



Ferguson Marine Engineering (Holdings) Limited
3 Redwood Crescent
East Kilbride
Glasgow, G2 5PA
(the "**Borrower**");

Ferguson Marine Engineering Limited
3 Redwood Crescent
East Kilbride
Glasgow, G2 5PA ("**FMEL**"); and

MacKellar Sub-Sea Limited
3 Redwood Crescent
East Kilbride
Glasgow, G2 5PA ("**MacKellar**").

1 February 2019

Dear Sirs

£30,000,000 loan agreement dated 25 June 2018 between the Scottish Ministers, the Borrower and FMEL as amended from time to time (the "Loan Agreement")

We refer to the Loan Agreement and are writing to you to set out the terms on which the Loan Agreement is to be amended.

1. BACKGROUND

The Scottish Ministers and the Borrower have agreed to amend the Loan Agreement to, *inter alia*, document their consent to certain funding to be made available to the Borrower by CBC, on the terms set forth in this letter.

2. DEFINITIONS

Words and expressions with capitalised initials used in this letter shall, except where the context otherwise requires, have the meanings ascribed to them in the Loan Agreement.

3. AMENDMENTS

The Loan Agreement shall be amended as follows:-

3.1 Definitions and Interpretation

3.1.1 the existing definition of "CBC Permitted Transferees" in Clause 1.1 (Definitions and Interpretation) of the Loan Agreement shall be deleted and replaced with the following:-

"**CBC Permitted Transferees** means any of the entities which are transferees described in article 17.2 of the Articles of Holdings adopted on 1 February 2019"

3.1.2 the existing definition of "CBC Subscription" in Clause 1.1 (*Definitions and Interpretation*) of the Loan Agreement shall be deleted.

3.1.3 the existing definition of "Intercreditor Agreement" in Clause 1.1 (*Definitions and Interpretation*) of the Loan Agreement shall be deleted and replaced with the following:-

"**Intercreditor Deed** means the intercreditor deed, in Acceptable Form, dated 1 February 2019 among the Borrower, FMEL, MacKellar, the Scottish Ministers, CBC and HCC;"

3.1.4 the existing definition of "Intra-Group Loan" in Clause 1.1 (*Definitions and Interpretation*) of the Loan Agreement shall be deleted.

3.1.5 the existing definition of "Permitted Financial Indebtedness" in Clause 1.1 (*Definitions and Interpretation*) of the Loan Agreement shall be deleted in its entirety and replaced with the following:-

"Permitted Financial Indebtedness means (1) finance leases entered into with third parties up to a value of £100,000 per annum, (2) foreign exchange contracts in respect of current or anticipated exposures for cost or income identified in the Business Plan, (3) any other financing arrangements existing at the date of this Agreement including the HCC guarantee arrangements disclosed to the Scottish Ministers, and (4) loans made available by the Scottish Ministers, (5) facilities for the provision of contract guarantees and related indemnities arising in the ordinary course of business, (6) any intra-group indebtedness as between, or on-lending from, the Borrower to FMEL as contemplated in terms of the Intra-Group Loan Agreements, (7) any indebtedness under the CBC Loan Agreement (8) any third party bond or guarantee facility required to support the award of a material new order for the Group (provided that the Scottish Ministers have consented to such further indebtedness, such consent not to be unreasonably withheld or delayed) (9) any third party debt finance which supports the delivery of the Business Plan (provided that the Scottish Ministers have consented to such further indebtedness, such consent not to be unreasonably withheld or delayed) and (10) bond and financing arrangements to be entered into between any Obligor and HCC in connection with vessels 806 and 807 provided that the Scottish Ministers have consented to such arrangements, such consent not to be unreasonably withheld or delayed;"

3.1.3 the existing definition of "Permitted Security Rights" in Clause 1.1 (*Definitions and Interpretation*) of the Loan Agreement shall be deleted in its entirety and replaced with the following:-

"Permitted Security Rights means (i) any Security created by the Group, or any member of it, with the prior written approval of the Scottish Ministers (ii) all existing security arrangements entered into by the Group at the date of this Agreement (iii) the CBC Security Documents, (iv) security arrangements to be entered into by the Group pursuant to a third party bond or guarantee facility required to support the award of a material new order (provided that the Scottish Ministers have consented to such further security, such consent not to be unreasonably withheld or delayed) and (v) security arrangements to be entered into by the Group pursuant to any third party debt finance which supports the delivery of the Business Plan (provided that the Scottish Ministers have consented to such further security, such consent not to be unreasonably withheld or delayed), with the Scottish Ministers' Security ranking and enforcement provisions to reflect so far as appropriate those agreed with HCC (and, for the avoidance of doubt, ranking behind any Security granted by any member of the Group in favour of the third party debt finance, bond or guarantee facility provider) provided that, in each case, the Scottish Ministers have consented to such ranking arrangements, such consent not to be unreasonably withheld or delayed, and (vi) the bond and financing arrangements to be entered into between any Obligor and HCC in connection with vessels 806 and 807 provided that the Scottish Ministers have consented to such arrangements, such consent not to be unreasonably withheld or delayed;"

