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29 November 2008

The Valuation of Northern Rock Plc

Dear Mr Caldwell,

Thank you for your letters of the 13<sup>th</sup> November. As I am sure you appreciate the UK Shareholders Association formed and has been administering the Northern Rock Shareholders Action Group ("the Group"). Members of the Group are making application to the court for judicial review of the relevant legislation establishing the valuation assumptions. We now have approximately 45,000 Northern Rock shareholders registered as supporters of the Group with the numbers still growing so we represent a very substantial proportion of the former shareholders.

I write on behalf of the Group and I assume that your letter was sent to me in that role.

Our solicitors have sent you the paperwork submitted to the court in the judicial review to which you refer.

We do not intend to comment substantively on the valuation process or make any submissions to you in respect of this matter until the outcome of the Judicial Review is known.

In the meantime we make three comments

- We consider it wholly prejudicial to the traditional role of an expert valuer that the current preconditions, including artificial assumptions concerning the status of the company that did not apply in fact, should be imposed. This is particularly the case where the new owner of the business will benefit from these assumptions by a minimisation of the resulting valuation.
- It is wholly wrong for you to seek comments in relation to the "Approach to Valuation" within the limited time of 4 weeks. The approach is in our view coloured by the statutory assumptions and must await the outcome of the judicial review.
- We do not agree with the approach to valuation that you indicate that you propose to adopt and reserve our position until after the judicial review.

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You indicate that you intend to proceed however with the collection of information concerning the financial position of Northern Rock and we can see no objection to that. We look forward to future disclosure of that information, which as suggested in your note, will take place in Stage 3, so that we may be in a position to comment further on the valuation approach and the background facts in due course.

We consider it particularly important that this includes, for example, the advice the Government received from Goldman Sachs as it appears to have influenced their view of the financial position and future prospects of the company. Surely this must be included in a valuation that takes all the known information into account.

Also, in our view, information from the management accounts of the company and other internal material as at the date of nationalisation, which are now very much historic data and therefore should not be particularly commercially sensitive, should also be disclosed.

You also indicate a willingness to have meetings with representative shareholder groups and we would welcome such a meeting at your convenience. Perhaps you could telephone me to arrange a suitable date.

Yours sincerely

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