

APPOINTMENT: INDEPENDENT VALUER FOR THE BRADFORD & BINGLEY COMPENSATION SCHEME

1. This document sets out the basis upon which applications are invited for the office of the independent valuer under the Bradford & Bingley Compensation Scheme.¹
2. Applications should be sent to valuer.enquiries@hm-treasury.gov.uk and must be received no later than **7th April 2009**.

A. Background information

Statutory framework

3. On 29 September 2008, all the ordinary shares issued by Bradford & Bingley plc were transferred to the Treasury in accordance with the Bradford & Bingley plc Transfer of Securities and Property etc Order 2008 (S.I. 2008/2546) (the "Transfer Order") made under the Banking (Special Provisions) Act 2008 (the "Act"). The Transfer Order extinguished certain rights to receive shares in Bradford & Bingley. Rights in relation to certain instruments were also modified by provisions of the Transfer Order. This action was taken by the Government in the interests of financial stability.²
4. The Act provides that the Treasury must, by order, establish a scheme for determining the amount of any compensation payable by the Treasury to those whose shares were transferred or whose rights were otherwise affected by the Transfer Order. The Treasury has made the Bradford & Bingley plc Compensation Scheme Order 2008 (the "Compensation Scheme Order") which establishes the compensation scheme (the "Compensation Scheme").
5. The Compensation Scheme provides for the appointment by the Treasury of an independent valuer to determine the amount of any compensation payable by the Treasury to the persons specified in Part 2 of the Compensation Scheme Order. The Compensation Scheme Order makes similar provision as that set out in relation to the independent valuer for Northern Rock (The Northern Rock plc Compensation Scheme Order 2008 (S.I. 2008/718)).
6. To ensure that the valuer has the powers necessary to obtain all the information reasonably required to conduct effectively the valuation process, the Treasury has laid in Parliament the Bradford & Bingley Compensation Scheme (Amendment) Order 2009. The Order, which will be debated in

¹ Set out in the Bradford & Bingley plc Compensation Scheme Order 2008 (S.I. 2008/3249).

² http://www.hm-treasury.gov.uk/press_97_08.htm

Parliament towards the end of March, provides that the valuer may apply to the court for an order requiring information reasonably required for the purposes of assessing the amount of any compensation payable by the Treasury to be supplied to the valuer.

Compensation to be determined

7. The valuer will be required to determine the amount of any compensation payable by the Treasury (and publish assessment notices) to:–
- those who held ordinary shares in Bradford & Bingley immediately before the shares were transferred to the Treasury in accordance with the Transfer Order;
 - those whose rights to receive shares in Bradford & Bingley (whether by subscription, conversion or otherwise) were extinguished by article 5 of the Transfer Order; and
 - those whose interests, rights and liabilities in relevant instruments were modified in accordance with articles 6 and 7 of the Transfer Order (as modified by the Bradford & Bingley plc Transfer of Securities and Property etc (Amendment) Order 2009 (S.I. 2009/320)).

Statutory valuation assumptions

8. In conducting the valuation exercise, the valuer is required, in accordance with the statutory valuation assumptions set out in section 7(3) of the Act, to assume that:
- (a). all financial assistance provided by the Bank of England or the Treasury to Bradford & Bingley has been withdrawn (whether by the making of a demand for repayment or otherwise); and
 - (b). that no financial assistance would in future be provided by the Bank of England or the Treasury to Bradford & Bingley (apart from ordinary market assistance offered by the Bank of England subject to its usual terms).

Remit

9. The independent valuer must be an individual. The valuer will be accountable for his or her assessments of any compensation payable, for example, in the event of an appeal to the Financial Services and Markets Tribunal (the “Tribunal”). However, in order to be able to carry out a valuation task of this size and complexity, he or she may need to have access to the professional and administrative resources of his or her firm and to other sources of professional advice, in addition to any staff that he or she may choose to employ directly for the purposes of the valuation exercise.

