



Liz Ditchburn
Director General Economy
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

5 August 2019

Dear Liz

Ferguson Marine Engineering Limited ("FMEL") and Ferguson Marine Engineering (Holdings) Limited ("FMEHL") (together the "Group")
HCC International Insurance Company PLC ("HCCI")
Clyde Blowers Capital Fund III LP ("CBC")

We refer to the meeting held earlier today between FMEL and the Scottish Ministers.

As advised during the meeting, we are extremely disappointed that the Scottish Ministers are still, at this stage, unable to share with the directors of FMEL (the "Directors") any further details of the Scottish Ministers' proposal for a solvent solution for the Group (the "Solvent Solution"), including any steps plan or timetable for implementation, or funding.

You confirmed at today's meeting that reaching agreement with HCCI in relation to a potential compromise of their position as first ranking creditor in FMEL, whilst desirable from the Scottish Ministers' perspective, is not an absolute condition of the Solvent Solution and that the Solvent Solution could progress without this being in place.

[Redacted] and implementing
[Redacted] Scottish Ministers being
[Redacted] and not for fair value;

As agreed at today's meeting, the Scottish Ministers have undertaken to engage with CBC as a matter of urgency with the aim of concluding matters and reaching agreement with CBC in relation to the Key Points by no later than 12 noon this Friday, 9 August 2019 (the "Agreed Deadline") and to advise us of the outcome and position by the Agreed Deadline.

As advised, it is also imperative that the Scottish Ministers, by the Agreed Deadline, provide the Directors with details around the next steps that are required to be taken by the Scottish Ministers to progress and implement the Solvent Solution, confirmation that there are no other key obstacles to be overcome with any relevant stakeholders (including HCCI), and details of the proposed timetable for full implementation of the Solvent Solution.

Given the above, we confirm that we have also written to CBC today urging them to engage with the Scottish Ministers as a matter of urgency with a view to reaching agreement on the Key Points by the Agreed Deadline.

As the Scottish Ministers fully acknowledged at today's meeting, the Directors simply cannot continue to potentially expose themselves personally on reliance upon assurances from the Scottish Ministers without there being a firm commitment to a Solvent Solution and a concrete timeline for implementation of the Solvent Solution.

We look forward to hearing from you by the Agreed Deadline. In the meantime, please provide us with updates during the course of this week on the progress of discussions with CBC and HCCI.

Yours faithfully

[Redacted Signature]

Director, Ferguson Marine Engineering Limited