

[REDACTED]  
[REDACTED]  
By email

6 August 2019

Dear [REDACTED]

I am writing in response to your letters of 3 and 5 August 2019 and following a meeting that we attended with FMEL directors yesterday at their request.

[REDACTED]

As you are aware, we have also previously asked the directors of FMEL by letter on 9 July 2019 if the company is able to pay its debts as they fall due. This letter remains unanswered. The diligence work completed by our financial advisors provided evidence that suggested this may also be the case but absent a clear, complete and accurate medium term cash flow, integrated with the payables ledger we were unable to reach a conclusion on this issue. We again wrote to FMEL directors on 2 August 2019 setting forth the evidence that we have available and asking for a response with evidence by 12 noon on 5 August 2019 should they wish to support an alternative conclusion. This time has lapsed and no further evidence has been forthcoming.

At the meeting yesterday FMEL directors were unable to provide any explanation as to why current debts are not being paid and as such we must now conclude that FMEL is unable to pay its debts as they fall due.

[REDACTED]

#### Next steps

The FMEL directors have made it clear yesterday that they wish to see a solvent solution delivered by Scottish Ministers. We have requested that they set out a request to you to support this. Your letter of 5 August suggests that you have received communication from them

In order to deploy the solvent solution that the FMEL directors would prefer, Scottish Ministers must make themselves comfortable that any solution deployed can be executed and that funds will be able to flow to the business and support the continuation of the contracts.

In order for us to be able to consider the execution of a solvent solution we require that you confirm urgently that you would be willing to:

- [REDACTED]
- Provide a commitment that you will not challenge or frustrate the transfer nor the future conduct of the business
  - Agree that the rights under the equity warrant can only be executed with the agreement of Scottish Ministers
  - Confirm that contracts between FMEL and CBC or related entities are allowed to lapse once alternative service agreements have been put in place

Should you wish to support a solvent solution we request that you consider this proposal carefully and respond at the earliest possible opportunity and in any event before 5pm on 6 August 2019.

We are willing to have a conversation by phone at any time between 2 and 4pm today to discuss further or at a mutually convenient time tomorrow.

Yours Sincerely

[REDACTED]  
LIZ DITCHBURN