

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
COURT. No.: 200-11-019127-102
OFFICE No.: 908322-1000001

SUPERIOR COURT
Commercial Division

**IN THE MATTER OF A PLAN OF
ARRANGEMENT AND
REORGANIZATION OF:**

DAVIE YARDS INC., a legal person, duly
incorporated according to law, having its head office
and principal place of business at 22 George-D.-Davie
Street, Lévis, Québec G6V 8V5.

Applicant

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
having a place of business at 1 Place Ville Marie,
Suite 3000, Montreal, Quebec H3B 4T9

Court-Appointed Monitor

**THIRD REPORT TO THE COURT
SUBMITTED BY SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
IN ITS CAPACITY AS MONITOR**
(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. On February 25, 2010, Davie Yards Inc. (“Davie” or the “Company”) filed and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* (“CCAA”) pursuant to an Order rendered by this Honorable Court (the “Initial Order”).
2. The Initial Order provides for the appointment of Samson Bélair/Deloitte & Touche Inc. (“Deloitte”) as monitor of the Company under the CCAA.
3. This report covers:
 - (i) The proposed engagement of Rothschild & Sons Canada Limited and Rothschild Inc., together with their affiliates, successors and assigns, as appropriate (“Rothschild”) as financial advisor and investment banker to the Company.
4. In preparing this Report, the Monitor has relied upon unaudited financial information, the Company’s records and its discussions with the management of the Company and its financial and legal advisors.

While the Monitor has reviewed the information, some in draft format, submitted in the abridged time available, the Monitor has not performed an audit or other verification of such information. Forward looking financial information included in the Report is based on assumptions of the Company's management regarding future events, and actual results achieved will vary from this information and the variations may be material.

5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Third Report are as defined in the First Report of the Proposed Monitor submitted to the Court, dated February 24, 2010, and the Initial Order.
6. A copy of this Third Report, the motion record in this CCAA Proceeding and further reports of the Monitor will be available on the Monitor's website at www.deloitte.com/ca/davieyards. The Monitor has also established a hotline number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the Company's restructuring or the CCAA proceeding.

Agreement between Rothschild and the Company

7. The Company is proposing to engage Rothschild as its financial advisor and investment banker in connection with a potential Transaction, as defined in the proposed agreement (the "Agreement") entered into between Rothschild and the Company dated May 7, 2010 (Appendix A).
8. The Company believes that the engagement of a financial advisor is essential to assist the Company in conducting the appropriate review and analysis, evaluate the various options available and implement a process in connection with a transaction that could potentially resolve the current financial operational and financial challenges of the Company.
9. Hence, the Company initiated a process with a view to identifying the various potential financial advisors/investment bankers that may have the appropriate expertise and experience to assist the Company.
10. The Company solicited proposals from five different financial advisors/investment bankers, four of which provided the Company with proposals.
11. The Company conducted interviews with each of these financial advisors/investment bankers to evaluate their relevant expertise and experience. Their respective proposals were reviewed by the Company and the Monitor.
12. With a view to limiting the costs associated with this retainer, the Company decided to negotiate with two of the financial advisors/investment bankers that had provided a proposal to the Company in order to reduce the scope of their involvement and agree on an acceptable structure for their remuneration.
13. The results of this process were ultimately presented to the Company's board of directors who decided to retain the services of Rothschild.
14. Rothschild's mandate will include reviewing and analyzing the Company's operating and financial strategies, evaluating its business plan, soliciting third party strategic and financial investors/partners,

assisting in raising new debt and/or equity capital as well as advising the Company in connection with the implementation of a transaction.

15. The Agreement provides for the terms and conditions of Rothschild's mandate and, namely, the details of the compensation payable to Rothschild in connection therewith.
16. The Company has sufficient funds to ensure the payment of Rothschild's monthly compensation pursuant to the Agreement and has provided for same in its cashflows.

THE MONITOR'S CONCLUSION AND RECOMMENDATION

17. The Monitor has reviewed the Agreement and believes that the terms and conditions thereof are reasonable and justified in the current circumstances.
18. The Monitor has reviewed Rothschild's credentials and considers that they have the knowledge, expertise and experience to execute the proposed mandate.
19. Given the complexity of the operations of the Company, its current operational and financial situation, and the urgent need to identify viable solutions, the Monitor supports the engagement of Rothschild as financial advisor and investment banker to the Company.

