

## **Iona Mitchell (Brodies Solicitors)**

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**From:** Graeme Bissett <graeme.bissett@[REDACTED]>  
**Sent:** 20 March 2008 18:15  
**To:** 'Willie Gallagher'; steven.bell@tie.ltd.uk; Jim McEwan; 'Stewart McGarrity'; Fitchie, Andrew  
**Subject:** QC process and Readiness  
**Attachments:** Close process QC.xls

### Quality control

Here is a suggested approach to tie's top-down Financial Close QC procedures.

#### Outputs

- Infraco Contract Suite – Infraco contract + schedules including TSA /TMA & novation agreements, SDS Novation
- Close Report + Appendices
- DLA Report + Appendices
- Grant Funding Letter
- Operating Agreements x2

#### Processes

- Management of Close process & issue resolution (JM)
- Finalisation of Infraco suite (DLA)
- DLA Report + Apps finalisation (DLA)
- Close Report + Apps (GB)
- Approvals process – counter-parties (DLA)
- Approvals process – tie / CEC (GB)

#### Quality control approach

The objective is to ensure that a knowledgeable tie person, who is semi-independent of the front-line negotiating and legal team, reviews the final form of the documents. The review should identify 1) fatal flaws ; 2) potentially important issues needing an internal debate before sign-off ; and 3) obvious errors. The test is whether the matter can legitimately be raised with BBS / SDS at the final stage on a credible basis. This review is not about nuances or minor drafting changes nor is it designed to second-guess negotiated commercial positions unless there is an obvious serious issue.

The attached matrix sets out the detail. The responsibility for finalisation is based on the matrix provided this morning by Geoff. I have suggested primary reviewers for each important document, who must review the document in full and sign-off. I have also suggested secondary reviewers who should also review and report in their comments to the primary reviewer, who can judge what category they fall into. Note the idea is to be pragmatic here, we won't get (nor want) completely independent reviewers, the philosophy is a double / triple check by folks with the right knowledge. Comments on these various responsibilities welcome before we action.

Please take a look in particular at the filtered list of Infraco schedules and let me know if there are important schedules omitted and which should have a formal QC process applied. Also any which do not need further review.

I have also included some third party agreements which have been signed. There is no point raising issues on these for amendment, but we should identify any points which may be inconsistent or problematic in some way relative to the final Infraco documents. These reviews are therefore light touch only, but still potentially important.

Even at the final stage and with all the good efforts of DLA, there will be important inadvertent flaws in the drafting of such a large and complex set of documents. This process is designed to kill them off before we become committed.

The timetable to execute is dependent upon finalisation of the documents and we can address this over the next few days. Meantime your views on the approach, scope and personalities involved would be welcome. There's a lot of it – believe me, this is the filtered version.

### Readiness

We also need to be in shape for the day after Financial Close. This can be discussed when we get together next week, but two documents I'd recommend are scheduled for compilation immediately after Close are :

- Summary from all legals of tie / CEC's positive obligations – actions we require to take under the contract
- Summary from legals of key aspects of contract management

