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Liz Ditchburn  
Director General Economy  
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9 July 2019

Dear Liz

I refer to your letter of 7 July 2019.

Clearly we have very different views on the events that led up to your rejection of our proposal at the meeting on 4<sup>th</sup> July 2019. Whilst we and our advisors provided the information requested together with sound legal and commercial arguments to back up our proposal, to say that there was a “number of other exchanges of information” implies you and your advisors passed something back to us. From the time we lodged our updated proposal to you on Friday 28<sup>th</sup> June 2019 until the meeting on 4<sup>th</sup> July, neither you or your advisors provided any feedback or interaction other than to say, when contacted by us, that you were still considering our proposal.

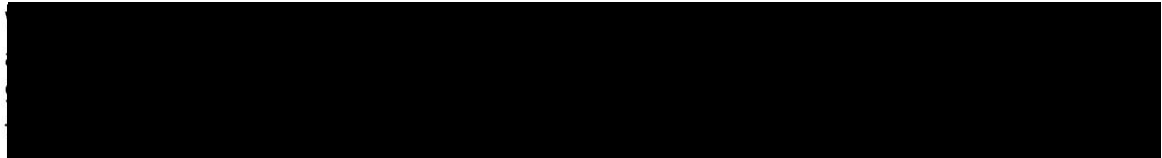
As regards the rejection of our proposal, I would reiterate the point made to Mr Mackay in my letter of 5 July 2019. To provide no transparency as to the grounds for the rejection of our proposal is scandalous. By failing to provide the transparency, we can only assume therefore that other factors may be at play and the decision as not based upon any risk arising out of state aid or procurement. When the Scottish taxpayer is facing increased costs for the vessels as a result of the rejection of our proposal, surely, we and the wider public have the right to know exactly what the Scottish Governments real rational is?

I understand that at a meeting of the directors of Ferguson Marine Engineering Limited yesterday, it was indicated that Scottish Ministers were still open to all proposals. If you are transparent as to what was lacking in our proposal from a procurement or state aid perspective, then we can perhaps look to see if we can address this. To put it another way, what would our proposal need to contain for you to move forward with us remaining as a shareholder?

Notwithstanding the comments made yesterday regarding considering alternative proposals, your letter makes it clear that the Scottish Ministers intend to acquire our shares in Ferguson Marine Engineering (Holdings) Limited. The procedure for the Scottish Ministers to acquire our shares in the event we do not invest the further [REDACTED] into Ferguson Marine Engineering (Holdings) Limited is clearly set down in the Subscription and Shareholders Agreement among



Clyde Blowers Capital Fund III LP, The Scottish Ministers and Ferguson Marine Engineering (Holdings) Limited dated 25 June 2018 and as amended on 1 February 2019 (the "SSA"). Unless you are suggesting we alter that procedure we are not clear why we need to meet to discuss this? If you are suggesting this procedure is altered in some way, then we would look to receive your proposal in writing before any meeting. In the absence of any amendment, we look forward to receiving your suggested expert to determine "Fair Value".



You have reiterated in your letter that you want to work with us. If we receive a clear written proposal of what this means, noting that it would appear from your letter that we will no longer be a shareholder and only a secured creditor for our £3m loan, we can consider this and then look to have a meeting to discuss.

Yours sincerely



Partner