

30 October 2012

Colin Smith  
Waverley Court  
4 East Market Street  
Edinburgh  
EH8 8BG

Dear Colin

**Infraco Contract –Change Order 620: Cost Engineering in respect of the Programme**

We write further to our recent discussions regarding the above matter. As you are aware we set out our assessment of BBS's claim in our advice note dated 3 October 2012. We subsequently received from BBS on 26th of October 2012, a signed copy of "tie Change Order 620: Cost engineering in respect of the Programme" and, under separate cover on the same date, BBS's confirmation of the milestone schedule detailing its application amounts for the period 13/10/12 to 14/9/13.

Given that we are not qualified to provide legal advice, we appreciate that you have now had the opportunity to discuss this matter with your various advisors, including your legal advisors and BBS, as well as with the requirements of your role as the Independent Certifier. As you know, we are not privy to those discussions and have not been shown the advice, but we understand that you have found an acceptable route to move this issue forward. We thought it appropriate to record your instructions in this regard both for the purposes of the forthcoming payment assessment and going forward:-

1. The basis of the Change Order valuation of £6.45 million has been agreed by CEC with Infraco as has the issue of how it relates to the settlement of any delay and prolongation claims. We understand that you are satisfied that the agreement between CEC and BBS has been sufficiently documented in relation to the issues which form the subject matter of the Change order 620, although we have not seen this documentation. CEC have had discussions with Infraco regarding the basis of Change Order 620 and conditions governing that change and the milestone applications, which remain confidential between the two parties. CEC have satisfied themselves that the milestone amounts included in Infraco's letter are acceptable.

2. The CEC Senior Management Team has approved Change Order 620 and are aware that the value of this Change Order exceeds the budget position for the Infraco, Utilities Diversions and Tram Vehicle budget lines. CEC have however assessed the implications of this and have included the cost impact in the CEC forecast of the remaining elements of the overall project budget. The budgets T&T are working to are a subset of the CEC overall budget and we understand that the implications of Change Order 620 are accounted for in the overall project budget. Going forward, T&T will need to consider how to address the inclusion of the Change

Order 620 assessment in our forecasts and other services deliverables under our agreement and look forward to discussing and agreeing this with you in the near future.

3. Turner & Townsend are separately to identify within the payment certificate, the milestone amounts relating to this Change Order and reference them to the Independent Certifier's Change Order ICCO Nr 13 for the amount that has been assessed by the Independent Certifier . The amounts relating to this change will be separately identified to Turner & Townsend's assessment.

We are proceeding with application for payment Nr 62 for this period on the basis of this letter.

Yours sincerely

Julian Weatherley  
Director  
Turner & Townsend Infrastructure  
e: julian.weatherly@turntown.co.uk

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Copy:  
Alan Coyle - CEC  
Alastair McLean - CEC