10. The person appointed will be required to discharge the functions of the independent valuer under the Compensation Scheme. In summary, the valuer will be required to do the following:

- (a) The valuer must determine the amount of any compensation payable by the Treasury in accordance with the Compensation Scheme and communicate the determinations by means of “assessment notices” which must include, amongst the other matters specified in paragraph 10(2) of the Schedule to the Compensation Scheme Order, the reasons for the valuer’s decisions.
- (b) Should the Treasury or any person affected by the determination set out in an assessment notice be dissatisfied with the determination, they may require the valuer to reconsider his or her determination in accordance with paragraph 11 of the Schedule to the Compensation Scheme Order. Should the valuer be required to reconsider his or her determination he or she will be required to issue a revised assessment notice setting out, amongst the other things specified in paragraph 11(3) of the Schedule to the Compensation Scheme Order:
 - whether the original assessment notice is upheld or varied;
 - the amount of any compensation determined by the valuer as payable; and
 - the reasons for the valuer’s decision.
- (c) Should the Treasury or any person affected by a determination of the amount of any compensation which is contained in a revised assessment notice be dissatisfied with the revised assessment notice, they may refer the matter to the Tribunal. The valuer would then act as a respondent in the Tribunal proceedings.
- (d) In the event that the Tribunal concludes that the valuer’s decision in the revised assessment notice was not a reasonable decision, the Tribunal must remit the matter to the valuer for reconsideration in accordance with such directions (if any) as the Tribunal considers appropriate. The valuer must then reconsider his or her determination in accordance with any such directions.

Procedure

11. The valuer may make such procedural rules in relation to the assessment of any compensation (including the procedure for the reconsideration of any decisions relating to the assessment of compensation) as he or she considers appropriate. The procedure followed by the valuer must be fair. The procedural rules will be a matter for the valuer but might cover such matters as communications between the valuer and interested parties, the handling of information and deadlines for the submission of information.

B. Remuneration

Basis for remuneration

12. Paragraph 7 of the Schedule to the Compensation Scheme Order provides that the valuer will be paid such remuneration and reimbursed for such expenses as the Treasury may determine.

13. The Treasury will pay the valuer a fixed amount (the “assessment amount”). This amount will be comprised of:

- remuneration for work done; and
- reimbursement of expenses incurred (including the remuneration of any staff of the valuer and any professional advisers’ fees),

from the date of his or her appointment up to the issue of the last assessment notice issued under paragraph 10 of the Schedule to the Compensation Scheme Order (the “assessment period”).

14. The Treasury is prepared to consider proposals for making staged payments of the assessment amount on the basis of a maximum of 75% of the assessment amount being paid during the assessment period, with the final 25% being paid within 30 days of issue of the valuer’s last assessment notice issued in accordance with paragraph 10 of the Schedule to the Compensation Scheme Order.

15. The Treasury will not make payments in advance of work done or expenses incurred.

16. Remuneration in respect of any work the valuer is required to do, and reimbursement of any expenses incurred, after the issue of his or her last assessment notice, including any work in issuing revised assessment notices under paragraph 11 of the Schedule to the Compensation Scheme Order and acting as a respondent before the Tribunal, will be paid or reimbursed monthly in arrears.

17. In the case of such further remuneration, payment will be made on the basis of agreed hourly or daily rates. These rates will be agreed with the valuer at the time of his or her appointment.

18. In the case of reimbursement of such further expenses, payment will be made against appropriate evidence that the expenses have been reasonably incurred in discharge of the valuer’s duties.

Independent monitor

19. The Treasury will appoint an independent third party to confirm that any further remuneration and expenses incurred, as specified in paragraphs 17 and 18 have been properly and reasonably incurred.

Cost and timing assumptions

20. Applicants for appointment are required to provide an indicative timetable for the valuation process and a quotation for the assessment amount. The indicative timetable and quotation should be provided on the basis of the following assumptions:

- (a). The availability of requested information and access to management. The independent valuer will have timely access to the current Board of Directors and senior management of Bradford & Bingley plc. The Company will also seek to arrange timely access to the relevant former Board members and former senior management of Bradford & Bingley who have previously expressed interest in assisting in any valuation process.
- (b). The necessary access to relevant financial and other business information from Bradford & Bingley plc. The majority of this information will be available electronically, but appropriate office space will be made available if and when the independent valuer requires time on site. Information supplied by Bradford & Bingley plc will be made available to the valuer on a timely basis and should not require substantial processing by the independent valuer.

21. If either of these assumptions are not met, or other facts or matters become apparent or events occur which could not have been reasonably foreseen at the time the assessment amount is agreed, and additional work is undertaken and/or expenses are incurred as a consequence, additional:

- remuneration in respect of such work reasonably undertaken; and/or
- reimbursement of such expenses reasonably incurred, will be agreed between the valuer and the Treasury.

