tie** against Parsons Brinckerhoff in due course, once any losses suffered by **tie** have become quantifiable.

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In the meantime, I am happy to continue compiling evidence for use in any claim whether for or against Parsons Brinckerhoff in due course. Please let me know if **tie** would like me to continue with this work.

Kind regards.

Yours sincerely

FENELLA MASON
Partner
DLA PIPER RUDNICK GRAY CARY SCOTLAND LLP

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cc: Jim Cahill, **tie** Limited
Stewart McGarrity, **tie** Limited
Andrew Fitchie, DLA Piper