The Monitor respectfully submits to the Court this, its Third Report.

DATED AT MONTREAL, this 7th day of May 2010.

Samson Bélaire / Deloitte & Touche Inc.

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
In its capacity as Court-Appointed Monitor of
Davie Yards Inc.

Appendix A

As of April 28th, 2010

Gustav Johan Nydal, President and Chief
Executive Officer
Davie Yards Inc.
22 George-D. Davie Street
Levis (Quebec)
Canada G6V 8V5



Dear Mr. Nydal:

This letter (the "Agreement") will confirm the terms and conditions of the agreement among Davie Yards Inc. ("Davie Yards" or, collectively with its direct and indirect subsidiaries, the "Company") and NM Rothschild & Sons Canada Limited and Rothschild Inc., together with their affiliates, successors and assigns, as appropriate ("Rothschild") regarding the retention of Rothschild as financial advisor and investment banker to the Company with respect to a potential Transaction (as defined below) in connection with the Company's proceedings (the "CCAA Proceedings") under the *Companies' Creditors Arrangement Act* (the "CCAA").

1. Services to be Rendered. In connection with the formulation, analysis and implementation of various options for a Transaction, Rothschild will perform the following services as requested by the Company:

- (a) review and analyze the Company's operating and financial strategies;
- (b) review and analyze the business plans and financial projections prepared by the Company including, but not limited to, testing assumptions and comparing those assumptions to historical Company and industry trends;
- (c) evaluate the Company's debt capacity in light of its projected cash flows, assist in the determination of an appropriate capital structure for the Company and assist the Company in analyzing strategic alternatives;
- (d) identify and approach potential third-party strategic and financial investors / partners;
- (e) assist or participate in negotiations with the parties in interest, including, without limitation, any current or prospective creditors of, holders of equity in, or claimants against the Company and/or their respective representatives in connection with a Transaction;
- (f) assist in raising new debt and/or equity capital;

N M Rothschild & Sons Canada Limited
1002 Sherbrooke St. West, Suite 2300
Montréal, Québec Canada H3A 3L6

Telephone (514) 840-1016
Facsimile (514) 840-1015
www.rothschild.com



- (g) assist the Company and its other professionals, as well as the monitor (the "Monitor") appointed by the Court under the CCAA, in reviewing the terms of any proposed Transaction, in responding thereto and, if directed, in evaluating alternative proposals for a Transaction and providing written reports thereon to be used by the Company in any proceeding before the CCAA Court, whether in connection with a Plan (as defined below) or otherwise. Written reports prepared by Rothschild shall not be provided to the CCAA Court without the prior written consent of Rothschild which shall not be unreasonably withheld or delayed;
- (h) determine a range of values for the Company and any securities that the Company offers or proposes to offer in connection with a Transaction;
- (i) advise the Company on the risks and benefits of considering a Transaction with respect to the Company's intermediate and long-term business prospects and strategic alternatives to maximize the business enterprise value of the Company, whether pursuant to a Plan or otherwise;
- (j) advise and attend meetings of the Company's Board of Directors, creditor groups, official constituencies and other interested parties, as necessary;
- (k) assist with the development of a sales strategy for the Company;
- (l) assist with the preparation of any presentation materials to be used by Davie Yards in connection with any of the foregoing; and
- (m) render such other financial advisory and investment banking services as may be agreed upon by Rothschild and the Company in connection with any of the foregoing.

2 Compensation. As compensation for the services hereunder, the Company shall pay to Rothschild the following fees in cash:

- (a) Commencing on May 1st, 2010 and monthly thereafter, and whether or not a Transaction is proposed or consummated, a monthly advisory fee of C\$150,000 (the "Advisory Fee"), for a minimum of three months payable in advance on the first day of the month. 50% of any Advisory Fees in excess of C\$900,000 that are paid to Rothschild shall be creditable against either the Transaction Fee or New Capital Fee.
- (b) A transaction fee (the "Transaction Fee") of C\$1.25 million payable upon the consummation of a Transaction.

