INSOL INTERNATIONAL

GLOBAL INSOLVENCY PRACTICE COURSE (ONLINE)

2021 / 2022

Session 2 Materials – Overview of US Chapter 11

CONTENTS

Prescribed Reading

Chapter 11 Exercise

Excerpt from *Global Oceans* Decision

Note on Substantive Consolidation

Chapter 11 of the US Bankruptcy Code

PowerPoint Slides to Support Session

Additional Reading

Sample Chapter 11 Plan

Sample Disclosure Statement

INSOL INTERNATIONAL

GLOBAL INSOLVENCY PRACTICE COURSE

INSOL – Global Insolvency Practice Course – Module A

Overview of U.S. Chapter 11 - Exercise

Prof. G. Ray Warner

Dear Colleagues-

I have only a little time to introduce you to U.S. Chapter 11 so it is important that you read the assigned materials in advance. I would like you to focus on a few issues in advance of our session. This exercise is designed to help you do that so please also complete it in advance of our session.

Exercise One – Read the Chapter 11 Background and Summary and the Global Oceans opinion.

Facts - Auto Parts Company manufactures and sells replacement parts for most major automobile brands. The Company has been losing money for a few years. It is not clear whether it is insolvent, but it is in serious financial distress and will fail if nothing changes. The company is managed by Mary Manager, president, and her team of vice-presidents who are very familiar with the company and have many years of experience in the industry. Mary Manager consulted restructuring professionals and developed a plan to save the business. A successful restructuring will be expensive and the company will need to borrow additional money in order to finance its restructuring effort. Mary has identified a potential lender who is willing to provide $200 million in DIP financing if it can be assured of a first priority lien on all assets. Mary Manager and her management team would like to remain in control of the business to implement the restructuring plan and, of course, they would like to keep their jobs. The company's current lender, Global Bank, is owed $900 million and holds a first priority lien on its major assets. The assets that secure the debt are conservatively valued at $1,300 million. Global Bank has substantial U.S. operations.

(A) Can Auto Parts file chapter 11 even if it is not insolvent? [ ] Yes [ ] No

(B) (1) Assume that Auto Parts has no US operations or assets. Is it eligible to file chapter 11? [ ] Yes [ ] No

(2)What can it do to create eligibility to file chapter 11?

(C) In a chapter 11, can Mary and her management team remain in control of the business and direct the restructuring process? [ ] Yes [ ] No

(D) (1) In a chapter 11, can the court grant the new DIP lender a $200 million lien on Global Bank's collateral that will have a higher priority than Global Bank's current first priority lien? [ ] Yes [ ] No

(2) Is Global Bank "adequately protected" and, if so, how? (See page 10 of Chapter 11 Background and Summary).

(E) (1) Is the U.S. Bankruptcy Court's financing order legally effective under U.S. law against Global Bank even if none of its collateral is located within the United States? [ ] Yes [ ] No

(2) Must a court in the nation where the collateral is located recognize and enforce the U.S. Bankruptcy Court's financing order? [ ] Yes [ ] No

(3) Will Global Bank comply with the U.S. Bankruptcy Court's financing order even if it is not effective under the local law of the nation where the collateral is located? [ ] Yes [ ] No

Exercise Two

Facts – Auto Parts owns a manufacturing plant that is subject to a lien securing a debt in the amount $10 million. The interest rate is 10 percent per annum and the loan is to be repaid over the next 10 years, with loan payments of $130,000 per month. The Company missed last month's payment and the lender is threatening to foreclose on the plant. The plant and real estate are worth only $5 million. The Company would like to prevent the foreclosure and reduce the debt amount and lower the monthly payments.

(A) Will a chapter 11 filing prevent the secured lender from proceeding with foreclosure and collection actions? [ ] Yes [ ] No

(B) (1) In a chapter 11 plan, can the debtor modify the terms of the secured debt over the objection of the lender? [ ] Yes [ ] No

(2) Can the plan reduce the lien from $10 million to only $5 million?
[ ] Yes [ ] No

(3) Can the plan also reduce the principal amount that must be repaid on the secured debt from $10 million to only $5 million? [ ] Yes [ ] No

(4) Can the plan also reduce the interest rate payable on the (now revised) $5 million principal sum from 10 percent per annum to only 8 percent if the bankruptcy court determines that 8 percent provides the lender with the present value of $5 million over time? [ ] Yes [ ] No

(5) Can the plan also extend the repayment period from the current 10-year period to 12 years (assuming the court finds the plan feasible and fair and equitable)?
[ ] Yes [ ] No

Exercise Three

Facts – Auto Parts is a party to a long-term supply contract with Manufacturing Company, one of its principal suppliers of inventory. The contract provides that it terminates automatically upon

the filing of an insolvency or bankruptcy proceeding. The contract also includes a provision prohibiting assignment by either party.

(A) Will the bankruptcy termination clause be effective in the chapter 11 proceeding?
[ ] Yes [ ] No

(B) In the chapter 11 proceeding, will Manufacturing Company be required to continue performing under the contract? [ ] Yes [ ] No

(C) In the chapter 11 proceeding, will Auto Parts have the option of rejecting the Manufacturing Company contract? [ ] Yes [ ] No

(D) In the chapter 11 proceeding, will Auto Parts be able to assign the Manufacturing Company contract to a different entity and override the provision prohibiting assignment (assuming it satisfies the required conditions)?
[ ] Yes [ ] No

Exercise 4

Facts – Assume that the Auto Parts enterprise is not a single company but is operated as a corporate group, with a number of separate legal entities.

(A) Can the bankruptcy court *administratively* consolidate the cases of all Auto Parts entities so that procedural matters in all cases can be handled by the same judge?
[ ] Yes [ ] No

(B) Can the bankruptcy court substantively consolidate the cases of all Auto Parts entities so that the debts and assets of all entities are pooled together (assuming the required conditions are shown)?
[ ] Yes [ ] No

(C) Can all Auto Parts entities file and confirm a consolidated plan of reorganization?
[ ] Yes [ ] No

251 B.R. 31
United States Bankruptcy Court,
D. Delaware.
In re **GLOBAL OCEAN** CARRIERS LIMITED, et al., Debtors.
No. 00–955(MFW) to 00–969(MFW). | July 5, 2000.

OPINION[1]

MARY F. WALRATH, Bankruptcy Judge.

This case is before the Court on the request of Global Ocean Carriers Limited ("Global Ocean") and fifteen of its affiliates[2] (collectively "the Debtors") for confirmation of their Modified First Amended Plan of Reorganization ("the Modified Plan"). In connection with confirmation, the Debtors also request that their Motion for substantive consolidation be granted and that the ballot of Credit Lyonnais in favor of the Modified Plan be accepted (though filed beyond the voting deadline). The holders of approximately $92 million of the $126 million in outstanding notes ("the Ad Hoc Committee of Noteholders") supports the Debtors' requests. A small noteholder and minority shareholder, Arabella Holdings, Inc. ("Arabella") objects to the relief requested by the Debtors and asks that the cases be dismissed.

For the reasons given below, confirmation of the Modified Plan is denied. Substantive consolidation is also denied without prejudice to the Debtors renewing their motion on notice to all affected creditors. However, Arabella's motion to dismiss these cases is denied, since the Debtors are eligible to file the instant cases.

I. ***FACTUAL BACKGROUND***

The Debtors are involved in the international shipping industry. Global Ocean and most of the other Debtors are headquartered in Athens, Greece.[3] The books and records of the Debtors are located in Athens, Greece. The Debtors are incorporated in Liberia, Cyprus or Singapore with the exception of Marine which is incorporated in the United States, in Delaware.

Global Ocean is the ultimate parent of all the Debtors; the other Debtors are direct or indirect subsidiaries of Global Ocean. Certain of the Debtors own ocean-going vessels. Each vessel is owned by a separate subsidiary for liability purposes. The Debtors collectively own 10 feeder container vessels and 2 Panamax dry bulk carriers.

The vessels are maintained and operated through a non-debtor, Sovereign Navigation Corporation ("Sovereign")[4], pursuant to a Management Agreement with Global Ocean. (Exhibit A–9.) Sovereign performs the general administrative tasks for the Debtors, maintains the books and records of all the Debtors, collects the revenues and deposits them to the bank accounts of Global Ocean, and supervises the chartering and maintenance of the vessels. The daily maintenance, provisioning and chartering of the vessels is done by Tsakos Shipping and Trading, S.A. ("Tsakos Shipping"), under a Technical Management Agreement with Sovereign. (Exhibit A–33.) Most of the vessels are under charter to other companies. Many of the charters are at market or above market rates and are due to expire relatively soon.

Global Ocean is a publicly traded company whose stock was registered on the American Stock Exchange until shortly before the bankruptcy filing. The Tsakos family controls more than 50% of the stock. (Exhibit D–5.) Global Ocean owes approximately $51 million to Credit Lyonnais, which is guaranteed by the Hanjin Debtors and is secured by a first preferred ship mortgage on each of the three Hanjin vessels. In 1997, Global Ocean issued $126 million in 10 1/4% Senior Notes due 2007 ("the Notes"). The Notes were guaranteed by all the other Debtors. The Notes, though unsecured and subordinated to certain senior secured debt, restricted the Debtors' ability to grant security interests in their assets, including the vessels. (Exhibit A–20 at pp. 10, 11, 104.)

Over the past several years the global shipping industry has been in a recession, with vessel values dropping to a five year low in the summer of 1999. Because of deteriorating charter rates and long periods of unemployment of some of its vessels, the Debtors suffered a net loss of $13.5 million in 1998. Concerned about their ability to meet interest payments due on the Notes, the Debtors met in May, 1999, with representatives of the owners of a vast majority of the Notes for purposes of restructuring the Notes. (Exhibit A–16.) An Ad Hoc Committee of Noteholders was formed and negotiations resulted in an agreement to a restructuring in the fall of 1999. Certain of the Committee members executed a Lock-up Agreement. (Disclosure Statement at Exhibit B.)

At the insistence of the Ad Hoc Committee of Noteholders, the Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code on February 14, 2000. On that same date, the Debtors filed their initial joint Plan of Reorganization and Disclosure Statement. That Plan provided for payment in cash to Noteholders of 50% of their claims on the Effective Date. All other creditors were to be paid in full in accordance with their normal terms and shareholders of Global Ocean would be eliminated. All of the stock in Global Ocean would be issued to Marmaron Company Limited ("Marmaron"), which is owned by Maria Tsakos, in exchange for new capital up to $10 million. Maria Tsakos is the daughter of Captain Panagiotis Tsakos and the sister of Nikolas P. Tsakos, together the largest existing shareholders. Global Ocean would retain ownership of the other Debtors.

At the request of the Debtors and the Ad Hoc Committee of Noteholders, the plan process was scheduled on a relatively fast track, to assure that the restructuring was concluded by June 30, 2000. The Disclosure Statement was approved, over objections by Arabella, on March 24, 2000, after certain amendments were made to it and the Plan. Voting packages were required to be mailed by March 31, 2000, ballots were due on April 28, 2000, and the confirmation hearing was originally scheduled for May 8, 2000.

After voting on the Plan, however, the only impaired class (the Noteholders) rejected the Plan under the numerosity test. That is, although owners of over $98 million in amount of the outstanding Notes voted to accept the Plan (almost $6 million voted to reject), 321 of the 497 Noteholders voting on the Plan rejected it. Thus, the Plan has been rejected by the vast majority of the small Noteholders, but accepted by the large institutional Noteholders which own the largest amount of Notes.

Opposition to the Plan has been spearheaded by Arabella, an investment company owned by Mr. and Mrs. Katsamas. Mr. Katsamas has been in the shipping industry for twenty years. In

December of 1999, Arabella purchased a small number of shares in Global Ocean for $10,000 and purchased $150,000 in face amount of Notes for $55,000. Mr. Katsamas testified that he did so based on his knowledge of the industry and the upward swing in values of vessels since the Summer of 1999. The valuation experts who testified on behalf of the Debtors confirmed that the industry has recovered since last year and that vessel values (and charter hire rates) continue to rise. Mr. Katsamas said he invested in Global Ocean with the expectation that its value would increase as the industry recovered.

After the Plan was rejected by the Noteholders, the Debtors filed the Modified Plan which changed the treatment of Credit Lyonnais in a manner which the Debtors assert impairs it. A ballot was filed by Credit Lyonnais accepting the Modified Plan. The Debtors also filed a Motion for substantive consolidation of the Debtors' cases. In a telephone conference on scheduling and discovery issues, the Debtors asked for expedited consideration of their substantive consolidation motion so that it could be heard at the confirmation hearing, which was rescheduled for June 5, 2000. We granted that request.

The confirmation hearing commenced on June 5 and continued on June 7, 15 and 23. At the conclusion of the testimony, we heard oral argument and held the matter under advisement.

II. *JURISDICTION*

This Court has jurisdiction over these matters, which are core proceedings pursuant to 28 U.S.C. § 1334 and § 157(b)(1), (b)(2)(A), (*L*) and (*O*).

III. *DISCUSSION*

The Debtors, Credit Lyonnais, and the Ad Hoc Committee of Noteholders all support confirmation of the Modified Plan. To effectuate the Modified Plan, the Debtors ask us to grant their substantive consolidation motion and allow the ballot of Credit Lyonnais, though it was not filed within the original voting deadline.

Arabella objects to the Debtors' requested relief and also asks that we dismiss these chapter 11 cases asserting that the Debtors are not eligible to file under the Bankruptcy Code.

Because it bears on whether we can or should decide all the other issues, we address Arabella's motion to dismiss first.

A. *Motion to Dismiss*

[1] Arabella asserts that none of the Debtors are eligible to file a case under the Bankruptcy Code. Section 109(a) of the Code articulates who is eligible to file a petition in bankruptcy:

> Notwithstanding any other provision of this section, only a person that resides or has a domicile, a place of business or property in the United States, or a municipality, may be a debtor under this title.

11 U.S.C. § 109(a).

[2] [3] [4] The test for eligibility is as of the date the bankruptcy petition is filed. *See, e.g., In re Axona International Credit & Commerce, Ltd.,* 88 B.R. 597, 614–15 (Bankr.S.D.N.Y.1988). The test must be applied to each debtor. *Bank of America v. World of English,* 23 B.R. 1015, 1019–20 (N.D.Ga.1982)(even where parent is eligible to file, subsidiary must be tested separately to see if it is eligible). The burden of establishing eligibility is on the party filing the bankruptcy petition, in this case the Debtors. *See, e.g., In re Secured Equipment Trust of Eastern Air Lines, Inc.,* 153 B.R. 409, 412 (Bankr.S.D.N.Y.1993) and cases cited therein.

In this case, only one of the Debtors, Marine, is incorporated in the United States. Marine was incorporated in Delaware in 1991. The others are incorporated in Cyprus, Singapore or Liberia. Most of the Debtors have their headquarters in Athens, Greece. The Debtors admit that none has a place of business in the United States, except Marine. (Exhibit A–31.)

Since Marine is incorporated in Delaware, the Debtors assert that its stock is located in Delaware. *See* Del. Gen. Corp. L. 169 ("the situs of the ownership of the capital stock of all corporations existing under the laws of this State ... shall be regarded as in this State"). Thus, we conclude that Global Ocean, the owner of the stock of Marine, has property in Delaware.

The Debtors also assert that they have other significant contacts with, and in, the United States. Global Ocean had an initial public offering of its stock in the United States in 1988 and its stock has traded on the American Stock Exchange until recently. In 1997, Global Ocean also issued the Notes in the United States, using American attorneys and investments bankers. All the Debtors, who guaranteed the Notes, submitted to the jurisdiction of the State of New York for all issues arising under the Notes and appointed Marine as their agent for service of process. (Indenture at § 11.14.) When the Debtors sought to renegotiate the terms of the Notes, they met with the Ad Hoc Committee of Noteholders in the United States and negotiated with them through American representatives.

[5] Further, the Debtors presented evidence that some of their vessels have visited ports in the United States on a regular basis. (Exhibit D–9.) However, the Debtors' Exhibit shows that only four of the Debtors' twelve vessels visited the United States for a total of 143 days in the fifteen months prior to the petition date. One of the vessels was in the United States only once (in November, 1999). We do not find this evidence persuasive. Having some business in the United States (and even being physically present in the United States for 30% of the year) is insufficient to constitute having a place of business in the United States.

[6] Further, none of the Debtors' vessels were in the United States on the day the petitions were filed, which is the dispositive date. *See, e.g., Axona,* 88 B.R. at 614. We hold that it is insufficient for purposes of establishing eligibility that the Debtors had property in the United States at some time in the prior year. The Debtors must have property in the United States at the time they actually file their bankruptcy petition. *Id.*

The Debtors assert, however, that they did have property in the United States on the petition date, specifically business documents and funds in bank accounts. The documents were produced by the Debtors to the Ad Hoc Committee of Noteholders during the course of their negotiation of

the Lock-up Agreement and the Plan. The Debtors assert that these documents are their property and thus sufficient to establish their eligibility to file bankruptcy in this country. *See, e.g., In re Spanish Cay Co., Ltd.,* 161 B.R. 715, 721 (Bankr.S.D.Fla.1993)(advertising and marketing material, together with office equipment and a bank account containing $100, was sufficient property in the United States to create eligibility to file bankruptcy).

However, in this case, the business documents in the hands of the Ad Hoc Committee of Noteholders are not original books and records of the Debtors; they are merely copies. It does not appear that the Debtors expect the return of those. We do not, therefore, find that those documents are property of the Debtors for purposes of establishing eligibility to file bankruptcy in the United States.[5]

The Debtors did have property in the United States on the petition date, however, namely funds in various bank accounts. *See, e.g., In re McTague,* 198 B.R. 428, 429 (Bankr.W.D.N.Y.1996)($194 in bank account was sufficient property for bankruptcy eligibility). One account was at The Bank of New York in New York City (an account in use since 1989) and another was at Chase Manhattan Bank in Delaware (opened shortly before the bankruptcy filing). Both these bank accounts are in the name of Global Ocean. The Debtors' deputy financial officer, Mr. Panagopoulis, testified that the funds in the bank accounts represent the revenues from the operations of all the vessels. Those revenues belong to the vessel owning subsidiaries and, through their ownership of the subsidiaries, the various other Debtors. Mr. Panagopoulis also testified that the funds of the various Debtors have always been commingled and deposited into the Global Ocean account and that none of the other Debtors even have bank accounts.

Arabella sought to discredit this testimony by cross-examining Mr. Panagopoulis about the New York bank account statement for July, 1999. (Exhibit A–21.) That statement showed that in July, 1999, the Debtors withdrew over $4 million from the New York bank account, reducing the funds therein to approximately $10,000. (It was in July, 1999, that the Debtors defaulted on an interest payment due to the Noteholders in the amount of approximately $6.5 million.) Since that time, the Debtors have admitted that that account has had minimal funds. Instead, the Debtors' vessel revenues have been deposited into the Royal Bank of Scotland account of Global Ocean located in Greece.

[7] It is not relevant, as Arabella suggests, that there is only a relatively small amount in the Debtors' bank accounts in the United States (less than $100,000 in both). As the Court in *McTague* concluded:

> Nonetheless, $194 in a bank account is clearly "property," and at least two courts have held that such an account is property "in" the district in which the deposit account is located, even though bank deposits may be viewed as being "in" the place of residence of the depositor for certain other purposes.
>
> Consequently, as applied to the case at bar, the statute does not appear to be vague or ambiguous, and it seems to have such a plain meaning as to leave the Court no discretion to consider whether it was the intent of Congress to permit someone to obtain a bankruptcy discharge solely on the basis of having a dollar, a dime or a peppercorn located in the United States. The Court will so rule.

> Therefore, the Court concludes that ... the language of § 109(a) is clear, and the Court does not have discretion to look behind the language and declare that the quantity of property in the United States will be decisive of eligibility to be a debtor under the Code.

198 B.R. at 431–32.

Thus, we conclude that the bank accounts constitute property in the United States for purposes of eligibility under section 109 of the Bankruptcy Code, regardless of how much money was actually in them on the petition date.

However, Arabella asserts that the Debtors' argument that the funds in the account represent property of all the Debtors is incorrect. On cross-examination, Mr. Panagopoulis admitted that the revenues from the Hanjin vessels were always deposited into Global Ocean's account at Credit Lyonnais in France, as required by the preferred ship mortgage on those vessels. Thus, Arabella asserts that none of the funds of the Hanjin Debtors were deposited into the New York bank account.[6]

The Debtors rely heavily on the *World of English* decision which held that claims by subsidiaries to funds in their parent's bank account located in the United States constituted sufficient property in the United States for eligibility purposes under section 109. 23 B.R. at 1023.

The Debtors also point to the existence of retainers paid by the Debtors to their bankruptcy counsel as evidence of the requisite property in the United States. Before the petitions were filed, retainers totaling $400,000 were paid to bankruptcy counsel, which still hold those funds. The Debtors assert that such retainers held in escrow by counsel for a debtor are property of the estate. *See, e.g., In re Prudhomme,* 43 F.3d 1000, 1003–04 (5th Cir.1995)(unearned portion of retainer is property of estate and court has equitable power to order disgorgement even of earned attorneys' fees); *In re Independent Engineering Co., Inc.,* 232 B.R. 529, 533 (1st Cir. BAP 1999) (retainer paid by third party to debtors' attorney was property of debtors' estate); *In re Tundra Corp.,* 243 B.R. 575, 582–83 (Bankr.D.Mass.2000).

The Debtors assert that they all have an interest in the escrow funds which were paid to counsel on all their behalf. We agree. The retainers were paid on behalf of all the Debtors and, therefore, all the Debtors have an interest in those funds. It is not relevant who paid the retainer, so long as the retainer is meant to cover the fees of the attorneys for all the Debtors, as it clearly was in these cases. *See, e.g., Independent Engineering,* 232 B.R. at 533. Thus, we conclude that the Debtors do have sufficient property in the United States to make them eligible to file bankruptcy petitions under section 109 of the Bankruptcy Code. Arabella's motion to dismiss is denied.

****

Footnotes

1 This Opinion constitutes the findings of fact and conclusions of law of the Court pursuant to Federal Rule of Bankruptcy Procedure 7052, made applicable to contested matters by Rule 9014.

2 Global Ocean owns 100% of the common stock of Debtors Mackenzie Shipping Corporation ("Mackenzie"), Zephaniah Pte Limited, Iphigenia Pte Limited and Marine Services Corporation ("Marine"). Mackenzie owns 100% of the common stock of Debtors Malandrino Maritime Company Limited, Selero Shipping Company Limited, Petra Maritime Company Limited, Tolmi Shipping Company Limited, Legrena Marine Company Limited, Iphigenia Pte Limited, Queensland Shipping Company Limited, Melitea Shipping Company Limited, Hedgestone Shipping Company Limited, Korinia Shipping Company Limited and Filiria Marine Company Limited. (The latter three are referred to collectively as "the Hanjin Debtors.") Both Global Ocean and MacKenzie own other subsidiaries that have not filed chapter 11 petitions. (Disclosure Statement at p. 4, n. 6.)

3 Two of the Debtors are headquartered in Singapore as required by its statutes.

4 Nikolas Tsakos owns 70% of Sovereign and owns 7.45% of the stock of Global Ocean. (Exhibit D–5.) An amended (and the latest) schedule 13D filed with the SEC on October 25, 1996, shows that his father, Captain Panagiotis Tsakos, is the largest shareholder (over 30%) of Global Ocean and leads a group controlling well over 50% of the shares of Global Ocean. (Id.)