As noted at paragraph 19 above, the Treasury will appoint an independent third party to scrutinise any additional remuneration or expenses incurred.

22. For the avoidance of doubt, the Treasury regards any application for judicial review of a decision of the Treasury as an unforeseeable circumstance for these purposes. Remuneration for work done and expenses incurred by the valuer in connection with any judicial review (whether the work is done or expenses incurred during or after the assessment period) will be subject to assessment by the independent third party.

Time and expenses recording systems

23. Applications should include details of the systems which would be operated for recording time spent on this matter (both of the independent valuer and any staff appointed by the valuer) and for verifying that any expenses additional to those included in the assessment amount are properly and reasonably incurred in the discharge of the duties as independent valuer.

C. Criteria for appointment

24. The following criteria must be satisfied in order for an applicant to be considered for appointment to the office of independent valuer:

- (a). **Demonstrable independence** of the applicant from Government and interested parties.
- (b). **Freedom from conflicts of interest:** given the number of organisations that have been involved in advising parties in relation to Bradford & Bingley, some potential candidates may be ruled out because of actual or potential conflicts of interest.

25. In considering which person to appoint, the following additional criteria will be relevant:

- (a). **Professional skills and experience:** the applicant must have extensive professional financial company valuation skills. The successful applicant is likely to need to draw on a range of professional expertise, notably accountancy, investment banking and legal. We would expect the successful applicant to have high standing and credibility in their profession.
- (b). **Experience and ability to carry out a high profile public process:** in addition to being able to carry out the professional task of assessing any compensation, the successful applicant will need to have the capacity, resources, personal bearing and robustness to -
 - (i) manage a high-profile, potentially multi-stage, public process involving some 930,000 former shareholders (individual and institutional, domestic and international) and other affected parties in a timely and efficient manner; and
 - (ii) explain his or her assessment to a range of different audiences (from individuals to potentially the Tribunal) in writing, in person and through professional intermediaries such as lawyers if necessary.
- (c). **Track record of timely delivery:** applicants will need to demonstrate by reference to an existing track record that they will be adequately resourced and capable of discharging the functions of independent valuer in a timely and efficient manner in the absence of conventional contract performance management by a client.
- (d). Overall **value for money** is also an important criterion against which applications will be judged.

D. Information required to be provided by applicants

26. The following section sets out the information and confirmations which should be included in applications for appointment as the valuer in order to enable the applications to be assessed.

Evidence in respect of criteria for appointment

27. Section C sets out criteria which will be considered in making the appointment. Applications for appointment should include evidence of satisfaction of the criteria including evidence of qualifications, experience and examples of previous engagements where relevant qualifications and skills have been utilised.

Conflicts of interest

28. Applications for appointment as valuer must also include confirmation that the applicant:

- (a). has no actual or potential conflict between any personal or business interests and the functions as valuer that could influence, or be reasonably perceived to influence, the applicant's judgement in performing the functions as valuer;
- (b). will not engage any staff who, to the best of his or her knowledge (having made reasonable enquiries), have any such actual or potential conflict of interests;
- (c). will take appropriate steps to ensure that, if appointed, neither he or she nor any staff are placed in a position where there is any actual or potential conflict between any personal or business interests and the functions in connection with the valuation process that could influence, or be reasonably perceived to influence, the judgements of the applicants and his or her staff in performing those functions; and
- (d). will disclose to former shareholders, the Treasury and other interested parties full particulars of any such actual or potential conflict of interest that may arise.

29. Applications should include information about any involvement which the applicant or, if applicable, their firm had in Bradford & Bingley and set out in detail the measures applicants will adopt, if successful, to ensure that the applicant, and staff who will be concerned in the valuation exercise, have no contact with individuals or data connected to that involvement.

30. Applicants from firms that might expect to do business with some of Bradford & Bingley's former institutional shareholders or persons whose rights have been affected by the Transfer Order must include an explanation as to how they plan to avoid conflicts of interest.