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- (c) A new capital fee (the "New Capital Fee") equal to (i) 2.00% of the face amount of any secured debt raised including, without limitation, any debtor-in-possession ("DIP") financing raised; (ii) 3.00% of the face amount of any junior secured debt raised (iii) 4.00% of the face amount of any senior or subordinated unsecured debt raised and (iv) 6.00% of any preferred or common equity capital or capital convertible into preferred or common equity raised. Each of (i), (ii), (iii) and (iv) will be deemed to be a new capital raise (the "New Capital Raise"). The New Capital Fee shall be payable upon the closing of the New Capital Raise. For the avoidance of doubt, any New Capital Raise for which a New Capital Fee shall be payable hereunder must provide for new capital to be made available to the Company or its successors and the term "raised" shall include the amount committed or otherwise made available to the Company or its successors, without discount, whether or not such amount (or any portion thereof) is drawn down at closing or is ever drawn down, whether or not such amount (or any portion thereof) is used to refinance existing obligations of the Company and whether or not existing debt, securities or equity of the Company are exchanged, repurchase or tendered in connection with such amount; provided, however, such new capital is available to be drawn by the Company.

For greater clarity, (i) the New Capital Fee will not apply to capital extended by Export Development Canada ("EDC") directly to Davie Yards' clients or to Acquirers (as defined below), nor to a maturity extension or roll-over of the existing \$21 million facility provided to Davie Yards by Investissement Québec (the "Facility"), (ii) the New Capital Fee will not apply to any direct or indirect increase in the proceeds to the Company under any shipbuilding contract between Davie Yards and its clients, and (iii) the Transaction Fee will not apply to any Transaction (as defined below) made in the context of a post-bankruptcy liquidation of the Company's assets and entered into with a party that did not have discussions with Rothschild or Davie Yards during the term of the Agreement. In addition, in the event new capital is extended in whole or in part by EDC to Davie Yards in debt (whether secured, unsecured or DIP) or equity, the New Capital Fee in respect of the portion extended by EDC shall be equal to 1% of the of the face amount of any debt extended or the aggregate amount of any equity acquired by EDC.

- (d) To the extent the Company requests Rothschild to perform additional services not contemplated by this Agreement, such additional fees as shall be mutually agreed upon by Rothschild and Davie Yards, in writing, in advance.

No fees or expenses payable to any other financial advisor either by the Company or by any other entity shall reduce or otherwise adversely affect the fees payable hereunder to Rothschild.

Davie Yards Inc.
As of April 28th, 2010



All fees payable hereunder are net of all applicable withholding and similar taxes and are payable in Canadian dollars.

The Company and Rothschild acknowledge and agree that (i) the hours worked, (ii) the results achieved and (iii) the ultimate benefit to the Company of the work performed, in each case, in connection with this engagement, may be variable, and that the Company and Rothschild have taken such factors into account in setting the fees hereunder.

As used herein, the term "Transaction" shall mean any one or more of the following, whether pursuant to a plan of compromise or arrangement (a "Plan") sanctioned by the Court in connection with the CCAA Proceedings or otherwise: (a) any transaction or series of transactions that effects or proposes to effect material changes in, any of the Company's outstanding indebtedness (other than a maturity extension or roll over of the Facility), trade claims, leases, unfunded pension and retiree medical liabilities, and/or other liabilities (whether on or off balance sheet) including, without limitation, any exchange, repurchase or forgiveness of any portion thereof; (b) (i) any merger, consolidation, reorganization, recapitalization, financing, refinancing, business combination or other transaction pursuant to which the Company (or a material portion thereof) is acquired by, or combined with, any person, group of persons, partnership, corporation or other entity (an "Acquirer") or (ii) any acquisition, directly or indirectly, by an Acquirer (or by one or more persons acting together with an Acquirer pursuant to a written agreement or otherwise), through a credit bid or otherwise, whether in a single transaction, multiple transactions or a series of transactions, of (x) other than in the ordinary course of business, any material portion of the assets or operations of the Company or (y) any outstanding or newly-issued shares of the Company's capital stock or any securities convertible into, or options, warrants or other rights to acquire such capital stock or other equity securities of the Company, for the purpose of effecting a recapitalization or change of control of the Company; (c) other than in the ordinary course of business, any acquisition, directly or indirectly, by the Company, whether in a single transaction, multiple transactions or a series of transactions, any outstanding or newly-issued shares of another person's capital stock or any securities convertible into, or options, warrants or other rights to acquire such capital stock or other equity securities of another person, for the purpose of effecting a recapitalization or change of control of the other person; (d) any restructuring, reorganization, exchange offer, tender offer, refinancing or similar transaction of the Company, whether or not pursuant to a Plan; or (e) any transaction similar to any of the foregoing.