Regards

Graeme

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Graeme Bissett

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| FINANCIAL CLOSE - QC PROCESS                        | Responsibilities :   |                   |                           |      |      |
|---|--|-------------------|---------------------------|------|------|
|   | Finalisation<br>(based on<br>Schedule status<br>doc 20.3.08) | Main QC<br>Review | Secondary<br>QC Review(s) |      |      |
| <b>Documents</b>                                    |  |                   |                           |      |      |
| <b>Infraco Contract Suite</b>                       |  |                   |                           |      |      |
| Infraco contract                                    | GG / DLA   | SB                | DM                        | JM   | SMcG |
| TSA   | SMcG / AR / DLA  | SB                | DM                        | BC   |      |
| TMA   | SMcG / AR / DLA  | BC                |                           |      |      |
| TSA Novation Agreement                              | SMcG / AR / DLA  | n/a               |                           |      |      |
| TMA Novation Agreement                              | SMcG / AR / DLA  | n/a               |                           |      |      |
| CEC guarantee                                       | DLA / CEC (GL)   | SMcG              |                           |      |      |
| SDS Novation Agreement                              | JM / DLA   | SB                | DS                        |      |      |
| <b>Principal schedules (in addition to above) -</b> |  |                   |                           |      |      |
| Definitions   | GG / DLA   | SB                | DM                        | JM   | SMcG |
| Employer's Requirements (Sch 2)                     | MC   | SB                | JM                        | DM   | GG   |
| Pricing (Sch 4)                                     | GG / BD / DM   | SMcG              |                           |      |      |
| Milestone payments (Sch 5)                          | DM / ES  | SMcG              |                           |      |      |
| Maintenance pricing / payment (Sch 6/7)             | SMcG / AR  | BC                |                           |      |      |
| Security package (Sch 9)                            | DLA  | SMcG              | GG                        |      |      |
| DRP (Sch 10/11)                                     | DLA  | SB                | DM                        |      |      |
| Insurances (Sch 12)                                 | DLA  | MH                | SC                        |      |      |
| TPAs (Sch 14)                                       | DLA  | SC                | SB                        | AS   |      |
| Design management (Sch 15)                          | DS   | SB                | SC                        |      |      |
| Programme (Sch 16)                                  | TH   | SB                | SC                        |      |      |
| Tramco spare parts (Sch 26)                         | SMcG / AR  | BC                |                           |      |      |
| tie obligations (Sch 27)                            | GG   | SB                | SC                        |      |      |
| Infraco Proposal (Sch 31)                           | MC   | SB                | JM                        | DM   | GG   |
| Depot license (Sch 33)                              | N/A  | BC                | AR                        |      |      |
| Building Fixing Agreement (Sch 34)                  | BD   | SB                | AS                        |      |      |
| Tram Inspector Agreement (Sch 35)                   | AR   | BC                |                           |      |      |
| Reporting Period end-dates (Sch 36)                 | BD   | SMcG              | DM                        |      |      |
| Phase 1B (Sch 38)                                   | GG   | SB                | DM                        | SMcG |      |
| Key sub-contractors (Sch 39)                        | GG   | DM                |                           |      |      |
| TSA obligations (Sch 40)                            | SMcG / AR  | BC                |                           |      |      |
| Environmental / H&S KPIs                            | SB   | TC                |                           |      |      |
| Ground condition information (Sch 42)               | SB   | GG                |                           |      |      |
| Utilities information (Sch 43)                      | SB   | GG                |                           |      |      |
| <b>Close Report</b>                                 |  |                   |                           |      |      |
| Introduction  | GB   | SB                |                           |      | CEC  |
| Infraco Contract Suite                              | GB   | SB                |                           |      | CEC  |
| Grant award letter                                  | Complete   | Complete          |                           |      |      |
| Procurement challenge risk                          | GB   | SB                |                           |      | CEC  |
| Third Party Agreements                              | AS/SC  | GB                | DS                        |      | CEC  |
| Land Acquisition Agreements                         | AS   | GB                |                           |      | CEC  |
| Governance & corporate matters                      | Complete   | Complete          |                           |      | CEC  |
| Risk assessment - in-process & provisional matters  | SMcG   | SC                | MH                        |      | CEC  |
| Readiness for construction                          | SB   | JM                | SC                        |      | CEC  |
| Specific confirmations                              | GB   | SMcG              |                           |      | CEC  |
| App 1 - Design management                           | SC   | SB                | DS                        |      | CEC  |
| App 2 - Infraco / Tramco pricing and project budget | SMcG   | SB                | DM                        |      | CEC  |
| App 3 - Governance & Delegations                    | Complete   | n/a               |                           |      |      |
| App 4 - tie / CEC Operating Agreement               | Complete   | n/a               |                           |      | CEC  |
| App 5 - TEL / CEC Operating Agreement               | Complete   | n/a               |                           |      | CEC  |
| Note on Ers   | GB   | SB                |                           |      | CEC  |
| Note on QRA alignment with DLA matrix               | GB / SMcG  | SB                | SC                        |      | CEC  |

| FINANCIAL CLOSE - QC PROCESS                | Responsibilities : |          |              |    |     |
|---|--------------------|----------|--------------|----|-----|
|   | Finalisation       |          |              |    |     |
|   | (based on          |          |              |    |     |
|   | Schedule status    | Main QC  | Secondary    |    |     |
| Documents                                   | doc 20.3.08)       | Review   | QC Review(s) |    |     |
| DLA Report                                  |                    |          |              |    |     |
| Letter from DLA                             | DLA                |          |              |    | CEC |
| Infraco summary including Council guarantee | DLA                | SB       | DM           |    | CEC |
| Procurement risk                            | GB                 | SB       | MC           | JM | CEC |
| Risk matrix                                 | DLA                | SMcG     | SC           |    | CEC |
| Other key documents                         |                    |          |              |    |     |
| Grant funding letter                        | Complete           | Complete |              |    |     |
| Operating Agreement - tie / CEC             | Complete           | Complete |              |    |     |
| Operating Agreement - TEL / CEC             | Complete           | Complete |              |    |     |
| Third Party Agreements                      |                    |          |              |    |     |
| BAA license / lease                         | Complete           | SC       | DS           |    |     |
| Station change                              | Complete           | SC       | DS           |    |     |
| Depot change                                | Complete           | SC       | DS           |    |     |
| NR APA                                      | Complete           | SC       | DS           |    |     |
| NR Framework agreement and sub agreements   | AS                 | SC       | DS           |    |     |
| Forth Ports                                 | SC                 | GB       | DS           |    |     |
| SRU   | SC                 | GB       | DS           |    |     |
| License - West Craigs                       | AS                 | SC       | DS           |    |     |
| License - Gyle                              | AS                 | SC       | DS           |    |     |
| Parties                                     |                    |          |              |    |     |
| Alastair Richards                           | AR                 |          |              |    |     |
| Alasdair Sim                                | AS                 |          |              |    |     |
| Bill Campbell                               | BC                 |          |              |    |     |
| Bob Dawson                                  | BD                 |          |              |    |     |
| Dennis Murray                               | DM                 |          |              |    |     |
| Damian Sharp                                | DS                 |          |              |    |     |
| Eric Smith                                  | ES                 |          |              |    |     |
| Geoff Gilbert                               | GG                 |          |              |    |     |
| Gill Lindsay                                | GL                 |          |              |    |     |
| Jim McEwan                                  | JM                 |          |              |    |     |
| Matthew Crosse                              | MC                 |          |              |    |     |
| Mark Hamill                                 | MH                 |          |              |    |     |
| Steven Bell                                 | SB                 |          |              |    |     |
| Susan Clark                                 | SC                 |          |              |    |     |
| Stewart McGarrity                           | SMcG               |          |              |    |     |
| Tom Condie                                  | TC                 |          |              |    |     |
| Tom Hickman                                 | TH                 |          |              |    |     |