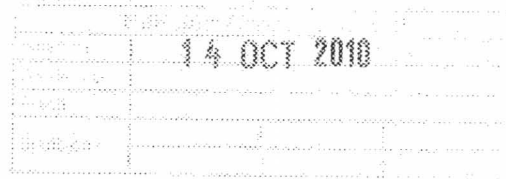


Our ref: 25.1.201/EKI/7058  
Your ref: INF CORR 6433/RJ

Bilfinger Berger-Siemens- CAF  
Consortium

14 October 2010



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**For the attention of Steven Bell – Tram Project Director**

Dear Sirs,

**Edinburgh Tram Network Infraco  
Infraco Contract – Project Carlisle**

We are in receipt of your letter dated 12 October 2010 (INF CORR 6433/RJ) from tie's Chief Executive addressed to our Mr Ed Kitzman regarding Project Carlisle.

Unfortunately, based upon the recent discussions you have had with Messrs. Walker and Flynn, we see no point in meeting yet again to discuss anything and everything but the fundamental difference between the Parties, that being the difference in scope, programme, T&Cs and price. Additionally, we find it astonishing that you extend an offer to resolve the differences between the Parties within hours of delivering yet another Remediable Termination Notice and Underperformance Warning Notice on issues that you know are not material.

We do not intend to further discuss Project Carlisle under the apparent condition precedent determined by tie that Infraco must donate £45 Million to the Project or face termination. We have demonstrated our flexibility with regard to scope, programme and to a large degree we have presented you with an open book cost development reflecting today's cost to complete the Project to Haymarket. Your insistence that Infraco donate to the cost of the Project to help make up for your perceived budgetary shortfall is unacceptable.

Contrary to your statement, we find nothing that tie has provided in recent weeks anything close to "meaningful and reasonable". It is with the greatest frustration that we are compelled to conclude that no further negotiations in the so called "Project Carlisle" initiative are meaningful. As such, unless tie come forward with a worthwhile proposition, please consider this letter as notice that Infraco shall not participate further in meaningless negotiations or discussions in connection with Project Carlisle, and that the Parties notify their respective stakeholders accordingly.

We remain ..... cont.



Cont.

We remain at your full disposition for a continuing dialogue in accordance with Clause 6 of the Infraco Contract, in order to seek alternatives to the impasse that exists between the Parties.

Yours faithfully,

  
**M Foerder**  
Project Director  
Bilfinger Berger Siemens CAF Consortium

cc: David Darcy  
Gordon Wakeford  
Jesus Esnaola  
Richard Walker  
Michael Flynn  
Antonio Campos