In performing its services pursuant to this Agreement, and notwithstanding anything to the contrary herein, Rothschild is not assuming any responsibility for the Company's decision to pursue (or not to pursue) any strategy or to effect (or not to effect) any Transaction or other transaction. Rothschild shall not have any obligation or responsibility to provide accounting, audit, "crisis management" or business consultancy services to the

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Davie Yards Inc.
As of April 28th, 2010



Company, and shall have no responsibility for designing or implementing operating, organizational, administrative, cash management or liquidity improvements. Rothschild is retained under this Agreement solely to provide financial advice to the Company regarding a Transaction or a New Capital Raise.

3. Approval of this Agreement. The Company shall also seek approval within two weeks of the date hereof of (a) this Agreement, (including, without limitation, the fees payable to Rothschild by the Company pursuant to Section 2 hereof and the reimbursement of the fees, disbursements and other charges of Rothschild's counsel pursuant to Section 4 hereof without the requirement that the retention of such counsel be approved by the court), retroactive to the date this Agreement was executed, and (b) the benefit of the administration charge existing as of the date hereof ("Administration Charge") created pursuant to the initial CCAA Order to secure payment of the Advisory Fee payable to Rothschild under the terms of this Agreement, ranking *pari passu* to any other beneficiaries of the Administration Charge (it being understood that the Company shall not seek to increase the Administrative Charge). The Company agrees not to take any steps or actions to impair, subordinate, release or in any way affect the Administration Charge, other than to increase the amount of the Administration Charge if deemed appropriate by the Company and/or the Monitor, during the course of the CCAA Proceedings, and undertakes to advise Rothschild forthwith of any attempts by third parties to take such steps or actions. The Company shall use its best efforts to obtain Court authorization and approval thereof. The Company shall supply Rothschild and its counsel with a draft of such application and any proposed order approving this Agreement sufficiently in advance of the filing of such application and proposed order to enable Rothschild and its counsel to review and comment thereon. Rothschild shall have no obligation to provide any further services under this Agreement unless this Agreement is approved in the manner set forth above by a final order of the Court (the "Final Order") no longer subject to appeal, rehearing, reconsideration or petition for certiorari, and which order is reasonably acceptable to Rothschild in all respects. The Company or Rothschild may terminate this Agreement in the event the Company does not obtain the Final Order. For greater certainty, if the Company fails to obtain the Final Order and this Agreement is terminated by Rothschild or the Company, (i) the Company shall only pay Rothschild the accrued and unpaid portion of the Advisory Fee based on C\$150,000 for each month and the pro rata portion of C\$150,000 for each partial month (based on the number of days elapsed in such month and the number of days in such month) elapsed from the date of this Agreement to the date this Agreement is terminated and (b) the Company shall reimburse Rothschild pursuant to Section 4 for Rothschild's expenses incurred prior to the date this Agreement is terminated.

The Company acknowledges that it believes that Rothschild's general restructuring experience and expertise, its knowledge of the industry in which the Company operates and the capital markets and its merger and acquisition capabilities will inure to the benefit of the Company, that the value to the Company of Rothschild's services hereunder derives in substantial part from that expertise and experience and that, accordingly, the structure and amount of the Advisory Fee,

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New Capital Fee, and Transaction Fee are reasonable regardless of the number of hours expended by Rothschild's professionals in performance of the services provided hereunder.

4. Expenses. In addition to the compensation payable pursuant to Section 2 above, the Company shall reimburse Rothschild for all of Rothschild's reasonable expenses incurred in connection with the performance of its engagement hereunder and the enforcement of this Agreement including without limitation the reasonable fees, disbursements and other charges of Rothschild's legal counsel and any other advisor retained by Rothschild (it being understood that the retention of any such advisor, other than legal counsel, will be made with the Company's consent, which shall not be unreasonably withheld), if any, whether or not a Transaction is consummated. Reasonable expenses shall also include, but not be limited to, expenses incurred in connection with travel and lodging, data processing and communication charges, research and courier services.