5 To hold otherwise would be to expand bankruptcy eligibility beyond all bounds, by making any entity with a copy of any business record in the United States eligible. Since the eligibility test of section 109 is applicable to involuntary petitions, as well as voluntary petitions, this could result in the filing of bankruptcy petitions in instances where there was no legitimate expectation that the laws of the United States would apply. See, e.g., Axona, 88 B.R. at 604–06.

6 There was no evidence presented as to the source of the funds deposited into the Delaware account.

Note About Substantive Consolidation

One problem presented by almost all large business restructurings is that the business is divided among a number of separate legal entities which are all part of the same corporate group. Technically each separate entity is subject to a separate insolvency proceeding with its own set of assets and creditors. This can present a problem in a liquidation proceeding if it is difficult to determine which assets belong to each entity or if there are so many inter-entity claims that it is prohibitively expensive to sort out the relationships. In a rescue proceeding, the problem is much worse because most or all of the entities must adopt the same restructuring plan or it may not be possible to save the enterprise.

The U.S. bankruptcy system has two main tools for dealing with corporate group restructurings. First, the U.S. procedures allow for "procedural" consolidation of cases involving related entities. Thus, the separate insolvency proceedings of each related entity will be combined procedural and heard by a single bankruptcy judge who can co-ordinate the related proceedings. Procedural consolidation does not result in a pooling of assets or liabilities. Each debtor's estate remains separate and distributions are computed separately for each estate.

However, a much more powerful tool has been developed by the bankruptcy courts to address the problem presented by corporate groups. That is the doctrine of "substantive consolidation," which is used to substantively combine the estates of two or more different entities into a single estate for purposes of the insolvency proceeding. This can result in a pooling of assets and liabilities so that the creditors of each entity share in an equal distribution even though on an entity-by-entity basis, one entity's creditors would have received a much greater percentage payout than the creditors of another. It also can have the benefit of eliminating all inter-entity claims, thereby avoiding the need to resolve them. In the restructuring context it can result in the use of a single plan for all related entities, with the creditors of multiple entities voting together as a class and the requisite majorities being determined on a global basis. This avoids the possibility that the creditors of a critical member of the corporate group might reject the plan and thereby prevent the business rescue.

Substantive consolidation is a court-created doctrine. It is not based on any specific provision of the U.S. Bankruptcy Code. The various U.S. courts disagree on the scope of the doctrine and the United States' Supreme Court has not resolved that disagreement. The most often cited cases articulate a very rigorous test for applying substantive consolidation. In essence, the entities must have a substantial identity and there must be very strong equitable reasons supporting consolidation. The statement of the doctrine would lead you to believe that the doctrine is available in only the rarest of cases, where the entities affairs are very closely intertwined. However, in practice, substantive consolidation is used in most large U.S. chapter 11 reorganizations. A study of all large U.S. reorganization from 2000 through 2005 found that substantive consolidation was used in 57% of all cases with $100 million or more in assets and was used in 62% of the "jumbo" cases, those with at least $1 billion in assets. *See* William H. Widen, *Report to the American Bankruptcy Institute: Prevalence of Substantive Consolidation in Large Public Company Bankruptcies from 200 to 2005,* 16 ABI Law Review 1 (2008).

Very few of the cases involved a judicial determination that the legal standards for substantive consolidation were met; instead the plan provided for substantive consolidation and the requisite creditor majorities accepted the plan. *Id.* Indeed, very few involved actual substantive consolidation. Instead, the plans generally provided for "deemed" substantive consolidation. *Id.* In a "deemed" substantive consolidation, none of the legal entities are consolidated. Each entity continues to exist without change. However, the plan is approved and distributions are made "as if" the entities had been merged together through a formal substantive consolidation. This becomes a very powerful tool for restructuring an entire corporate group in a single proceeding. And, such a "group restructuring" can be accomplished without altering the existing corporate structure, expect to the extent that the proponent of the plan wants to alter it.

BRACEWELL
&GIULIANI

CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE: BACKGROUND AND SUMMARY 2012

Table of Contents

I. BACKGROUND OF CHAPTER 11 OF THE BANKRUPTCY CODE 1
A. Importance of Chapter 11. 1
B. Purpose and Process of Chapter 11. 3
C. Chapter 11 Relief Not Restricted to Insolvent Entities. 4
D. Entities Eligible for Chapter 11. 4
II. FILING OF A PETITION UNDER CHAPTER 11 AND ITS EFFECT 4
A. Voluntary Versus Involuntary Petitions. 4
B. Creation of the Bankruptcy Estate. 5
C. Primary Parties in the Reorganization Process. 6
1. Debtor in possession or trustee. 6
2. Role of creditors' committee and other official committees. 6
3. Role of the United States Trustee. 6
4. Other parties in interest. 7
D. Automatic Stay. 7
1. Trigger and general effect on creditors. 7
2. Effect on debtor. 8
3. Limited exceptions. 9
E. The Concept of Adequate Protection for Secured Creditors. 9
F. Controls on Debtor's Chapter 11 Operations. 10
1. Use, sale or lease of property of the estate. 11
2. New credit. 11
3. Status of executory contracts and leases. 12
III. THE PLAN PROCESS AND REORGANIZATION 14
A. Assertion of Claims. 14
1. Schedules and proofs of claim. 14
2. Secured and unsecured claims. 15
3. Setoff claims. 16
4. Priority claims. 16
5. Attorneys' fees. 17

B. The Plan Process. 17
1. Who may file a Plan. 17
2. Elements of a Chapter 11 Plan. 18
3. Classification of claims and equity interests. 19
4. The requirement of adequate disclosure. 20
5. Voting on the Plan. 20
6. Basic tests for confirmation. 20
7. "Best Interests of Creditors Test" for an objecting creditor or shareholder. 21
8. Cramdown of an objecting class under the "Fair and Equitable Test." 22
9. Pre-packaged Bankruptcies 24
IV. SPECIAL POWERS OF THE DEBTOR IN POSSESSION OR TRUSTEE 24
A. Strong Arm Powers. 24
B. Preferences. 25
C. Fraudulent Transfers. 26
D. Contractual and Equitable Subordination. 26
E. Recovery of Unauthorized Postpetition Transfers. 27

I. BACKGROUND OF CHAPTER 11 OF THE BANKRUPTCY CODE

A. Importance of Chapter 11.

Insolvency laws have existed around the world for centuries.[1] The US has long had its own bankruptcy laws[2] which, over they years, have sometimes been more creditor-friendly and sometimes more debtor-friendly. As a result of the enactment of the current Bankruptcy Code in 1978, US law now decidedly favors debtors by providing a unified and comprehensive treatment of business reorganization for financially distressed companies – found primarily in "Chapter 11" of the Code. This is not to say that US law disfavors creditors, but rather that the emphasis is on giving the management of a Chapter 11 the opportunity to reorganize the business, even under circumstances where secured creditors would rather foreclose on their collateral or where creditors overall would rather force a liquidation than spend time and money on attempting to reorganize a failing enterprise.

Thus, Chapter 11 reflects the primary policy of US bankruptcy law for corporate debtors: to preserve and protect an ailing business by encouraging a financial restructuring that is binding upon all parties. Under Chapter 11, a distressed company has the opportunity to obtain a breathing spell from the demands of creditors, remain in business with existing management, reassess its business plan and negotiate (or seek to impose) a restructuring of its capital structure which binds all existing creditors and shareholders.

Since the enactment of the new Code in 1979, bankruptcy reorganization has become a

[1] The term "bankruptcy" itself comes from 13th century Venice when the benches of financial merchants in the town square would be broken ("banca rotta") if the merchant failed to pay its debts. In fact, the word "banca" is the source for the word "bank," which then gives us the phrases "to break the bank" and "to go broke."

[2] Note that, in the US, the term "bankruptcy" applies to all forms of court-supervised insolvency proceedings for legal and natural persons, whereas in most other countries "bankruptcy" refers

much more viable option for major corporations in financial distress. Corporations filing bankruptcy petitions and reorganizing under Chapter 11 have included some of the largest corporations in the United States, including Texaco, MF Global, Lehman Brothers, Enron, WorldCom, American Airlines, US Airways (twice), Delta Airlines, United Airlines, Owens Corning, Polaroid, Washington Mutual and LTV Corporation (twice). Chapter 11 has swept up major segments of the US economy such as retail, healthcare, e-commerce, timber, homebuilding, automotive, commerce, theater chains, grocery chains, airlines, manufacturers and telecoms. Reasons for seeking protection in bankruptcy have included the inability to meet debt payments, the inability to obtain new credit, extraordinary tort liability for defective products or environmental hazards, unexpected financial catastrophes, shifts in the US economy, and the underestimated difficulty of surviving change.

Notwithstanding the flexibility and support offered to a debtor, Chapter 11 is not a panacea. It should be considered only as a last resort when the necessary parties are unable, unwilling or unavailable to reach an agreement outside of court proceedings or when, as in the case of Lehman Brothers, there is nothing that can be done quickly enough outside of Chapter 11. Creditors have safeguards, remedies and strategies to maximize timely recoveries under Chapter 11, and to negotiate (or impose) a financial restructuring that is quite different from the desires of the debtor or its shareholders. Given the natural tensions between debtors and creditors, and the underlying policy of the Code in favor of financial rehabilitation, Chapter 11 and the bankruptcy courts have emerged as a significant forum for addressing nearly every major trend or catastrophe affecting the financial health and economic future of US businesses.

---

just to liquidations and other terms (such as "administration".

B. Purpose and Process of Chapter 11.

The general purpose of Chapter 11 is to provide a meaningful opportunity to preserve the debtor's business as a going concern by restructuring its debt and equity interests to better reflect the actual (and usually diminished) ability of the business to service debt, and retain or create equity value for shareholders. This is accomplished through the formulation and approval of a financial restructuring plan (a "Plan").

A Plan can provide for a number of changes, including changes in the amounts, interest rates or maturities of outstanding debts, reinstatement of favorable existing contracts notwithstanding defaults, satisfaction or modification of liens, rejection or assumption of contracts and leases, attraction of new credit with senior liens, amendment of the debtor's corporate charter, and issuance of new debt or equity securities for cash, property, existing securities, or in exchange for old debt or equity interests. As part of this process, existing creditors usually see their debt claims reduced or modified, and they often become shareholders of the reorganized entity as well.

In contrast to reorganizations under prior US law and in many other countries, existing management normally continues to operate the business during Chapter I 1 proceedings and is expected to negotiate with creditors and frame a Plan for reorganization of the business. Further, to eliminate the delays and uncertainties inherent in the reorganization process under prior law, the Code is structured to foster a negotiating process that hopefully will lead to a consensual Plan. The Code retains, however, a mechanism for imposing a financial reorganization if a consensual Plan cannot be achieved, called "cramdown." After giving weight to the relative rights and remedies of the parties under applicable state and bankruptcy law, the bankruptcy court can approve ("confirm") a Plan that will be binding on all creditors

and shareholders — even if they don't agree.

C. Chapter 11 Relief Not Restricted to Insolvent Entities.

A business need not be insolvent to obtain Chapter 11 relief. There is no requirement that its liabilities exceed its assets or that it even be unable to pay its debts as they come due. Solvent companies may, therefore, voluntarily file for liquidation or reorganization under the Code.

D. Entities Eligible for Chapter 11.

Generally speaking, almost any commercial enterprise can file for relief under Chapter 11. One important exception is the Bankruptcy Code provision which provides that stockbrokers and commodity brokers may only be debtors in a chapter 7 liquidation under the auspices of the Securities Investors Protection Act, which happened with a Lehman Brothers broker-dealer subsidiary and an MF Global subsidiary. Individuals can also file for Chapter 11 relief. The only entities not eligible for relief under one or more chapters of the Code are: banking and insurance institutions; entities having no residence, domicile, place of business, or property in the United States; and governmental units that are not "municipalities." 11 USC § 109. The Bankruptcy Code restricts certain entities that are governed by other state or federal law in the event of financial distress.

II. FILING OF A PETITION UNDER CHAPTER 11 AND ITS EFFECT

A. Voluntary Versus Involuntary Petitions.

A Chapter 11 case can be commenced on a voluntary or involuntary basis. The debtor commences a voluntary Chapter 11 case by filing a petition for relief with the clerk of a bankruptcy court. The filing of a voluntary Chapter 11 petition automatically constitutes entry of an "order for relief" opening the case. 11 USC § 301.

As its name suggests, an "involuntary" case is commenced by an entity other than the debtor, usually creditors. Although most involuntary cases are commenced under Chapter 7 (seeking liquidation of the company), creditors may also commence an involuntary Chapter 11 case against a debtor. 11 USC § 303(a). Generally speaking, for most businesses three creditors with "bona fide unsecured claims" of at least $14,425[3] in the aggregate are needed to file an involuntary petition against a debtor. 1 1 USC § 303(b)(1). If the debtor contests the filing of an involuntary petition against it, the petitioning creditors are required to establish either that: (1) the debtor "is generally not paying [its] debts as they become due," unless such debts are the subject of a "bona fide dispute" (i.e., the company is in payment default on a substantial portion of its undisputed debts), or (2) a nonbankruptcy trustee or receiver has taken charge of substantially all of the debtor's property within the preceding 120 days (i.e., a receiver has been appointed under state law for the foreclosure of liens on virtually all of the debtor's property). 11 USC § 303(h). If the debtor fails to timely contest the involuntary petition, or if the court decides that the statutory criteria have been met, the court will enter an "order for relief" and conduct the case like any voluntary Chapter 11.

5

B. Creation of the Bankruptcy Estate.

The commencement of a bankruptcy case creates a bankruptcy "estate." The estate is comprised of all property of the debtor, "wherever located and by whomever held," including all legal and equitable property interests of the debtor as of the time of commencement of the case, property of the debtor recoverable from third parties, and proceeds, rents, profits from property of the estate. 11 USC § 541. It is intended to be a broad and far-reaching concept that touches every property interest of the debtor. The property of the estate, whether utilized in a going-

[3] This and certain amount/amounts in the Code are indexed and adjusted from time to time.

concern business or sold separately, serves as the basis for generating and/or measuring creditor recoveries under a Plan.

C. Primary Parties in the Reorganization Process.

1. Debtor in possession or trustee.

In a reorganization case under Chapter 11, the debtor entity and its existing management ordinarily continue to operate the business as a "debtor in possession." 11 USC §§ 1107-08. The court can appoint a trustee to take over management of the debtor's affairs only for "cause," including fraud, dishonesty, incompetence, or gross mismanagement of the affairs of the debtor by current management. 11 USC § 1104. However, such appointments are rare.

2. Role of creditors' committee and other official committees.

Creditors are not permitted a direct role in operating the ongoing business of the debtor in Chapter 11. At the inception of the Chapter 11 case, however, the United States Trustee (discussed below) will appoint a committee of creditors holding unsecured claims (usually the seven largest unsecured creditors willing to serve). 11 USC § 1102. Generally speaking, the creditors' committee monitors the debtor's ongoing operations, consults with the debtor on major business decisions, and can be very influential in the case. A creditors' committee in a Chapter 11 case can, with court approval, hire attorneys, accountants, investment bankers, and other agents to perform work for the committee. 11 USC § 1103. At the United States Trustee's discretion, committees representing other constituencies (e.g., equity security holders) can also be appointed in the Chapter 11 case. 11 USC § 1102(a)(2).

3. Role of the United States Trustee.

The United States Trustees serves in various administrative capacities in the case. Responsibilities include monitoring employment and compensation of professionals hired in

the case by the debtor or the official committees, monitoring the filing of required financial schedules and reports by the debtor, and appointing and monitoring the members of the official committees in the case. Trustees are also entitled to comment upon the feasibility of Plans and the adequacy of the disclosure statements filed with the Plans and are also expressly authorized to move for dismissal of bankruptcy cases.

4. Other parties in interest.

Other creditors and shareholders can participate in the case and be heard on most issues as "parties in interest." 11 USC § 1109.

Frequently "ad hoc groups" of creditors that are similarly situated may form a group and become active in the bankruptcy case. Often these groups exercise more leverage and influence than individual creditors acting on their own. The Securities and Exchange Commission ("SEC") can also be heard on most issues, although it cannot appeal any decision. 11 USC § 1109(a). Further, in some cases other "interested" parties, such as governmental authorities, unions and retirees, are entitled to be heard on particular issues. There is currently a dispute in the bankruptcy world as to whether Bankruptcy Rule 2019 requires members of ad hoc groups to disclose their trading history in terms of when purchased and price paid.

D. Automatic Stay.

1. Trigger and general effect on creditors.

The commencement of a bankruptcy case triggers an "automatic stay" which, with certain exceptions, operates as an injunction (prohibition) against all actions affecting the debtor or its property. 11 USC § 362(a). The automatic stay provides a respite and breathing spell for the debtor, and also protects the creditor body as a group by bringing to a halt all actions by individual creditors to obtain satisfaction of their claims using the remedies available under state

law. The stay operates regardless of whether a creditor has notice of the filing of a bankruptcy petition. Any action taken in violation of the stay generally is void. Persons violating the stay can be held liable for damages, even including punitive (exemplary) damages in rare cases. See 11 USC § 362(h).

Under the automatic stay, the holder of a security interest in the debtor's property may not repossess or foreclose on that property without the permission of the bankruptcy court. Acts to create or perfect a lien on the debtor's property are generally stayed as well. In addition, the stay halts all efforts by both secured and unsecured creditors to collect from the debtor prepetition debts owing to them, including demands for payment, lawsuits or attachments, etc.

2. Effect on debtor.

The automatic stay provides the debtor with a breathing spell in which to seek to reorganize without being pressured by the seizure of assets or the commencement of litigation outside of the bankruptcy court. The debtor is temporarily relieved of paying its prepetition debts currently. Since many bankruptcy filings are precipitated by cash shortages to meet current debts and expenses, the automatic stay can provide a significant cash benefit to a debtor attempting to reorganize. While the Chapter 11 case is pending, the debtor needs only to pay postpetition wages, expenses, trade payables, taxes and administrative Chapter 11 expenses (such as professional fees) to keep its business going. In the meantime, it can focus on a permanent financial restructuring of all prepetition claims. The automatic stay, however, is intended as only a temporary relief for the debtor. Final relief for the Chapter 11 debtor is reserved for the Plan.

3. Limited exceptions.

An implied, but important, exception to the scope of the automatic stay is that it does not usually protect parties who are not themselves in bankruptcy, such as guarantors. Moreover, the Code also expressly carves out a number of exceptions to the scope of the automatic stay. 11 USC § 362(b). The exceptions principally relate to the continuation or commencement of various types of regulatory actions by governmental authorities against the debtor, such as environmental cleanup orders or OSHA compliance actions. Those few acts or proceedings that are not automatically stayed may nevertheless be enjoined by court order if the equitable standards for the issuance of an injunction have been met.

E. The Concept of Adequate Protection for Secured Creditors.

In the first instance, the automatic stay prevents a secured creditor from foreclosing on its collateral. The Code attempts to balance, however, the beneficial aspects of the automatic stay to the debtor against the corresponding enforcement delays imposed on secured creditors, or the possible decline in the value of the collateral while the property is being used by the debtor during the case. One of the ways in which the Code balances the competing interests of the debtor and secured creditors is to require that the secured creditor be "adequately protected" against declines in collateral values during he pendency of, and as a result of, the Chapter 11. If a debtor opposes a creditor's motion for relief from stay, the debtor carries the burden of showing that the creditor's interest is or will be adequately protected. 11 USC § 362(g). If the debtor is unable to provide adequate protection, then a secured party is entitled to obtain relief from the automatic stay and enforce its collateral rights. 11 USC § 362(d)(1).

The Code describes certain nonexclusive means by which adequate protection can be provided, 11 USC § 361, but does not contain a statutory definition of "adequate protection." The

primary means for a debtor to supply adequate protection of a creditor's interest in its collateral are for the debtor (1) to offer periodic cash payments to the creditor to the extent that the stay results in a decrease in the value of the creditor's interest in its collateral, (2) to provide the creditor with an additional or replacement lien upon other property of the estate to the extent that the stay results in a decrease in the value of the creditor's interest in its collateral, or (3) to grant the secured creditor such other relief as will result in the creditor's realization of the "indubitable equivalent" of the value of the creditor's interest in its collateral. 11 USC § 361. In lieu of providing adequate protection, the debtor can seek to demonstrate that the value of the collateral greatly exceeds the amount of the secured creditor's debt. The excess collateral value is often called an "equity cushion" in the collateral. In such cases, many courts will not award any additional adequate protection to the oversecured creditor. The common theme in all these approaches, however, is that the debtor must offer assurance to the secured creditor that the lien value of its collateral will be realized in full upon confirmation of a reorganization Plan.

If a grant of adequate protection ultimately proves to be "inadequate," the secured creditor's claim for its lost collateral value will be treated as a "super priority" claim and expense of the case. 11 USC § 507(b).

F. Controls on Debtor's Chapter 11 Operations.

In a Chapter 11 reorganization case, the debtor is automatically authorized to operate its business without specific court approval. 11 USC § 1108. Ordinarily, existing management personnel remain in place and run the company (in the case of fraud or gross mismanagement, a trustee can be appointed to take over the affairs of the business, but it is not common). In any event, the conduct of the debtor's business operations is subject to certain constraints under the Code.

1. Use, sale or lease of property of the estate.

The debtor may use, sell or lease most of its property in the ordinary course of business without special authorization from the bankruptcy court. 11 USC § 363(c)(1). However, certain items require special review and approval: the use of "cash collateral"; and the use, sale or disposition of any property outside of the ordinary course of business.

Cash collateral receives special treatment under the Code. It is comprised of cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents, including cash proceeds from other collateral, which serve as collateral for a claim. 11 USC § 363(a). The debtor may not use cash collateral without court authorization, unless the secured party consents. 11 USC § 363(c)(2). When the secured party does not consent, the use of the cash collateral by the debtor is prohibited unless the secured creditor is provided with adequate protection.

The sale of property outside of the ordinary course of business (i.e., sale of property which is not inventory) requires court approval. Such sales are often pursued to raise cash by disposing of nonessential assets, and are typically approved if the assets do not comprise a significant portion of the company's business and the terms of sale are fair. If the property is subject to security interests, it nevertheless can be sold "free and clear" of the security interests if the secured creditors consent, or other statutory criteria are met. In such case, the security interests are usually transferred to the proceeds of the sale, 11 USC § 363(f). If the debtor attempts to sell a substantial portion of its property outside of a Plan, it must articulate some business justification why such a major transaction ought to be allowed on an emergency basis.

2. New credit.

A Chapter 11 debtor may continue to obtain unsecured credit and incur unsecured debt

in the ordinary course of business (e.g., postpetition trade debt) unless the court orders otherwise. Credit so obtained will be entitled to priority over all prepetition unsecured claims as an administrative expense. 11 USC § 364(a),

If the debtor is unable to obtain sufficient unsecured credit, the court, upon a showing of cause, may authorize the debtor to obtain credit or incur debt with a "super-super priority" over all administrative expenses, may grant to the new lender a lien on unencumbered property of the estate, or may grant a junior lien upon property that is already subject to a lien. 11 USC § 364(c). In special circumstances, the court may grant the new lender a lien with priority senior or equal to that of any existing lien upon a showing that the estate is otherwise unable to obtain sufficient credit and that the interests of the existing holder of the collateral will be adequately protected. 11 USC § 364(d).

3. Status of executory contracts and leases.

The Code provides the debtor with tremendous flexibility regarding certain types of ongoing agreements. The Code contains no precise definition of an "executory contract." As a general matter, an executory contract is a contract as to which material performance remains due on both sides (for instance, ongoing leases or supply agreements). Executory contracts can be assumed and performed by the debtor, assigned to a third *party* (in most cases), or rejected. 11 USC § 365.

