

WEARDALE RAILWAY TRUST

Minutes of the management committee meeting held at the RAFA Club Crook on Tuesday 23rd January 2007

The meeting started at 7:35 PM

Those present

Ian Gardner – Chairman
Mike Wood – Vice Chairman
Trevor Hewitt - Treasurer
John Askwith
Dave Butler
Brian Cox
Tim Hall
Graham Lord
Steve Raine
Norma Richardson
Arthur Temple
James Lynn – Secretary

1 Apologises for absence

Dave Foxton, Frank Holmes, Kevin Hillary, Trevor Horner, Gerry Mudd, Julian Shepherd

2 Declarations of Interest

The Secretary asked if any Directors had any declarations or conflicts of interest.

3 Trust Directors Ian Gardner, Graham Lord and Steve Raine declared an interest as Directors of the Railway Company.

3 Trust Directors Tim Hall, Trevor Hewitt and Mike Wood declared an interest as creditors of the old Railway Company.

3 Purpose of the meeting

The Secretary commented that he had been approached by 4 Trust Directors to arrange a meeting of all the Trust Directors to review the financial and other implications due to the failure of negotiations with Weardale Steel. Using powers defined in Clause 62 of the Trusts M&As this meeting has been called so that the Directors can review the current situation and decide if there is any further action that the Trust can take to resolve this issue.

The Secretary reminded the Directors that any information discussed at this meeting is deemed to be commercially confidential and should not be discussed with Trust members or other interested parties.

4 Background

Steve Raine (speaking as MD of Weardale Railways and a Trust Director) had met with Les Graham of Weardale Steel to finalise the land swop (caused by the depot encroachment) and financial compensation for production losses caused by the disruption of power due to damage to an electricity cable by Weardale Railway staff/contractors during construction work. Steve commented that PwC who as administrators were responsible for the actions of workers/contractors did not have any liability insurance in place (PwC blame their insurance brokers). At this meeting Les Graham asked for £100k (compensation and interest) plus legal fees for Sintons (Weardale Steel solicitors). There was no documentary evidence from PwC on the actual value of losses suffered by Weardale Steel due to the disruption of power however there is an unsigned document which valued the losses at 80k later revised to 83k. However a letter dated 5th May 2005 from Sintons values the losses at £190k damage to furnace/extra heat treatment/air freight of new castings plus \$3.2 million costs due to loss of castings (at contract value)

At a meeting in June 2006 at Dickinson Dees offices (attended by Steve Raine/John Hummel) it was agreed to pay Sintons £7.5k to cover Weardale Steels legal fees to cover the land swop and compensation agreements (this will be handled by Andrew Tweddle acting as a solicitor for Weardale Railways).

Les Graham later confirmed he was withdrawing his offer due to the lack of communications between PwC and Weardale Steel and was now demanding 100k (compensation for production loss and interest @ 8%) plus Stintons fees (£7.5k already agreed) and other costs amounting to £5.0k. By withdrawing his offer and suing PwC the Weardale Railway CVA would fail and payments to the creditors would only amount to 1p in the £. Steve Raine commented that Andrew Tweddle had reported that he had no direct response from Sintons over the Weardale Steel claims.

Based on PwC's valuation of £83k for Weardale Steels compensation the cash shortfall would amount to £7.5k. However if the compensation rises to £100k plus Sintons and other costs the cash shortfall would be £20k.

A possible solution to the compensation problem is that Weardale Railways backed by ECT indemnifies PwC against legal action from Weardale Steel. Steve Newman ECTs solicitor is worried that the compensation cannot be accurately quantified leaving ECT open to very large compensation claims in the future.

5 Future negotiations with Weardale Steel

Steve Raine commented on his future negotiation tactics with Weardale Steel:

Meet with Les Graham (who now won't deal with PwC) to act as an honest broker and try to establish accurately the true value of Weardale Steels compensation claim suggesting that ECT and the Trust need these figures in-order to come up with any extra cash.

After evaluation of the Weardale Steels claims have another meeting with Les Graham either finalise a deal based on the cash available or a new deal based on extra cash from Trust (based on the premise that this was all the cash the Trust had available). The Trust would require a signed agreement to prevent further compensation claims.

Meet with Hilary Armstrong (our local MP) and update her on the current situation and explain why the Weardale Steel compensation claim has occurred (PwCs not taking out liability insurance). Ask Hilary Armstrong to speak to Edward Klemker Managing Partner PwC Northern Business Recovery Practice to see if there any solutions to resolve Weardale Steel claims and why after 2 years the CVA is still be unresolved.

6 Comments/Question from the Directors

Trevor Hewitt asked if ECT would allow the project to fail for £20k. Steve Raine responded that he was unsure that ECT would inject further cash. It was agreed that Ian Gardner should speak to Steve Sears (ECT) to ascertain their position.

Arthur Temple suggested that the Trust should sell the scrap (approx 300 tonne) and get this money into the bank in order to make any future payments to Weardale Steel.

Brian Cox asked about PwC's liability over its lack of insurance. PwC had suggested to Les Graham that he sues their insurance brokers to recover his costs. It was commented that DCC/WVDC (who nominate Directors to the Railway board) will not tackle PwC about this issue. It was also commented that if Banks planning application is approved this may reduce the pressure from Weardale Steel – depends on WVDC giving consent.

Steve Raine commented that any payments to Weardale Steel will have to be co-ordinated with the other parts of the CVA such as the completion of the transfer of track bed from Network Rail.

The Directors questioned if the resolution of Weardale Steel claims would require fencing of the access path to the depot (may not be necessary if Banks starts building work). Ian Gardner commented that access to the depot may not be a large problem but may create extra work for the volunteers.

7 Trust strategy

Best case – No money from Trust (apart from the £10.0k already allocated to cover Wolsingham Castings costs)
Worst case - £20k from Trust (includes £10.0k already allocated).

Ian Gardner reviewed the Trust had 3 options:

1. Steve Raine offers only an extra £10.0k (money from Weardale Railways) – if accepted get Les Graham to sign an agreement document.
2. If Steve Raines initial negotiation fails the Trust is to fund any difference at a second meeting.
3. ECT to put more money in (over an above what the Trusts agrees to fund).

The Treasurer reviewed the amount of funds available:

Restricted Funds	£10.0k (Initial sum held to cover initial payment to Wolsingham Castings)
Contingency	£5.0k
Amount available	£5.0k (Available funds to pay any additional payments to Wolsingham Castings)

The Treasurer commented that the Trust could offer a maximum of £10k. Dave Butler suggested that only £5.0k should be made available and be offered to Weardale Steel at a second meeting with Les Graham.

Proposal: A maximum of £5k will be offered to Les Graham at a second meeting (after a preliminary meeting to establish the true value of Weardale Steels compensation claims).

Proposed: Dave Butler
Seconded: Mike Woods

The Directors unanimously approved this proposal.

The Directors agreed that Ian Gardner should speak to Steve Sears to discuss the Trusts funding proposal and ascertain ECTs intentions.

The Directors also agreed to keep the discussions of this meeting confidential until all negotiations with Weardale Steel had been completed and the CVA finalised.

The Directors agreed to regularly review the Weardale Steel negotiations as a Trust Council agenda item.

The Directors reviewed what actions could be taken if the negotiations fail such as 'opportune leaks' to local papers about PwCs lack of liability insurance. It was agreed that no pre-emptive action would be undertaken by the Trust.

Meeting closed at 9:00 PM

12 Date/time of the next meeting is 13th February 2007 7:30PM at RAFA Club Crook.