

| Item | Discussion | Action |
|-----------|---|---|
| 6. | Regulatory and Licensing issues | |
| | <p>JN reported that the timescale to arrange the required ANSP licence was longer than envisaged and might not be possible for the 20 November 2013. SG has arranged initial discussions with the Civil Aviation Authority to progress but the matter might need to be escalated.</p> <p>JN reported the Training Organiser licence was currently in the name of a company not being acquired. KC offered to consider a transitional arrangement to cover this licence requirement during the initial period post acquisition to allow time for full arrangements to be put in place.</p> <p>JN confirmed SG would consider such a proposal if needed to ensure operational continuity.</p> <p>After a discussion it was noted that SG would need to understand and assess the risk of this approach.</p> | <p>JN</p> <p>KC, JN</p> |
| 7. | Date of next Meeting | |
| | A Principals' meeting will be held on Wednesday 6 November 2013. | JP, MA |

Chair: Sharon Fairweather (SF), Transport Scotland

Ref; A7146754

Attendees: Steve Fitzgerald, Infratil (SFitz)
[REDACTED] PwC
[REDACTED] PwC
[REDACTED], PwC
[REDACTED] McClure Naismith
John Nicholls (JN), Transport Scotland
[REDACTED] Scottish Enterprise
[REDACTED] HW CF
[REDACTED] HW CF
[REDACTED] MacRoberts
[REDACTED] MacRoberts

Location: SV Cutty Sark, MacRoberts, Glasgow

Time / Date: 10:30-11:40, Wednesday 6 November 2013

| Item | Discussion | Action / Status |
|-----------|---|-----------------|
| 1. | Welcome and Introductions | |
| | AK welcomed everyone to the meeting. | |
| 2. | Progress on due diligence | |
| 2.1 | AK reported that Deloitte had issued its draft financial due diligence report. GS confirmed that management are working through legal due diligence questions. | |
| 2.2 | AK observed that additional legal due diligence questions may be needed in view of the approach taken by Infratil to revising the SPA. MacR will get these to PwC this week. | MacR |
| 3. | Business Plan | |
| 3.1 | Excerpts from the draft Business Plan prepared by HW CF were discussed and how they compared with projections prepared by the airport's management team. CM and SFitz expressed different views as to whether assumptions relating to the following matters should be taken into account in the base case underlying the draft Business Plan: <ul style="list-style-type: none">• Air Passenger Duty (APD)• Route Development Funding (RDF)• capital investment | |
| 3.2 | SFitz suggested that to exclude these matters would be inconsistent with the approach a private sector buyer would take: in his view the proposed base case suggested buying a struggling business without changing | |

| Item | Discussion | Action / Status |
|------|---|-----------------|
| | <p>anything. SF responded that the Business Plan includes an increase in passenger numbers and freight, that APD is a reserved matter and that government RDF could not be targetted into Prestwick Airport. ID indicated that discussions with management had substantiated the base case; GS queried this. CM stated that the base case does allow for growth.</p> | |
| 3.3 | <p>DL asked if the draft Business Plan could be shared. ID indicated that most of the information had already been provided apart from information about surplus land. CH asked if Infratil/PwC is being asked to put commercial ideas forward. SF confirmed that Transport Scotland would welcome such input. SF explained that there are no set metrics or criteria that can be used to assess compliance with the MEIP test and so it will be necessary to be guided by case law.</p> | |
| 3.4 | <p>DL and ID discussed how the base case in the Business Plan compared with the repositioning case prepared by management. SFitz queried if the base case had looked at the possibility of not providing handling services to Ryanair in future; ID confirmed it had not.</p> | |
| 3.5 | <p>DL raised, without prejudice to Infratil's position, the question of whether Infratil was being asked to provide funding. SFitz said that Infratil has been a good corporate citizen, that the airport has sustained jobs and provided economic benefits but that Infratil's board could not go to investors and ask them to "pay to give it away": the options are therefore (1) to give the airport away or (2) to close it. SFitz opined that the administration case is already a better case and that in his view Infratil would not be open to criticism if it appointed an administrator as it will have explored every possible option. SFitz indicated that he has very clear parameters from Infratil's Board.</p> | |
| 3.6 | <p>The parties agreed that discussions had gone as far as possible as they could today. DL reiterated his request for access to the draft Business Plan. SFitz advised that he would be meeting with management at Prestwick that afternoon.</p> | |
| | <p>END.</p> | |