5. Information.

- (a) The Company understands and agrees that the services to be rendered by Rothschild pursuant to Section 1 of this Agreement and the advice, whether formal or informal, relating thereto are solely for the benefit and use of Davie Yards. The Company agrees that any reports, recommendations or opinions, which are provided to the Company in the context of this engagement, shall not be summarized, excerpted from, disclosed publicly (except as required by court order and except that Davie Yards may disclose any such report in any proceeding before the CCAA Court, provided it has received written consent from Rothschild, which consent shall not be unreasonably withheld or delayed and Davie Yards may disclose any such report to Investissement Québec without the prior consent of Rothschild), made available to third parties (other than to the Monitor as may be necessary) or otherwise referred to, in whole or in part, without the prior written consent of Rothschild which shall not be unreasonably withheld or delayed. Any reference to Rothschild in a press release or other document shall be submitted to Rothschild for its approval prior to the distribution or dissemination thereof.
- (b) The Company will cooperate with Rothschild and furnish to, or cause to be furnished to, Rothschild any and all information as Rothschild deems appropriate to enable Rothschild to render services hereunder (all such information being the "Information"), and will provide Rothschild with access to the officers, directors, employees, accountants, consultants, counsel and other representatives (collectively, the "Representatives") of the Company. The Company recognizes and confirms that Rothschild (i) will use and rely solely on the Information supplied by the Company, and its Representatives, and on information available from public sources in performing the services contemplated by this Agreement without having assumed any obligation to verify or investigate independently the same; (ii) does not assume

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Davie Yards Inc.
As of April 28th, 2010



responsibility for the accuracy or completeness of the Information and such other information, and (iii) will not act in the official capacity of an appraiser of specific assets of the Company or any other party. The Company confirms that all Information furnished by the Company at any time is, to the best of its knowledge, true and correct in all material respects when delivered, is prepared in good faith, and does not contain any material misstatement of fact or omit to state any material fact necessary in order to make the statements therein not misleading. The Company will promptly notify Rothschild if it learns of any material inaccuracy or misstatement in, or material omission from, any Information theretofore delivered to Rothschild.

- (c) The Company acknowledges that in the course of this engagement it may be necessary for Rothschild and the Company to communicate electronically. The Company further acknowledges that although Rothschild will use commercially reasonable procedures to check for the most commonly known viruses, the electronic transmission of information cannot be guaranteed to be secure, error-free or virus-free. Furthermore such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Accordingly, the Company agrees that Rothschild shall have no liability to the Company with respect to any error or omission arising from or in connection with: (i) the electronic communication of information to the Company; or (ii) the Company's reliance on such information.

6. Indemnification. Since Rothschild will be acting on behalf of the Company in connection with its engagement hereunder and as further compensation for Rothschild's services hereunder, the Company shall indemnify Rothschild and hold it harmless against any losses, claims, damages or liabilities arising in any manner out of or in connection with Rothschild's rendering of services hereunder as more fully described in the Indemnification Agreement dated as of the date hereof and incorporated by reference herein. The Indemnification Agreement shall survive any termination or expiration of this Letter Agreement.

7. Term. This Agreement shall commence on the date hereof; provided, that either party may terminate this Agreement with or without cause upon receipt of ten days' prior written notice to the other party to that effect. Notwithstanding the foregoing, Rothschild shall be entitled to the fees set forth in Section 2 above (unless this Agreement was terminated by Rothschild) in the event the Company consummates or enters into an agreement providing for a Transaction, or a New Capital Raise at any time within twelve (12) months following the termination of this Agreement and with respect to any Transaction or New Capital Raise, such Transaction was consummated with or such New Capital was raised from a party that Rothschild or Davie Yards were in discussions with during the term of this Agreement. No termination of Rothschild's engagement hereunder shall affect the Company's obligation to pay accrued fees and expenses to the extent provided for herein and to indemnify Rothschild as provided in the Indemnification Agreement.

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Davie Yards Inc.
As of April 28th, 2010



The provisions of Sections 4, 5, 6, 7, 8, 10 (excluding the first sentence of Section 5(b)) shall survive any termination of this Agreement.

8. Other Rothschild Activities. In the ordinary course of Rothschild's investment banking, brokerage and financial advisory service activities, Rothschild or its affiliates may hold positions for its own account or the accounts of its clients in equity, debt or other securities of Davie Yards or any other company that may be involved in a Transaction.

9. Additional Services. The Company acknowledges that if Rothschild is asked to act for the Company in any other formal additional capacity not specifically addressed in this Agreement, such activities shall constitute separate engagements and the terms of any such additional engagements will be embodied in one or more separate written agreements containing terms and conditions to be mutually agreed upon, including, without limitation, appropriate indemnification provisions. The indemnity provisions in the Indemnification Agreement shall apply to any such other activities, unless superseded by an indemnity provision set forth in a separate agreement applicable to any such additional engagements, and shall remain in full force and effect regardless of any completion, modification or termination of Rothschild's engagement(s).