By assuming (or assigning) a contract, the debtor binds itself (or its assignee) and all other contracting parties to perform the contract fully in accordance with its original terms, while rejection of a contract relieves the debtor from any further obligations to perform its contractual duties. Subject to certain exceptions, the debtor may assume, assign to a third party, or reject any executory contract or lease with the court's approval. Given this flexibility,

the debtor's decision will usually depend on what makes the most business or financial sense, in the eyes of the debtor, for the business reorganization.

If the debtor should choose to reject an executory contract or lease, it will be deemed to be a breach of the contract effective immediately prior to the commencement of the case. This relieves the debtor from performance under the contract and gives the nondebtor party the right to contractual damages as a general unsecured claim. 11 USC § 365(g). Pending a decision to assume or reject an executory contract, the debtor has a right to enforce performance of the contract by all other parties to the contract. Following a decision to reject, the value conferred upon the estate postpetition via performance of the contract by the other party pending the debtor's decision to assume or reject is allowable against the estate as an administrative claim. See 11 USC § 503(b). In the case of rejection of a lease of non-residential real estate, however, special rules will apply.

A debtor must obtain court approval in order to assume or assign a contract or lease. 11 USC § 365(a). In situations where there is an existing default, the debtor cannot assume or assign the contract or lease unless the debtor cures the default, compensates the nondebtor party for actual pecuniary loss resulting from the default, and provides adequate assurance of future performance under the contract or lease. If a debtor's prospects for reorganization are poor, the court will not allow an assumption of a contract or lease. By assuming the contract (and/or assigning the contract to a third party), the debtor (or the assignee) and all other contracting parties remain bound by the terms of the original agreement.

As a general rule, but with an important exception for most commercial real estate leases, 11 USC § 365(d)(3), a debtor is not obligated to make the decision to assume, assign or reject until the confirmation of a Plan. A party bound under a contract or lease with a debtor

may, however, move that the court establish a date certain on or prior to which the debtor must either assume, assign or reject the contract or lease. It is within the court's discretion whether to grant such a motion. For public policy reasons, the Code contains special provisions that deal with certain types of executory contracts, including leases of commercial real estate, shopping center leases, certain aircraft leases, agreements for the sale of timeshare interests in real property, and collective bargaining agreements. Although each special provision is different, the general effect of each set of rules is to restrict the debtor's rights and increase the protections afforded to the nondebtor party to the contract.

Generally, any clause providing that insolvency or bankruptcy shall be an event of default creating a right of termination or modification of the contract or lease (a so-called "ipso facto clause") is not enforceable in bankruptcy. There are exceptions to this rule, however, if the contract is one to extend a loan or financial accommodation to the debtor, to issue a security on the debtor's behalf, or to perform uniquely personal services (such as a music recording contract), II USC § 365(e). Clauses prohibiting the assignment of a contract are similarly unenforceable in bankruptcy, with certain exceptions. 11 USC § 365(c), (f).

III. THE PLAN PROCESS AND REORGANIZATION

A. Assertion of Claims.

1. Schedules and proofs of claim.

The debtor is required to file schedules listing all of its creditors and shareholders. If a particular claim is described as "disputed," "contingent" or "unliquidated," then "proof" of the claim must be filed by the creditor in order to preserve its rights. Otherwise, the creditor need not file a separate "proof of claim" (unless it disagrees with the amount of the claim as listed, or if the Chapter 11 case is converted to a Chapter 7 case). 11 USC § 1111(a). If a proof of c

[aim needs to be filed, it must be filed prior to the "bar date" established by the court (i.e., last date by which proofs of claim will normally be accepted). In large cases, the bar date is commonly set by the court for six months or more after the filing of the petition and often coincides with the dates of major hearings in the case regarding Plan confirmation.

All creditors and shareholders are entitled to receive advance notice of the bar date. Unless the claim is properly listed in the debtor's Chapter 11 schedules, the normal effect (with certain very limited exceptions) of an unsecured creditor's failure to file a timely proof of claim is for the claim to be disallowed (i.e., unenforceable in the bankruptcy proceedings, yet discharged like all other debts).

Questions of scheduling aside, creditors generally assert their claims by filing a "proof of claim." A proof of claim is a written statement setting forth the nature and amount of the creditor's claim against the debtor. Such proofs of claim usually follow the form prescribed in the Bankruptcy Rules and attach the relevant supporting documentation such as the written contract or Note, or evidence of a perfected security interest.

A holder of an equity interest in the debtor may file a "proof of interest," which is roughly analogous to a proof of claim for an equity interest in the debtor. Because the schedule of equity security holders filed by the Chapter 11 debtor is often sufficient evidence of the validity and amount of shareholder interests in the debtor, it is often unnecessary for holders of equity securities to file proofs of interest.

2. Secured and unsecured claims.

A claim that is not secured by collateral is called an "unsecured claim." If a creditor's claim is secured by a lien on the debtor's property, it is a "secured claim" to the extent of the value of the collateral. If the value of the collateral is less than the debt, then the balance of

the debt will be separately treated as an unsecured claim. 11 USC § 506(a).

To the extent the value of a secured creditor's collateral is greater than the amount of its secured claim, the creditor can also recover postpetition interest (usually at the contract rate) and its reasonable expenses (including attorneys' fees) to the extent provided for in the agreement giving rise to the security interest. 11 USC § 506(b). Conversely, the debtor may recover from a secured creditor's collateral reasonable and necessary costs of preserving the collateral for the benefit of *the* secured creditor. 11 USC § 506(c). Postpetition interest generally is not recoverable in respect of an unsecured claim unless the debtor is solvent.

3. Setoff claims.

Under state law, a creditor and debtor may set off claims arising from mutual debts. As a general matter, setoff rights are also recognized under the Code, but are subject to the further limitation that both debts to be set off must be prepetition in origin. 11 USC § 553. In effect, the amount that might be set off by the creditor is treated as a secured claim since it offsets, dollar for dollar, the amount of any claim that the debtor has against the creditor.

The Code, however, sets certain limitations on setoffs. 11 USC § 553(a), (b). These limitations provide, in part, that a debtor may avoid the amount of any prepetition setoff that exceeds certain amounts available for setoff during the ninety days prior to the bankruptcy filing. The purpose of this rule (like "preferences" discussed below) is to take away any undue advantage gained by a creditor who sets off a claim shortly before the bankruptcy of the debtor.

4. Priority claims.

After payment of secured claims, certain unsecured claims are entitled to payment priority over others. These are claims that Congress deemed to be essential to the conduct of the case

itself, or deserving of special treatment out of fairness to the claimants. Even within the general group of priority claims, certain priorities are higher than others. "Super-super priority claims" for new credit (discussed above), "super priority claims" for "inadequate protection" (discussed above), and claims for "administrative expenses" are the first to be paid when a distribution occurs pursuant to a Plan. 11 USC §§ 364, 507. Administrative expenses include (1) the actual, necessary costs and expenses of preserving the estate (including postpetition wages, salaries and trade payables), (2) postpetition taxes incurred by the estate, and (3) fees and expenses of professional persons employed in the case. 11 USC § 503. Finally, certain other claims (e.g., claims for certain prepetition taxes, wages and employee benefits) are entitled to payment after administrative claims but before "general" unsecured claims. 11 USC § 507.

5. Attorneys' fees.

If their contracts allow, creditors may add their reasonable collection costs, including attorneys' fees, to the amount of their general prepetition secured and unsecured claims. Creditors who are "oversecured," i.e., the value of their collateral exceeds the amount of their claim, are normally allowed to recover their reasonable attorneys' fees to the extent of the excess collateral value. 11 USC § 506(b). On the other hand, except in unusual circumstances, unsecured and undersecured creditors normally cannot obtain priority status for their collection costs.

B. The Plan Process.

1. Who may file a Plan.

The debtor has the exclusive right to propose and file a Plan during the first 120 days after the commencement of the case. 11 USC § 1121(b). The 120-day period is called the debtor's "exclusivity period," and it is often extended by the court for "cause." 11 USC §

1121(d). The 120-day exclusive period can be reduced or extended "for cause," but cannot be extended beyond a date 18 months following the commencement of the Chapter 11 case. 11 USC § 1121(d)(2)(A).

A creditor may file a flan only if the debtor's exclusive period for filing (or obtaining consent to) a Plan has expired or been terminated by the Bankruptcy Court, or if a trustee has been appointed in the case. 11 USC § 1121. In larger Chapter 11 cases, fights over extending or terminating the debtor's exclusivity period are often hotly contested by creditors who want to file their own Plan. A party who has the ability to file a Plan can greatly influence the direction of the Chapter 11 case.

2. Elements of a Chapter 11 Plan.

A Plan may provide for comprehensive changes in the financial and business structure of the debtor, including sales of assets, cancellation of debt, curing or waiving of defaults, satisfaction or modification of liens, amendment of the debtor's corporate charter, changes in the amount, interest rate or maturity of outstanding debt, and issuance of new debt or equity securities of the debtor in replacement of existing claims and equity interests.

A Plan can provide that a creditor's claim will be reduced or paid back over a greater period of time or at a different interest rate than was contained in the original instrument. Plans with repayment periods of up to 20 years have been confirmed by the courts. A Plan can cancel existing shareholder interests, provide for the issuance of new equity securities, or convert debt claims into equity interests in the reorganized company.

Of late, bankruptcies have been viewed by investors and corporate raiders as a forum for accumulating control securities at bargain prices and for influencing the corporate governance of a debtor. Articles of incorporation can be changed in a Plan to change the

voting rights of different issues of shares, and implement or modify anti-takeover measures.

After a disclosure statement has been approved (discussed below), the Plan is submitted to a vote by all creditors and shareholders who are adversely affected by its terms. The determination of whether a Plan has received a sufficient number of votes is governed by complex rules discussed below. If certain conditions are met, a Plan can be imposed on a creditor (or sometimes the debtor) even if certain parties object. The ability to impose a comprehensive financial restructuring is one of the primary benefits of Chapter 11, and encourages the parties to negotiate a consensual plan acceptable to all parties-which is often faster and cheaper than extensive litigation over the Plan.

3. Classification of claims and equity interests.

For purposes of voting and treatment under a Plan, claims and equity interests must be grouped into one or more "classes," depending on their nature. 11 USC § 1123(a)(1). By law, claims may be placed in a particular class only if the other claims in the class are "substantially similar," and the Plan must provide the same treatment for each claim or equity interest in a particular class. 11 USC § 1122(a), 1123(a)(4). Classification is important because a Plan must be separately voted upon by each class of creditors and shareholders.

As a general rule, each secured claim is placed in its own special class, while all general unsecured creditors are ordinarily placed in the same class. Shareholders are placed in still different classes such as holders of "preferred" or "common" stock.

Some courts will approve classifications which place unsecured creditors in separate subclasses, reasoning that the financial interests of the separately classified creditors are sufficiently different to warrant separate class voting on the Plan (i.e. the claims of retirees for future benefits). In such cases, the courts will evaluate whether the classification scheme

discriminates unfairly or is proposed in bad faith.

4. The requirement of adequate disclosure.

The Code requires that, before voting on a Plan, holders of claims and equity interests must receive a court-approved disclosure statement containing "adequate information" concerning the debtor and the Plan. 11 USC § 1125. In general, information is adequate if it would enable a hypothetical investor to make an informed judgment about the treatment of its claim or equity nterest under the Plan. The disclosure statement need not comply with formal securities law disclosure requirements.

5. Voting on the Plan.

Only classes of creditors or shareholders having claims or equity interests that are "impaired" under the Plan (i.e., paid less than full or otherwise modified) are entitled to vote on the Plan. 11 USC § 1126. Each holder of a claim or equity interest votes on the Plan with other members of the applicable class. Acceptance by a class of claims requires consent by holders of claims equaling at least two-thirds in amount and a majority (more than one-half) in number of the claims in the class that are actually voted. 11 USC § 1126(c). A class of impaired equity interests will be found to have accepted a Plan upon the vote of holders of two-thirds of the allowed amount of such interests. 11 USC § 1126(d). Frequently, classes of claims or interest recovering no distribution under the Plan are deemed to reject the Plan, and are not even solicited.

6. Basic tests for confirmation.

The bankruptcy court is required by the Code to make a number of specific findings to "confirm" (approve) a Plan and make it binding on all parties. 11 USC § 1129(a). These include determinations that the Plan complies with all applicable law and has been proposed in

good faith. The court must also determine that the Plan is feasible, i.e., that the debtor has a credible business plan and can reasonably be expected to perform its obligations and accomplish the objectives set forth in the Plan. If any individual creditor votes against the Plan and objects to its confirmation, then the Plan must also pass the "Best Interests of Creditors Test" discussed below. If a class of creditors votes to reject the Plan, the Plan can nevertheless be imposed on the class ("crammed down") if the Plan passes the "Fair and Equitable Test" discussed below.

7. "Best Interests of Creditors Test" for an objecting creditor or shareholder.

As noted above, whether a holder of a claim or equity interest may vote on a Plan depends upon whether the holder's rights are impaired under the Plan. Such voting is done by each class of impaired claims or equity interests. Even if all classes entitled to vote on the Plan have voted to accept the Plan, the court must still determine whether the Plan is in the "best interests" if there are any individual dissenting creditors or shareholders. 11 USC § 1129(a)(7). This rule is called the "Best Interests of Creditors Test" and requires the court to determine that the dissenting creditors or shareholders are receiving under the Plan at least as much (in present value terms) as they would receive if the debtor were instead liquidated under Chapter 7 of the Code. It requires the court to compare (1) the probable distribution to the dissenting creditors or equity holders if the debtor were liquidated, with (2) the present value of the payments or property to be received or retained by the same creditors or equity holders under the Plan. If the court determines that the distribution under the Plan is equal to or more than the holders would have received in Chapter 7, then the reorganization of the debtor as a going concern is in the "best interests of creditors" because they will receive at least as much as they would have received had the business

been shut down and liquidated. In such case, a minority voter in an impaired class cannot be heard to complain about its treatment under the Plan.

8. Cramdown of an objecting class under the "Fair and Equitable Test."

If an impaired class votes, as a class, to reject the Plan, the Plan can nevertheless be imposed ("crammed down") on the entire objecting class if (1) at least one impaired class has voted to accept the Plan and (2) the court finds that the treatment provided for the objecting class under the Plan does not "discriminate unfairly" and is "fair and equitable" (the "Fair and Equitable Test"). 11 USC § 1129(b)(1).

The prohibition against "unfair discrimination" means that, ordinarily, similar claims or equity interests must be treated similarly. There are examples of "fair" discrimination, however. For example, the enforcement of a contractual subordination provision to subordinate the claims of one class to the claims of another class does not discriminate "unfairly" against the subordinated class.

The precise determinations required for meeting the Fair and Equitable Test turn on whether the class is secured or unsecured. Cramdown of a secured class will be permitted if the Plan provides: (1) the secured creditors in the class will retain a lien to the extent of their secured claims and will receive deferred cash payments which have a present value equal to at least the value of their interest in the collateral, (2) for the sale of the secured creditors' collateral with the creditors' security interests attaching to the proceeds, or (3) for the realization by the secured creditors of the "indubitable equivalent" of their secured claims. 11 USC § 1129(b)(2)(A). The permutations of possibilities under the different cramdown options can become quite complex, but as a general rule they boil down to the secured creditor receiving at least the value of their security interests in the collateral.

The Fair and Equitable Test for unsecured creditors and for shareholders is much simpler-at least from a legal perspective. Generally speaking, a class of unsecured claims can be crammed down if the Plan provides either that the creditors in the class receive (over time) cash payments equal to the present value of their full unsecured claims (i.e., payment in full), or if creditors in the Plain are not recovering (over time) payment in full that at least classes junior to the class in question (such as subordinated creditors or stockholders) receive nothing under the Plan. 11 USC § 1129(b)(2)(B). Equity security holders can be crammed down along similar lines. 11 USC § I129(b)(2)(C). This test is also sometimes referred to as the "absolute priority rule" meaning, as a general matter, that junior classes cannot receive anything unless and until senior classes are paid in full, or voluntarily agree to different treatment as part of a consensual plan. The basic priority of classes is the same as non-bankruptcy: secured claims first, unsecured claims second, and equity interests last.

Secured and unsecured creditors alike have something to risk and gain in a cramdown. Secured creditors may retain a security interest only up to the value of their collateral the balance is unsecured. Unsecured creditors might receive little more than liquidation values -- but they can also block the shareholders from receiving anything. Equity puts the corporate control and ownership of the company at risk -- but can also retain any true equity values over and above full recoveries by senior classes. In each case, a subjective determination by the bankruptcy court of the reorganization value of the company or its property is an essential ingredient to imposing a cramdown Plan. Valuation proceedings can be risky, expensive and difficult *to* overturn on appeal. Hence, given the litigation risks over valuation, and the "bottom line" risks and benefits of cramdown, the Code artfully encourages the parties to negotiate a consensual plan rather than take their chances in court.

9. Pre-packaged Bankruptcies

Often the Debtor will coordinate with major creditor groups prior to commencing a chapter 11 case and work out a consensual reorganization plan ahead of time. These types of plans are often referred to as "Pre-packaged plans" and the Debtor will file the pre-negotiated plan with the court on the first day, as well as votes confirming the plan. In this situation, Bankruptcy Code section 341(e) will allow a court to dispense with a meeting of creditors. Additionally, section 1125(g) will allow for the continued post-filing solicitation of votes on a plan, without regard to approval of the disclosure statement, if the solicitation complies at the time, and if the pre-filing solicitation complied, with applicable nonbankruptcy law.

IV. SPECIAL POWERS OF THE DEBTOR IN POSSESSION OR TRUSTEE

24

The Code strives to treat similarly situated creditors equally and to take away any undue advantage gained by one creditor over another regarding a distressed business. One of the methods used to achieve this goal is to scrutinize several types of prepetition or postpetition transfers of cash or other property, or the incurrence of certain debts or guaranties. In some circumstances, such transfers or obligations can be rendered null and void, or subordinated to the claims of other creditors, on a variety of grounds. These grounds are not mutually exclusive and each can possibly apply to any given set of facts.

A. Strong Arm Powers.

The debtor is vested with the legal power to avoid liens, transfers and obligations that under applicable bankruptcy law (usually state law) would be deemed to be junior in right to various "hypothetical lien creditors." The "hypothetical lien creditors" against whom the rights of others are measured are: a judicial lien creditor obtaining a lien on all property of the debtor

as of the commencement of the case; a creditor extending credit and obtaining an execution against the debtor that is returned unsatisfied; and a bona fide and perfected purchaser of real property as of the commencement of the case. 11 USC § 544(a). While sounding quite technical, the debtor's status as a "hypothetical lien creditor" allows it to "wipe clean" any liens, claims or transfers that are legally inferior under state law. This special legal status is called the debtor's "strong arm powers."

The debtor's strong arm powers are most commonly exercised when a secured creditor has failed to take the appropriate steps under state law to properly perfect its lien, or when a previously-perfected security interest has lapsed due to the creditor's failure to file a "continuation statement" required under state law. In such circumstances, the debtor can exercise its strong arm powers to avoid the secured creditor's unperfected interests in the debtor's property.

B. Preferences.

Generally speaking, a "preferential transfer" is a transfer of the debtor's property to, or for the benefit of, a creditor within 90 days prior to the commencement of the bankruptcy (one year if the creditor is an "insider") that gives the creditor a benefit not shared by other creditors. Subject to certain exceptions (primarily concerning transactions in the ordinary course of a debtor's business or in which a debtor receives "new value" in exchange for the transfer), the debtor can "avoid" (i.e., cause to be undone) a preferential transfer and recover the transferred property for the benefit of the estate. 11 USC § 547.

Typical examples of preferential transfers include the late payment of a trade debt, the granting of a security interest to a previously unsecured or undersecured lender, and delayed perfection of a security interest granted by the debtor contemporaneously with the incurrence of

debt.

C. Fraudulent Transfers.

The Code includes a provision enabling the debtor to avoid under federal bankruptcy law any transfer by a debtor occurring within two year of the debtor's bankruptcy filing (1) made with actual intent to hinder, delay, or defraud its creditors, or (2) for which the debtor received less than "reasonably equivalent value" at a time when the debtor was either insolvent on a balance sheet basis (either before, or as a result of, the transfer), was left with unreasonably small capital for engaging in its business or was unable to pay its debts as they became due. 11 USC § 548. Examples of potential fraudulent transfer situations include nonjudicial foreclosures on real estate when the property is sold at a distressed sale bargain price, and many (but not all) "up-stream" and "cross-stream" guaranties.

The debtor can also invoke certain state laws to avoid transfers of assets, such as state fraudulent conveyance and bulk transfer laws, where harm to an actual unsecured creditor can be shown. 11 USC § 544(b). A significant benefit in bringing an action under state law is that the statutory period for limitation of actions is generally longer. For example, the "lookback" period for fraudulent transfers under state law is often between three and six years, while it is only one year under the Code.

D. Contractual and Equitable Subordination.

The Code expressly provides for the enforceability of valid contractual subordination provisions. 11 USC § 510(a).

In addition, claims can be "equitably subordinated" to other claims when the holder of the challenged claim engaged in "inequitable" or "improper" conduct. The purpose of equitable subordination is to adjust the priority of the creditors' claims rather than to effect a

total disallowance of the subordinated claim, although total disallowance is possible under exceptional circumstances. 11 USC § 510(c).

For instance, transactions involving creditors who are found to have "controlled" the debtor (either intentionally or inadvertently) are subject to strict examination, and may lead the court to subordinate the claims of the controlling creditor. Equitable subordination commonly becomes an issue when debt claims are held by entities that are also major shareholders of the debtor (on the theory that the "debt" was more in the nature of a "contribution to capital" than a "true" debt). Debtors occasionally also seek to subordinate the claim of their major prepetition lender on the ground that the lender exercised improper control over the operation of the business or improperly denied credit, declared defaults or enforced remedies, thereby causing damage to the estate and its creditors. Such conduct can also give rise to an affirmative claim for damages against the lender under theories of "lender liability."

It should be emphasized, however, that while threats of equitable subordination are often made, it is a remedy seldom ordered by bankruptcy courts.

E. Recovery of Unauthorized Postpetition Transfers.

With certain statutory exceptions (e.g., a transfer approved by the bankruptcy court), the debtor may avoid any postpetition transfers of property outside of the ordinary course of the debtor's business because such transfers, if permitted, would cause fewer assets to be available to pay the claims of creditors. 11 USC § 549. An action to recover improper postpetition transfers must be commenced within the earlier of two years after the transfer occurred or before the case is closed or dismissed.

INSOL INTERNATIONAL

GLOBAL INSOLVENCY PRACTICE COURSE

Session 2 Overview of US Chapter 11

Prof. G. Ray Warner
St. John's University

Why Use Chapter 11?

- Preserves business operations
  - Can retain management
  - Can force retention of contracts
  - Can obtain financing
- Can maximize value
- Can rewrite secured debt
- Very flexible restructuring tool
  - Can sell, restructure, renegotiate, etc.