Notes of Meeting

Ref: A7134026

Project: Prestwick Airport

Subject: Principals' Conference Call

Chair: Sharon Fairweather (SF), Transport Scotland

Attendees: John Nicholls (JN), Transport Scotland
[REDACTED] Transport Scotland
[REDACTED] Transport Scotland
Kellee Clark (CK), Infratil
Steve Fitzpatrick (SFi), Infratil
[REDACTED] PwC
[REDACTED], PwC
[REDACTED] PwC
[REDACTED] McClure Naismith
[REDACTED] McClure Naismith

Apologies: None.

Location: Conference Call

Time / Date: 09:00 Hours, Thursday 7th November 2013.

| Item | Discussion | Action |
|-----------|--|--------|
| 1. | Introductions and Welcome | |
| 1.1 | SF welcomed everyone to the conference call. | |
| 2. | Insurance | |
| 2.1 | SF reported that the Scottish Government's (SG) insurance advisors, Gallagher Heath, now have the required letters of appointment to enable them to have detailed discussions with the Glasgow Prestwick Airport's (GPA) current insurance brokers, Marsh. | |
| 2.2 | There is insufficient time to complete a strategic review of insurance requirements going forward or to procure new insurance through the public procurement process. | |

| Item | Discussion | Action |
|-----------|--|--------|
| 2.3 | It is therefore envisaged that interim arrangements will be needed for a transitional period, including migrating the insurance policies not included in Infratil's group cover to the new company, and replicating the insurance policies covered by Infratil group cover in favour of the new company. | |
| 3. | Banking Requirements | |
| 3.1 | SF reported that Haines Watt (HW) were in discussion with HSBC, GPA's current banker, to establish the required facilities to enable an uninterrupted handover for the 20 November 2013. HW is also working to determine the cash flow and working capital requirements for the new company. | |
| 3.2 | SG is seeking to minimise the need for a guarantee to support the required banking facilities, as large guarantees require Parliamentary approval and there is insufficient time for this. | |
| 3.3 | These banking facilities will be for an interim period to enable the handover, with new facilities being established in the longer term through the public procurement process. | |
| 3.4 | SF reported that Deloitte were working to conclude the financial Due Diligence (DD) early in the week commencing 11 November 2013, including agreeing arrangements for the required completion accounts. | |
| 4. | Licensing | |
| 4.1 | It was noted that the Aerodrome licence was held by GPA and it has been confirmed that no change is required by the Civil Aviation Authority (CAA). | JN |
| 4.2 | However, it was noted that the ANSP license was held by IEAL, which is a company not being acquired by Scottish Ministers. GPA will apply for the required new license on 7 November 2013, noting that the key outstanding issues relate to insurance and the governance arrangements and corporate structure of the new company. | |
| 4.3 | JN reported that Ian Cochrane (GPA) has shared the application form with SG and that SG would provide suitable wording where required. | |
| 4.4 | After a discussion it was noted that the approval of the new licence rested with the CAA and that transitional arrangements might be needed if this was not concluded by 20 November 2013. Infratil suggested IEAL could be kept going with appropriate people from GPA acting as its directors, to ensure continuity of the ANSP licence. | |

| Item | Discussion | Action |
|------|--|-----------|
| 4.5 | JN reported that SG would need to consider this and the risk involved in the ANSP licence being held by a company not within SG's ownership or direct control. | |
| 4.6 | It was noted that a Transitional Services Agreement could be entered into by SG and Infratil, to provide the necessary protection. MC reported that it was a normal practice within the aviation industry for the ANSP licence to be provided by a third party under contractual arrangements to an airport operator. | |
| 4.7 | After discussion it was suggested that Ian Cochrane and Tom Wilson could stay on as directors of IEAL for a transitional period of two to three weeks to ensure continuity of the ANSP licence. It was noted that the CAA were likely to consider these two people as appropriate to satisfy the requirements of the ANSP licence. | |
| 4.8 | KC agreed to draft a transitional services agreement to cover the above suggested approach. | KC |
| 4.8 | MC reported that the ANSP licence included the Trainer Provider licence. MC agreed to provide a short note to explain these licensing details | MC |

End.

