



[REDACTED]  
[REDACTED]  
Gerry Marshall  
[for the Directors of FMEL]

By email: [REDACTED]

16 July 2019

Dear Gerry,

**Scottish Government  
Ferguson Marine Engineering Limited (“FMEL”) and Ferguson Marine Engineering  
(Holdings) Limited (“FMELH”) (together the “Group”)**

We confirm that we have been in contact with HCCI as a secured creditor of FMEL in our capacity as a secured lender to FMEL. No formal proposal has been discussed although we reserve our rights to propose one as part of consideration of our solvent solution for the business. We are aware of our obligation with regards to confidentiality and would like to reassure you that we continue to be alert to, and observe this obligation.

I refer to your letter of 15 July 2019. Using the numbering set out in that letter I respond as follows:

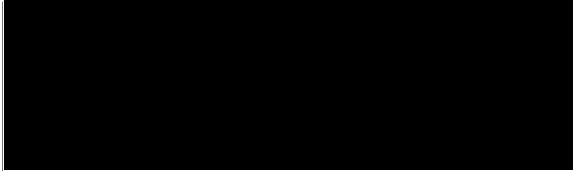
1. An acceptance by HCCI is not an absolute condition of a solvent solution, however we are mindful that they have first ranking security over the trade and assets of FMEL and as such it is prudent to consider them within an overall solution.
2. As you are aware, our diligence of the business continues. We received a draft initial findings report on 12 July. Subject to satisfactory completion of this process, it remains the intention of Scottish Ministers to complete a transaction as quickly as possible and certainly within the time period stated in the Subscription and Shareholders Agreement. This position remains consistent with our meeting of 8 July.
3. We continue to work towards a solution that is executable within the timeframe referred to in 2.

The position of Scottish Ministers, as confirmed in our letter of 10 July 2019, is that they continue to pursue a solvent solution through the option of exercising their right to buy the Group through acquiring the shares held by CBC in FMELH. That position is not affected by the matters raised in your letter.

In closing, we continue to believe that our proposal offers the best solution for all creditors and stakeholders of the Group and therefore we encourage you to continue to engage with our advisers over the coming days as we look to progress and close out our (limited) diligence as quickly as possible.

I trust the above clarifications are helpful.

Yours sincerely,



**LIZ DITCHBURN**

