



Caledonian Maritime Assets Ltd  
Municipal Buildings  
Fore St  
Port Glasgow PA14 5EQ

Tel: 01475 749920  
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Ferguson Marine Engineering Limited  
Orbital House  
3 Redwood Crescent  
East Kilbride  
G74 5PA

13 December 2017

Dear Sirs

**(1) NEWBUILDCON between Ferguson Marine Engineering Limited ("FMEL") and Caledonian Maritime Assets Limited ("CMAL") dated 16 October 2015, as amended, in relation to FMEL hull no. 801**

**(2) NEWBUILDCON between FMEL and CMAL dated 16 October 2015, as amended, in relation to FMEL hull no. 802 (together, the "Contracts")**

Thank you for your letter dated 11 December 2017. We appreciate the time and effort that has been given in providing a better explanation of the FMEL predicament.

FMEL having initiated the process of mediation and CMAL having agreed to that forum, some months later we appear no further forward procedurally. While a meeting as you have suggested, to canvass the issues in your most recent letter, may help to narrow the issues to some modest degree we would prefer that the dispute resolution process that has begun now advances substantively.

We will review the technical aspects that you mention together with the commercial calculations now provided and will write under separate cover in that respect. You have however again failed to explain the contractual basis of your claims. Surely that is an essential prerequisite for progress in the discussions?

Our letter of 13 July 2017 referred you to the Entire Agreement of the Contracts.

Our letter of 17 August 2017 has made clear our position in relation to Permissible Delays.

You have not responded at all with reference to contractual provisions in your correspondence to date. Our Board and our Shareholder need to understand clearly why, contractually rather than charitably, the Builder is entitled to any additional payment. You describe the claim but not the basis.

In at least one instance (1.6) you appear to make a claim for un-incurred expense. That is not acceptable.





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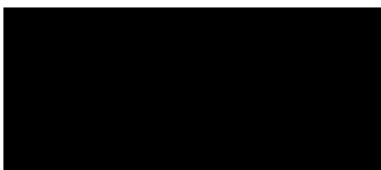
You reference throughout the challenges. Those are the challenges that FMEL has signed up for and held itself out as competent to overcome. The operational speeds, deadweight and draught requirements were heavily negotiated and agreed by both parties. The innovative design in all its complexities was well understood by all concerned. This is the subject matter of the ITT, to which you have warranted your competence to perform.

The Contracts, in a globally-recognised standard form, create a structure and procedure for claims such as variations to the Specification, changes in Regulations, Class approval and such like. The contractual structure for build-phase developments and changes appears conspicuously ignored in your correspondence.

You mention reasonable foreseeability of certain events. The Contracts expressly anticipate how the parties will respond to the occurrence of circumstances unknown at the time of contract signature. You do not mention those provisions. You make no mention of any force majeure occurrence.

We invite you for a moment to consider the reaction of a ship-owner involved in a newbuilding project with a yard for example in the Netherlands, or Norway or Poland – faced with a claim for payment of some £17,500,000 without apparent foundation in the ship building contract but on the basis that the builder had underestimated the complexity of the task at hand. The CMAL Board, charged with a responsibility of spending public money, is entitled to ask the executive team and our advisers whether in such circumstances the owner would be required to make any payment at all.

Yours faithfully



Kevin Hobbs  
Chief Executive Officer

for and on behalf of  
Caledonian Maritime Assets Limited