Timetable

31. It is in the interests of all persons affected by the Transfer Order that any compensation payable is determined as quickly as is reasonably practicable. The successful applicant will therefore be expected to conduct the valuation exercise in a timely manner.
32. Given the opportunity for affected parties or the Treasury to request the valuer to reconsider his or her determination and for dissatisfied parties to refer revised assessment notices to the Tribunal, it is not possible for applicants to say with certainty how long it will take for the valuation process to be completed through to the final determination, if necessary, of any reference to the Tribunal.
33. However applicants are required to submit an indicative planning timetable for their conduct of the valuation, if appointed, through to the issue of the last revised assessment notice on the basis of the assumptions set out in paragraph 20, along the following lines:

<i>Activity</i>	<i>Duration</i>	<i>Comments</i>
Valuer establishes and communicates procedures		
Valuer makes determinations under Part 4 of the Scheme and issues assessment notices		
The valuer reconsiders his or her determinations, if those affected require the valuer to do so, and produces revised assessment notices		
Total duration:		

Staff and resources

34. Applicants must provide details of any resources, which may include investment banking, legal and administrative resources, which are available to the applicant and which could assist in the conduct of the valuation exercise. The administrative resources required for communications with shareholders are discussed separately below.
35. If the applicant is a member of a firm, it should be identified on the application whether resources will come from within the firm and whether it will be necessary to seek external advice, for instance if those services are not available, or because of a perceived conflict of interest are not proposed to be utilised.
36. The Compensation Scheme Order provides that the valuer may appoint such staff as he or she may determine. The Compensation Scheme Order also provides that the valuer shall determine the remuneration and other conditions of service of the staff so appointed and pay such pensions,

allowances or gratuities to or in respect of staff as he or she may determine. The determination of remuneration and other conditions of service of, and the payment of pensions, allowances and gratuities to staff appointed by the valuer requires the approval of the Treasury. Accordingly, applications should include information about any staff which the applicant, if appointed as valuer, would appoint and their remuneration, other conditions of service and any pensions, allowances and gratuities which he or she would propose to pay to such staff.

37. For the avoidance of doubt, for these purposes “staff” means staff appointed as employees of the valuer, whether on a temporary or permanent basis. If the valuer is a member of a firm, it will not include the use of staff or other resources within that firm. Any charges incurred for the use of such resources will be considered to form part of the valuer’s expenses.

Remuneration and expenses

38. Applications should include a quotation, on the basis of the assumptions contained in Section B, for the assessment amount. A breakdown of the total amount should be provided split between the valuer’s own remuneration and expenses. Estimated expenses should be shown under broad headings, such as estimated remuneration of any staff employed by the valuer, legal costs, costs of other professional advisers, travel and accommodation costs, and any contingency risk reserve. The estimated expenses in respect of costs of professional staff not directly employed by the valuer should preferably be shown by level of staff member, chargeable rate per staff level, and category of work to be undertaken.

39. An applicant who wishes interim payments of the assessment amount to be made should indicate the proposed phasing on the basis of a maximum of 75% of the assessment amount being paid during the assessment period, with the final 25% being paid within 30 days of issue of the valuer’s last assessment notice under paragraph 10 of the Schedule to the Compensation Scheme Order.

40. Applications should also include a schedule setting out:

- (a). the rates at which time would be billed for work by the valuer not included in the assessment amount; and
- (b). intended charging rates for proposed staff and other expenses for work not included in the assessment amount, and estimates of any reasonably foreseeable expenses for which a specific charging rate is not proposed.

Communications with interested parties, the media and the public

41. There are almost 930,000 former shareholders in Bradford & Bingley, ranging from individuals who held a small number of shares to holders of substantial shareholdings in the company. There is likely to be interest from

former shareholders, other persons whose rights have been affected by the Transfer Order, the media and possibly members of the public, in the valuation exercise, including the procedure and the assessment of any compensation payable.

42. In discharging the function of independent valuer it will be necessary to communicate with former shareholders, the Treasury and other parties. This may include general communications as to the way in which the valuation process is to be managed, regular progress reports and responding to individual queries. The independent valuer will need to judge how to use different modes of communication (eg, mass mailings, web site, phone hot line, written or TV media) to discharge his or her functions effectively.
43. Necessary communications will also include the publications of assessment notices (and, if relevant, revised assessment notices) in accordance with paragraph 10 (and, if relevant, paragraph 11) of the Schedule to the Compensation Scheme Order.
44. Bradford & Bingley's registrars, Computershare Investor Services plc, provide a range of practical administrative services to the company which could, if the independent valuer wishes also be made available to enable effective communication with former shareholders and possibly, with other affected parties. Further information about the assistance which Computershare Investor Services plc may be able to provide is contained at Annex 1.
45. Applications for appointment should include an explanation of the way in which it is proposed to manage communications, including:
 - (a). any proposals for setting up a dedicated website for the purpose of such communications; and
 - (b). any proposals for using the services offered by Computershare Investor Services plc, or other identified third party entity, for the purpose of communicating with affected parties.