Contrary Considerations

- Significant court involvement
  - Very transparent
  - Any party can challenge any action
- Organized creditors with Committee
  - Professionals paid by estate
  - Will sue over improper actions
- Strong avoiding powers
- This makes it fairer BUT more expensive
- Outcomes may be hard to control

Cross-Border Importance

- Traditionally only two major jurisdictions welcomed foreign debtors
  - United States
  - England & Wales
  - New Jurisdictions – e.g, The Netherlands
- English scheme v. US Chapter 11
- Which is better?
  - Single class of bonds
  - Global shipping enterprise
- Newer models adopt features of both

Bring Us Your Failing Companies

- Can file if "*any* property" in US
  - *Global Oceans* – retainer sent to US bankruptcy lawyers was enough
  - But – usually only if US case is needed
    - Dismissed *Yukos* and *Baha Mar*
    - Test – best interests of creditors and debtor
- Model Law (chapter 15 in the US) may cause US courts to dismiss more foreign cases

Worldwide Application

- US law applies extraterritorially
  - Applies to worldwide assets and operations
  - But can orders be enforced?
    - Yes – against US counterparties
    - Yes – against any entity that has or aspires to have valuable US assets or operations!
    - Maybe – under Model Law
  - Entirely local foreign entities?
    - US courts permit 100% payment

Limiting Disruption

- Insolvency not relevant
  - File if need to use the tools
- DIP – Management remains in control absent fraud or gross mismanagement
  - CRO has usually replaced prior management
  - Examiner or CRO may be used
- DIP can operate business

Liberal Use of Property

- Ordinary course transactions continue without court order
- Critical Vendors –
    - Usually can pay immediately
- Secured assets –
    - Can use in ordinary course
    - Can *sell* in ordinary course (inventory)
    - But “cash collateral” requires order or consent – “first day” orders

Secured Creditors Affected

- Rights are modified in chapter 11
- But entitled to “adequate protection”
  - Protects “value,” not the contractual rights
- Is value at risk – equity cushion
  - Court’s error in evaluating risk
- Cash payments or additional liens
  - To cover potential loss in value
    - Court’s valuation error

Broad Stay Prevents Disruption

- Automatic stay blocks most creditor action
  - Major reason for filing
  - Cash flow – stop paying debts
  - Secured creditors are stayed
    - Must have “adequate protection”
- Contract counterparties can’t cancel
- “Critical vendors” can be paid

Contract & Lease Powers

- Counterparties must continue to perform
  - Bankruptcy default provisions invalidated
- Debtor's Options –
  - Reject – "pre-petition" damage claim
  - Assume – Forces continued performance
    - This facilitates a rescue
  - Assume and assign –
    - Overrides anti-assignment clause
    - This facilitates a sale
    - Captures value in below-market agreements

Post-Petition Financing

- Liberal DIP financing rules
  - Created a DIP financing market
- Ladder of options
  - Ordinary trade and unsecured
  - Super-priority or secured
  - Prime lien
    - Subordinates pre-petition secured creditor
    - Must have “adequate protection”

Many Restructuring Options

- Revise the capital structure
  - Debt for equity swap
- De-accellerate secured debt
  - Rebuild the business
  - Reduce & re-amortize the debt
- Resize the business
  - Reject failing stores, keep successful ones
  - Or reject failing units, keep core business
- Sell the business
  - Going concern or piecemeal

Chapter 11

- Single point of entry
  - Pre-insolvent or insolvent
  - Small company, large company or individual
  - Can reorganize or liquidate
- Goal is a confirmed plan
- Debtor controls the process
  - Exclusive option to propose plan for 180-days
    - Can extend up to 18 months

Plan Process

- Classify creditors
  - Substantially similar to others in class
- Negotiate & propose plan
  - Creditors committee plays important role
- Court approves disclosure statement
  - Extensive information for creditors
- Solicit votes by class

Class Acceptance

- Majority required for acceptance
  - > 2/3 in $ amount of voting holders
  - Majority in number of voting holders
  - Vote binds dissenting class members
    - “Best interest of creditors” test
- Plan can be partial
  - May leave classes “unimpaired”
    - Rights not altered by plan
    - No right to vote
    - Deemed to have accepted plan

Class Cramdown

- Can bind dissenting class if
  - At least one “impaired” class accepts and
  - Plan is:
    - “Fair & equitable” and
    - Does not “discriminate unfairly”
- *Unfair* discrimination
  - Look side to side
  - 100% frequent flyers v. 10% others

Fair and Equitable I

- For unsecured and equity classes
  - "Absolute priority" rule
    - Present value = 100% or
    - Look up/look down
      - Unsecureds can force equity out
        - Creates negotiating leverage

Fair and Equitable II

- For secured classes
  - Return collateral or
  - Sell collateral
    - Get bid in rights
    - Lien attaches to sale proceeds

    or
  - Write-down - PV $\geq$ value of collateral
    - Rewrite face amount
    - Rewrite interest rate
    - Rewrite payment schedule
      - Can stretch out many years

Valuation is the Key

- Court determines value
  - What is the business worth?
    - Risk of erroneous valuation
    - This encourages negotiation

Modern Chapter 11 Process I

- Sale under §363 replaces plan
  - Quicker and cheaper
  - Business is preserved but entity may not be
  - Contract assignment power allows going concern value to be captured and sold
  - “Free & clear” power allows purchaser to take assets free of claims

- Compare to English “pre-pack”

Sale Process

- Potential buyer is arranged before filing
  - Buyer will likely be DIP lender
- Court approves sale process
  - Generally buyer's offer is subject to competing bids
  - Can be sold free and clear of-
    - Liens
    - Claims – including successor liability

Creative Use of Sale Power

- General Motors
  - Created NewCo to purchase retained product lines
    - Assumed desired dealership agreements
    - Assumed other desired agreements
    - Took assets free of liabilities

- How is this different from a reorganization?

Modern Chapter 11 Process II

- US “pre-pack”
  - US securities law does not permit collective action clauses in bonds
  - Can’t bind dissenting holders outside bankruptcy
- Votes are solicited before bankruptcy
  - Usually part of an “exchange offer”
    - May be enough acceptances to avoid filing

Quick Chapter 11 Confirmation

- If enough votes for plan
  - File chapter 11
  - Use pre-petition votes for confirmation
    - Confirmation binds all members of class
- Partial pre-pack –
  - Only certain classes restructured
  - Others left “unimpaired”
  - Compare to English “scheme”

Corporate Groups

- Procedural consolidation
  - All cases before same judge
    - *Global Oceans* – even foreign entities
  - Single plan involving multiple entities
- Substantive Consolidation
  - Combines assets and debts
    - Rarely forced by court decision
  - But consensual "deemed" substantive consolidation is common in large cases

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
VICTORIA DIVISION

In re:	)	Chapter 11
SEADRILL LIMITED., *et al.*,[1]	)	Case No. 17-60079 (DRJ)
Debtors.	)	(Jointly Administered)

JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SEADRILL LIMITED AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

JACKSON WALKER L.L.P.
Patricia B. Tomasco (TX Bar No. 01797600)
Matthew D. Cavenaugh (TX Bar No. 24062656)
1401 McKinney Street, Suite 19010
Houston, Texas 77010
Telephone: (713) 752-4284
Facsimile: (713) 308-4184
Email: ptomasco@jw.com
mcavenaugh@jw.com

-and-

Jennifer F. Wertz (TX Bar No. 24072822)
100 Congress Avenue, Suite 1100
Austin, Texas 78701
Telephone: (512) 236-2247
Facsimile: (512) 391-2147
Email: jwertz@jw.com

-and-

Rachel Biblo Block (TX Bar No. 24097382)
2323 Ross Avenue, Suite 600
Dallas, Texas 75201
Telephone: (214) 953-6070
Facsimile: (214) 661-6810
Email: rblock@jw.com

Proposed Co-Counsel to the Debtors and Debtors in Possession

KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
Anna G. Rotman, P.C. (TX Bar No. 24099361)
Brian E. Schartz (TX Bar No. 24046761)
609 Main Street
Houston, Texas 77002
Telephone: (713) 836-3600
Facsimile: (713) 836-3601
Email: anna.rotman@kirkland.com
brian.schartz@kirkland.com

-and-

James H.M. Sprayregen, P.C.
(*pro hac* vice admission pending)
Anup Sathy, P.C. (*pro hac* vice admission pending)
Ross M. Kwasteniet, P.C. (*pro hac* vice admission pending)
Adam C. Paul (*pro hac* vice admission pending)
300 North LaSalle Street
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200
Email: james.sprayregen@kirkland.com
anup.sathy@kirkland.com
ross.kwasteniet@kirkland.com
adam.paul@kirkland.com

Proposed Co-Counsel to the Debtors and Debtors in Possession

[1] Due to the large number of Debtors in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their tax identification, registration, or like numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at http://cases.primeclerk.com/Seadrill. The location of Debtor Seadrill Americas, Inc.'s principal place of business and the Debtors' service address in these chapter 11 cases is 11025 Equity Drive, Suite 150, Houston, Texas 75201.

TABLE OF CONTENTS

Page

INTRODUCTION **1**

ARTICLE I DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW, AND OTHER REFERENCES **1**
A. Defined Terms 1
B. Rules of Interpretation 16
C. Computation of Time 16
D. Governing Law 16
E. Reference to Monetary Figures 16
F. Reference to the Debtors or the Reorganized Debtors 16
G. Controlling Document 16

ARTICLE II ADMINISTRATIVE AND PRIORITY CLAIMS **17**
A. Administrative Claims 17
B. Professional Fee Claims 17
C. Priority Tax Claims 18

ARTICLE III CLASSIFICATION, TREATMENT, AND VOTING OF CLAIMS AND INTERESTS **18**
A. Classification of Claims and Interests 18
B. Treatment of Classes of Claims and Interests 21
C. Special Provision Governing Unimpaired Claims 35
D. Elimination of Vacant Classes 35
E. Voting Classes; Presumed Acceptance by Non-Voting Classes 35
F. Subordinated Claims 35
G. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code 35

ARTICLE IV PROVISIONS FOR IMPLEMENTATION OF THE PLAN **35**
A. General Settlement of Claims and Interests 35
B. Restructuring Transactions 36
C. Issuance and Distribution of New Seadrill Common Shares 36
D. Issuance and Distribution of New NADL Common Shares and New Sevan Shares 37
E. Issuance and Distribution of New Secured Notes 37
F. Rights Offerings 37
G. Amended SFL Charters 37
H. Amended Guarantee Facility 37
I. Corporate Action 38
J. Corporate Existence 38
K. Vesting of Assets in the Reorganized Debtors 38
L. Cancellation of Notes, Instruments, Certificates, and Other Documents 39
M. New Organizational Documents 39
N. Effectuating Documents; Further Transactions 39
O. Section 1145 Exemption 39
P. Section 1146(a) Exemption 40
Q. Employee Incentive Plan 40
R. Employee Matters 40
S. Preservation of Rights of Action 40

ARTICLE V TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES **41**
A. Assumption and Rejection of Executory Contracts and Unexpired Leases 41
B. Indemnification Obligations 41
C. Claims Based on Rejection of Executory Contracts or Unexpired Leases 42
D. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed 42
E. Preexisting Obligations to the Debtors under Executory Contracts and Unexpired Leases 42
F. Insurance Policies 43

G. Modifications, Amendments, Supplements, Restatements, or Other Agreements 43
H. Reservation of Rights 43
I. Nonoccurrence of Effective Date 43
J. Contracts and Leases Entered Into After the Petition Date 43

ARTICLE VI PROVISIONS GOVERNING DISTRIBUTIONS 43
A. Distributions on Account of Claims and Interests Allowed as of the Effective Date 43
B. Rights and Powers of Distribution Agent 44
C. Special Rules for Distributions to Holders of Disputed Claims and Interests 44
D. Delivery of Distributions 44
E. Claims Paid or Payable by Third Parties 46
F. Setoffs 46
G. Allocation between Principal and Accrued Interest 47
H. Minimum Distributions 47

ARTICLE VII PROCEDURES FOR RESOLVING DISPUTED CLAIMS 47
A. Disputed Claims Process 47
B. Disputed and Contingent Claims Reserve 47
C. Claims Administration Responsibilities 47
D. Estimation of Claims 48
E. Adjustment to Claims without Objection 48
F. No Interest 48
G. Disallowance of Claims and Interests 48
H. Single Satisfaction Rule 48

ARTICLE VIII EFFECT OF CONFIRMATION OF THE PLAN 49
A. Discharge of Claims and Termination of Interests 49
B. Releases by the Debtors 49
C. Releases by Holders of Claims and Interests 49
D. Exculpation 50
E. Injunction 50
F. Protection against Discriminatory Treatment 50
G. Recoupment 51
H. Document Retention 51
I. Reimbursement or Contribution 51
J. Release of Liens 51

ARTICLE IX CONDITIONS PRECEDENT TO THE EFFECTIVE DATE 51
A. Conditions Precedent to the Effective Date. 51
B. Waiver of Conditions Precedent 52
C. Effect of Non-Occurrence of Conditions to Consummation 52

ARTICLE X MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN 52
A. Modification of Plan 52
B. Effect of Confirmation on Modifications 53
C. Withdrawal of Plan 53

ARTICLE XI RETENTION OF JURISDICTION 53

ARTICLE XII MISCELLANEOUS PROVISIONS 54
A. Immediate Binding Effect 54
B. Additional Documents 55
C. Payment of Statutory Fees 55
D. Reservation of Rights 55
E. Successors and Assigns 55
F. Service of Documents 55
G. Term of Injunctions or Stays 56
H. Entire Agreement 56

I. Plan Supplement 56
J. Non-Severability 56
K. Votes Solicited in Good Faith 57
L. Closing of Chapter 11 Cases 57
M. Waiver or Estoppel 57
N. Creditor Default 57

INTRODUCTION

Seadrill Limited and its affiliated Debtors in the above-captioned chapter 11 cases jointly propose this Plan. Capitalized terms used in the Plan shall have the meanings set forth in Article I.A of the Plan. Although proposed jointly for administrative purposes, the Plan constitutes a separate Plan for each Debtor for the resolution of outstanding Claims and Interests pursuant to the Bankruptcy Code. The Debtors seek to consummate the Restructuring Transaction on the Effective Date of the Plan. Each Debtor is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. The classifications of Claims and Interests set forth in Article III of the Plan shall be deemed to apply separately with respect to each Debtor, as applicable. The Plan does not contemplate substantive consolidation of any of the Debtors. Reference is made to the Disclosure Statement for a discussion of the Debtors' history, business, properties and operations, projections, risk factors, a summary and analysis of the Plan, the Transaction, and certain related matters.

ARTICLE I

DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW, AND OTHER REFERENCES

A. Defined Terms

1. "*Accredited Investor*" has the meaning given to such term in Rule 501 promulgated under the Securities Act.

2. "*Administrative Claim*" means a Claim for costs and expenses of administration of the Chapter 11 Cases pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred on or after the Petition Date until and including the Effective Date of preserving the Estates and operating the Debtors' businesses; (b) Allowed Professional Fee Claims; and (c) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of title 28 of the United States Code.

3. "*Administrative Claims Bar Date*" means the deadline for Filing requests for payment of Administrative Claims, which: (a) with respect to Administrative Claims other than Professional Fee Claims, shall be 30 days after the Effective Date; and (b) with respect to Professional Fee Claims, shall be 45 days after the Effective Date.

4. "*Affiliate*" has the meaning set forth in section 101(2) of the Bankruptcy Code.

5. "*Agents*" means, collectively, each facility agent or collateral agent under any of the Prepetition Credit Facilities, including any successors thereto.

6. "*Allowed*" means, with respect to any Claim, a Claim Filed by the applicable bar date that is allowed under the Plan, under the Bankruptcy Code, or by a Final Order, as applicable. For the avoidance of doubt, (a) there is no requirement to File a Proof of Claim (or move the Bankruptcy Court for allowance) to be an Allowed Claim under the Plan, and (b) the Debtors may affirmatively determine to deem Unimpaired Claims Allowed to the same extent such Claims would be allowed under applicable nonbankruptcy law.

7. "*Allowed Credit Agreement Claims Schedule*" means the schedule attached to the Plan as **Exhibit A** setting forth the aggregate Allowed amount of each Credit Agreement Claim under the applicable Prepetition Credit Agreement and the Amended Credit Facility that corresponds to such Claim.

8. "*Amended Credit Agreements*" means, collectively, to the following agreements, forms of which shall be consistent with the Credit Facility Term Sheet and included in the Plan Supplement:

   (a) the amended and restated Prepetition $300MM Credit Agreement (the "*Amended $300MM Credit Agreement*");

(b) the amended and restated Prepetition AOD Credit Agreement (the "*Amended AOD Credit Agreement*");

(c) the amended and restated Prepetition $400MM Credit Agreement (the "*Amended $400MM Credit Agreement*");

(d) the amended and restated Prepetition $440MM Credit Agreement (the "*Amended $400MM Credit Agreement*");

(e) the amended and restated Prepetition $450MM Credit Agreement (the "*Amended $450MM Eminence Credit Agreement*");

(f) the amended and restated Prepetition $450MM Nordea Credit Agreement (the "*Amended $450MM Nordea Credit Agreement*");

(g) the amended and restated Prepetition $483MM Credit Agreement (the " *Amended* $*483MM Credit Agreement*");

(h) the amended and restated Prepetition $950MM Credit Agreement (the "*Amended $950MM Credit Agreement*");

(i) the amended and restated Prepetition $1.35B Credit Agreement (the "*Amended $1.35B Credit Agreement*");

(j) the amended and restated Prepetition $1.5B Credit Agreement (the "*Amended $1.5B Credit Agreement*");

(k) the amended and restated Prepetition Sevan Credit Agreement (the "*Amended Sevan Credit Agreement*"); and

(l) the amended and restated Prepetition NADL Credit Agreement (the "*Amended NADL Credit Agreement*").

9. "*Amended Credit Facilities*" means, collectively, each amended Prepetition Credit Facility entered into pursuant to the applicable Amended Credit Agreement in accordance with the Plan.

10. "*Amended Finance Documents*" means, collectively, all related agreements, indentures, documents (including security, collateral or pledge agreements or documents), mortgages, or instruments to be executed or delivered in connection with the Amended Credit Facilities and the Amended SFL Charters.

11. "*Amended Guarantee Facility*" means the Guarantee Facility after the Restructuring Effective Date, entered into as modified pursuant to the amended and restated Guarantee Facility documents to be included in the Plan Supplement, which modifications shall include (a) release of all non-Cash collateral securing the Guarantee Facility, including pledges of shares in Archer and NADL held by Seadrill Limited, and (b) increase of the existing Cash collateral to meet the requirement for security valued at least [150%] of the MOF+ Overdraft Limited, as set out in clause 7.2 of the Prepetition Cash Management Agreement.

12. "*Amended SFL Charters*" means, collectively, the new head-charter or sub-charter agreements, the form of which shall be consistent with the SFL Term Sheet and included in the Plan Supplement, to be executed by the applicable Reorganized Debtor on the Effective Date in full satisfaction of the SFL Claims under each applicable Prepetition SFL Charter.

13. "*Avoidance Actions*" means any and all avoidance, recovery, subordination, or other claims, actions, or remedies that may be brought by or on behalf of the Debtors or their Estates or other authorized parties in interest under the Bankruptcy Code or applicable non-bankruptcy law, including actions or remedies under sections 502, 510,

542, 544, 545, and 547 through and including 553 of the Bankruptcy Code or other similar or related state or federal statutes and common law..

14. "*Bank CoCom*" means the coordinating committee of Credit Facility Lenders represented by White & Case LLP and Lazard consisting of: ABN Amro Bank N.V.; Citibank N.V.; Danske Bank AS; DNB Bank ASA; Garanti-Instituttet for Eksportkreditt; ING Bank N.V.; Nordea Bank Norge ASA; and Skandinaviska Enskilda Banken AB.

15. "*Bankruptcy Code*" means title 11 of the United States Code, 11 U.S.C. §§ 101–1532.

16. "*Bankruptcy Court*" means the United States Bankruptcy Court for the Southern District of Texas, Victoria Division or such other court having jurisdiction over the Chapter 11 Cases.

17. "*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, 28 U.S.C. § 2075, as applicable to the Chapter 11 Cases and the general, local, and chambers rules of the Bankruptcy Court.

18. "*Bermuda Court*" means the Supreme Court of Bermuda.

19. "*Bermuda Dissolution Proceedings*" means the liquidation proceedings under Bermuda law under which Reorganized Seadrill, Reorganized NADL, and Reorganized Sevan will be wound up and dissolved.

20. "*Business Day*" means any day, other than a Saturday, Sunday, or a legal holiday recognized by the Federal government of the United States, as defined in Bankruptcy Rule 9006(a).

21. "*Cash*" means the legal tender of the United States of America or the equivalent thereof, including bank deposits and checks.

22. "*Causes of Action*" means any action, claim, cause of action, controversy, demand, right, action, Lien, indemnity, interest, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license, and franchise of any kind or character whatsoever, whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. For the avoidance of doubt, "Cause of Action" includes: (a) any right of setoff, counterclaim, or recoupment and any claim for breach of contract or for breach of duties imposed by law or in equity; (b) any claim based on or relating to, or in any manner arising from, in whole or in part, tort, breach of contract, breach of fiduciary duty, violation of state or federal law or breach of any duty imposed by law or in equity, including securities laws, negligence, and gross negligence; (c) the right to object to Claims or Interests; (d) any Claim pursuant to section 362 or chapter 5 of the Bankruptcy Code; (e) any claim or defense including fraud, mistake, duress, and usury; and any other defenses set forth in section 558 of the Bankruptcy Code; and (f) any state or foreign law fraudulent transfer or similar claim.

23. "*Centerbridge*" means Centerbridge Credit Partners L.P. and certain of its Affiliates.

24. "*Certificate*" means any instrument evidencing a Claim or an Interest.

25. "*Chapter 11 Cases*" means the procedurally consolidated Chapter 11 Cases [case number] pending for the Debtors in the Bankruptcy Court pursuant to the *Order (i) Directing Joint Administration of Chapter 11 Cases and (ii) Granting Related Relief* [Docket No. ●].

26. "*Claim*" means a claim, as defined in section 101(5) of the Bankruptcy Code.

27. "*Claims Bar Date*" means the date established by the Bankruptcy Court by which Proofs of Claim must be Filed.

28. "*Claims Register*" means the official register of Claims against and Interests in the Debtors maintained by the Clerk of the Bankruptcy Court or the Notice and Claims Agent, as applicable.

29. "*Class*" means a category of holders of Claims or Interests under section 1122(a) of the Bankruptcy Code.

30. "*Commitment Parties*" means holders of commitments under the Investment Agreement that have executed and delivered counterpart signature pages, solely in their capacities as such, including any respective successors or assigns, all as provided in the Investment Agreement.

31. "*Confirmation*" means entry of the Confirmation Order on the docket of the Chapter 11 Cases.

32. "*Confirmation Date*" means the date on which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and 9021.

33. "*Confirmation Hearing*" means the hearing(s) before the Bankruptcy Court under section 1128 of the Bankruptcy Code at which the Debtors seek entry of the Confirmation Order.

34. "*Confirmation Order*" means the order of the Bankruptcy Court confirming the Plan under section 1129 of the Bankruptcy Code and approving the Disclosure Statement.

35. "*Consenting Lenders*" means the lenders holding Credit Agreement Claims that are or become parties to the RSA, solely in their capacity as such.

36. "*Consenting Noteholders*" means the holders or investment advisors or managers of discretionary accounts that hold Unsecured Note Claims that are or become parties to the RSA, in their capacity as such.

37. "*Consenting Stakeholders*" means any party (other than the "Company Parties" as defined therein) to the RSA and/or Investment Agreement, including: (a) the Consenting Lenders; (b) the Consenting Noteholders; (c) the Commitment Parties; (d) Hemen; and (e) SFL.

38. "*Consummation*" means the occurrence of the Effective Date.

39. "*Credit Agreement Claim*" means any Claim arising under a Prepetition Credit Agreement or the Prepetition Finance Documents corresponding to that Prepetition Credit Agreement, including guarantee Claims.

40. "*Credit Agreement Secured Claim*" means any Credit Agreement Claim that is Secured.

41. "*Credit Agreement Unsecured Claim*" means any Credit Agreement Claim that is Unsecured.

42. "*Credit Facility Lenders*" means the lenders that hold Credit Agreement Claims.

