



Our Ref PJ/MPP

8 July 2009

Mr Richard Jeffrey  
Tie Limited  
Citypoint  
65 Haymarket Terrace  
Edinburgh  
EH12 5HD

Dear Richard

**Edinburgh Tram Project – Multi Utilities Diversion Framework Agreement ("MUDFA")**

I refer to the above and to our recent discussion on the 25 June.

As you are aware, discussions have been taking place recently between our respective teams in relation to the shortfall between Carillion's applications for payment and Tie's consequent interim certificates. In our Application for Payment number 30 for work up to and including the end of May 2009, Carillion has sought payment of the sum of £ 63,874,987.59 in relation to which Tie has now certified the sum of £51,734,697.44 by way of an interim certificate received on 7 July 2009.

In relation to the shortfall we agreed during our recent call that we would agree a process for seeking to establish whether a gap truly existed between the parties and if so whether that gap could be bridged by further discussion. To that end we would propose the following:-

1. Carillion will produce a Schedule identifying the elements of our latest application which are agreed and the elements of our application where Carillion consider there is a gap between the parties. Carillion will complete and forward that Schedule to Tie by 17 July 2009;
2. Tie will check and complete the Schedule and return it to Carillion by 24 July 2009;
3. The parties will then meet at least weekly to discuss each element of the Schedule, exchange information, agree issues where possible and identify where a gap truly exists in the parties' respective analyses of the sum due;
4. Following those discussions the Schedule will be revised to take account of any revisions to the parties respective positions and any agreements reached and thus identify any areas of dispute that exist between the parties (the "Disputes"). This should be completed by 11 September 2009;

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5. In the event that there are any Disputes between the parties following such discussions, the parties hereby agree that the terms of Clause 63.1 and Schedule 9 of MUDFA shall not apply to any such Disputes and the parties further agree that any such Disputes shall instead be dealt with as follows:-

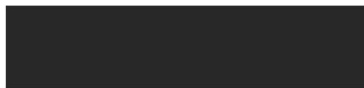
5.1 the parties will attempt to resolve any such Disputes by means of mediation. The parties will attempt in good faith to agree the terms of a mediation agreement by 18 September 2009, and agree that the mediation itself will take place on or before 9 October 2009;

5.2 in the event that parties fail to agree the terms of a mediation agreement by 18 September 2009 or the mediation does not result in resolution of all of the Disputes by 14 October 2009 then either party (a) may refer any or all of the remaining Disputes to adjudication in accordance with the procedure set out in paragraphs 16 to 57 of Schedule 9 of MUDFA and/or (b) may refer any or all of the remaining Disputes for determination by the Court of Session, Edinburgh.

I trust that you will agree that this represents a sensible way forward. Please confirm your acceptance of this proposal by signing the enclosed copy of this letter where shown and returning same to me.

I look forward to hearing from you.

Yours sincerely



**Peter Jones**

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**On behalf of Tie Limited I acknowledge receipt and confirm agreement to the terms of the foregoing letter.**

.....  
**Signed on behalf of Tie Limited**

.....  
**Date**

.....  
**Full Name of Signatory**