Fitness for appointment

46. Applications should also include confirmation that:
 - (a). the applicant has no criminal convictions;
 - (b). the applicant has not been made bankrupt and does not have any outstanding County Court Judgements against him or her;
 - (c). the applicant has fully complied with all applicable tax laws and regulations and has no outstanding tax liabilities in the United Kingdom or in any other jurisdiction;

- (d). no claim is being asserted and no litigation, arbitration or administrative proceeding is presently in progress or, to the best of the applicant's knowledge and belief, is pending or threatened against the applicant which will or might have a material adverse effect on their ability to perform the functions of independent valuer;
- (e). the applicant has no reason to suppose that he or she will be unable to complete the appointment (for example due to health or proposed retirement);
- (f). the applicant has no reason to suppose that personal connections or other personal information might be misconstrued so as to undermine his or her ability to discharge the functions of independent valuer.

Relevant professional memberships

47. Although membership of a particular professional body is not an essential requirement, applications should include information about the applicant's membership of any professional body which may be relevant to the appointment and confirmation that if appointed you will act in accordance with any relevant rules of conduct or code of ethics issued by any such professional body.

Insurance

48. Applications for appointment should include confirmation that the applicant has, or will obtain, a level of professional indemnity insurance to carry out the appointment that the Treasury considers to be appropriate, in particular, having regard to the nature of the valuation function.

Additional powers

49. Should the applicant identify in the application any additional powers that he or she believes would assist in ensuring a fair and effective procedure, the Treasury will consider these additional powers.

E. Selection process

50. Applicants for appointment as valuer are required to send to HM Treasury (valuer.enquiries@hm-treasury.gov.uk) an application containing the information set out in Section D, and any other information which may be relevant to the consideration of the application for appointment, no later than 8th April.
51. A panel, which will be chaired by the Chief Executive of the Institute of Chartered Accountants of England and Wales, will produce a shortlist from the applications.
52. Shortlisted applicants will be invited to present their case, in person, to the panel, including how they meet the criteria in Section C.
53. The panel will make recommendations to Treasury Ministers who will make the final decision as to the appointment.

F. Additional information

Terms of appointment

54. Draft terms of appointment of the valuer are attached at Annex 2.
55. It is intended that this invitation and the valuer's terms of appointment will be published on the Treasury's and the valuer's website.

Freedom of information

56. The Treasury may, acting in accordance with the Department of Constitutional Affairs' Code of Practice on the Discharge of Functions of Public Authorities under Part I of the FOIA (the "Code"), be obliged under the FOIA to disclose information concerning the terms of appointment:

- (a) in certain circumstances without consulting the valuer, or
- (b) following consultation with the valuer and having taken any representations into account,

provided always that where sub-paragraph (a) applies the Treasury shall, in accordance with the recommendations of the Code, draw this to the valuer's attention prior to any disclosure.

"FOIA" means the Freedom of Information Act 2000 and any subordinate legislation made under the Act from time to time together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such legislation.

Requests for further information

57. Any questions seeking clarification of any aspects of this invitation to apply should be emailed to valuer.enquiries@hm-treasury.gov.uk by no later than 1st April 2009. Any such information provided, or a summary of this information, will be published on the Treasury web site, for the benefit of other potential applicants.

9th March 2009

Annex 1 Computershare Investor Services plc

Computershare Investor Services plc ("Computershare") has been the Registrar for Bradford & Bingley plc since 2001 and currently provides the following services to the Company:

- Retains the register of shareholders as it stood immediately prior to the transfer of shares to the Treasury Solicitor
- Keeps the register of former shareholders list, including the substantial number of shares held in nominee form, up to date for any mailing requirements, for example, changes of address and deceased estates
- Provides a helpline facility and contact point for former shareholders

It is envisaged that Computershare could manage the administration of written communications with former company members and other interested parties and facilitate the payment of any compensation that the independent valuer may determine.

For further information about Computershare and the services they offer potential applicants may contact:

Nigel Derrick
Client Relationship Director
Tel – 0870 7036075
Email – nigel.derrick@computershare.co.uk

Annex 2 Draft terms of appointment

[Date]

Dear [Sir]/[Madam],

*The Bradford and Bingley plc Compensation Scheme
Appointment as independent valuer*

1. I refer to your application for appointment as independent valuer pursuant to the invitation to potential candidates dated [] (the "Invitation"). This letter adopts the definitions used in the Invitation.
2. I am pleased to inform you that your application has been successful and that you are hereby appointed as independent valuer pursuant to paragraph 6 of the Compensation Scheme set out in the Bradford & Bingley plc Compensation Scheme Order 2008 (S.I. 2008/3249).