43. "*Credit Facility Term Sheet*" means the Credit Facility Term Sheet attached as Annex 3 to Exhibit A to the RSA.

44. "*Cure*" means a Claim (unless waived or modified by the applicable counterparty) based upon a Debtor's defaults under an Executory Contract or an Unexpired Lease assumed by such Debtor under section 365 of the Bankruptcy Code, other than a default that is not required to be cured pursuant to section 365(b)(2) of the Bankruptcy Code.

45. "*Currency Swap Claim*" means any Claim arising under or derived from the Currency Swaps, as of the Petition Date.

46. "*Currency Swaps*" means, collectively, each currency swap entered into by Seadrill Limited or NADL, as applicable, as of the Petition Date.

47. "*Customer Contracts*" means the Debtors' drilling contracts and other agreements with customers of the Debtors and their Affiliates, including guarantees by the Debtors of other Entities' performance under such contracts.

48. "*Debtors*" means, collectively, each Entity listed on **Exhibit C** attached hereto.

49. "*Definitive Documentation*" means the definitive documents and agreements governing the Restructuring Transactions (including any related orders, agreements, instruments, schedules or exhibits) that are contemplated by and referenced in the Plan (as amended, modified, or supplemented from time to time), including, without limitation: (a) the Plan (and all exhibits and other documents and instruments related thereto); (b) the RSA (including the "Definitive Documents" as defined therein); (c) the Investment Agreement (including the "Definitive Documents" as defined in therein); (d) the Rights Offering Procedures; (e) the Plan Supplement; (f) the Disclosure Statement; (g) the Solicitation Procedures; (h) the Disclosure Statement Order; (i) the Amended SFL Charters; (j) the Amended Finance Documents; and (k) the Confirmation Order.

50. "*Description of Transaction Steps*" means the description of the steps to be carried out to effectuate the Restructuring Transactions in accordance with the Plan and as set forth in the Plan Supplement.

51. "*Disclosure Statement*" means the *Disclosure Statement for Debtors' Joint Chapter 11 Plan of Reorganization*, dated as of September 12, 2017, as may be amended, supplemented, or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any other applicable law.

52. "*Disclosure Statement Order*" means the order of the Bankruptcy Court approving the Disclosure Statement and solicitation procedures with respect to the Plan, including the Rights Offering Procedures.

53. "*Disputed*" means a Claim or an Interest: (a) that is not Allowed; (b) that is not disallowed under the Plan, the Bankruptcy Code, or a Final Order, as applicable; and (c) with respect to which a party in interest has Filed a Proof of Claim or otherwise made a written request to a Debtor for payment, without any further notice to or action, order, or approval of the Bankruptcy Court.

54. "*Distribution Agent*" means, as applicable, the Reorganized Debtors or any Entity the Reorganized Debtors select to make or to facilitate distributions in accordance with the Plan.

55. "*Distribution Date*" means, except as otherwise set forth herein, the date or dates determined by the Debtors or the Reorganized Debtors, on or after the Effective Date, upon which the Distribution Agent shall make distributions to holders of Allowed Claims entitled to receive distributions under the Plan.

56. "*Effective Date*" means the date that is the first Business Day after the Confirmation Date on which all conditions precedent to the occurrence of the Effective Date set forth in Article IX.A of the Plan have been satisfied or waived in accordance with Article IX.B of the Plan.

57. "*Eligible Holder*" means an Entity that is: (a) an Accredited Investor and, if that person is in a Relevant Member State, is a "qualified investor" in that Relevant Member State within the meaning of the EU Prospectus Directive; or (b) a Qualified Investor that is not a U.S. Person.

58. "*Employee Incentive Plan*" means the employee incentive plan which shall be implemented by the Reorganized Debtors, which will (a) reserve an aggregate of [10] percent of the New Seadrill Common Shares, on a fully diluted, fully distributed basis, for grants made from time to time to employees of the Reorganized Debtors; and (b) otherwise contain terms and conditions (including with respect to participants, allocation, structure, and timing of issuance) generally consistent with those prevailing in the market at the discretion of the board of directors of New Seadrill. Unless otherwise agreed between the Debtors and the Required Commitment Parties, such terms and conditions, including the amount and terms and condition of initial grants, shall be set forth in a term sheet for the Employee Incentive Plan, in form and substance reasonably satisfactory to the Debtors and the Required Commitment Parties and shall be included in the Plan Supplement.

59. "*Entity*" has the meaning set forth in section 101(15) of the Bankruptcy Code.

60. "*Equity Placement*" means, collectively: (a) the HCB Equity Placement; and (b) the Select Commitment Parties Equity Placement.

61. "*Equity Recovery*" means, if applicable, a Pro Rata share of [2] percent of the New Seadrill Common Shares distributed to Class B4 and Class B5 if Class B3 accepts the Plan, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee.

62. "*Equity Rights*" means, if applicable, the opportunity to participate in the Equity Rights Offering.

63. "*Equity Rights Offerings*" means, if applicable, the offering to purchase New Seadrill Common Shares in the aggregate amount of $25 million offered on a Pro Rata basis to Eligible Holders of Allowed Claims in Class B3, Class D3, and Class F3 in accordance with the Rights Offering Procedures and the Investment Agreement.

64. "*Estate*" means the estate of any Debtor created under sections 301 and 541 of the Bankruptcy Code upon the commencement of the applicable Debtor's Chapter 11 Case.

65. "*EU Prospectus Directive*" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State.

66. "*Excess New Seadrill Common Shares*" means an amount of New Seadrill Common Shares consisting of (a) the New Seadrill Common Shares that (i) constitute the Unsecured Pool Equity and the Equity Recovery and (ii) will not otherwise be distributed to holders of Claims and Interests in accordance with Article III.B.16, Article III.B.31, and Artile III.B.39 Plan, less (b) the New Seadrill Common Shares that will otherwise be distributed to holders of Claims under the Plan on account of the Liquidation Recovery.

67. "*Exculpated Party*" means, collectively, and in each case in its capacity as such: (a) the Debtors; (b) any official committees appointed in the Chapter 11 Cases and each of their respective members; and (c) with respect to each of the foregoing, such Entity and its current and former Affiliates, and such Entity's and its current and former Affiliates' current and former equity holders (including Hemen Holding Ltd. and regardless of whether such interests are held directly or indirectly), subsidiaries, officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

68. "*Executory Contract*" means a contract or lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

69. "*Final Decree*" means the decree contemplated under Bankruptcy Rule 3022.

70. "*Final Order*" means an order of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter that has not been reversed, modified or amended, that is not stayed, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order could be appealed or from which certiorari could be sought or the new trial, reargument or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

71. "*File*," "*Filed*," or "*Filing*" means file, filed, or filing in the Chapter 11 Cases with the Bankruptcy Court or, with respect to the filing of a Proof of Claim, the Notice and Claims Agent.

72. "*General Unsecured Claim*" means any Unsecured Claim against a Debtor that is not otherwise paid in full pursuant to an order of the Bankruptcy Court, including: (a) Unsecured Note Claims; (b) Currency Swap Claims;

and (c) Interest Rate Swap Claims. For the avoidance of doubt, any Credit Agreement Unsecured Claim shall constitute a General Unsecured Claim.

73. "*Governmental Unit*" has the meaning set forth in section 101(27) of the Bankruptcy Code.

74. "*Guarantee Facility*" means the $90 million guarantee facility under the Prepetition Cash Management Agreement.

75. "*Guarantee Facility Claim*" means any Claim against Seadrill Limited under the Guarantee Facility.

76. "*HCB Equity Placement*" means the issuance of 18.75% of the New Seadrill Common Shares (prior to accounting for any Excess New Seadrill Common Shares) to Hemen and Centerbridge, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee.

77. "*Hemen"* means Hemen Investments Limited, a company incorporated under the laws of Cyprus.

78. "*IHCo*" means the new, wholly-owned New Seadrill subsidiary to be incorporated under the laws of Bermuda before the Effective Date pursuant to the Plan.

79. "*Impaired*" means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is impaired within the meaning of section 1124 of the Bankruptcy Code.

80. "*Indemnification Provisions*" means each of the Debtors' indemnification provisions currently in place whether in the Debtors' bylaws, certificates of incorporation, other formation documents, board resolutions, or contracts for the current and former directors, officers, managers, employees, attorneys, other professionals, and agents of the Debtors and such current and former directors', officers', and managers' respective Affiliates.

81. "*Insider*" has the meaning set forth in section 101(31) of the Bankruptcy Code.

82. "*Intercompany Claim*" means any Claim against a Debtor held by another Debtor or an Affiliate of a Debtor, other than (a) any Claims against a Debtor held by Hemen Holding Ltd. as of the Petition Date, (b) any SFL Claim; (c) the NADL Revolving Loan Claims, and (d) the Sevan Second Lien Claims.

83. "*Intercompany Interest*" means an the common stock, preferred stock, limited liability company interests, and any other equity, ownership, or profits interests of any Debtor, including, without limitation, options, warrants, rights, or other securities or agreements to acquire the common stock, preferred stock, limited liability company interests, or other equity, ownership, or profits interests of any Debtor (whether or not arising under or in connection with any employment agreement) in a Debtor held by a Debtor or an Affiliate of a Debtor.

84. "*Interest*" means the common stock, preferred stock, limited liability company interests, and any other equity, ownership, or profits interests of any Debtor, including, without limitation, options, warrants, rights, or other securities or agreements to acquire the common stock, preferred stock, limited liability company interests, or other equity, ownership, or profits interests of any Debtor (whether or not arising under or in connection with any employment agreement); *provided*, *however*, that the term "Interests" shall not include Intercompany Interests.

85. "*Interest Rate Swaps*" means, collectively, each interest rate swap entered into by a Seadrill Limited and NADL prepetition.

86. "*Interest Rate Swap Claims*" means any Claim under or derived from the Interest Rate Swaps.

87. "*Investment Agreement*" means the Investment Agreement attached as Exhibit B to the RSA.

88. "*Lien*" has the meaning set forth in section 101(37) of the Bankruptcy Code.

89. "*Liquidation Recovery*" means an amount of New Seadrill Common Shares and/or other consideration (including new unsecured debt) equal in value (in the case of New Seadrill Common Shares, based on the valuation analysis attached to the Disclosure Statement) to the amount such Claim or Interest would so receive or retain if the applicable Debtor were liquidated under chapter 7 of the Bankruptcy Code as of the Effective Date, as set forth in the liquidation analysis attached to the Disclosure Statement.

90. "*NADL*" means North Atlantic Drilling Limited, a Bermuda company and the predecessor to Reorganized NADL.

91. "*NADL 2019 Notes*" means the 6.25% Senior Notes issued by NADL due 2019.

92. "*NADL 510(b) Claim*" means any Claim arising from rescission of a purchase or sale of an equity security of NADL or any of its Debtor subsidiaries for damages arising from the purchase or sale of such an equity security or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim.

93. "*NADL Guaranteed Unsecured Note Claim*" means any Claim against a Debtor under the NADL NOK Notes.

94. "*NADL Revolving Loan Claim*" means any Claim held by Seadrill Limited as of the Petition Date arising under the Prepetition NADL Revolving Loan Agreement.

95. "*NADL Interest Rate Swap Claim*" means any Interest Rate Swap Claim against NADL.

96. "*NADL NOK Notes*" means the FRN North Atlantic Drilling Limited Bond Issue 2013/2018 dated 13 February 2015 (ISIN NO 001 069241.1).

97. "*NADL Non-Guaranteed Unsecured Note Claim*" means any Claim arising under the NADL 2019 Notes.

98. "*NADL Unsecured Note Claims*" means, collectively, the (a) NADL Guaranteed Unsecured Note Claims and (b) the NADL Non-Guaranteed Unsecured Note Claims.

99. "*New NADL*" means the new holding company established under the laws of Bermuda on the Effective Date for the purpose of carrying out certain transactions under the Plan with respect to NADL.

100. "*New NADL Common Shares*" means the new common shares in New NADL issued on the Effective Date.

101. "*New Organizational Documents*" means the documents providing for corporate governance of the Reorganized Debtors, including charters, bylaws, operating agreements, or other organizational documents or shareholders' agreements, as applicable, consistent with the RSA and section 1123(a)(6) of the Bankruptcy Code (as applicable).

102. "*New Seadrill*" means the new holding company established under the laws of Bermuda on the Effective Date for the purpose of carrying out certain transactions under the Plan with respect to Seadrill Limited.

103. "*New Seadrill Board*" means the Board of Directors for New Seadrill.

104. "*New Seadrill Common Shares*" means the new common shares in New Seadrill issued on the Effective Date.

105. "*New Secured Notes*" means the secured notes issued under the New Secured Notes Indenture by NSNCo in the aggregate principal amount of $860 million.

106. "*New Secured Notes Indenture*" means the New Secured Notes Indenture substantially on the terms set forth in the New Secured Notes Term Sheet attached as Annex 4 to Exhibit A of the RSA and to be included in the Plan Supplement.

107. "*New Sevan*" means the new holding company established under the laws of Bermuda on the Effective Date for the purpose of carrying out certain transactions under the Plan with respect to Sevan.

108. "*New Sevan Common Shares*" means the new common shares in New Sevan issued on the Effective Date.

109. "*New Shares*" means, collectively: (a) New NADL Common Shares; (b) New Seadrill Common Shares; and (c) New Sevan Common Shares.

110. "*Non-Consolidated Entities*" means, collectively: (a) Seadrill Partners LLC; (b) Archer Limited; (c) SeaMex Limited; (d) Seabras (e) Camburi Drilling BV; (f) Itaunas Drilling DV; (g) Sahy Drilling BV; and (h) each of the foregoing entities' respective direct and indirect subsidiaries.

111. "*Notes Rights*" means, if applicable, the opportunity to participate in the Notes Rights Offering.

112. "*Notes Rights Offerings*" means, if applicable, the offering to purchase up to $85 million in aggregate principal amount of the New Secured Notes offered on a Pro Rata basis to holders of Allowed Claims in Class B3, Class D3, and Class F3 in accordance with the Rights Offering Procedures and the Investment Agreement.

113. "*Notice and Claims Agent*" means Prime Clerk LLC, the proposed notice, claims, and solicitation agent for the Debtors in the Chapter 11 Cases.

114. "*NSN HoldCo*" means the new, wholly-owned NSNCo subsidiary that may be formed for the purpose of directly owning Seadrill Limited's prepetition Interests in certain of the Non-Consolidated Entities as set forth more fully in the Description of Transaction Steps.

115. "*NSNCo*" means the new, wholly-owned IHCo subsidiary incorporated under the laws of Bermuda pursuant to the Plan as an intermediate holding company for the purpose of issuing the New Secured Notes as set forth more fully in the Description of the Transaction Steps.

116. "*Other NADL Debtors*" means, collectively, each Debtor that is a direct or indirect wholly owned subsidiary of NADL.

117. "*Other Priority Claim*" means any Claim other than an Administrative Claim or a Priority Tax Claim entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

118. "*Other Seadrill Debtors*" means, collectively, Seadrill Nigeria Operations Ltd, Seadrill Jupiter Ltd., and each Debtor that is a direct or indirect wholly owned subsidiary of Seadrill Limited. For the avoidance of doubt, NADL, the Other NADL Debtors, Sevan, and the Other Sevan Debtors are not Other Seadrill Debtors.

119. "*Other Secured Claim*" means any Secured Claim against any of the Debtors, other than a Credit Agreement Claim, the NADL Revolving Loan Claim, the Guarantee Facility Claim, or the Sevan Second Lien Claim.

120. "*Other Sevan Debtors*" means, collectively, each Debtor that is a direct or indirect wholly-owned subsidiary of Sevan.

121. "*Permitted Transferee*" means, with respect to a Consenting Stakeholder Transferring ownership of a Claim or Interest, (a) any transferee of a Claim or Interest that (i) executes and delivers to counsel for the Debtors, at or before the time of the proposed Transfer, an executed form of the transfer agreement attached as Exhibit D to the RSA or (ii) is a Consenting Stakeholder or (b) any transferee of a Claim or Interest other than a Credit Agreement Claim that is (i) a "qualified institutional buyer" as defined under Rule 144A promulgated by the Securities Act, (ii) a

non-U.S. Person in an "offshore transaction" as defined in Regulation S under the Securities Act, (iii) an Accredited Investor, or (iv) a Consenting Stakeholder.

122. "*Person*" has the meaning set forth in section 101(41) of the Bankruptcy Code.

123. "*Petition Date*" means September 12, 2017, the date on which the Chapter 11 Cases were commenced.

124. "*Plan*" means this chapter 11 plan, as altered, amended, modified, or supplemented from time to time in accordance with the terms hereof, including the Plan Supplement and all exhibits, supplements, appendices, and schedules.

125. "*Plan Supplement*" means any compilation of documents and forms of documents, agreements, schedules, and exhibits to the Plan, which shall be Filed by the Debtors no later than 7 days before the Confirmation Hearing or such later date as may be approved by the Bankruptcy Court on notice to parties in interest, and additional documents Filed with the Bankruptcy Court prior to the Effective Date as amendments to the Plan Supplement, each of which shall be consistent in all respects with, and shall otherwise contain, the terms and conditions set forth on the exhibits attached hereto, where applicable. The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date; *provided that* such amendments are consistent with the Plan, the Confirmation Order, and the Investment Agreement, and the exhibits attached thereto.

126. "*Prepetition Cash Management Agreement*" means the Amended and Restated Group Cash Management Agreement, dated March 6, 2013, between Seadrill Limited, as customer, and Danske Bank, as bank.

127. "*Prepetition Credit Agreements*" means, collectively:

(a) the $300 million senior secured credit facility agreement, originally dated July 16, 2013, between, among others, Seadrill Limited as borrower and DNB Bank ASA as agent (the "*Prepetition $300MM Credit Agreement*");

(b) the $360 million senior secured credit facility agreement, originally dated April 9, 2013, between, among others, Asia Offshore Rig 1 Limited, Asia Offshore Rig 2 Limited and Asia Offshore Rig 3 Limited as borrowers and ABN AMRO Bank N.V. as agent (the "*Prepetition AOD Credit Agreement*");

(c) the $400 million senior secured credit facility agreement, originally dated December 8, 2011, between, among others, Seadrill Limited as borrower and Nordea Bank Norge ASA as agent (the "*Prepetition $400MM Credit Agreement*");

(d) the $440 million secured credit facility agreement, originally dated December 4, 2012, between, among others, Seadrill Limited as borrower and Citibank International Plc as agent (the "*Prepetition $440MM Credit Agreement*");

(e) the $450 million senior secured credit facility agreement, originally dated December 13, 2013, between, among others, Seadrill Eminence Limited as borrower and Danske Bank A/S as agent (the "*Prepetition $450MM Eminence Credit Agreement*");

(f) the $450 million senior secured credit facility agreement, originally dated August 26, 2015, between, amongst others, Seadrill Limited as borrower and Nordea Bank AB, London Branch as agent (the "*Prepetition* $450MM *Nordea Credit Agreement*");

(g) the $483,333,333 senior secured credit facility agreement, originally dated March 20, 2013, between, amongst others, Seadrill Limited Tellus Ltd. as borrower and ING Bank N.V. as agent (the "*Prepetition $483MM Credit Agreement*");

(h) the $950 million senior secured credit facility agreement, originally dated January 26, 2015, between, among others, Seadrill Limited as borrower and Nordea Bank AB, London Branch as agent (the "*Prepetition $950MM Credit Agreement*");

(i) the $1.35 billion senior secured credit facility agreement, originally dated August 26, 2014, between, among others, Seadrill Limited as borrower and DNB Bank ASA as agent (the "*Prepetition $1.35B Credit Agreement*");

(j) the $1.5 billion senior secured credit facility agreement, originally dated July 30, 2014, between, among others, Seadrill Neptune Hungary Kft, Seadrill Saturn Ltd and Seadrill Jupiter Ltd as borrowers and Nordea Bank Finland Plc, London Branch as agent (the "*Prepetition $1.5B Credit Agreement*");

(k) the $1.75 billion senior secured credit facility agreement, originally dated September 30, 2013, between, among others, various subsidiaries of Sevan as borrowers and ING Bank N.V. as agent (the "*Prepetition Sevan Credit Agreement*"); and

(l) the $2.0 billion senior secured credit facility agreement, originally dated April 15, 2011, between, amongst others, NADL as borrower and DNB Bank ASA as agent (the "*Prepetition NADL Credit Agreement*").

128. "*Prepetition Credit Facilities*" means the senior secured credit facilities outstanding under the Prepetition Credit Agreements.

129. "*Prepetition Finance Documents*" means, collectively, all related agreements, indentures, documents (including security, collateral or pledge agreements or documents), mortgages, or instruments to be executed or delivered in connection with the Prepetition Credit Facilities and the Prepetition SFL Charters.

130. "*Prepetition NADL Revolving Loan Agreement*" means the amended revolving credit facility agreement, dated January 30, 2017, between certain NADL, as borrower, and Seadrill Limited, as lender.

131. "*Prepetition Sevan Revolving Credit Agreement*" means the amended and restated subordinated revolving credit facility agreement, dated December 2014, between certain Sevan Debtors, as borrowers, and Seadrill Limited, as lender.

132. "*Prepetition SFL Charters*" means, collectively:

(a) the head-charter agreement originally dated October, 7 2008, made between SFL Hercules Ltd as owner, Seadrill Offshore AS as charterer, and Seadrill Limited as charter guarantor (the "*Prepetition SFL Hercules Charter*");

(b) the head-charter agreement originally dated October 7, 2008, made between SFL Deepwater Ltd as owner, Seadrill Deepwater Charterer Ltd as charterer, and Seadrill Limited as charter guarantor (the "*Prepetition SFL Deepwater Charter*");

(c) the head-charter agreement originally dated June 30, 2013, made between SFL Linus Ltd as owner, North Atlantic Linus Charterer Ltd as charterer, and Seadrill Limited as charter guarantor (the "*Prepetition SFL Linus Head-Charter*"); and

(d) the sub-charter agreement originally dated June 30, 2013, made between North Atlantic Linus Charterer Ltd as owner, North Atlantic Norway Limited as charterer, and Seadrill Limited as charter guarantor (the "*Prepetition SFL Linus Sub-Charter*").

133. "*Primary Structuring Fee*" means a fee equal to 5 percent of the New Seadrill Common Shares issued to Hemen on the Plan Effective Date pursuant to the Investment Agreement, subject to dilution by the Employee Incentive Plan.

134. "*Priority Tax Claim*" means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

135. "*Pro Rata*" means the proportion that an Allowed Claim or an Allowed Interest in a particular Class bears to the aggregate amount of Allowed Claims or Interests in that Class.

136. "*Professional*" means an Entity: (a) employed in the Chapter 11 Cases pursuant to a Final Order in accordance with sections 327 and 1103 of the Bankruptcy Code and to be compensated for services rendered prior to or on the Effective Date pursuant to sections 327, 328, 329, 330, and 331 of the Bankruptcy Code; or (b) for which compensation and reimbursement has been Allowed by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

137. "*Professional Fee Claim*" means any Administrative Claim for the compensation of Professionals and the reimbursement of expenses incurred by such Professionals through and including the Confirmation Date to the extent such fees and expenses have not been paid pursuant to an order of the Bankruptcy Court. To the extent the Bankruptcy Court denies or reduces by a Final Order any amount of a Professional's requested fees and expenses, then the amount by which such fees or expenses are reduced or denied shall reduce the applicable Professional Fee Claim.

138. "*Professional Fee Amount*" means the aggregate amount of Professional Fee Claims and other unpaid fees and expenses the Professionals estimate they have incurred or will incur in rendering services to the Debtors prior to and as of the Confirmation Date, which estimates Professionals shall deliver to the Debtors as set forth in Article II.B of the Plan.

