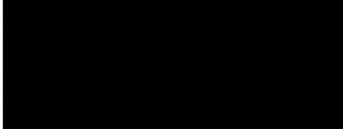




Clyde Blowers Capital IM LLP  
5 Redwood Crescent  
Peel Park  
East Kilbride  
G74 5PA



1 October 2018

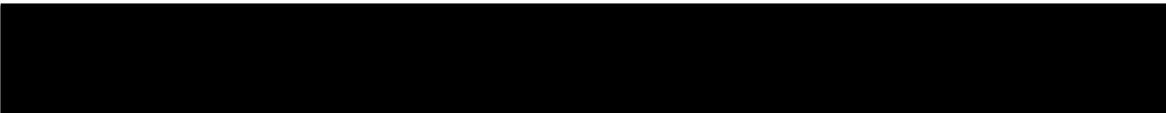
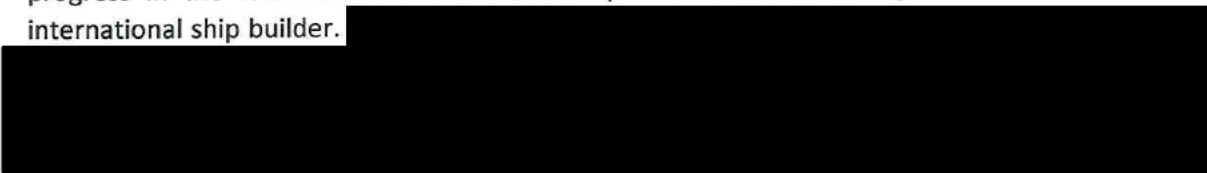
Scottish Ministers  
Victoria Quay  
Leith  
Edinburgh EH6 6QQ

Dear Sirs

**CONFIDENTIAL- COMMERCIALY SENSITIVE**

We refer to recent discussions with your representatives and external advisors regarding Ferguson Marine Engineering Limited ("FMEL") and in particular, the equity investment of up to £8,500,000 to be made by Clyde Blowers Capital Fund III LP ("CBC") and the dispute regarding the costs for vessels 801 and 802 between FMEL and your wholly owned subsidiary, Caledonian Maritime Assets Limited ("CMAL") (the "Dispute").

As you will be aware from reports from your advisors, the team at FMEL have made great progress in the furtherance of the business plan and re-establishing FMEL as a credible international ship builder.



In June 2018 when the parties entered into the various arrangements for the future funding for FMEL, we strongly disagreed with the structure and terms being proposed by you and your advisor, PwC. In our opinion they were commercially flawed.

It has now become abundantly clear that the current financial structure is such that no commercial entity would invest further equity into the business on the current terms. We therefore require this to be amended to allow the CBC investment to be made. We need to create a financial structure that enables further investment to be put into the business. The current structure is one that prevents the business from attracting further equity investment.

Subject to final investment Committee approval, CBC's outline proposal for a commercial structure is that the first £3,000,000 of investment by CBC requires to provide CBC with same return, and rank pari passu with the £30m loan provided by the Scottish Government. The

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FCA Reg. Number 478735



additional [REDACTED] the purpose of which is to provide growth funding for the company, must rank ahead of all existing loans and equity.

In terms of the Dispute, FMEL have attempted to engage with CMAL in a constructive and meaningful manner to resolve the matter without legal proceedings. These attempts have failed. Accordingly, as you are aware, FMEL have now engaged with a claims consultant to frame the claim which will form the basis for formal legal proceedings against CMAL.

Once FMEL have finalised and submitted the claim to CMAL, which they anticipate doing so by the end of the year, we would hope that the parties could enter a meaningful mediation process to attempt to resolve the matter. In the event the parties fail to reach agreement via mediation, which then leads to FMEL initiating legal proceedings, it would be our intention to support the business through this process.

We look forward to hearing from you.

Yours faithfully [REDACTED]

[REDACTED]  
For and on behalf of  
Clyde Blowers Capital IM LLP [REDACTED]