Basis of appointment

3. Save where the contrary appears in this letter, your appointment as independent valuer is made on the basis of the Invitation.

Duties

4. You are required to discharge the functions and role of independent valuer in accordance with the terms of the Compensation Scheme and the provisions of Part 9 of the Financial Services and Markets Act 2000 and the Financial Services and Markets Tribunal Rules 2001 (both as modified in the Compensation Scheme Order). You will be expected at all times to act impartially, independently and fairly in the discharge of your functions as independent valuer.

Period of appointment

5. Your appointment will commence on [date] and, subject to paragraphs 22 to 24 below, will continue until you have issued the last assessment notice under paragraph 10 of the Schedule to the Compensation Scheme Order and all challenges to the assessment notices, whether by the revised assessment notice procedure, or referral to the Tribunal under paragraph 12 of the Schedule to the Compensation Scheme Order have been finally

disposed of, unconditionally withdrawn, or where the time limit for making any such challenges has expired, whichever is the later.

Remuneration and reimbursement of expenses

6. We will pay you an amount of £[] (including VAT) being the fixed fee for all work undertaken, and all expenses incurred, during the period from the date of your appointment until you have issued your last assessment notice in accordance with paragraph 10 of the Schedule to the Compensation Scheme Order. In this letter this amount is referred to as the “assessment amount” and the period in question as the “assessment period”.
7. The assessment amount will be paid as set out in Annex 1 to this letter.
8. The assessment amount has been agreed on the basis of the following assumptions:
 - a. Availability of requested information and access to management

You will have timely access to the current management of Bradford & Bingley (which will co-operate and assist you) and have access to relevant financial and other business information from Bradford & Bingley. The majority of such data is available electronically. Should you require time on-site, Bradford & Bingley will provide access to office space.
 - b. Information provided

Historical and forward looking financial information from Bradford & Bingley will not require any substantial processing in the form of, for example consolidation, de-consolidation or reconciliation.
9. If those assumptions are not met in practice, or other circumstances arise which could not have been reasonably foreseen by the date of this letter, then the assessment amount may be varied to take account of any resulting additional work reasonably undertaken by you or reasonable expenses incurred. We will appoint an independent third party to assess whether a variation is justified and, if so, the amount of any further payment, calculated in accordance with the rates for remuneration and expenses set out at Annex 2 to this letter and in accordance with the provisions of paragraph 10 below.
10. Remuneration for work reasonably undertaken and reimbursement for reasonable expenses which are incurred additional to the work undertaken and expenses incurred during the assessment period, will be calculated in accordance with the rates set out at Annex 2 to this letter and made on the following basis.
 - a. We will appoint an independent third party to confirm that such work has been reasonably and properly undertaken and expenses

have been properly and reasonably incurred in the discharge of your duties. Any invoice received from you will be sent to the third party within 14 days of receipt. The third party will notify you and us of his or her decision within a reasonable period of time, but in any event, not exceeding the later of 60 days from the date of receipt of a record of the hours/days worked or expenses incurred in the previous month or 28 days from the receipt by the third party of all further information requested by him or her from you.

- b. Payment will be made within 30 days of the confirmation at (a) above that the remuneration and expenses have been properly and reasonably incurred.

11. Subject to paragraph 12, remuneration for work reasonably done and reimbursement for expenses reasonably incurred by you (whether the work is done or expenses incurred during or after the assessment period) in connection with-

- a. any judicial review proceedings challenging any action, decision or opinion of yours or ours, or
- b. any other legal proceedings brought against you,

which relate to the discharge of your functions as independent valuer, will be provided in accordance with the assessment of an independent third party on the same basis as set out in paragraph 10. Reimbursement in respect of an award of damages or costs against you in such proceedings will be similarly provided.

12. There will be no entitlement to any payment in accordance with paragraph 11 where the alleged default or liability is admitted or otherwise accepted by you, or is determined by a Court to have been caused by your wrongful act or negligence. You will repay within 30 days of such admission or acceptance or determination any such amounts paid to you.