From: Fairweather S (Sharon)
Sent: 06 November 2013 22:39
To: [REDACTED]

[REDACTED] Nicholls J
(John) (TRANS); [REDACTED] Dickson GF (Graeme); DG Enterprise, Environment &
Digital
Subject: FW: Confidential: Meeting this morning and further work this afternoon
Importance: High

See below from Steve Fitzgerald.

It would be extremely helpful if we could have a view from HW in the morning before
Graeme has his call with Steve at 11.

Thanks
Sharon



Sharon Fairweather
Director - Finance and Analytical Services
Transport Scotland
8th Floor
Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF
Tel: [REDACTED]
Fax: [REDACTED]
Mobile: [REDACTED]

From: Steven Fitzgerald [REDACTED]
Sent: 06 November 2013 22:15
To: Fairweather S (Sharon)
Subject: Confidential: Meeting this morning and further work this afternoon
Importance: High

Dear Sharon

Thank you for arranging the meeting this morning which I believe was very useful in sharing the
current status of work and views in relation to viability.

As discussed in some detail, we do not agree that the application of the Market Economy Investor
Principle means that a Government business case cannot assume:

- . any changes to APD;
- . the future existence of any route support;
- . any rezoning or change of use being granted by a local authority; or
- . any capital expenditure to improve facilities.

A private sector investor would take a view on each of these, particularly in the current environment of
a Scottish Government that is making clear statements about future support for the aviation industry
throughout Scotland. To exclude such assumptions is, therefore, at odds with the private sector
approach. To include them is not against the MEIP, provided you do not assume that

Government or any public sector body would make a singular benefit available only to Prestwick or make a benefit available on an artificially selective basis in order to target Prestwick. Any private sector business plan would assume the necessity of having funds available for improvement capex. In a turnaround situation like this one, a private sector business plan would also build in ongoing support, such as the Airport has been receiving from Infratil, to continue operations until the turnaround plans can be implemented. If these are all reasonable from a private sector perspective, they should not be an issue under the MEIP.

Although I have not seen the detail of the Haines Watts modelling, it would appear that changes in these fundamental assumptions would substantially close or eliminate the current viability gap given the evidence of growth generated from the removal of a relatively modest tax in Ireland and the stated intention of Ryanair in the event of similar moves in Scotland.

The viability outcome of these limiting assumptions appears to be being compounded by highly conservative assumptions around passenger growth and land development opportunities.

As agreed at the meeting, I have spent time this afternoon with the Management Team at Prestwick and worked through passenger growth assumptions and further opportunities. It was clarified that the passenger numbers included in the draft base model are Haines Watt assumptions. The sheet provided by Management took these HW numbers and converted the implied growth into specific route assumptions to provide a robust base upon which to build realistic growth in response to initiatives such as capital expenditure. Accordingly, contrary to the indications at the meeting, the HW numbers as presented do not include any of the growth described by Management as being achievable (even without APD or RDF support).

I believe it was acknowledged at the meeting that, as a result of the above, the single scenario in the HW model being described as a "base case" is in fact a very conservative "do nothing" or "status quo" case.

The challenge then made was that Management's initiatives rely on Government support. We recognise that direct Government support in the form of special Prestwick only state measures which a private sector purchaser could not supply or, as indicated above, state measures which were applied selectively or in a way which meant Prestwick got favourable treatment would not be allowable. However, we do think it is entirely compatible with MEIP to make the assumptions that the private sector would make about Government policy issues which are or would be available to the private sector generally. In any event, we also noted that the Government's commercial advisers do not appear to have generated or incorporated any initiatives into the business plan, which is inconsistent with a private sector approach to the acquisition of a struggling business.

I have worked with the Management team this afternoon to identify, within the constraints under which HW are operating, initiatives that would materially improve viability. The two initiatives that have been identified and quantified are:

- 1 The outsourcing of handling and the separation of handling from the Ryanair contract beyond the current contract period; and
- 2 An airport funded scheme to incentivise incremental passenger growth based on the economics observable from the recent Irish growth.

