



Caledonian Maritime Assets Ltd
Municipal Buildings
Fore St
Port Glasgow PA14 5EQ



Clyde Blowers Capital IM LLP
Orbital House
3 Redwood Crescent
East Kilbride
Glasgow
G74 5PA

30 March 2017

Dear Sirs

(1) NEWBUILDCON between Ferguson Marine Engineering Limited ("FMEL") and Caledonian Maritime Assets Limited ("CMAL") dated 16 October 2015, as amended, in relation to FMEL hull no. 801

(2) NEWBUILDCON between Ferguson Marine Engineering Limited ("FMEL") and Caledonian Maritime Assets Limited ("CMAL") dated 16 October 2015, as amended, in relation to FMEL hull no. 802 (together, the "Contracts")

Thank you for your letter dated 24 March 2017. The apparent urgency causes us concern and realistically we will not be able to give a definitive answer by 30th March 2017 as indicated in your letter. We are keeping Transport Scotland and, through them, Scottish Ministers informed of these exchanges and they are alert to the issues and time pressures.

It is usual market practice for a buyer to motivate the builder to perform the shipbuilding contract with the payment of substantial sums only upon due completion of the project. The final instalment of the price conventionally provides protection to the buyer not only against lateness but also in respect of as-built performance of a vessel both of which are important aspects of any project. As these vessels will be providing essential ferry services to Scottish island communities, the performance aspect is of particular importance to Scottish Ministers.

We must express surprise, and some concern, that you are seeking to re-cast the security structure for the Contracts, after protracted negotiation of the subject both at the time of their signature and at the time of their significant amendment last year. At your specific request to release 'trapped cash' we agreed the replacement of the Investec guarantees with the guarantees from HCCI. We take for granted that the security requirements of HCCI of which you now express concern would have been very carefully considered by the appropriate people and through the appropriate internal procedures within Clyde Blowers Capital and approved as suitable at that time in terms of sustainability and working capital requirements.



In relation to Request Number 1, in terms of your letter: we are considering positively the proposed adjustment of the milestone payments however before we can agree to these we need the agreement of Transport Scotland who provide us directly with the loan funding for each contract payment. Funding provision for the milestone payments as currently scheduled within the Contracts are included within the budget of Transport Scotland for the financial year 2017-18. The proposed acceleration of payments to FMEL that currently fall within financial year 2018-19 would require additional funds to be found in the year ahead.

We have kept Transport Scotland fully informed; however, I do not anticipate receiving a definitive confirmation or commitment within the deadline you have suggested.

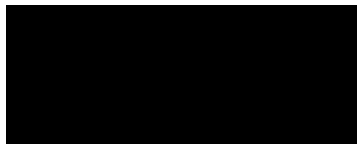
If amendments to the milestone payments for the Contracts were agreeable to CMAL and the Scottish Ministers, and tolerable within the budgetary constraints of Transport Scotland, such amendment would be expressly on the basis that no further similar requests shall be entertained in future.

In relation to Request Number 2, in terms of your letter: the CMAL board of directors has had the opportunity to consider your proposal in the time available and cannot agree to the request.

We are concerned that to release the HCCI guarantees at this time would materially alter the Contracts from those originally tendered through the OJEU process and may expose the procedure to challenge. Separately, the suggested underwriting of the guarantees by the Scottish Ministers is being considered by Ministers themselves.

Lastly, as was accepted in the context of the amendment of the Contracts at your request in 2016, we would again consider it appropriate that you indemnify CMAL in relation to legal fees incurred in any re-documentation that may be agreed between us.

Yours faithfully

A solid black rectangular box used to redact the signature of Kevin Hobbs.

Kevin Hobbs
Chief Executive Officer

for and on behalf of
Caledonian Maritime Assets Limited