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Liz Ditchburn
Director General Economy
St Andrews House
Regent Road
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25 April 2019

Dear Liz

Thank you for your letter of 25 April 2019. We welcome the Scottish Government finally accepting that intervention is required and that it will undertake an independent review of the claim by a senior QC. Our assumption is that the senior QC will also have independent technical assistance where required but would be grateful if you could confirm this point?

FMEL will of course give its full support to such an independent review. As you are aware, throughout the past two years, FMEL have always acted in good faith and followed the wishes of the Scottish Government to try to resolve this matter. In so far as we are able to, having regard to our directors' duties, we will continue to do so.

I note that the process will take around one month. As we have made you aware, taking into account the cash position of FMEL, the directors of FMEL need to assess the prospects of the business on a regular basis. We would therefore welcome regular updates throughout the process. It would also be useful if the Scottish Government could within the next week, set out in detail the options it will consider and the timeframe for implementation of the options, should the senior QC opine that there is a valid claim, as we fully expect him/her to do so.

Bearing in mind the time criticality of the outcome of the independent review, can you confirm that the senior QC has been selected and is able to start his/her work at the beginning of next week?



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As you correctly state in your letter, we are, as you would expect, considering our duties as directors. In respect of the specific matters you have raised I would note that:

- We have kept the Scottish Government and its advisors fully briefed on any impending redundancies.
- Whilst we will keep the Scottish Government fully updated on any potential redundancies, ultimately this is a decision for the board to make taking into account their statutory duties. It is also the case that the directors will take decisions on how to manage the resultant workforce and production on the CMAL vessels as they see fit taking into account the cash position of the business. The directors will not increase the exposure to unsecured creditors without a reasonable prospect of the claim being settled in a manner and timeframe that the cash flows of the business require. Directors will not open themselves up to any wrongful trading allegations. With the welcomed intervention by the Scottish Government today, the directors will not make any planned redundancies tomorrow, but this will require to be kept under review as the independent process progresses. That is why it is critical that we receive regular updates, and also have visibility on the options at the end of the process.
- I believe the ability to enable public ownership as last resort resides on the shareholders agreement with Clyde Blowers Capital Fund III LP ("CBC") and not the loan agreement with FMEL. That is a matter for you to deal with CBC on as stakeholders.

I look forward to hearing from you.

Yours sincerely



Gerry Marshall CEO



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