Àrd-stiùiriche na h-Eaconomaidh Director-General Economy Liz Ditchburn





Gerry Marshall By email

11 August 2019

Dear Gerry

Ferguson Marine Engineering Limited ("FMEL") and Ferguson Marine Engineering (Holdings) Limited ("FMEHL") (together the "Group")

As you are aware, along with our advisors, we had a conversation with one of your named administrators in waiting and this morning. It was very helpful to hear their perspective with regards to plans for the working with you and preparation for taking an appointment should that be required.

As you know, at our meeting with you on 5 August we committed to continue engagement with CBC with regards to seeking a solvent solution for FMEL. We sent you a short note on Friday 9 August explaining that we continue to consider the situation.

Despite laying out the requirements that must be met in order for us to deploy a solvent solution, there has not been enough compromise on behalf of your shareholder to result in a position where Scottish Ministers have been able to obtain sufficient comfort that CBC's ongoing involvement in the Group, combined with their objective to achieve a return for their investors, would be in keeping with Scottish Ministers' obligations in deploying substantial further public funds. Specifically, Scottish Ministers were unable to accept CBC seeking to accelerate the repayment of their secured debt when such a repayment would likely have been sourced from public funds. As such, the solvent solution that we have been working on in good faith is unable to be deployed.

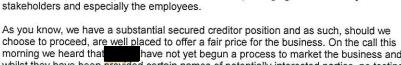
We appreciate that this outcome will be disappointing and frustrating to you. Scottish Ministers are still fully committed to the three objectives of delivering the vessels, protecting jobs and continuing trading at the yard but recognize that you have felt the need to take protective action given the financial position of the Group.

If an administration route is selected by other secured creditors, or by you as indicated by your actions on Friday, continuing support from the Scottish Ministers can be achieved through a proposal to acquire and fund the business and assets of the Group via an





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administration process. Such a route would be contingent on Scottish Ministers taking

control of the yard quickly, as we do not see merit in prolonging the uncertainty for all

choose to proceed, are well placed to offer a fair price for the business. On the call this morning we heard that have not yet begun a process to market the business and whilst they have been provided certain names of potentially interested parties, no testing has been conducted to establish the appetite of these parties to make an offer. We believe that it is essential that this market testing is commenced without delay to enable the true interest in the yard to be established rapidly and therefore for any offer by Scottish Ministers to be evaluated quickly and appropriately in advance of any potential administration. We also want to highlight that should we make a formal offer, we will not be seeking to leave valid supplier balances unsatisfied (subject to our review and agreement) and we would be seeking to protect jobs and the future of the vard.

We appreciate that the removal of hope for a solvent solution is not the news you wished to receive but believe that the above route will provide you with a solution that allows the business to continue to trade. Thank you for your ongoing engagement in these discussions.

Yours sincerely



LIZ DITCHBURN