10. Public Announcements. The Company acknowledges that Rothschild may at its option and expense, after announcement of the Transaction, place announcements and advertisements or otherwise publicize a Transaction in such financial and other newspapers and journals as it may choose, stating that Rothschild acted as financial advisor to the Company in connection with such Transaction. The Company further consents to Rothschild's public use or display of Company's logo, symbol or trademark as part of Rothschild's general marketing or promotional activities provided such use or display is in the nature of a public record or tombstone announcement in relation to a Transaction.

11. Authorization. Rothschild will assume that any instructions, notices or requests have been properly authorized by the Company if they are given or purported to be given by, or is reasonably believed by Rothschild to be a director, officer, employee or authorized agent of the Company.

12. General. The benefits of this Agreement and the Indemnification Agreement shall inure to the respective successors and assigns of the parties hereto and thereto and of the indemnified parties, and the obligations and liabilities assumed in this Agreement and the Indemnification Agreement by the parties hereto and thereto shall be binding upon their respective successors and assigns.

The relationship of Rothschild to the Company hereunder shall be that of an independent contractor and Rothschild shall have no authority to bind, represent or otherwise act as agent, executor, administrator, trustee, attorney or guardian for the Company, nor shall Rothschild have the authority to manage money or property of the Company. The parties hereto acknowledge and agree that by providing the services contemplated hereunder, Rothschild will not act, nor will it be deemed to have acted, in any managerial or fiduciary capacity whatsoever with respect to the

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Davie Yards Inc.
As of April 28th, 2010



Company or any third party including, without limitation, security holders, creditors or employees of the Company.

This Agreement, the confidentiality agreement between Davie Yards and Rothschild dated April 28, 2010 and the Indemnification Agreement contain the entire agreement of the parties with respect to the subject matter hereof and supersede and take precedence over all prior agreements or understandings, either oral or written, between Rothschild and the Company and may not be amended or modified except in a writing executed by the parties hereto. The Company has all requisite power and authority to enter into this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly authorized by all necessary action on the part of the Company and has been duly executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms.

This Agreement and the Indemnification Agreement may not be amended or modified except in a writing executed by the parties hereto. All aspects of the relationship created by this Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec applicable to contracts made and to be performed therein without giving effect to conflicts of law principles. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined exclusively in any Quebec provincial or federal court, to whose jurisdiction the Company hereby irrevocably submits. The Company hereby irrevocably waives any defense or objection to the Quebec forum designated above.

The parties acknowledge that they have requested and consented that this Agreement and all documents forming part hereof or resulting herefrom be prepared in English. Les parties reconnaissent avoir exigé et consenti que soient rédigés en anglais la présente convention ainsi que tous documents en faisant partie ou découlant de celle-ci.

If the foregoing correctly sets forth our agreement, we would appreciate your signing and returning to us the enclosed copies of this Agreement and the Indemnification Agreement, whereupon this Agreement and the Indemnification Agreement shall constitute binding agreements between us.

Sincerely,

ROTHSCHILD INC.


By: 

Neil Augustine
Managing Director and Head of North
American Restructuring

Davie Yards Inc.
As of April 28th, 2010



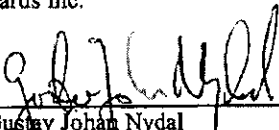
NM ROTHSCHILD & SONS
CANADA LIMITED

By: 

David Savard
Managing Director

Agreed and Accepted:

Davie Yards Inc.