139. "*Professional Fee Escrow Account*" means an interest-bearing account funded by the Debtors with Cash on the Effective Date in an amount equal to the Professional Fee Amount.

140. "*Proof of Claim*" means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

141. "*Provisional Liquidators"* means the Joint Provisional Liquidators appointed by the Bermuda Court under the Provisional Liquidator Appointment Order.

142. "*Provisional Liquidator Appointment Order*" means the order entered by the Bermuda Court in the Bermuda Dissolution Proceedings appointing the Provisional Liquidators.

143. "*Qualified Investor*" means: (a) a non-U.S. Person in a Relevant Member State, that is a "qualified investor" in that Relevant Member State within the meaning of the EU Prospectus Directive; or (b) a non-U.S. Person not in a Relevant Member State, that is lawfully entitled subscribe and purchase the Securities offered pursuant to the Equity Rights Offerings or Notes Rights Offering under all applicable securities laws and regulations (whether pursuant to an applicable exemption or otherwise), without the need for any registration, the filing or publication of any prospectus or other action by the issuer.

144. "*Reinstate*," "*Reinstated*," or "*Reinstatement*" means with respect to Claims and Interests, that the Claim or Interest shall be rendered unimpaired in accordance with section 1124 of the Bankruptcy Code.

145. "*Related Party*" means, collectively, current and former directors, managers, officers, equity holders (regardless of whether such interests are held directly or indirectly), affiliated investment funds or investment vehicles, predecessors, successors, assigns, subsidiaries, partners, limited partners, general partners, principals, members, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals.

146. "*Released Party*" means, collectively, and in each case in its capacity as such: (a) each Debtor; (b) each Reorganized Debtor; (c) each Non-Consolidated Entity; (d) each Consenting Lender; (e) the Bank CoCom; (f) each member of the Bank CoCom; (g) each Consenting Noteholder; (h) each Commitment Party; (i) Hemen; (j) each Consenting Hedge Counterparty; (k) SFL; (l) each current and former Affiliate of each Entity in clauses (a) through (m); and (m) each Related Party of each Entity in clauses (a) through (m).

147. "*Releasing Parties*" means, collectively, and in each case in its capacity as such: (a) each Debtor; (b) each Reorganized Debtor; (c) each Non-Consolidated Entity; (d) each Consenting Lender; (e) the Bank CoCom; (f) each member of the Bank CoCom; (g) each Consenting Noteholder; (h) each Commitment Party; (i) Hemen; (j) each Consenting Hedge Counterparty; (k) SFL; (l) all holders of Claims; (m) all holders of Interests; (n) each current and former Affiliate of each Entity in clause (a) through (o); and (o) each Related Party of each Entity in clause (a) through (o).

148. "*Relevant Member State*" means any member state of the European Economic Area that has implemented the EU Prospectus Directive.

149. *"Reorganized Debtor*" means a Debtor, or any successor or assign thereto, by merger, amalgamation, consolidation, or otherwise, on and after the Effective Date, including New Seadrill, New NADL, and New Sevan and, before their dissolution pursuant to the Bermuda Dissolution Proceedings, Reorganized Seadrill, Reorganized NADL, and Reorganized Sevan.

150. "*Reorganized NADL*" means NADL, or any successor or assign thereto, by merger, amalgamation, consolidation, or otherwise, on and after the Effective Date, excluding New NADL, and before dissolution pursuant to the Bermuda Dissolution Proceedings.

151. "*Reorganized Seadrill*" means Seadrill Limited, or any successor or assign thereto, by merger, amalgamation, consolidation, or otherwise, on and after the Effective Date, excluding New Seadrill, and before dissolution pursuant to the Bermuda Dissolution Proceedings.

152. "*Reorganized Sevan*" means Sevan, or any successor or assign thereto, by merger, amalgamation, consolidation, or otherwise, on and after the Effective Date, excluding New Sevan, and before dissolution pursuant to the Bermuda Dissolution Proceedings

153. "*Required Commitment Parties*" means Commitment Parties holding at least 50.1 percent in principal amount of the commitments under the Investment Agreement to purchase New Secured Notes held by all such Commitment Parties at such time; *provided* that at all times Hemen and Centerbridge shall be included in Required Commitment Parties; *provided*, *further*, that at all times each Select Commitment Party shall be included in Required Commitment Parties to the extent required by the RSA or Investment Agreement.

154. "*Required Consenting Parties*" means, collectively, the Required Commitment Parties and the Bank CoCom.

155. "*Restructuring Transactions*" means the transactions described in Article IV.B.

156. "*Rights Offering Procedures*" means the procedures governing the Note Rights and Equity Rights as attached to the Investment Agreement.

157. "*RigCo*" means the new wholly owned subsidiary of IHCo incorporated under the laws of Bermuda pursuant to the Plan.

158. "*RSA*" means that certain Restructuring Support and Lock-Up Agreement, dated as of September [12], 2017, by and among the Debtors, the Consenting Lenders, the Consenting Noteholders, the Commitment Parties, SFL, the Consenting Stakeholders, and the other parties who signed the signature pages thereto, including all exhibits and attachments thereto.

159. "*RSA Effective Date*" means the date on which the RSA becomes effective pursuant to the terms thereof.

160. "*Seabras*" means, collectively: Seabras Sapura Participacoes Limitida, a Brazilian limited liability company, and Seabras Sapura Holding GmbH, an Austrian limited liability company.

161. "*Seadrill Entities*" means, collectively: (a) each of the Debtors; (b) each of the Non-Consolidated Entities; and (c) each Affiliate of each Entity in clauses (a) through (b).

162. "*Seadrill Limited 2017 Notes*" means the 5⅝% Senior Notes issued by Seadrill Limited due 2017.

163. "*Seadrill Limited 2020 Notes*" means the 6⅛% Senior Notes issued by Seadrill Limited due 2020.

164. "*Seadrill Limited 510(b) Claim*" means any Claim, other than the NADL 510(b) Claims, and the Sevan 510(b) Claims, arising from rescission of a purchase or sale of an equity security of the Debtors or an Affiliate of the Debtors for damages arising from the purchase or sale of such an equity security or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim.

165. "*Seadrill Limited NOK Notes*" means the FRN Seadrill Limited Senior Unsecured Bond Issue 2013/2018 dated March 11, 2013 (ISIN NO 001 067314.8).

166. "*Seadrill Limited SEK Notes*" means the FRN Seadrill Limited Senior Unsecured Bond Issue 2013/2019 dated March 17, 2014 (ISIN NO 001 070579.1).

167. "*Seadrill Limited Unsecured Note Claim*" means any Claim arising under the Seadrill Limited Unsecured Notes.

168. "*Seadrill Limited Unsecured Notes*" means, collectively, (a) the Seadrill Limited 2017 Notes; (b) the Seadrill Limited 2020 Notes; (c) the Seadrill Limited NOK Notes; and (d) the Seadrill Limited SEK Notes.

169. "*Secured Claim*" means a Claim: (a) secured by a Lien on collateral to the extent of the value of such collateral, as determined in accordance with section 506(a) of the Bankruptcy Code or (b) subject to a valid right of setoff pursuant to section 553 of the Bankruptcy Code.

170. "*Secured Tax Claim*" means any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under section 507(a)(8) of the Bankruptcy Code (determined irrespective of time limitations), including any related Secured Claim for penalties.

171. "*Securities Act*" means the U.S. Securities Act of 1933.

172. "*Security*" has the meaning set forth in section 2(a)(1) of the Securities Act.

173. "*Select Commitment Parties*" means the funds and/or accounts that are managed, advised or sub-advised by each of Aristeia Capital L.L.C., GLG Partners LP, Saba Capital Management LP, and Whitebox Advisors, LLC or each such Person's Affiliate(s) that are signatories to the Investment Agreement.

174. "*Select Commitment Parties Equity Placement*" means the issuance of 6.25% of the New Seadrill Common Shares (prior to accounting for any Excess New Seadrill Common Shares) to the Select Commitment Parties pursuant to the Investment Agreement, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee.

175. "*Servicer*" means an agent or other authorized representative of holders of Claims or Interests.

176. "*Sevan*" means Sevan Drilling Ltd., a Bermuda company and the predecessor to Reorganized Sevan.

177. "*Sevan 510(b) Claim*" means any Claim arising from rescission of a purchase or sale of an equity security of Sevan or any of its Debtor subsidiaries for damages arising from the purchase or sale of such an equity security or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim.

178. "*Sevan Second Lien Claim*" means any Claim held by Seadrill Limited as of the Petition Date against the Sevan under the Prepetition Sevan Revolving Credit Agreement.

179. "*SFL*" means Ship Finance International Limited, a company incorporated under the laws of Bermuda.

180. "*SFL Claim*" means any Claim arising under a Prepetition SFL Charter.

181. "*SFL Claims Schedule*" means the schedule attached to the Plan as Exhibit B setting forth the Amended SFL Charters that correspond to the applicable Prepetition SFL Charter.

182. "*SFL Term Sheet*" means the SFL Term Sheet attached as Annex 7 to Exhibit A to the RSA.

183. "*Transfer*" means to sell, resell, reallocate, use, pledge, assign, transfer, hypothecate, participate, donate, or otherwise encumber or dispose of, directly or indirectly (including through derivatives, options, swaps, pledges, forward sales, or other transactions); *provided*, *however*, that holding Certificates in an account with a broker-dealer where the broker-dealer holds a security interest or other encumbrance over property in the account generally, which security interest or other encumbrance is released upon transfer of such securities, shall not constitute a "Transfer" under the Plan.

184. "*Unclaimed Distribution*" means any distribution under the Plan on account of an Allowed Claim or Allowed Interest to a holder that has not: (a) accepted a particular distribution or, in the case of distributions made by check, negotiated such check; (b) given notice to the Reorganized Debtors of an intent to accept a particular distribution; (c) responded to the Debtors' or Reorganized Debtors' requests for information necessary to facilitate a particular distribution; or (d) taken any other action necessary to facilitate such distribution.

185. "*Unexpired Lease*" means a lease of nonresidential real property to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

186. "*Unimpaired*" means a Class of Claims or Interests that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

187. "*Unsecured Claim*" means any Claim that is not a Secured Claim, a claim under section 510(b) of the Bankruptcy Code, or a claim that may be asserted relating to any Interest.

188. "*Unsecured Note Claims*" means, collectively: (a) the Seadrill Limited Unsecured Note Claims; and (b) the NADL Unsecured Note Claims.

189. "*Unsecured Pool Denominator*" means an amount equal to the sum of: (a) 100 percent of the aggregate Allowed General Unsecured Claims against or guaranteed by Seadrill Limited; and (b) 70 percent of the aggregate Allowed General Unsecured Claims not against or guaranteed by Seadrill Limited.

190. "*Unsecured Pool Equity*" means, if applicable under the terms of the Plan, [15] percent of the New Seadrill Common Shares, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee.

191. "*U.S. Person*" has the meaning given to such term in Rule 902 promulgated under the Securities Act.

B. Rules of Interpretation

For purposes of the Plan: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (b) unless otherwise specified, any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) unless otherwise specified, any reference herein to an existing document, schedule, or exhibit, shall mean such document, schedule, or exhibit, as it may have been or may be amended, modified, or supplemented; (d) unless otherwise specified, all references herein to "Articles" and "Sections" are references to Articles and Sections, respectively, hereof or hereto; (e) the words "herein," "hereof," and "hereto" refer to the Plan in its entirety rather than to any particular portion of the Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (g) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; (i) references to docket numbers of documents Filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (j); all references to statutes, regulations, orders, rules of courts, and the like shall mean as amended from time to time, and as applicable to the Chapter 11 Cases, unless otherwise stated; and (k) any immaterial effectuating provisions may be interpreted by the Debtors or the Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the Plan all without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

C. Computation of Time

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein. If the date on which a transaction may occur pursuant to the Plan shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of the Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided*, *however*, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, shall be governed by the laws of the jurisdiction of incorporation or formation of the relevant Debtor or Reorganized Debtor, as applicable.

E. Reference to Monetary Figures

All references in the Plan to monetary figures refer to currency of the United States of America, unless otherwise expressly provided.

F. Reference to the Debtors or the Reorganized Debtors

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or to the Reorganized Debtors mean the Debtors and the Reorganized Debtors, including New Seadrill, New NADL, and New Sevan, as applicable, to the extent the context requires.

G. Controlling Document

In the event of an inconsistency between the Plan, the RSA, and the Disclosure Statement, the terms of the Plan shall control in all respects. In the event of an inconsistency between the Plan and the Plan Supplement, the Plan

shall control. In the event of any inconsistency between the Plan and the Confirmation Order, the Confirmation Order shall control.

ARTICLE II
ADMINISTRATIVE AND PRIORITY CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Professional Fee Claims, and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims set forth in Article III of the Plan.

A. Administrative Claims

Unless otherwise agreed to by the holder of an Allowed Administrative Claim and the Debtors or the Reorganized Debtors, as applicable, each holder of an Allowed Administrative Claim (other than holders of Professional Fee Claims and Claims for fees and expenses pursuant to section 1930 of chapter 123 of title 28 of the United States Code) will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such Allowed Administrative Claim in accordance with the following: (a) if an Administrative Claim is Allowed on or prior to the Effective Date, on the Effective Date or as soon as reasonably practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter); (b) if such Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter; (c) if such Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim without any further action by the holders of such Allowed Administrative Claim; (d) at such time and upon such terms as may be agreed upon by such holder and the Debtors or the Reorganized Debtors, as applicable; or (e) at such time and upon such terms as set forth in an order of the Bankruptcy Court.

Except as otherwise provided in this Article II. A of the Plan, and except with respect to Administrative Claims that are Professional Fee Claims, requests for payment of Administrative Claims must be Filed with the Bankruptcy Court and served on the Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than the Administrative Claims Bar Date, holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed with the Bankruptcy Court and served on the Debtors and the requesting party no later than 60 days after the Effective Date. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with the Bankruptcy Court with respect to an Administrative Claim previously Allowed.

B. Professional Fee Claims

All requests for payment of Professional Fee Claims for services rendered and reimbursement of expenses incurred prior to the Confirmation Date must be Filed no later than 45 days after the Effective Date. The Bankruptcy Court shall determine the Allowed amounts of such Professional Fee Claims after notice and a hearing in accordance with the procedures established by the Bankruptcy Court. The Reorganized Debtors shall pay Professional Fee Claims in Cash in the amount the Bankruptcy Court allows, including from the Professional Fee Escrow Account, which the Reorganized Debtors will establish in trust for the Professionals and fund with Cash equal to the Professional Fee Amount on the Effective Date. Professionals shall deliver to the Debtors their estimates for purposes of the Reorganized Debtors computing the Professional Fee Amount no later than five Business Days prior to the anticipated Effective Date. For the avoidance of doubt, no such estimate shall be deemed to limit the amount of the fees and expenses that are the subject of a Professional's final request for payment of Professional Fee Claims Filed with the Bankruptcy Court. If a Professional does not provide an estimate, the Debtors may estimate the unpaid and unbilled fees and expenses of such Professional. No funds in the Professional Fee Escrow Account shall be property of the Estates. Any funds remaining in the Professional Fee Escrow Account after all Allowed Professional Fee Claims have been paid will be turned over to the Reorganized Debtors.

From and after the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

C. Priority Tax Claims

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code and, for the avoidance of doubt, holders of Allowed Priority Tax Claims will receive interest on such Allowed Priority Tax Claims after the Effective Date in accordance with sections 511 and 1129(a)(9)(C) of the Bankruptcy Code.

ARTICLE III
CLASSIFICATION, TREATMENT, AND VOTING OF CLAIMS AND INTERESTS

A. Classification of Claims and Interests

Except for the Claims addressed in Article II of the Plan, all Claims and Interests are classified in the Classes set forth below in accordance with section 1122 of the Bankruptcy Code. A Claim or an Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or an Interest also is classified in a particular Class for the purpose of receiving distributions under the Plan only to the extent that such Claim or Interest is an Allowed Claim or Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

1. Claims and Interests for Each Debtor

Subject to Article III.D of the Plan, the following chart represents the classification of certain Claims against, and Interests in, each Debtor pursuant to the Plan.

Class	Claim or Interest	Status	Voting Rights
A1	Other Secured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
A2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
A3	Intercompany Claims	Impaired / Unimpaired	Not Entitled to Vote (Deemed to Accept or Reject)

2. Class Identification for Seadrill Limited

Subject to Article III.D of the Plan, the following chart represents the classification of certain Claims against, and Interests in, Seadrill Limited pursuant to the Plan.

Class	Claim or Interest	Status	Voting Rights
B1-a	$1.5B Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-b	$483MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote

Class	Claim or Interest	Status	Voting Rights
B1-c	$450MM Eminence Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-d	$1.35B Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-e	$950MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-f	$450MM Nordea Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-g	$440MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-h	$400MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-i	$300MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B2	Guarantee Facility Claims against Seadrill Limited	Impaired	Entitled to Vote
B3	General Unsecured Claims against Seadrill Limited	Impaired	Entitled to Vote
B4	Seadrill Limited 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
B5	Interests in Seadrill Limited	Impaired	Not Entitled to Vote (Deemed to Reject)

3. Class Identification for Other Seadrill Debtors

Subject to Article III.D of the Plan, the following chart represents the classification of certain Claims against, and Interests in, the Other Seadrill Debtors pursuant to the Plan.

Class	Claim or Interest	Status	Voting Rights
C1-a	$1.5B Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-b	$483MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-c	$450MM Eminence Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-d	$1.35B Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-e	$950MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-f	$450MM Nordea Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-g	$440MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-h	$400MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-i	$300MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-j	AOD Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C2	General Unsecured Claims against Other Seadrill Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)

Class	Claim or Interest	Status	Voting Rights
C3	Interests in Other Seadrill Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)

4. Class Identification for NADL

Subject to Article III.D of the Plan, the following chart represents the classification of certain Claims against, and Interests in, NADL pursuant to the Plan.

Class	Claim or Interest	Status	Voting Rights
D1	Secured Credit Agreement Claims against NADL	Impaired	Entitled to Vote
D2	NADL Revolving Loan Claims	Impaired	Entitled to Vote
D3	General Unsecured Claims against NADL	Impaired	Entitled to Vote
D4	NADL 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
D5	Interests in NADL	Impaired	Not Entitled to Vote (Deemed to Reject)

5. Class Identification for Other NADL Debtors

Subject to Article III.D of the Plan, the following chart represents the classification of certain Claims against, and Interests in, the Other NADL Debtors pursuant to the Plan.

Class	Claim or Interest	Status	Voting Rights
E1	Credit Agreement Claims against Other NADL Debtors	Impaired	Entitled to Vote
E2	General Unsecured Claims against Other NADL Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)
E3	Interests in Other NADL Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)

6. Class Identification for Sevan

Subject to Article III.D of the Plan, the following chart represents the classification of certain Claims against, and Interests in, Sevan pursuant to the Plan.

Class	Claim or Interest	Status	Voting Rights
F1	Secured Credit Agreement Claims against Sevan	Impaired	Entitled to Vote
F2	Sevan Second Lien Claims	Impaired	Entitled to Vote
F3	General Unsecured Claims against Sevan	Impaired	Entitled to Vote
F4	Sevan 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
F5	Interests in Sevan	Impaired	Not Entitled to Vote (Deemed to Reject)

7. Class Identification for Other Sevan Debtors

Subject to Article III.D of the Plan, the following chart represents the classification of certain Claims against, and Interests in, the Other Sevan Debtors pursuant to the Plan.

Class	Claim or Interest	Status	Voting Rights
G1	Credit Agreement Claims against Other Sevan Debtors	Impaired	Entitled to Vote
G2	General Unsecured Claims against Other Sevan Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)
G3	Interests in Other Sevan Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)

B. Treatment of Classes of Claims and Interests

Each holder of an Allowed Claim or Allowed Interest, as applicable, shall receive under the Plan the treatment described below in full and final satisfaction, settlement, release, and discharge of and in exchange for such holder's Allowed Claim or Allowed Interest, except to the extent different treatment is agreed to by the Reorganized Debtors and the holder of such Allowed Claim or Allowed Interest, as applicable. Unless otherwise indicated, the holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the Effective Date or as soon as reasonably practicable thereafter.

Other Claims

1. Class A1 — Other Secured Claims

(a) *Classification*: Class A1 consists of all Other Secured Claims against the Debtors.

(b) *Treatment*: Each holder of an Allowed Other Secured Claim shall receive as determined by the Debtors or the Reorganized Debtors, as applicable:

(i) payment in full in Cash of its Allowed Other Secured Claim;

(ii) the collateral securing its Allowed Other Secured Claim;

(iii) Reinstatement of its Allowed Other Secured Claim; or

(iv) such other treatment rendering its Allowed Other Secured Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code.

(c) *Voting*: Class A1 is Unimpaired under the Plan. Holders of Allowed Other Secured Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

2. Class A2 — Other Priority Claims

(a) *Classification*: Class A2 consists of all Other Priority Claims against the Debtors.

(b) *Treatment*: Each holder of an Allowed Other Priority Claim shall receive Cash in an amount equal to such Allowed Other Priority Claim.

(c) *Voting*: Class A2 is Unimpaired under the Plan. Holders of Allowed Other Priority Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the

Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

3. Class A3 — Intercompany Claims

(a) *Classification*: Class A1 consists of all Intercompany Claims against the Debtors.

(b) *Treatment*: On the Effective Date, Intercompany Claims shall, at the election of the applicable Debtor, be (a) Reinstated or (b) released.

(c) *Voting*: Class A3 is either Unimpaired, in which case the holders of Allowed Intercompany Claims in Class A3 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, or Impaired, and not receiving any distribution under the Plan, in which case the holders of such Allowed Intercompany Claims in Class A3 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, each holder of an Allowed Intercompany Claim in Class A3 will not be entitled to vote to accept or reject the Plan.

Claims against Seadrill Limited

4. Class B1-a — $1.5B Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-a consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $1.5B Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-a Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-a Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.5B Credit Agreement in principal amount equal to the amount of its Allowed Class B1-a Claims.

(d) *Voting*: Class B1-a is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-a are entitled to vote to accept or reject the Plan.

5. Class B1-b — $483MM Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-b consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $483MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-b Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-b Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $483MM Credit Agreement in a principal amount equal to its Allowed Class B1-b Claims.

(d) *Voting*: Class B1-b is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-b are entitled to vote to accept or reject the Plan.

6. Class B1-c — $450MM Eminence Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-c consists of all Credit Agreement secured Claims against Seadrill Limited arising under the Prepetition $450MM Eminence Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-c Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-c Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450M Eminence Credit Agreement in a principal amount equal to the amount of its Allow class B1-c Claims.

(d) *Voting*: Class B1-c is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-c are entitled to vote to accept or reject the Plan.

7. Class B1-d — $1.35B Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-d consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $1.35B Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-d Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-d Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.35B Credit Agreement in a principal amount equal to the amount of its Allow class B1-d Claims.

(d) *Voting*: Class B1-d is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-d are entitled to vote to accept or reject the Plan.

8. Class B1-e — $950MM Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-e consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $950MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-e Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-e Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $950MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-e Claims.

(d) *Voting*: Class B1-e is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-e are entitled to vote to accept or reject the Plan.

9. Class B1-f — $450MM Nordea Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-f consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $450MM Nordea Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-f Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-f Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450MM Nordea Credit Agreement in a principal amount equal to the amount of its Allow class B1-f Claims.

(d) *Voting*: Class B1-f is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-f are entitled to vote to accept or reject the Plan.

10. Class B1-g — $440MM Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-g consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $440MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-g Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-g Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $440MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-g Claims.

(d) *Voting*: Class B1-g is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-g are entitled to vote to accept or reject the Plan.