3.1.6 the existing definition of "Share Sale" in Clause 1.1 (*Definitions and Interpretation*) of the Loan Agreement shall be deleted in its entirety and replaced with the following:

"Share Sale means the sale of any of the shares in the capital of the Borrower and/or FMEL (in one transaction or as a series of transactions) which will result in the purchaser of those shares and persons Acting in Concert with him together acquiring a Controlling Interest in the Borrower, and/or FMEL, except where this arises as a result of (i) in the case of the Holdings, the issuance of shares in the capital of the Holdings to the Warrantholder(s) (or to CBC pursuant to the CBC Warrant Instrument) or their Permitted Transferees (as such term is defined in the Articles) in accordance with the terms of the Warrant Instrument (or the CBC Warrant Instrument, as appropriate), or (ii) the transfer of shares in the capital of the Borrower and/or FMEL to CBC Permitted Transferees;

3.1.7 The following new definitions shall be inserted where appropriate in Clause 1.1 (*Definitions and Interpretation*) of the Loan Agreement:-

"CBC Loan Agreement means the £3,000,000 loan agreement dated 1 February 2019 entered into between the Borrower, FMEL and CBC;

CBC Security Documents has the meaning given to it in the Intercreditor Deed;

CBC Warrant Instrument means the equity warrant instrument entered into by the Borrower on 1 February 2019;

Intra-Group Loan Agreements means (i) the intragroup loan entered into between the Borrower as lender and FMEL as borrower dated 25 June 2018 and (ii) the intragroup loan entered into between the Borrower as lender and FMEL as borrower dated 1 February 2019;"

3.2 Repayment and Prepayment

3.2.1 Clause 7.3 of the Loan Agreement shall be deleted in its entirety and replaced with the following:-

"7.3

7.3.1 Subject to Clause 7.3.2 below, in the event that proceeds are received by FMEL in respect of a final resolution of the dispute between FMEL and CMAL in relation to a contract price increase for the vessels known as 801 and 802 and such proceeds or any part thereof results, on their receipt by FMEL, in the creation of a Surplus Amount, the Borrower shall pay an amount equal to the Surplus Amount to the Scottish Ministers in prepayment of the Loans.

For the purpose of this Clause 6.3, "Surplus Amount" means the amount by which the aggregate of:

- (a) the aggregate amount of all proceeds received by FMEL in respect of a resolution of the dispute between FMEL and CMAL in relation to a contract price increase for the vessels known as 801 and 802 (less all independent third party fees, costs and/or expenses reasonably and properly incurred by FMEL in connection with such contract price increase); and
- (b) all Loans utilised by the Borrower under this Agreement, which in each case are outstanding as at that date, excluding, for the avoidance of doubt, any Loan (or part thereof) which has been repaid or prepaid pursuant to Clause 7.3 (*Repayment and Prepayment*),

exceeds the sum of £30,000,000.

7.3.2 Provided that a loan has been utilised by the Borrower under the CBC Loan Agreement, any Surplus Amount shall be remitted, promptly upon receipt thereof, to the Scottish Ministers and CBC in prepayment of the outstanding Loans under this Agreement and the outstanding loans under the CBC Loan Agreement respectively, on a pro rata and *pari passu* basis.

7.3.3 If the Borrower has not utilised the loan under the CBC Loan Agreement at the time of a creation of a Surplus Amount, any Surplus Amount shall be remitted, promptly upon receipt thereof, to the Scottish Ministers in prepayment of the outstanding Loans under this Agreement."

3.3 Undertakings by the Borrower

3.3.1 Clause 11.13 of the Loan Agreement shall be deleted in its entirety and replaced with the following:-

"11.13 not to make any loans or advance (other than under the Intra-Group Loan Agreements) or enter into any guarantee or indemnity other than in the ordinary course of business unless with the prior consent of the Lender or unless otherwise permitted in terms of this Agreement".

3.3.2 Clause 11.21 of the Loan Agreement shall be deleted in its entirety and replaced with the following:-

"11.21 not to repay, pre-pay, redeem, purchase or otherwise satisfy in any way or make any payment of or in respect of any shareholder or directors loans (excluding any repayment or prepayment made by FMEL to the Borrower pursuant to Clause 3.2 of each Intra-Group Loan Agreement); and".

