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Clyde Blowers Capital Fund III LP
Orbital House
3 Redwood Crescent
Peel Park
East Kilbride
G74 5PA

23 October 2018

Dear Sirs,

Subscription and Shareholders Agreement amongst the Scottish Ministers, Ferguson Marine Engineering (Holdings) Limited (“Holdings”) and Clyde Blowers Capital Fund III LP (“CBC”)

We refer to the subscription and shareholders’ agreement (the “**SSA**”) dated 25 June 2018 and entered into between the Scottish Ministers, Holdings and CBC (as amended from time to time).

Capitalised terms in this letter shall have the meanings ascribed to them in the SSA.

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CBC has advised that its investment committee is not prepared to implement the Tranche 1 Obligation as at the date of this letter (the "**Specified Event**") and accordingly CBC is in default. Consequently, pursuant to clause 9.3 and clause 10 of the SSA, the Scottish Ministers are entitled to acquire CBC’s shareholding in Holdings for fair value in accordance with the provisions of the SSA.

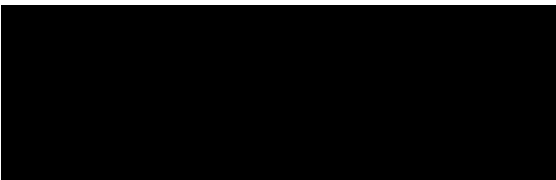
However, whilst further discussions between the Scottish Ministers and CBC are ongoing and Scottish Ministers consider their options in relation to finding a mutually acceptable solution in relation to the Specified Event, the Scottish Ministers reserve all rights and remedies available to them now or subsequently in connection with or arising from the Specified Event, and any default arising from the Specified Event, whether under the general law, or in terms of the SSA, and/or any ancillary or related documents, agreements, securities or otherwise.

Nothing in this letter, nor any action or inaction by or on behalf of the Scottish Ministers, constitutes approval or waiver of either the Specified Event or any default under the SSA, and/or any ancillary or related documents, agreements, securities or otherwise, in each case, whether known to the Scottish Ministers or not.

Nothing in this letter, nor any action or inaction by us, shall in any way restrict, prohibit nor inhibit our entitlement at any time to exercise the rights vested in us (in whole or in part) without further notice to you. All our rights in respect thereof are hereby expressly reserved.

This letter and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of Scotland.

Yours sincerely



Mary McAllan
Director, Economic Development