11. Class B1-h — $400MM Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-h consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $400MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-h Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-h Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $400MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-h Claims.

(d) *Voting*: Class B1-h is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-h are entitled to vote to accept or reject the Plan.

12. Class B1-i — $300MM Credit Agreement Secured Claims against Seadrill Limited

(a) *Classification*: Class B1-i consists of all Credit Agreement Secured Claims against Seadrill Limited arising under the Prepetition $300MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class B1-i Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class B1-i Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $300MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-i Claims.

(d) *Voting*: Class B1-i is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-i are entitled to vote to accept or reject the Plan.

13. Class B2 — Guarantee Facility Claims against Seadrill Limited

(a) *Classification*: Class B2 consists of all Guarantee Facility Claims against Seadrill Limited.

(b) *Treatment*: On the Effective Date, each holder of an Allowed Guarantee Facility Claim against Seadrill Limited shall receive their Pro Rata share of participation in the Amended Guarantee Facility.

(c) *Voting*: Class B2 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B2 are entitled to vote to accept or reject the Plan.

14. Class B3 — General Unsecured Claims against Seadrill Limited

(a) *Classification*: Class B3 consists of all General Unsecured Claims against Seadrill Limited.

(b) *Treatment*: On the Effective Date:

i. **if Class B3 votes to accept the Plan**, each holder of an Allowed General Unsecured Claim against Seadrill Limited (including Allowed Seadrill Limited Unsecured Note Claims, Interest Rate Swap Claims against Seadrill Limited, and Currency Swap Claims against Seadrill Limited, and NADL Guaranteed Unsecured Note Claims) shall receive: (A) 100 percent of its Pro Rata share (measured by reference to the Unsecured Pool Denominator) of the Unsecured Pool Equity and, (B) if such holder is an Eligible Holder it shall also receive 100 percent of its Pro Rata share of (1) the Note Rights and (2) the Equity Rights; *provided*, *however*, that the Commitment Parties and any Permitted Transferee of Claims against or Interest in the Debtors as of the RSA Effective Date have agreed not to receive the Note Rights and Equity Rights on account of any General Unsecured Claims against Seadrill held by such Commitment Parties as of the RSA Effective Date; and

ii. **if Class B3 votes to reject the Plan**, each holder of an Allowed General Unsecured Claim against Seadrill Limited shall receive the Liquidation Recovery, unless otherwise ordered by the Bankruptcy Court;

provided, *however*, that the holders of Credit Agreement Unsecured Claims against Seadrill Limited have agreed to forgo their right to receive their Pro Rata share of any recovery on account of General Unsecured Claims against Seadrill Limited (but not, for the avoidance of doubt, under any other plan of reorganization or alternative restructuring); *provided further*, that, for the avoidance of doubt, holders of Credit Agreement Unsecured Claims against Seadrill Limited shall be entitled to vote to accept or reject the Plan on account of such Claims.

(c) *Voting*: Class B3 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B3 are entitled to vote to accept or reject the Plan.

15. Class B4 — Seadrill Limited 510(b) Claims

(a) *Classification*: Class B4 consists of all Seadrill Limited 510(b) Claims.

(b) *Treatment*: On the Effective Date:

i. **if Class B3 votes to accept the Plan**, each holder of an Allowed Seadrill Limited 510(b) Claim shall receive its Pro Rata share of the Equity Recovery; and

ii. **if Class B3 votes to reject the Plan**, each holder of an Allowed Seadrill Limited 510(b) Claim will be extinguished and shall not receive or retain any distribution, property, or other value on account of their Seadrill Limited 510(b) Claims.

(c) *Voting*: Class B4 is Impaired under the Plan. Holders of Seadrill Limited 510(b) Claims. are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

16. Class B5 — Interests in Seadrill Limited

(a) *Classification*: Class B5 consists of Interests in Seadrill Limited.

(b) *Treatment*: On the Effective Date, all Interests in Seadrill Limited will be extinguished[2] in accordance with the Description of the Transaction Steps, and:

i. **if Class B3 votes to accept the Plan**, each holder of an Allowed Interest in Seadrill Limited shall receive its Pro Rata share of the Equity Recovery; and

ii. **if Class B3 votes to reject the Plan**, each holder of an Allowed Interest in Seadrill Limited shall not receive or retain any distribution, property, or other value on account of its Interest in Seadrill Limited.

(c) *Voting*: Class B5 is Impaired under the Plan. Holders of Interest in Seadrill Limited are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

Claims against Other Seadrill Debtors

17. Class C1-a — $1.5B Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-a consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $1.5B Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-a Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-a Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.5B Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-a Claim less (ii) the principal amount of its participation received on account of its Class B1-a Claims, if any.

(d) *Voting*: Class C1-a is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-a are entitled to vote to accept or reject the Plan.

---

2 "Extinguished" in this paragraph means the extinguishment of economic interests pursuant to Bermuda law.

18. Class C1-b — $483MM Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-b consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $483MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-b Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-b Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $483MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-b Claim less (ii) the principal amount of its participation received on account of its Class B1-b Claims, if any.

(d) *Voting*: Class C1-b is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-b are entitled to vote to accept or reject the Plan.

19. Class C1-c — $450MM Eminence Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-c consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $450MM Eminence Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-c Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-c Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450MM Eminence Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-c Claim less (ii) the principal amount of its participation received on account of its Class B1-c Claims, if any.

(d) *Voting*: Class C1-c is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-c are entitled to vote to accept or reject the Plan.

20. Class C1-d — $1.35B Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-d consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $1.35B Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-d Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-d Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.35B Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-d Claim less (ii) the principal amount of its participation received on account of its Class B1-d Claims, if any.

(d) *Voting*: Class C1-d is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-d are entitled to vote to accept or reject the Plan.

21. Class C1-e — $950MM Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-e consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $950MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-e Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-e Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $950MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-e Claim less (ii) the principal amount of its participation received on account of its Class B1-e Claims, if any.

(d) *Voting*: Class C1-e is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-e are entitled to vote to accept or reject the Plan.

22. Class C1-f — $450MM Nordea Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-f consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $450MM Nordea Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-f Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-f Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450MM Nordea Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-f Claim less (ii) the principal amount of its participation received on account of its Class B1-f Claims, if any.

(d) *Voting*: Class B1-f is Impaired under the Plan. Therefore, holders of Allowed Claims in Class B1-f are entitled to vote to accept or reject the Plan.

23. Class C1-g — $440MM Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-g consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $440MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-g Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-g Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $440MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-g Claim less (ii) the principal amount of its participation received on account of its Class B1-g Claims, if any.

(d) *Voting*: Class C1-g is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-g are entitled to vote to accept or reject the Plan.

24. Class C1-h — $400MM Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-h consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $400MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-h Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-h Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $400MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-h Claim less (ii) the principal amount of its participation received on account of its Class B1-h Claims, if any.

(d) *Voting*: Class C1-h is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-h are entitled to vote to accept or reject the Plan.

25. Class C1-i — $300MM Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-i consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition $300MM Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-i Claims shall be Allowed in the aggregate amount indicated on the Amended Credit Facility entered into pursuant to the Amended $300MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-i Claim less (ii) the principal amount of its participation received on account of its Class B1-i Claims, if any.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-i Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $300MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-i Claim less (ii) the principal amount of its participation received on account of its Class B1-i Claims, if any.

(d) *Voting*: Class C1-i is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-i are entitled to vote to accept or reject the Plan.

26. Class C1-j — Prepetition AOD Credit Agreement Claims against Other Seadrill Debtors

(a) *Classification*: Class C1-j consists of all Credit Agreement Claims against Other Seadrill Debtors arising under the Prepetition AOD Credit Agreement.

(b) *Allowance*: On the Effective Date, Class C1-j Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class C1-j Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended AOD Credit Agreement in a principal amount equal to the amount of its Allowed Class C1-j Claim.

(d) *Voting*: Class C1-j is Impaired under the Plan. Therefore, holders of Allowed Claims in Class C1-j are entitled to vote to accept or reject the Plan.

27. Class C2 — General Unsecured Claims against Other Seadrill Debtors

(a) *Classification*: Class C2 consists of all General Unsecured Claims against Other Seadrill Debtors.

(b) *Treatment*: On the Effective Date, each holder of an Allowed General Unsecured Claim against an Other Seadrill Debtor shall, at the election of the applicable Debtor, be (a) Reinstated or (b) paid in full in Cash.

(c) *Voting*: Class C2 is Unimpaired under the Plan. Holders of Allowed General Unsecured Claims against Other Seadrill Debtors are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

28. Class C3 — Interests in Other Seadrill Debtors

(a) *Classification*: Class C3 consists of all Interests in Other Seadrill Debtors.

(b) *Treatment*: On the Effective Date, each holder of an Allowed Interest in an Other Seadrill Debtor shall be Reinstated.

(c) *Voting*: Class C3 is Unimpaired under the Plan. Holders of Interests in Other Seadrill Debtors are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

Claims against NADL

29. Class D1 — Credit Agreement Claims against NADL

(a) *Classification*: Class D1 consists of all Secured Claims against NADL arising under the Prepetition NADL Credit Agreement.

(b) *Allowance*: On the Effective Date, Class D1 Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class D1 Claim shall receive its Pro Rata participation in the Amended Credit Facility entered into pursuant to the Amended NADL Credit Agreement in principal amount equal to the amount of its Allowed Class D1 Claims.

(d) *Voting*: Class D1 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class D1 are entitled to vote to accept or reject the Plan.

30. Class D2 — NADL Revolving Loan Claims

(a) *Classification*: Class D2 consists of all NADL Revolving Loan Claims.

(b) *Treatment*: On the Effective Date, the holder of the NADL Revolving Loan Claim, shall, at the election of the applicable Debtor, be (a) Reinstated or (b) released.

(c) *Voting*: Class D2 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class D2 are entitled to vote to accept or reject the Plan.

31. Class D3 — General Unsecured Claims against NADL

(a) *Classification*: Class D3 consists of all General Unsecured Claims against NADL.

(b) *Treatment*: On the Effective Date:

i. **if Class D3 votes to accept the Plan**, each holder of an Allowed General Unsecured Claim against NADL (including NADL Guaranteed Unsecured Note Claims and NADL Non-Guaranteed Unsecured Note Claims) shall receive: (A) 70 percent of its Pro Rata share (measured by reference to the Unsecured Pool

Denominator) of the Unsecured Pool Equity and, (B) if such holder is an Eligible Holder it shall also receive 70 percent of its Pro Rata share of (1) the Note Rights and (2) the Equity Rights; *provided*, *however*, that the Commitment Parties and any Permitted Transferee of Claims against or Interests in the Debtors as of the RSA Effective Date have agreed not to receive the Note Rights and Equity Rights on account of any General Unsecured Claims against NADL held by such Commitment Parties as of the RSA Effective Date; and

ii. **if Class D3 votes to reject the Plan**, each holder of an Allowed General Unsecured Claim against NADL shall receive the Liquidation Recovery, unless otherwise ordered by the Bankruptcy Court.

provided, *however*, that the holders of Credit Agreement Unsecured Claims against NADL have agreed to forgo their right to receive their Pro Rata share of any recovery on account of General Unsecured Claims against NADL (but not, for the avoidance of doubt, under any other plan of reorganization or alternative restructuring); *provided*, *further*, that, for the avoidance of doubt, holders of Credit Agreement Unsecured Claims shall be entitled to vote to accept or reject the Plan on account of such Claims.

(c) *Voting*: Class D3 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class D3 are entitled to vote to accept or reject the Plan.

32. Class D4 — NADL 510(b) Claims

(a) *Classification*: Class D4 consists of all NADL 510(b) Claims.

(b) *Treatment*: On the Effective Date, each holder of an Allowed NADL 510(b) Claim will be extinguished and shall not receive or retain any distribution, property, or other value on account of their NADL 510(b) Claims.

(c) *Voting*: Class D4 is Impaired under the Plan. Holders of NADL 510(b) Claims are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

33. Class D5 — Interests in NADL

(a) *Classification*: Class D5 consists of all Interests in NADL.

(b) *Treatment*: On the Effective Date, each Interest in NADL will be extinguished[3] in accordance with the Description of the Transaction Steps and each holder of such Interest in NADL shall not receive or retain any distribution, property, or other value on account of its Interest in NADL.

(c) *Voting*: Class D5 is Impaired under the Plan. Holders of Interests in NADL are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

[3] Extinguished" in this paragraph means the extinguishment of economic interests pursuant to Bermuda law.

Claims against Other NADL Debtors

34. Class E1 — Credit Agreement Claims against Other NADL Debtors

(a) *Classification*: Class E1 consists of all Credit Agreement Claims against Other NADL Debtors arising under the Prepetition NADL Credit Agreement.

(b) *Allowance*: On the Effective Date, Class E1 Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class E1 Claim shall receive its Pro Rata participation in the Amended Credit Facility entered into pursuant to the Amended NADL Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class E1 Claim less (ii) the principal amount of its participation received on account of its Class D1 Claims, if any.

(d) *Voting*: Class E1 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class E1 are entitled to vote to accept or reject the Plan.

35. Class E2 — General Unsecured Claims against Other NADL Debtors

(a) *Classification*: Class E2 consists of all General Unsecured Claims against Other NADL Debtors.

(b) *Treatment*: On the Effective Date, each holder of an Allowed General Unsecured Claim against an Other NADL Debtor shall, at the election of the applicable Debtor, be (a) Reinstated or (b) paid in full in Cash.

(c) *Voting*: Class E2 is Unimpaired under the Plan. Holders of Allowed General Unsecured Claims against Other NADL Debtors are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

36. Class E3 — Interests in Other NADL Debtors

(a) *Classification*: Class E3 consists of all Interests in Other NADL Debtors.

(b) *Treatment*: On the Effective Date, each Interest in an Other NADL Debtor shall be Reinstated.

(c) *Voting*: Class E3 is Unimpaired under the Plan. Holders of Interests in Other NADL Debtors are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

Claims against Sevan

37. Class F1 — Credit Agreement Claims against Sevan

(a) *Classification*: Class F1 consists of all Secured Claims against Sevan arising under the Prepetition Sevan Credit Agreement.

(b) *Allowance*: On the Effective Date, Class F1 Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class F1 Claim shall receive its Pro Rata participation in the Amended Sevan Credit Facility.

(d) *Voting*: Class F1 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class F1 are entitled to vote to accept or reject the Plan.

38. Class F2 — Sevan Second Lien Claims

(a) *Classification*: Class F2 consists of all Sevan Second Lien Claims.

(b) *Treatment*: On the Effective Date, all Sevan Second Lien Claims shall, at the election of the applicable Debtor, be (a) Reinstated or (b) released.

(c) *Voting*: Class F2 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class F2 are entitled to vote to accept or reject the Plan.

39. Class F3 — General Unsecured Claims against Sevan

(a) *Classification*: Class F3 consists of all General Unsecured Claims against Sevan.

(b) *Treatment*: On the Effective Date:

i. **if Class F3 votes to accept the Plan**, each holder of an Allowed General Unsecured Claim against Sevan shall receive: (A) 70 percent of its Pro Rata share (measured by reference to the Unsecured Pool Denominator) of the Unsecured Pool Equity and, (B) if such holder is an Eligible Holder it shall also receive 70 percent of its Pro Rata share of (1) the Note Rights and (2) the Equity Rights; *provided*, *however*, that the Commitment Parties Commitment Parties and any Permitted Transferee of Claims against or Interests in the Debtors as of the RSA Effective Date have agreed not to receive the Note Rights and Equity Rights on account of any General Unsecured Claims against Sevan held by such Commitment Parties as of the RSA Effective Date; and

ii. **if Class F3 votes to reject the Plan**, each holder of an Allowed General Unsecured Claim against Sevan shall receive the Liquidation Recovery, unless otherwise ordered by the Bankruptcy Court.

provided, *however*, that the holders of Credit Agreement Unsecured Claims against Sevan have agreed to forgo their right to receive their Pro Rata share of any recovery on account of General Unsecured Claims against Sevan (but not, for the avoidance of doubt, under any other plan of reorganization or alternative restructuring); *provided*, *further*, that, for the avoidance of doubt, holders of Credit Agreement Unsecured Claims against Sevan shall be entitled to vote to accept or reject the Plan on account of such Claims.

(c) *Voting*: Class F3 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class F3 are entitled to vote to accept or reject the Plan.

40. Class F4 — Sevan 510(b) Claims

(a) *Classification*: Class F4 consists of all Sevan 510(b) Claims.

(b) *Treatment*: On the Effective Date, each holder of an Allowed Sevan 510(b) Claim will be extinguished and shall not receive or retain any distribution, property, or other value on account of its Sevan 510(b) Claims.

(c) *Voting*: Class F4 is Impaired under the Plan. Holders of Allowed Sevan 510(b) Claims are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

41. Class F5 — Interests in Sevan

(a) *Classification*: Class F5 consists of all Interests in Sevan.

(b) *Treatment*: On the Effective Date, each holder of an Interest in Sevan will be extinguished[4] in accordance with the Description of the Transaction Steps and each such holder shall not receive or retain any distribution, property, or other value on account of its Interest in Sevan.

(c) *Voting*: Class F5 is Impaired under the Plan. Holders of Interests in Sevan are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

Claims against Other Sevan Debtors

42. Class G1 — Credit Agreement Claims against Other Sevan Debtors

(a) *Classification*: Class G1 consists of all Claims against Other Sevan Debtors arising under the Prepetition Sevan Credit Agreement.

(b) *Allowance*: On the Effective Date, Class G1 Claims shall be Allowed in the aggregate amount indicated on the Allowed Credit Agreement Claims Schedule.

(c) *Treatment*: On the Effective Date, each holder of an Allowed Class G1 Claim shall receive its Pro Rata participation in the Amended Sevan Credit Facility.

(d) *Voting*: Class G1 is Impaired under the Plan. Therefore, holders of Allowed Claims in Class G1 are entitled to vote to accept or reject the Plan.

43. Class G2 — General Unsecured Claims against Other Sevan Debtors

(a) *Classification*: Class G2 consists of all General Unsecured Claims against Other Sevan Debtors.

(b) *Treatment*: On the Effective Date, each holder of an Allowed General Unsecured Claim against an Other Sevan Debtor shall, at the election of the applicable Debtor, be (a) Reinstated or (b) paid in full in Cash.

(c) *Voting*: Class G2 is Unimpaired under the Plan. Holders of Allowed General Unsecured Claims against Other Sevan Debtors are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

44. Class G3 — Interests in Other Sevan Debtors

(a) *Classification*: Class G3 consists of all Interests in Other Sevan Debtors.

---

4 Extinguished" in this paragraph means the extinguishment of economic interests pursuant to Bermuda Law.

(b) *Treatment*: On the Effective Date, each Allowed Interest in an Other Sevan Debtor shall be Reinstated.

(c) *Voting*: Class G3 is Unimpaired under the Plan. Holders of Interests in Other Sevan Debtors are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Therefore, such Holders are not entitled to vote to accept or reject the Plan.

C. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' or the Reorganized Debtors' rights regarding any Unimpaired Claim, including all rights regarding legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claim.

D. Elimination of Vacant Classes

Any Class of Claims or Interests that does not have a holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

E. Voting Classes; Presumed Acceptance by Non-Voting Classes

If a Class contains Claims eligible to vote and no holder of Claims eligible to vote in such Class votes to accept or reject the Plan, the Plan shall be presumed accepted by the holders of such Claims in such Class.

F. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to reclassify any Allowed Claim or Allowed Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

G. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification, including by modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules.

ARTICLE IV
PROVISIONS FOR IMPLEMENTATION OF THE PLAN

A. General Settlement of Claims and Interests

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and

holders of Claims and Interests and is fair, equitable, and is within the range of reasonableness. Subject to Article VI of the Plan, all distributions made to holders of Allowed Claims and Interests in any Class are intended to be and shall be final.

B. Restructuring Transactions

On or before the Effective Date, the Debtors or the Reorganized Debtors, as applicable, will, among other things, establish New Seadrill, New NADL, New Sevan, RigCo, NSNCo, and NSN HoldCo in order to effectuate the Restructuring Transactions and will take any actions as may be necessary or advisable to effect a corporate restructuring of their respective businesses or a corporate restructuring of the overall corporate structure of the Debtors, to the extent provided herein or in the Definitive Documentation. The actions to implement the Restructuring Transactions may include: (a) the execution and delivery of appropriate agreements, including any Definitive Documentation, or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (c) the filing of appropriate certificates or articles of incorporation, formation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, dissolution, or other organizational documents pursuant to applicable law; and (d) all other actions that the applicable Reorganized Debtors determine to be necessary or advisable, including making filings or recordings that may be required by applicable law in connection with the Plan.

The Confirmation Order shall and shall be deemed to, pursuant to sections 1123 and 363 of the Bankruptcy Code, authorize, among other things, all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including the Restructuring Transactions.

C. Issuance and Distribution of New Seadrill Common Shares

The issuance of the New Shares shall be authorized without the need for any further corporate action and without any further action by the holders of any Claims or Interests.

On the Effective Date, applicable holders of Claims and Interests shall receive the New Shares in exchange for their respective claims as set forth under Article III.B hereof.

On the Effective Date, New Seadrill will issue [25] percent of the New Seadrill Common Shares, plus any Excess New Seadrill Common Shares, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee, in exchange for $[200] million in Cash substantially on the terms set forth in the Investment Agreement.

On the Effective Date, New Seadrill will issue [57.5] percent of the New Seadrill Common Shares to the purchasers of the New Secured Notes on a Pro Rata basis in accordance with the amount of New Secured Notes issued to such purchasers, subject to dilution by the Employee Incentive Plan and Primary Structuring Fee on the terms set forth in the Investment Agreement.

On the Effective Date, New Seadrill will issue [5] percent of the New Seadrill Common Shares to Hemen on account of the Primary Structuring Fee, subject to dilution by the Employee Incentive Plan, and [0.5] percent of the New Seadrill Common Shares to the Select Commitment Parties on a Pro Rata basis in accordance with each Select Commitment Party's respective equity commitment percentage, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee, in each case as set forth in the Investment Agreement.

On the Effective Date, 100 percent of the New NADL Common Shares and 100 percent of the New Sevan Common Shares shall be issued to the Reorganized Debtors in accordance with the Description of Transaction Steps.

All of the New Shares issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance of the New Shares under the Plan shall be governed by the terms and

conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance. For the avoidance of doubt, any claimant's acceptance of New Shares shall be deemed as its agreement to the New Organizational Documents, as the same may be amended or modified from time to time following the Effective Date in accordance with its terms.

D. Issuance and Distribution of New NADL Common Shares and New Sevan Common Shares

On the Effective Date, 100% of the New NADL Common Shares and New Sevan Common Shares shall be issued to the Reorganized Debtors in accordance with the Description of Transaction Steps. For administrative convenience, the holders of Credit Agreement Claims against NADL and the Other NADL Debtors and Sevan and the Other Sevan Debtors have agreed to accept participation in the Amended NADL Credit Facility and Amended Sevan Credit Facility, as applicable, in lieu of any entitlement to receive the New NADL Common Shares and New Sevan Shares and consent to the issuance of such shares to the Reorganized Debtors in accordance with the Description of Transaction Steps.

E. Issuance and Distribution of New Secured Notes

On the Effective Date, NSNCo will issue the New Secured Notes in exchange for $860 million in Cash, substantially on the terms set forth in the Investment Agreement and New Secured Notes Indenture. Pursuant to the Investment Agreement, the applicable Commitment Parties shall commit to purchase the full $860 million in principal amount of the New Secured Notes.