The first initiative addresses a historical anomaly with Prestwick being one of the only airports that provides handling. In the discussion of Ryanair charges beyond the current contract period,

Management understands that HW (and/or its sub-consultants) has taken a benchmarked approach to acceptable charge level. Approximately £2 per passenger is a low charge, but almost certainly does not factor in the provision of handling by comparable airports. It is Management's view that a sound strategy and feasible outcome of the contract renegotiation would be to outsource the handling function (with Ryanair contracting directly with the handler) and retaining the low current per passenger fee. Over a 10 year period, the present value impact of these cost savings looks to be around £9m (£11m when combined with the growth in initiative 2, below).

In the absence of any Government support, it would still be value enhancing for the airport to incentivise growth described in Management's RDF initiatives. Using the Irish €3 as a benchmark (with Shannon as a comparable style airport), a programme of incentivisation based on an industry standard 3 year declining incentive of £5/£3/£1 could be expected to drive incremental growth of roughly the volume outlined by management for external RDF support. Over a 10 year period, Management has estimated a present value benefit of around £11m from the current base. (incorporating the outsourced handling initiative in the cost assumptions)

Therefore, over a 10 year period the total present value savings from the current base for initiatives 1 and 2 is ~£22m.

Of course, these numbers have been put together quickly and, without access to the HW model, have been analysed in stand-alone simplified spreadsheets. I would suggest that a next step be HW meeting again with Management to run through these initiatives and for the outcome of this discussion to be incorporated into the HW case(s).

As detailed above, it appears that there are a number of ways to materially improve the current acquisition case. I remain willing and keen to work with you and your team to explore these improvements. I would also ask that the application of the MEIP to the assumptions that can properly be included in the business plan be re-considered.

I note that PWC was provided with a further explanation of the HW modelling assumptions and a print-out of the key financial inputs and outputs. We will review these in more detail during the course of the next day or two and revert with any comments or suggestions.

Best regards

Steve

Steven Fitzgerald

Executive Director • H.R.L. Morrison & Co Limited

Level 40, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000, Australia

T +[REDACTED] M +[REDACTED] [REDACTED]

www.HRLMorrison.com

From: Fairweather S (Sharon) [REDACTED]

Sent: 08 November 2013 11:57

To: [REDACTED]

[REDACTED]
[REDACTED]

Nicholls J (John) (TRANS)

Cc: DG Enterprise, Environment & Digital

[REDACTED]

Subject: FW: Touching base and next steps

To see below

Sharon



Sharon Fairweather

Director - Finance and Analytical Services

Transport Scotland

8th Floor

Buchanan House

58 Port Dundas Road

Glasgow

G4 0HF

Tel: [REDACTED]

Fax: [REDACTED]

Mobile: [REDACTED]

From: Fairweather S (Sharon)

Sent: 08 November 2013 11:53

To: 'Steven Fitzgerald'

Subject: RE: Touching base and next steps

Steve

Thank you for your message and offer of on-going assistance.

We had an internal meeting this morning on the business plan and HW are progressing further refinements. Our legal advisors are also hoping to make progress on the SPA today.

At this point in time I think we are keen for the management team's focus to be on continuing to assist with the practicalities of handover, but we will not hesitate to be in touch if we need to.

We have our next internal meeting planned for first thing Monday morning, after which we will be in a better position to discuss next steps.

In the meantime I hope you have a good weekend and have a chance to enjoy some of what Scotland has to offer.

Regards
Sharon



Sharon Fairweather
Director - Finance and Analytical Services
Transport Scotland
8th Floor
Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

Tel: [REDACTED]

Fax: [REDACTED]

Mobile: [REDACTED]

From: Steven Fitzgerald [REDACTED]

Sent: 08 November 2013 09:39

To: Fairweather S (Sharon)

Subject: Touching base and next steps

Hi Sharon

I tried to call and was advised you are in a meeting.

I thought it would be useful to have a quick chat about next steps and what more I can do to assist in the business plan consideration (or other issues). I have had a further catch up with the Management team this morning and they are also standing ready to work with Haines Watts on refining the further initiatives if that is desired.

