

25 September 2019

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**STRICTLY PRIVATE AND CONFIDENTIAL**

Our ref: FERG01E/MJM/KBK/AM

Dear Sirs

**Ferguson Marine Engineering Limited - In Administration ("the Company" / "FMEL")  
Put Option Agreement entered into among FMEL, the Administrators, the Scottish Ministers and  
Macrocom (1067) Limited ("Buyer") with an effective date of 16 August 2019 ("Put Option  
Agreement")**

We write to provide an update in relation to the marketing process that the Administrators have carried out in respect of the business and assets of FMEL.

As you are aware, at the closing date for offers, we had received three offers. Further to our discussion with you we consider that two of these do not merit further exploration as they would not exceed the outcome for creditors compared with exercising the Put Option Agreement. In respect of the third, outline details of which have been provided to The Scottish Ministers previously, while we understand that The Scottish Ministers do not consider this to be a viable transaction, for completeness we have today written to Caledonian Maritime Assets Limited ("CMAL") to provide a broad outline of the terms of that offer and asked that they confirm their position in respect of that offer. We await confirmation from CMAL on this. However, if the response from CMAL is as we would envisage, we consider it likely that upon receipt of that response we will be in a position to confirm that no Credible Offer (as defined in the Put Option Agreement) has been received.

We have run the marketing process entirely in line with the timeline envisaged in the Put Option Agreement. However, in order to exercise the put option contained within the Put Option Agreement, we require to be able to attribute a value to the various assets being sold. In the timescales available, it has not been possible to arrive at a value for the potential claim by FMEL against CMAL pursuant to the shipbuilding contracts entered into in respect of Hull 801 and 802.

Accordingly, we consider the two most attractive options to ensure preservation of the sale envisaged pursuant to the Put Option Agreement are as follows:-

1. that the Put Option Period under the Put Option Agreement be extended by agreement between the parties for a period of four weeks; or
2. that the CMAL claim be excluded from the sale and that the sale and purchase agreement in the form appended to the Put Option Agreement be amended accordingly and entered into at the earliest possible opportunity (and, ideally, on or prior to 27 September 2019), however it may be necessary to agree a short term extension to the Put Agreement to facilitate this option.

As you will appreciate, given (i) the potential perceived value of the CMAL claim; (ii) the complexity of the potential claim; (iii) the magnitude of documentation relating to the claim; (iv) the involvement of Scottish Government with each of the Buyer, FMEL and CMAL; and (v) the duties of the Administrators, it is imperative that the Administrators are able to demonstrate that the claim is dealt with in a robust and reasonable manner having regard to all circumstances.

We do not consider that inevitably involves requiring to embark upon an expensive and time consuming litigation process.

Our solicitors require to carry out, at least, a high level review of the files held by FMEL's pre-appointment solicitors in relation to the claim and, while some documentation has been received, a significant volume of files are awaited. This documentation was requested a number of weeks ago and has been chased regularly. However, we are reliant upon FMEL's pre-appointment solicitors to provide these documents. They are expected imminently.

Our strategy upon receipt of documentation from FMEL's pre-appointment solicitors would, depending on volume, be for Shepherd and Wedderburn ("S+W") to conclude a high level review and for S+W to seek to have Brodies identify any key documentation. We will also, at that point, request information from CMAL in relation to their position on the claim, which we understand is in a form ready to be sent.

It would then be our intention to instruct Counsel, without first carrying out a detailed quantification exercise - such an exercise could take months based on our understanding of timescales of previous exercises carried out in relation to quantification of claims under the contract. The primary purpose of obtaining advice from Counsel would be to get his Opinion on what, if anything, further the Administrators require to do in the circumstances in relation to the Claim to properly discharge their duties.

As you will appreciate, at this stage, it is difficult to put finite timescales on the process as we are constrained by matters such as receipt of information and availability of Counsel as well as on the outcome of obtaining Counsel's opinion. However, please be assured that we, and our agents, are dealing with matters as expediently as reasonably practicable in the circumstances. We have Counsel lined up for week commencing 5 October 2019 - it has not been possible to engage a suitably senior Counsel with the appropriate credentials any earlier than this - and our proposal for a four week extension to the Put Option Period under option 1 above, is driven by this timing.

We will be in contact once we have received a response from CMAL in respect of the offer referred to in the second paragraph of this letter. However, in the meantime, it would be useful to receive your thoughts in respect of the two options set out above.

Yours faithfully  
For and on behalf of Ferguson Marine Engineering Limited  
[Redacted]

Joint Administrator

[Redacted] were appointed Joint Administrators of Ferguson Marine Engineering Limited on 16 August 2019. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and contract without personal liability.