Appointment of staff

13. The Compensation Scheme Order provides that the valuer may appoint such staff as the valuer may determine. The Compensation Scheme Order also provides that the valuer shall determine the remuneration and other conditions of service of the staff so appointed and pay such pensions, allowances or gratuities to or in respect of staff so appointed as the valuer may determine.

14. The determination of remuneration and other conditions of service of, and the payment of pensions, allowances and gratuities to, staff appointed by the valuer requires the approval of the Treasury. If you wish to appoint staff you must notify [contact name and address].

15. For the avoidance of doubt, for these purposes “staff” means persons who are your employees, whether on a temporary or permanent basis and does not include staff employed by your firm. Any charges incurred for the use of staff employed by, or other resources within, your firm will be considered to form part of your expenses and, if incurred during the assessment period, are included (subject to paragraph 9) in the assessment amount.

Time and expenses recording systems

16. The systems for recording time spent (both your time and that of your staff), and for verifying that any expenses for which you may seek reimbursement additional to those included in the assessment amount are incurred in the discharge of your duties as valuer, are as described in Annex 3 to this letter.

Computashare

17. Computashare will maintain and administer a register of persons who held shares in Bradford & Bingley immediately before those shares were transferred to the Treasury pursuant to the Transfer Order. Computashare is available to undertake mailings on your behalf to such persons.
18. Any costs incurred by you in relation to producing and undertaking mailings to former shareholders will be considered to form part of your expenses and, if incurred during the assessment period, are included (subject to paragraph 9) in the assessment amount.

Professional standards, conflicts of interest and indemnity

19. In accepting this appointment you confirm that you will–
- a. act in accordance with any relevant rules of conduct or code of ethics issued by any professional body of which you are a member; and
 - b. maintain an appropriate level of professional indemnity insurance to carry out the appointment.

Conflicts of interest

20. In accepting this appointment you confirm that you will take such steps as are necessary to avoid any actual or potential conflict between any personal or business interests and your functions as valuer that could influence, or be reasonably perceived to influence, your judgement in performing your functions as valuer and, in particular you will –
- a. not appoint staff or obtain assistance from staff employed by your firm who, to the best of your knowledge having made reasonable enquiries, have any such actual or potential conflict;

- b. take appropriate steps to ensure that you, your staff and staff assisting you employed by your firm are not placed in a position where there is any such actual or potential conflict; and
- c. disclose to former shareholders, the Treasury and other interested parties full particulars of any such actual or potential conflict of interest that may arise.

21. You will not consult, instruct, or obtain assistance from any party or person who, to the best of your knowledge having made reasonable enquiries, has any actual or potential conflict which could influence or be reasonably perceived to influence their or your judgment in relation to the performance of your functions as valuer.

Termination and vacation of office

22. The Treasury may terminate your appointment by notice in writing with immediate effect on the ground of incapacity or serious misbehaviour.

23. If your appointment is terminated or vacated (howsoever arising) you must provide (free of charge) such assistance as may reasonably be requested by any person appointed to take your place as independent valuer under the Compensation Scheme to facilitate an effective and timely handover of all work then in progress.

24. If you vacate office other than in circumstances outside your control you will reimburse the Treasury such amount as is reasonably required to provide for any additional costs arising out of the change of valuer. For the avoidance of doubt, your moving to another firm, the identity of which, by reason of its involvement with Bradford & Bingley or otherwise, prevents your continuing as valuer, will not be treated as circumstances outside your control.

Yours sincerely,

Annex 1 Phasing of payments of assessment amount

1. The assessment amount will comprise:

(a) that part which relates to the valuer's remuneration, being £x.

(b) that part which relates to expenses, being £x.

2. How is payment to be phased?

[A maximum of 75% of the total assessment amount may be paid during the assessment period. We would expect the phasing to reflect the [proposed timing set out in the application. The final 25% may be paid within 30 days of the issue of the last assessment notice under Article 11 of the Compensation Scheme Order.]

3. To whom should the amounts be paid?

[Please nominate a single recipient for the part which relates to the valuer's remuneration and for the part which relates to expenses.]

Annex 2 Valuer's and Expenses Rates [Confidential – Commercial]

The following daily rates are specified for the purposes of the valuer's remuneration and the reimbursement of costs for work which does not, in accordance with the terms of appointment, fall within the assessment amount:

Valuer

XXXX

Members of [the valuer's firm / staff]

Annex 3 Valuer's systems for recording time and expenses