My UK number is [REDACTED]

I look forward to hearing from you.

Best regards

Steve

Steven Fitzgerald

Executive Director • H.R.L. Morrison & Co Limited

Level 40, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000, Australia

T: [REDACTED] M: [REDACTED] E: [REDACTED]

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From: [REDACTED]
To: [REDACTED]
[REDACTED]
[REDACTED]

Date: 14/11/2013 13:41
Subject: RE: Elms - Key actions

[REDACTED]

Whilst I appreciate that Deloitte have been involved in the Manston deal we at Scottish Government have not, and we have no visibility around it (nor should we have or wish to). For the audit trail of decision making etc. from our side it would therefore be helpful if we referred to agreements around approaches etc. as opposed to specifically referencing Manston.

Thanks
Sharon

a Sharon Fairweather

Director - Finance and Analytical Services
Transport Scotland
8th Floor
Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

Tel: [REDACTED]
Fax: [REDACTED]
Mobile: [REDACTED]
From: [REDACTED]

Sent: 14 November 2013 13:36

To: [REDACTED]
Cc: [REDACTED]
[REDACTED]

Nicholls J

(John) (TRANS); Kellee Clark; [REDACTED]
[REDACTED]
[REDACTED] Fairweather S (Sharon); Steven Fitzgerald

Subject: RE: Elms - Key actions

[REDACTED]
DA

We note there are some differences, for example there are specific items in relation to GPA which were not present at/applicable to MSE (and vice versa) which require particular treatment, exchange and completion will be simultaneous rather than split etc, however our understanding is that the fundamentals around how the working capital adjustment will work are not dissimilar.

We will await MacRoberts drafting and continue to progress the analysis for your review. Perhaps best to catch up beyond that?

Thanks

[REDACTED]

[REDACTED]

PwC | Corporate Finance

Office: [REDACTED]

PricewaterhouseCoopers LLP

7 More London Riverside, London, SE1 2RT

<http://www.pwc.com/>

From: [REDACTED]

To: [REDACTED]

Cc: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Kellee Clark

[REDACTED]

Steven Fitzgerald <[REDACTED]>

Date: 14/11/2013 13:28

Subject: RE: Elvis - Key actions

[REDACTED]

I don't think we would concur that we agreed the working capital completion mechanism to be used would be 'in line with that used for Manston' this morning (or on our call yesterday). Perhaps this is an oversimplification of trying to say we are not expecting a full normal completion accounts mechanism?

Happy to discuss directly or once we've seen your proposed normalised working capital analysis.

Regards

[REDACTED]
DA

[REDACTED]

Assistant Director | Corporate Finance

Deloitte LLP
Athene Place, 66 Shoe Lane, London, EC4A 3BQ, United Kingdom
Tel/Direct: [REDACTED]
[REDACTED] www.deloitte.co.uk
 Please consider the environment before printing

From: [REDACTED]
Sent: 14 November 2013 12:50
To: [REDACTED]
Cc: [REDACTED]
[REDACTED]
[REDACTED] Kellee Clark
[REDACTED]
[REDACTED]
[REDACTED] Steven
Fitzgerald
Subject: Re: Elvis - Key actions

All

Point 10 was snipped off when transferring notes from Word to email! See below.

Thanks

Michael

10. Completion Mechanism / Working Capital

Update

Agreed that the mechanism would be in line with that used for the Manston transaction

Actions

PwC to provide TS/Deloitte with analysis of normalised working capital by close of play 14/11

MacRoberts to provide legal drafting to McClures as part of updated SPA by closed of play 14/11

[REDACTE

PwC | Corporate Finance
Office: [REDACTED]
Email: [REDACTED]
PricewaterhouseCoopers LLP
7 More London Riverside, London, SE1 2RT
<http://www.pwc.com/>

Meeting notes on 15th November 2013

From: [REDACTED]
Sent: 15 November 2013 12:34
To: Fairweather S (Sharon) [REDACTED]
[REDACTED] Nicholls J
(John) (TRANS) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Cc: [REDACTED] Steven
Fitzgerald [REDACTED]; Kellee Clark [REDACTED]
[REDACTED]
[REDACTED]
Subject: Elvis - actions

1. Diligence / Q&A update

Management to answer remaining questions asap.
TS advisors to confirm status of answers provided to date by close of play 15/11

2. Banking

TS / MacRoberts to provide note summarising proposed arrangements, e.g. will current facilities be novated or will new facilities be put in place
McClures / Infratil to take necessary actions (e.g. in respect of guarantees/charges) following receipt of summary from TS / MacRoberts

3. Insurance

TS/advisors to provide any updates by exception. At present progressing well towards all policies being in, with further information now received.

