

Important Announcement to members of the following Pension Schemes (“the Schemes”)

Mendip RBS

Pennines RBS

This is our tenth Announcement.

In our ninth Announcement we advised members that Dalriada had lodged its own Summary Judgment application, believing that our claim was sufficiently strong that the Court would be able to uphold it without the need for legal proceedings going to full trial (which would be both expensive and lengthy).

However, we agreed to ‘stay’ this application and to take part in mediation with the previous trustees and the Hedge companies in an attempt to reach a negotiated settlement. Depending on the terms of any settlement, this might enable Dalriada to bring matters to a conclusion even more quickly and more cost effectively than Summary Judgment.

We confirmed that a day had been set aside for the mediation with a respected and experienced QC, to take place on the 5th March 2013.

No agreement was reached on the 5th March. However, negotiations continued such that Dalriada continued to hold off with the Summary Judgment application in the hope that settlement terms could eventually be agreed.

We acknowledge that some weeks have now passed since the 5th March and we apologise that we have not been in a position to update members more fully up to this point and, further, appreciate members’ patience during this time. However, we are now able to confirm that non-binding ‘heads of terms’ have been agreed with the Hedge companies that should enable us to move to a position where, ultimately, Dalriada takes control of the assets of the Hedge companies (these assets being the subject of Dalriada’s claim).

The parties will now work towards putting the heads of terms into a full settlement agreement as quickly as possible over the forthcoming weeks.

Notwithstanding the time taken to reach this point, Dalriada is pleased with the outcome and has been advised that these terms should result in them taking direct control of the assets of the Schemes more quickly and cost-effectively than continuing with its legal action.

However, whilst the agreement of heads of terms represents a significant step forward, there are several more stages to go through before Dalriada is able to calculate the value of, and subsequently settle, members’ benefits. These include:

- Whilst we have no reason to think this should be the case, there is always a chance that the settlement process will stall.

- The settlement agreement will also need to be approved by the court before it can be formally followed. This will hopefully not cause excessive delay but is a necessary further step in a situation involving pension schemes.
- We will need to dismantle the corporate structure that overlays the investments such that we can, where appropriate and possible, look to realise funds and invest them more appropriately.
- We will need to understand and, possibly, take Court direction as to how to apportion investment losses across members.
- We need to understand the possible tax implications both for members and, possibly, the Schemes generally.

As such, it will still be some months before we are able to provide members with an indication of the value of their benefits under the Schemes.

However, Dalriada will continue to update members, the next update being in June or early July by which point we hopefully will confirm that a settlement agreement has been signed.

As before, this Announcement will be uploaded onto our website www.dalriadatrustees.co.uk/pennines-and-mendip

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