By: 

Gustav Johan Nydal
President and Chief Executive Officer

Date: 7/5-2010



N M Rothschild & Sons Canada Limited
1002 Sherbrooke Street West, Suite 2300
Montreal, Quebec H3A 3L6 Canada

Rothschild Inc.
1251 Ave of the Americas # 44
New York, NY 10020-1104
(212) 403-3500

Ladies and Gentlemen:

Davie Yards Inc., together with its subsidiaries (the "Company") agrees to indemnify and hold harmless N M Rothschild & Sons Canada Limited and Rothschild Inc., together with their affiliates, successors and assigns, as appropriate ("Rothschild") and any of their affiliates and each of their respective officers, directors, employees and agents (each such person and Rothschild being hereinafter called an "Indemnified Party") from and against, and the Company agrees that no Indemnified Party shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages, liabilities, or actions, including shareholder or creditor actions, in respect thereof, joint or several, and to reimburse promptly such Indemnified Party for any reasonable legal or other expenses (including appropriate compensation for preparation time, if any) incurred by such Indemnified Party in connection with investigating any claim or preparing for or defending or assisting in the defense of any action (whether or not such Indemnified Party is named as a party thereto) commenced or threatened in writing, whether or not resulting in liability (including any loss to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened, or of any claim whatsoever set forth herein, if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages, liabilities, actions, settlements or expenses arise out of, relate to, are based upon or are otherwise in connection with Rothschild's activities under our letter agreement dated as of [April 28th, 2010] (the "Letter Agreement") whether performed prior to or after the date hereof; provided, however, that the foregoing indemnity shall not apply to the extent that any losses, claims, damages, liabilities, actions, or settlements are judicially determined to have resulted primarily from your bad faith or gross negligence.

If the foregoing indemnification is unavailable or insufficient to hold an Indemnified Party harmless, then the Company shall contribute to the amount paid or payable by such Indemnified Party as a result of any losses, claims, damages, liabilities, actions, settlements and expenses contemplated by the foregoing indemnification (including investigation, legal and other expenses incurred, and settlement payments made, in connection with any action, suit or proceeding or any claims asserted) to which the Indemnified Party may be subject, in such proportion as is appropriate to reflect not only the relative benefits received by the Company, on the one hand, and such Indemnified Party, on the other hand, but also the relative fault of the Company and an

N M Rothschild & Sons Canada Limited
Rothschild Inc.
As of April 28th, 2010



Indemnified Party as well as any relevant equitable considerations; provided, that, in no event will the aggregate contribution of all such Indemnified Parties exceed the amount of fees received by Rothschild under the Letter Agreement. Relative benefits to Rothschild with respect to the matters contemplated in the Letter Agreement shall be deemed to be in the same proportion as all fees actually received by Rothschild in connection with the Letter Agreement. The obligations of the Company hereunder shall be in addition to any rights that any Indemnified Party may have at law or otherwise.

The Company will not, without Rothschild's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation, or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Party is a party thereto) unless such settlement, compromise, consent or termination (i) includes an unconditional release of each Indemnified Party from any liabilities arising out of such action, claim, suit, investigation or proceeding and (ii) does not include a statement as to, or an admission of fault, culpability or a failure to act by or on behalf of an Indemnified Party. No Indemnified Party seeking indemnification, reimbursement or contribution under this Indemnification Agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

The Company acknowledges that in connection with the services rendered pursuant to the Letter Agreement Rothschild is acting as an independent contractor and not in any fiduciary capacity with duties owing solely to the Company. This Indemnification Agreement and any other agreements relating to the Letter Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec, applicable to contracts made and to be performed therein without regard to conflicts of law principles. All actions and proceedings arising out of or relating to this Indemnification Agreement shall be heard and determined exclusively in any Quebec provincial or federal court, to whose jurisdiction the Company hereby irrevocably submits. The Company hereby irrevocably waives any defense or objection to the Quebec forum designated above.

The provisions of this Indemnification Agreement shall apply to the Letter Agreement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the Letter Agreement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Please indicate your agreement to and acceptance of the above terms by signing where indicated below.

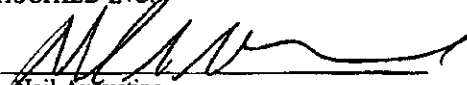
A handwritten signature in dark ink, appearing to be 'J. G. G.', is written in the bottom right corner of the page. Below the signature is a horizontal line.

N M Rothschild & Sons Canada Limited
Rothschild Inc.
As of April 28th, 2010

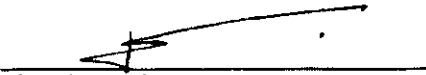


Sincerely,

ROTHSCHILD INC.


By: 
Neil Augustine
Managing Director and Head of North
American Restructuring

NM ROTHSCHILD & SONS
CANADA LIMITED

By: 
David Savard
Managing Director

Agreed and Accepted:

Davie Yards Inc.

By: 
Gustav Johan Nydal
President and Chief Executive Officer

GR