4. Licences / Transitional services agreement

McClures / Infratil to review and revert on latest draft of TSA provided by MacRoberts. TSA to be agreed prior to completion given indications that licencing is likely to be finalised in December
TS to respond to note re arranging a call with CAA to hold bilateral conversations around likely timeframes and comfort around using a TSA. [REDACTED] /Steve to be included in TS discussions with CAA.
ED

5. HW Business Plan

TS / HW to provide next update on Tuesday morning call following discussion on Monday afternoon

6. SPA

McClures/ Infratil to review latest draft provided by MacRoberts

McClures/ Infratil / MacRoberts to hold call today (PM) to discuss key points following McC / Infratil review

Principals / advisors meeting to be arranged for Monday following discussions held this afternoon

7. Tax Covenant

McClures/ Infratil to review and revert to MacRoberts asap (likely to be over the weekend)

8. Electricity and Gas

PwC to discuss with management and revert with update + highlight any information required from TS

9. Working Capital

PwC / Deloitte to discuss normalised working capital analysis

Meeting notes on 19th November 2013

From: [REDACTED]
Sent: 20 November 2013 00:04
To: Fairweather S (Sharon); [REDACTED] Nicholls J (John)
(TRANS); [REDACTED]
[REDACTED]
[REDACTED]
Cc: [REDACTED] Steven
Fitzgerald; Kellee Clark; [REDACTED]
[REDACTED]
Subject: 9.30am call details and agenda

1. Diligence / Q&A update

Management to answer remaining questions asap (only a handful of legal questions outstanding)

2. Banking

TS / MacRoberts to clarify proposed arrangements
McClures / Infratil to take necessary actions (e.g. in respect of guarantees/charges) following receipt of summary from TS / MacRoberts

3. Insurance

TS/advisors to provide an update on arrangements

4. Licences / Transitional services agreement

McClures / MacRoberts to provide an update on TSA drafting/discussions

5. HW Business Plan

TS / HW to provide an update following discussion held on Monday afternoon

6. SPA

McClures / MacRoberts to provide an update on position of SPA

7. Tax Covenant

Infratil / MacRoberts to provide an update on status of tax covenant

8. Electricity and Gas

Management / PwC to provide further confirmations/correspondence with suppliers if required

9. Working Capital

PwC / Deloitte to continue with WC discussions

10. AOB

Notes of meeting dated 20th November 2013

From: [REDACTED]

Sent: 04 December 2013 17:14

To: [REDACTED]

[REDACTED]

Subject: Fw: Prestwick Airport - Meetings - Action List - 20th November & 21st November 2013

1. Diligence / Q&A update

Management to answer remaining questions asap (only a handful of legal questions outstanding)
McClures to send final disclosure documents to PwC and to provide abridged version of management's IT/IP responses

2. Banking

TS / MacRoberts to ensure that HSBC provides draft release agreement to Infratil / McClures
McClures / Infratil to take necessary actions (e.g. in respect of guarantees/charges) following receipt of documentation from HSBC

3. Insurance

TS/advisors to provide any updates by exception. No issues anticipated at present.

