



[REDACTED]
[REDACTED]

To : Gerry Marshall
[for the Directors of FMEL]

By Email

Dear Gerry,

**Scottish Government
Ferguson Marine Engineering Limited (“FMEL”) and Ferguson Marine Engineering
(Holdings) Limited (“FMELH”) (together the “Group”)**

I refer to your letter of 10 July 2019. Using the numbering set out in that letter I respond as follows:

1. The position of Scottish Ministers, as confirmed in our letter of earlier today, is that they continue to pursue a solvent solution through the option of exercising their right to buy the Group through acquiring the shares held by CBC in FMELH. That position is not affected by the matters raised in your letter being (1) the refund guarantee extension not having been signed as at the time this letter was issued; and (2) the possible termination of the CMAL contract.
- 2.1 As discussed in the meeting held at the offices of Brodies on 8 July 2019, the information previously provided to us shows that there is a substantial amount of cash in the business as at today’s date and that this ought to support the business until at least late August 2019. Further, we understand from our discussions with the Surety, that they are fully aware that the current FMEL cash balance is being utilised to fund payments to unsecured creditors during the period of the bond extension. We therefore need to understand what, if any, additional funding requirement exists over the next 2 to 4 weeks, and which creditors could be prejudiced, in order that your request for financial support from Scottish Government can be properly considered.

Scottish Ministers, under advice of its advisers, will in any event be focusing closely on short to medium term funding requirements, as part of our due diligence in order that the funding requirement of the business following an acquisition can be confirmed. We would therefore very much welcome further specific details from you on this as early as possible. This includes any future purchase commitments that need to be made to suppliers to allow ongoing trading as normal. Our advisers are meeting with [REDACTED] tonight and hopefully this can be discussed fully at that time. Clearly the faster we can complete the diligence the less time is required for us to complete the transaction.

- 2.2 In terms of the ability of Scottish Ministers to provide future funding, I also understand that this was discussed on 8 July 2019. Our position is that this will depend on what the nature and purpose of such funding would be. As part of our proposed solvent solution, I

can confirm to you that we are not aware of any barriers of the type you describe having received and concluded detailed legal advice on this matter. Regarding any immediate funding, the same point applies as set out at 2 above - we would need to understand the nature of your request for funding to be able to give a view on this.

I trust the above clarifications are helpful.

Separately, we will pick up with your advisers over the course of tomorrow regarding any outstanding correspondence between us from 9th July.

In closing, we believe our proposal offers the best solution for all creditors and stakeholders of the Group and therefore we encourage you to engage with our advisers over the coming days as we look to progress our (limited) diligence as quickly as possible.

Yours sincerely,



LIZ DITCHBURN