3.4 Subsequent Utilisation Conditions Precedent

3.4.1 The existing wording in paragraph 5 of Part C of Part 1 of the Schedule to the Loan Agreement (*Subsequent Utilisation Conditions Precedent*) shall be deleted and replaced with the following:-

"Evidence that a loan in an amount equal to £3,000,000 has been utilised by the Borrower under the CBC Loan Agreement."

4. CONDITIONS PRECEDENT

This letter, and the amendments contemplated thereby, will not come into effect until the Scottish Ministers have confirmed to the Borrower that they have received and/or are satisfied with the following (the "Effective Date"):

- (a) corporate authorisations consisting of board minutes and shareholder resolutions approving the Obligors' entry into this letter and the other documents listed in this Clause 4, together with a signed Officers' Certificate, all in a form and substance satisfactory to the Scottish Ministers;
- (b) resolution of the board of directors of Clyde Blowers Capital GP III Limited, in its capacity as general partner of Clyde Blowers Capital GP III LP, which in turn is the general partner of CBC approving, among other items, its entry into:
 - a. the intercreditor deed referred to in paragraph (d) below;
 - b. the variation to the Subscription and Shareholders Agreement, in Acceptable Form; and
 - c. the variation to the articles of association of the Borrower, in Acceptable Form.
- (c) The £3,000,000 loan agreement to be entered into between the Borrower, FMEL and CBC, duly executed by the parties thereto;
- (d) An intercreditor deed, in Acceptable Form, to be entered into among the Borrower, FMEL, MacKellar, the Scottish Ministers, CBC and HCC, duly executed by the parties thereto;
- (e) amendment letter dated on or around the date of issue hereof relative to the First Facility Agreement, duly accepted by the Obligors;
- (f) that no Potential Event of Default or Event of Default is remaining outstanding, unwaived or unsatisfied.

5. REPRESENTATIONS

The Repeating Representations are deemed to be repeated by the Borrower as at the Effective Date.

6. PRESERVATION AND CONFIRMATION OF GUARANTEES AND SECURITY

With effect from the Effective Date, the Borrower, FMEL and MacKellar each confirm that the Security Documents (including, for the avoidance of doubt, all guarantees) granted prior to the date of this letter and the Security and guarantees created or evidenced thereby are and remain in full force and effect and extend to all the liabilities and obligations of the Borrower to the Scottish Ministers, as the same are amended and/or extended by this letter.

7. EFFECT OF THIS LETTER

- 7.1 This letter is supplemental to the Loan Agreement and the terms of the Loan Agreement shall continue in full force and effect in accordance with the terms thereof, as amended by this letter.
- 7.2 All and any references in the Loan Agreement to "this Agreement" (or similar phrases) shall, with effect from the date of signing this letter, be deemed to be references to the Loan Agreement as amended by the terms of this letter.

8. FINANCE DOCUMENT

This letter is a Finance Document for the purpose of, and as defined in, the Loan Agreement.

9. MISCELLANEOUS

- 9.1 No delay or omission on the part of the Scottish Ministers in exercising any of its rights, powers, remedies or privileges under this letter shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, remedy or privilege preclude any other or further exercise, thereof or the exercise of any other right, power, remedy or privilege.
- 9.2 If at any time any provision of this letter is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provision of this letter nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired.

10. COUNTERPARTS

This letter may be executed in any number of counterparts and by the parties hereto on separate counterparts.

11. LAW

This letter will be governed by and construed according to the laws of Scotland and the Borrower submit to the jurisdiction of the Scottish Courts.

Please indicate your acceptance of the terms of this letter by executing and returning the enclosed copy.

Yours faithfully

[Redacted signature]

For and on behalf of
The Scottish Ministers

We hereby acknowledge and agree to the terms of the foregoing letter including, without limitation, the amendments to the Loan Agreement effected thereby.

For and on behalf of
Ferguson Marine Engineering (Holdings) Limited:

[Redacted signature]

Director/Secretary/Witness

Full name: [Redacted]

[Redacted signature]

Director

Full name: GERRY MARSHALL

Date: February 2019

For and on behalf of
Ferguson Marine Engineering Limited:

[Redacted signature]

Director/Secretary/Witness

Full name: [Redacted]

[Redacted signature]

Director

Full name: GERRY MARSHALL

Date: February 2019

For and on behalf of
Mackellar Sub-Sea Limited:

[Redacted]

Director/Secretary/Witness

Full name:

[Redacted]

[Redacted]

Director

Full name:

THOMAS COONS

Date:

1 February 2019