4. Licences / Transitional services agreement

McClures to provide a marked-up version of the TSA to MacRoberts

5. HW Business Plan

All points now closed

6. SPA

McClures to provide MacRoberts with marked-up draft version of SPA which incorporates Infratil and TS / MacRoberts comments to date

7. Tax Covenant

Infratil to provide an update on status of tax covenant following conversations with Simmons & Simmons

8. Electricity and Gas

Management / McClures to mark-up new letter and ask Total to sign

9. Working Capital

PwC / Deloitte to continue with WC discussions

10. Announcements

TS / Infratil to provide update on approach to be taken for announcing the deal

11. AOB

McClures to send draft transitional agreement with MSE to Infratil for review before sending draft version to MacRoberts

McClures to prepare marked-up draft disclosure letter to incorporate MacRoberts comments to date



29 November 2013

[REDACTE]
Transport Scotland
Room 2G-22, Victoria Quay
Edinburgh
EH6 6QQ

Copy to: MacRoberts LLP
Excel House
30 Seiple Street
Edinburgh
EH13 8BL

Attention: **[REDACT]**

By: Delivery

Dear **[RE]**

Payment Notice

1. We refer to the Agreement for the Sale and Purchase of Shares between Infratil Airports Europe Limited (IAEL), TS Prestwick Holdco Limited (TSPH) and Infratil Limited dated 22 November 2013, and relating to the whole issued share capital of Prestwick Aviation Holdings Limited (SPA).
2. Terms defined in the SPA have the same meaning in this letter. References to clauses are references to clauses of the SPA.
3. This letter constitutes the Payment Notice for the purposes of clause 9.4. In accordance with that clause, we advise that:
 - (a) The amount of the Bonus Amount to be paid to each Recipient is as follows:

| Recipient | Amount (gross payment prior to deduction for tax and employee's national insurance contribution) |
|--|--|
| [REDACTED] Chief Executive Officer GPAL | £84,410.25, of which £50,138.25 will be paid directly into his pension as a salary sacrifice |
| [REDACTED] Chief Commercial Officer | £67,831.37, of which £33,559.37 will be paid directly into his pension as a salary sacrifice |
| [REDACTED] Chief Financial Officer | £34,775 |

| | |
|---------------------------|--------|
| [REDACTED] Office Manager | £5,000 |
| [REDACTED] HR Manager | £2,000 |

- (b) IAEL requests that the message to be delivered to each Employee in the context of the gift described in clause 9.4(f) be agreed with [REDACTED] such message to include the fact that the gift is made on behalf of Infratil.
4. It is intended that the Bonus Amount be paid to GPAL today by bank transfer from the Vendor into GPAL's bank account.
5. Please contact me if there are any questions or concerns in relation to any of the above.

Yours sincerely

[REDACTED]

Steven Fitzgerald
Infratil Airports Europe Limited

UK mobile: [REDACTED]
[REDACTED]

Timeline of events/meetings/communications between Infratil and Scottish Government Oct-Nov 2013. Provided in Dec 2013

| | |
|--------------------------------|---|
| 2 nd October 2013 | Briefing sent from John Nicholls to DFM ahead of the DFM's phone call with Mark Bogoevski, Infratil. |
| 3 rd October 2013 | John Nicholls sent an email which provided a read-out of the DFM's phone call with Mark Bogoevski, Infratil. |
| 3 rd October 2013 | Submission and draft letter to Infratil sent from Graeme Dickson to DFM. |
| 7 th October 2013 | Letter sent from DFM to Mark Bogoevski, [REDACTED] Kellee Clark and Paul Newfield of H.R.L Morrison. |
| 8 th October 2013 | Letter to DFM from Mark Bogoevski on behalf of Infratil. |
| 9 th October 2013 | Email from Graeme Dickson to DFM which includes a link to the announcement from the Infratil Board. |
| 5 th November 2013 | Email from Graeme Dickson to Sharon Fairweather and John Nicholls updating them on his call with Steve Fitzgerald, H.R.L Morrison and Co. |
| 6 th November 2013 | Email from Steve Fitzgerald, H.R.L Morrison and Co to Sharon Fairweather. |
| 7 th November 2013 | Meeting between Graeme Dickson and Steve Fitzgerald, H.R.L Morrison and Co. |
| 7 th November 2013 | Email from Graeme Dickson to John Nicholls providing a read-out from Graeme's meeting with Steve Fitzgerald, H.R.L Morrison and Co. |
| 15 th November 2013 | Sharon Fairweather provided a note of her phone call with Steve Fitzgerald, H.R.L Morrison and Co. |
| 21 st November 2013 | Email from Sharon Fairweather to the DFM setting out the key points of the agreement between SG and Infratil. |