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18 December 2018

Liz Ditchburn
Director General Economy
St Andrews House
Regent Road
Edinburgh
EH1 3DG

CONFIDENTIAL: COMMERCIALY SENSITIVE

Dear Liz

I refer to your letter of 13 December 2018 and to the counter proposal made to our letter of 1 October 2018.

Having now had a chance to consider the position set out in your letter, I would comment as follows:

1. [REDACTED]
2. Whilst we anticipate [REDACTED]
3. We confirm that in the event an Obligatory Transfer Event (as defined in the shareholders agreement among Ferguson Marine Engineering (Holdings) Limited, The Scottish Ministers and CBC dated 25 June 2018 (the "SHA")) arises as a result of circumstances in which either Ferguson Marine Engineering (Holdings) Limited or Ferguson Marine Engineering Limited are unable to meet their debts as they fall due for the purposes of section 123 of the Insolvency Act or any step is taken by a person to appoint an administrator or receiver to either or both of the entities, for the purposes of Clause 10.4 of the SHA, the Fair Value of the Sale Shares (as defined in the SHA) shall be £1.

If the forgoing proposal is acceptable, we can then convene CBC investment committee to provide final approval and the lawyers can begin to draft the required documentation. Only once the documentation is signed however will CBC be in a position to forward the necessary funds.

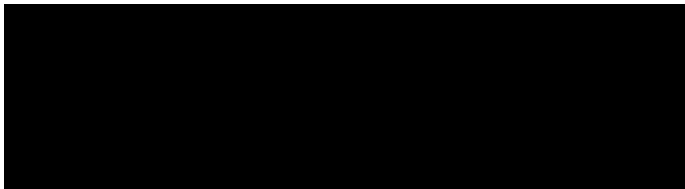


In your letter you suggest that CBC should forward the entire £3,000,000 at once. Whilst we are comfortable to accelerate all of our funding on this tranche, we will only be in a position to forward £2,000,000 once the documentation is signed, with the balance of £1,000,000 being made available by 31 January 2019.

Finally, in your letter you requested confirmation that Ferguson Marine Engineering Limited cannot be refinanced with another funder or investment obtained. I confirm that at this time this is the case and indeed until the claim with CMAL is resolved, this will continue to be the case.

I look forward to hearing from you.

Kind regards



Partner
Clyde Blowers Capital IM LLP