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23 December 2018

Liz Ditchburn
Director General Economy
St Andrews House
Regent Road
Edinburgh
EH1 3DG

CONFIDENTIAL: COMMERCIALY SENSITIVE

Dear Liz

I refer to your letter of 21 December 2018.

Throughout the negotiations earlier this year, we highlighted that the funding structure proposed by your advisors was flawed. On 1 October 2018, we wrote to you to highlight this fact again and to suggest a commercial way forward which would mean we could continue to invest in the business on commercial terms. It is the delay in responding to our proposal which is now impacting the business. Throughout this period, we have remained committed to supporting the business on commercially reasonable terms.

We are pleased to see that you have now indicated that our proposal is "broadly acceptable". This phrase however implies that some matters may not be acceptable, and it would be good to understand specifically what these are so that we can aim to respond and try to reach agreement. We are also not clear as to the "conditionality" you refer to in your letter. Can you please clarify?

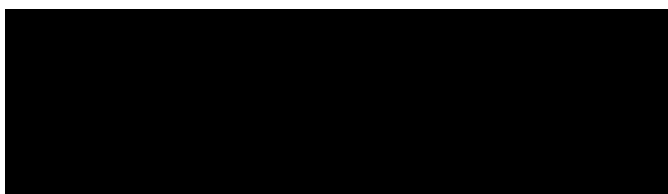


Finally, in terms of additional funding post- April 2019, the obvious source of funding is from the recent claim lodged by FMEL against CMAL. Once CMAL have had a chance to review the claim in detail in early January, we would hope that they will come to an appropriate settlement with FMEL. In the event this does not happen by April 2019, whilst we will use all endeavours to work with the business to seek additional funding, it is difficult to see how the



business will raise third party funding with such a material claim outstanding. Accordingly, as we have consistently highlighted for nearly two years, its is in all stakeholders' interests that this matter is resolved.

Kind regards



Partner
Clyde Blowers Capital IM LLP