



FAO Mr Ed Kitzman
Bilfinger Berger Siemens CAF Consortium
9 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ

Our Ref: INF CORR 6433/RJ

12th October 2010

By email and by hand delivery

Dear Sirs

Project Carlisle

We were surprised to receive the letter dated 8 October 2010 (reference 25.1.201/RJW/6929) from the Consortium's Project Director who is also the Infraco Representative in response to our letter (INF. CORR 6370/RJ dated 6 October 2010).

The contents of your letter appear completely at odds with the letter it purports to reply to. We would expect that you had informed your colleagues that you agreed that our letter fairly reflected the compromise terms you had reached with our representatives. Our letter was also written with the expectation that CAF/BSC would be making proposals to facilitate CAF's wish to be re-novated to tie. We believe in light of the above and the conversations you have had with our representatives, our letter (6370 referred to above) and constitute a 'meaningful and responsible proposal' and we would expect a substantive response along similar lines.

We are pleased to see that Infraco still "*desire to reach a satisfactory conclusion going forward with Project Carlisle*". We look forward to you continuing with your meaningful participation by you responding more fully to our latest proposal, recognising the essential requirements that Project Carlisle is predicated on. You of course know on which matters we are able to consider flexibility (SDS, Princes Street and CAF) and the difficulties which may arise in attempting further compromise on the essential requirements.

The reference to Preliminaries is confusing as this is not part of the Project Carlisle brief.

We take it that you are aware of the meeting which took place today at Mr. Walker's instigation

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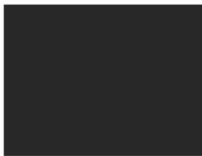
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We look forward to you coming forward with some positive thought through proposals which address all of the circumstances and pressures which you have discussed with our representatives. Please contact Mr. Molyneux to arrange a meeting to present your proposals in the week beginning 25 October 2010.

Yours faithfully



Richard Jeffrey
Chief Executive

cc: David Darcy, Bilfinger
Gordon Wakeford, Siemens
Jesus Esnaola, CAF