F. Rights Offerings

If the requisite votes set forth in the Plan are obtained, the Reorganized Debtors shall consummate the Equity Rights Offering and the Notes Rights Offering in accordance with the Rights Offering Procedures. Holders of the Equity Rights shall receive the opportunity to purchase up to $25 million of the New Seadrill Common Shares on a Pro Rata basis in accordance with the Plan and Rights Offering Procedures. Holders of the Note Rights shall receive the opportunity to purchase up to $85 million in principal amount of the New Secured Notes on a Pro Rata basis in accordance with the Plan and Rights Offering Procedures.

If Note Rights or Equity Rights are not offered to a Class as set forth in the Plan because the applicable Class does not vote to accept the Plan, the Note Rights and Equity Rights that were otherwise to be offered to that Class will be canceled and the corresponding New Secured Notes and New Seadrill Common Shares will be acquired by the Commitment Parties as set forth in the Investment Agreement.

G. Amended SFL Charters

The Debtors or Reorganized Debtors, as applicable, shall enter into the Amended SFL Charters on the Effective Date, on terms set forth in the RSA and included in the Plan Supplement.

Confirmation shall be deemed approval of the Amended SFL Charters (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred and fees paid by the Debtors or the Reorganized Debtors in connection therewith), to the extent not approved by the Bankruptcy Court previously, and the Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to issue the Amended SFL Charters without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or vote, consent, authorization, or approval of any Person, subject to such modifications as the Debtors or Reorganized Debtors may deem to be necessary to consummate the Amended SFL Charters.

H. Amended Guarantee Facility

The Debtors or Reorganized Debtors, as applicable, shall enter into the Amended Guarantee Facility on the Effective Date, on terms set forth in the RSA and included in the Plan Supplement.

Confirmation shall be deemed approval of the Amended Guarantee Facility (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred and fees paid by the Debtors or the Reorganized Debtors in connection therewith), to the extent not approved by the Bankruptcy Court previously, and the Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to issue the Amended Guarantee Facility without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or vote, consent, authorization, or approval of any Person, subject to such modifications as the Debtors or Reorganized Debtors may deem to be necessary to consummate the Amended Guarantee Facility.

I. Corporate Action

Upon the Effective Date, all actions contemplated under the Plan and consistent with the RSA and Investment Agreement shall be deemed authorized and approved in all respects, including: (1) selection of the directors and officers for the Reorganized Debtors; (2) the distribution of the New Shares; (3) implementation of the Restructuring Transactions, including the Equity Rights Offering and Notes Rights Offering, if applicable; pursuant to the Rights Offering Procedures; (4) entry into the Amended Finance Documents; (5) adoption of the Employee Incentive Plan; (6) issuance of the Equity Rights and Notes Rights, as applicable; pursuant to the Rights Offering Procedures; (7) all other actions contemplated under the Plan (whether to occur before, on, or after the Effective Date); (8) adoption of the New Organizational Documents; (9) the rejection, assumption, or assumption and assignment, as applicable, of Executory Contracts and Unexpired Leases; and (10) all other acts or actions contemplated or reasonably necessary or appropriate to promptly consummate the Restructuring Transactions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtor, as applicable, in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors, or officers of the Debtors or the Reorganized Debtors, as applicable. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated under the Plan (or necessary or desirable to effect the transactions contemplated under the Plan) in the name of and on behalf of the Reorganized Debtors, including the New Shares, the New Organizational Documents, the Amended Finance Documents, the Equity Rights Offering and Notes Rights Offering (as applicable), and any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV.I shall be effective notwithstanding any requirements under non-bankruptcy law.

J. Corporate Existence

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and by-laws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and by-laws (or other formation documents) are amended under the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable law). For the avoidance of doubt, Reorganized Seadrill, Reorganized Sevan, and Reorganized NADL shall have no assets or operations, and the Provisional Liquidators shall seek an entry of orders by the Bermuda Court in the Bermuda Dissolution Proceedings winding-up Reorganized Seadrill, Reorganized Sevan, and Reorganized NADL as soon as practicable following the Effective Date in accordance with the Description of the Transaction Steps.

K. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan (including, for the avoidance of doubt, the Restructuring Transactions), or in any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, all property in each Debtor's Estate, all Causes of Action, and any property acquired by any of the Debtors under the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided herein, each Reorganized Debtor may operate its

business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

L. Cancellation of Notes, Instruments, Certificates, and Other Documents

On the Effective Date, except as otherwise provided in the Plan or the Description of the Transaction Steps, all notes, instruments, Certificates, and other documents evidencing Claims or Interests, shall be cancelled and the obligations of the Debtors or the Reorganized Debtors and any non-Debtor Affiliates thereunder or in any way related thereto shall be discharged; *provided*, *however*, that notwithstanding Confirmation or the occurrence of the Effective Date, any credit document or agreement that governs the rights of the holder of a Claim or Interest shall continue in effect solely for purposes of (a) allowing holders of Allowed Claims to receive distributions under the Plan and (b) allowing and preserving the rights of the Servicers, as applicable, to make distributions on account of Allowed Claims as provided herein.

M. New Organizational Documents

To the extent required under the Plan or applicable non-bankruptcy law, on or as soon as reasonably practicable after the Effective Date the Reorganized Debtors will file the New Organizational Documents with the applicable Secretary of State and/or other applicable authorities in the state, province, or country of incorporation in accordance with the applicable corporate laws of the respective state, province, or country of incorporation. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Organizational Documents will prohibit the issuance of non-voting equity securities. After the Effective Date, Reorganized Debtors may amend and restate New Organizational Documents, and the Reorganized Debtors may file their respective certificates or articles of incorporation, bylaws, or such other applicable formation documents, and other constituent documents as permitted by the laws of the respective states, provinces, or countries of incorporation and the New Organizational Documents.

N. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors and managers thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, the RSA, the Amended Finance Documents, and the Securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorizations, or consents except for those expressly required under the Plan.

O. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of the New Seadrill Common Shares pursuant to the Equity Recovery and the Unsecured Pool Equity, as contemplated by Article III.B hereof, shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution, or sale of Securities. In addition, under section 1145 of the Bankruptcy Code, such New Seadrill Common Shares will be freely tradable in the U.S. by the recipients thereof, subject to the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with applicable securities laws and any rules and regulations of the United States Securities and Exchange Commission, if any, applicable at the time of any future transfer of such Securities or instruments and subject to any restrictions in the New Organizational Documents.

Each of (1) the Equity Rights, the New Seadrill Common Shares issued in the Equity Rights Offering or to the Equity Commitment Parties, (2) the Note Rights, the New Secured Notes issued in the Notes Rights Offering or to the Debt Commitment Parties, and (3) the New Seadrill Common Shares issued to the Commitment Parties on account of the structuring fees set forth in the Investment Agreement will be issued without registration in reliance upon the exemption set forth in Section 4(a)(2) of the Securities Act. Any securities issued in reliance on Section

4(a)(2) will be "restricted securities" subject to resale restrictions and may be resold, exchanged, assigned or otherwise transferred only pursuant to registration, or an applicable exemption from registration under the Securities Act and other applicable law.

P. Section 1146(a) Exemption

To the fullest extent permitted by section 1146(a) of the Bankruptcy Code, any transfers (whether from a Debtor to a Reorganized Debtor or to any other Person) of property under the Plan or pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors or the Reorganized Debtors; (b) the Restructuring Transaction; (c) the creation, modification, consolidation, termination, refinancing, and/or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (d) the making, assignment, or recording of any lease or sublease; (e) the grant of collateral as security for any or all of the Amended Credit Facilities, Amended SFL Charters, and New Secured Notes; or (f) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment. All filing or recording officers (or any other Person with authority over any of the foregoing), wherever located and by whomever appointed, shall comply with the requirements of section 1146(c) of the Bankruptcy Code, shall forego the collection of any such tax or governmental assessment, and shall accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

Q. Employee Incentive Plan

The entry of the Confirmation Order shall constitute approval of the Employee Incentive Plan and the authorization for the New Seadrill Board to adopt such plan.

R. Employee Matters

Unless otherwise provided herein or otherwise amended or modified as set forth in the Schedule of Assumed Executory Contracts and Unexpired Leases, all employee wages, compensation, and benefit programs in place as of the Effective Date with the Debtors shall be assumed by the Reorganized Debtors and shall remain in place as of the Effective Date, and the Reorganized Debtors will continue to honor such agreements, arrangements, programs, and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, from and after the Effective Date, all retiree benefits (as such term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

S. Preservation of Rights of Action

In accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date, other than the following: (a) the Causes of Action released by the Debtors pursuant to the releases and exculpations contained in the Plan, including in Article VIII of the Plan, which shall be deemed released and waived by the Debtors and Reorganized Debtors as of the Effective Date; and (b) all Causes of Action that arise under sections 544, 547, 548, and 549 of the Bankruptcy Code and state fraudulent conveyance law.

The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the**

Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against it. Except as specifically released under the Plan, the Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or pursuant to a Final Order, the Reorganized Debtors expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action, or to decline to do any of the foregoing, without the consent or approval of any third party or any further notice to or action, order, or approval of the Bankruptcy Court.

ARTICLE V
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, except as otherwise provided herein, all Executory Contracts or Unexpired Leases, not previously assumed or rejected pursuant to an order of the Bankruptcy Court, will be deemed rejected, in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code and subject to the consent of the Required Consenting Parties (which consent shall not be unreasonably withheld), other than those Executory Contracts or Unexpired Leases that: (1) previously were assumed or rejected by the Debtors; (2) are identified on the Schedule of Assumed Executory Contracts and Unexpired Leases; (3) are the subject of a motion to assume Executory Contracts or Unexpired Leases that is pending on the Confirmation Date; (4) are subject to a motion to assume an Executory Contract or Unexpired Lease pursuant to which the requested effective date of such assumption is after the Effective Date; or (5) are the subject of Article IV.Q of the Plan. For the avoidance of doubt, the Debtors shall seek to assume or reject Executory Contracts and Unexpired Leases with the consent of the Required Consenting Parties (which consent shall not to be unreasonably withheld).

Entry of the Confirmation Order by the Bankruptcy Court shall constitute a Final Order approving the assumptions or rejections of the Executory Contracts and Unexpired Leases set forth in the Plan or the Schedule of Rejected Executory Contracts and Unexpired Leases pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order. Each Executory Contract and Unexpired Lease assumed pursuant to this Article V.A or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, shall revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Notwithstanding anything to the contrary in the Plan, the Debtors, with the consent of the Required Consenting Parties (which consent shall not be unreasonably withheld), or the Reorganized Debtors, as applicable, reserve the right to alter, amend, modify, or supplement the Schedule of Executory Contracts and Unexpired Leases identified in this Article V.A and in the Plan Supplement at any time through and including 45 days after the Effective Date.

B. Indemnification Obligations.

All indemnification provisions, consistent with applicable law, currently in place (whether in the by-laws, certificates of incorporation or formation, limited liability company agreements, other organizational documents, board resolutions, indemnification agreements, employment contracts, or otherwise) as of the Petition Date for the current and former directors, officers, managers, employees, attorneys, accountants, investment bankers, and other professionals of the Debtors, as applicable, shall be reinstated and remain intact, irrevocable, and shall survive the Effective Date on terms no less favorable to such current and former directors, officers, managers, employees,

attorneys, accountants, investment bankers, and other professionals of the Debtors than the indemnification provisions in place prior to the Effective Date.

C. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Unless otherwise provided by a Final Order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be Filed with the Bankruptcy Court within 30 days after the later of (1) the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection, (2) the effective date of such rejection, or (3) the Effective Date. **Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtors or the Reorganized Debtors, the Estates, or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.** All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III hereof.

D. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date, subject to the limitation described below, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the amount of any payments to cure such a default, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. At least ten days prior to the Confirmation Hearing, the Debtors shall provide for notices of proposed assumption and proposed cure amounts to be sent to applicable third parties and for procedures for objecting thereto and resolution of disputes by the Bankruptcy Court. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be Filed, served, and actually received by the Debtors at least three days prior to the Confirmation Hearing. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or cure amount.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. **Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.**

E. Preexisting Obligations to the Debtors under Executory Contracts and Unexpired Leases

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors or the Reorganized Debtors, as applicable, under such Executory Contracts or Unexpired Leases. In particular, notwithstanding any non-bankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the Debtors contracting from non-Debtor counterparties to rejected Executory Contracts or Unexpired Leases.

F. Insurance Policies

Each of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, are treated as Executory Contracts under the Plan. Unless otherwise provided in the Plan, on the Effective Date, (1) the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments relating to coverage of all insured Claims and (2) such insurance policies and any agreements, documents, or instruments relating thereto shall revest in the Reorganized Debtors.

G. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

H. Reservation of Rights

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Schedule of Rejected Executory Contract and Unexpired Leases, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any of the Reorganized Debtors has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors, subject to any consent rights of the Required Consenting Parties under the RSA and Investment Agreement (which consent shall not be unreasonably withheld) or the Reorganized Debtors, as applicable, shall have 30 days following entry of a Final Order resolving such dispute to alter its treatment of such contract or lease under the Plan.

I. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

J. Contracts and Leases Entered Into After the Petition Date

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the applicable Debtor or the Reorganized Debtors liable thereunder in the ordinary course of their business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

ARTICLE VI
PROVISIONS GOVERNING DISTRIBUTIONS

A. Distributions on Account of Claims and Interests Allowed as of the Effective Date

Except as otherwise provided herein, upon a Final Order, or as otherwise agreed to by the Debtors or the Reorganized Debtors, as the case may be, and the holder of the applicable Claim or Interest, on the Effective Date or as reasonably practicable thereafter, the Distribution Agent shall make initial distributions under the Plan on account

of Claims and Interests Allowed on or before the Effective Date, subject to the Reorganized Debtors' right to object to Claims and Interests; *provided*, *however*, that (1) Allowed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases or assumed by the Debtors prior to the Effective Date shall be paid or performed in the ordinary course of business in accordance with the terms and conditions of any controlling agreements, course of dealing, course of business, or industry practice, and (2) Allowed Priority Tax Claims shall be paid in accordance with Article II.C of the Plan. To the extent any Allowed Priority Tax Claim is not due and owing on the Effective Date, such Claim shall be paid in full in Cash in accordance with the terms of any agreement between the Debtors and the holder of such Claim or as may be due and payable under applicable non-bankruptcy law or in the ordinary course of business. A Distribution Date shall occur no less frequently than once in every 30 day period after the Effective Date, as necessary, in the Reorganized Debtors' sole discretion.

B. Rights and Powers of Distribution Agent

1. Powers of the Distribution Agent

The Distribution Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred on or after the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Distribution Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Distribution Agent shall be paid in Cash by the Reorganized Debtors.

C. Special Rules for Distributions to Holders of Disputed Claims and Interests

Notwithstanding any provision otherwise in the Plan and except as otherwise agreed by the relevant parties: (a) no partial payments and no partial distributions shall be made with respect to a Disputed Claim or Interest until all such disputes in connection with such Disputed Claim or Interest have been resolved by settlement or Final Order; and (b) any Entity that holds both an Allowed Claim or Interest and a Disputed Claim or Interest shall not receive any distribution on the Allowed Claim or Interest unless and until all objections to the Disputed Claim or Interest have been resolved by settlement or Final Order or the Claims or Interests have been Allowed or expunged. Any dividends or other distributions arising from property distributed to holders of Allowed Claims or Interests, as applicable, in a Class and paid to such holders under the Plan shall also be paid, in the applicable amounts, to any holder of a Disputed Claim or Interest, as applicable, in such Class that becomes an Allowed Claim or Interest after the date or dates that such dividends or other distributions were earlier paid to holders of Allowed Claims or Interests in such Class.

D. Delivery of Distributions

The Distribution Agent shall make all distributions required under the Plan, except that distributions to holders of Allowed Claims or Interests governed by a separate agreement and administered by a Servicer shall be deposited with the appropriate Servicer, at which time such distributions shall be deemed complete, and the Servicer shall deliver such distributions in accordance with the Plan and the terms of the governing agreement. Except as otherwise provided herein, and notwithstanding any authority to the contrary, distributions to holders of Allowed Claims, including Claims that become Allowed after the Effective Date, shall be made to holders of record as of the Effective Date by the Distribution Agent or a Servicer, as appropriate: (1) to the address of such holder as set forth in the books and records of the applicable Debtor (or if the Debtors have been notified in writing, on or before the date that is 10 days before the Effective Date, of a change of address, to the changed address); (2) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004, if no address exists in the Debtors books and records, no Proof of Claim has been Filed and the Distribution Agent has not received a written notice of a change of address on or before the date that is 10 days before the Effective Date; or (3) on any counsel that

has appeared in the Chapter 11 Cases on the holder's behalf. Notwithstanding anything to the contrary in the Plan, including this Article VI.D of the Plan, the Debtors, the Reorganized Debtors, and the Distribution Agent, as applicable, shall not incur any liability whatsoever on account of any distributions under the Plan.

1. Accrual of Dividends and Other Rights

For purposes of determining the accrual of distributions or other rights after the Effective Date, the New Shares shall be deemed distributed as of the Effective Date regardless of the date on which it is actually issued, dated, authenticated, or distributed; *provided*, *however*, the Reorganized Debtors shall not pay any such distributions or distribute such other rights, if any, until after distributions of the New Shares actually take place.

2. Compliance Matters

In connection with the Plan, to the extent applicable, the Reorganized Debtors and the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances.

3. Foreign Currency Exchange Rate

Except as otherwise provided in a Bankruptcy Court order, as of the Effective Date, any Claim asserted in currency other than U.S. dollars shall be automatically deemed converted to the equivalent U.S. dollar value using the exchange rate for the applicable currency as published in The Wall Street Journal, National Edition, on the Effective Date.

4. Fractional, Undeliverable, and Unclaimed Distributions

(a) *Fractional Distributions*. Whenever any distribution of fractional shares or units of the New Shares would otherwise be required pursuant to the Plan, the actual distribution shall reflect a rounding of such fraction to the nearest share (up or down), with half shares or less being rounded down. Whenever any payment of Cash of a fraction of a dollar pursuant to the Plan would otherwise be required, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down.

(b) *Undeliverable Distributions*. If any distribution to a holder of an Allowed Claim or Interest is returned to the Distribution Agent as undeliverable, no further distributions shall be made to such holder unless and until the Distribution Agent is notified in writing of such holder's then-current address or other necessary information for delivery, at which time all currently due missed distributions shall be made to such holder on the next Distribution Date. Undeliverable distributions shall remain in the possession of the Reorganized Debtors until such time as a distribution becomes deliverable, or such distribution reverts to the Reorganized Debtors or is cancelled pursuant to Article VI.D.(c) of the Plan, and shall not be supplemented with any interest, dividends, or other accruals of any kind.

(c) *Reversion*. Any distribution under the Plan that is an Unclaimed Distribution for a period of six months after distribution shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and such Unclaimed Distribution shall revest in the applicable Reorganized Debtor and, to the extent such Unclaimed Distribution is New Shares, shall

be deemed cancelled. Upon such revesting, the Claim or Interest of any holder or its successors with respect to such property shall be cancelled, discharged, and forever barred notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws, or any provisions in any document governing the distribution that is an Unclaimed Distribution, to the contrary.

5. Surrender of Cancelled Instruments or Securities

On the Effective Date, each holder of a Certificate shall be deemed to have surrendered such Certificate to the Distribution Agent or a Servicer (to the extent the relevant Claim or Interest is governed by an agreement and administered by a Servicer). Such Certificate shall be cancelled solely with respect to the Debtors, and such cancellation shall not alter the obligations or rights of any non-Debtor third parties vis-à-vis one another with respect to such Certificate. Notwithstanding the foregoing paragraph, this Article VI shall not apply to any Claims and Interests Reinstated pursuant to the terms of the Plan.

E. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

A Claim shall be reduced in full, and such Claim shall be disallowed without an objection to such Claim having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such holder shall repay, return or deliver any distribution held by or transferred to the holder to the applicable Reorganized Debtor to the extent the holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan.

2. Claims Payable by Insurance Carriers

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged to the extent of any agreed upon satisfaction on the Claims Register by the Notice and Claims Agent without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies

Except as otherwise provided herein, distributions to holders of Allowed Claims shall be in accordance with the provisions of an applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

F. Setoffs

Except as otherwise expressly provided for herein, each Reorganized Debtor, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the holder of a Claim, may set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), any claims, rights, and Causes of Action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the holder of such Allowed Claim, to the extent such claims, rights, or Causes of Action against such holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise);

provided, *however*, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by such Reorganized Debtor of any such claims, rights, and Causes of Action that such Reorganized Debtor may possess against such holder. In no event shall any holder of Claims be entitled to set off any such Claim against any claim, right, or Cause of Action of the Debtor or Reorganized Debtor (as applicable), unless such holder has Filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise.

G. Allocation between Principal and Accrued Interest

Except as otherwise provided herein, the aggregate consideration paid to holders with respect to their Allowed Claims shall be treated pursuant to the Plan as allocated first to the principal amount of such Allowed Claims (to the extent thereof) and, thereafter, to the interest, if any, on such Allowed Claim accrued through the Effective Date.

H. Minimum Distributions

Holders of Allowed Claims entitled to distributions of $50 or less shall not receive distributions, and each Claim to which this limitation applies shall be discharged pursuant to Article VIII of the Plan and its holder shall be forever barred pursuant to Article VIII of the Plan from asserting that Claim against the Reorganized Debtors or their property.

ARTICLE VII
PROCEDURES FOR RESOLVING DISPUTED CLAIMS

A. Disputed Claims Process

Except as otherwise provided herein, if a party Files a Proof of Claim and the Debtors or the Reorganized Debtors, as applicable, do not determine, and without the need for notice to or action, order, or approval of the Bankruptcy Court, that the Claim subject to such Proof of Claim is Allowed, such Claim shall be Disputed unless Allowed or disallowed by a Final Order or as otherwise set forth in this Article VII of the Plan. For the avoidance of doubt, there is no requirement to File a Proof of Claim (or move the Bankruptcy Court for allowance) to be an Allowed Claim under the Plan. **Except as otherwise provided herein, all Proofs of Claim Filed after the Claims Bar Date shall be disallowed and forever barred, estopped, and enjoined from assertion, and shall not be enforceable against any Reorganized Debtor, without the need for any objection by the Reorganized Debtors or any further notice to or action, order, or approval of the Bankruptcy Court. On or after the Effective Date, a Claim may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, and any such new or amended Claim Filed shall be deemed disallowed in full and expunged without any further action, order, or approval of the Bankruptcy Court.**

B. Disputed and Contingent Claims Reserve

On the Effective Date, the Debtors or Reorganized Debtors, as applicable, may establish one or more reserves for alleged General Unsecured Claims that are contingent or have not yet been Allowed, in an estimated amount or amounts determined by the applicable Debtors, consisting of Unsecured Pool Equity, Notes Rights, Equity Rights, and/or Liquidation Recovery in the same proportions and amounts as provided for in the Plan.

C. Claims Administration Responsibilities

Except as otherwise specifically provided in the Plan, after the Effective Date, the Reorganized Debtors shall have the sole authority: (1) to File, withdraw, or litigate to judgment, objections to Claims or Interests; (2) to settle or compromise any Disputed Claim without any further notice to or action, order, or approval by the Bankruptcy Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Bankruptcy Court. For the avoidance of doubt, except as otherwise

provided herein, from and after the Effective Date, each Reorganized Debtor shall have and retain any and all rights and defenses such Debtor had immediately prior to the Effective Date with respect to any Disputed Claim, including the Causes of Action retained pursuant to Article IV.S of the Plan.

D. Estimation of Claims

Before or after the Effective Date, the Debtors or the Reorganized Debtors may at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim, including during the litigation of any objection to any Claim or during the appeal relating to such objection. In the event that the Bankruptcy Court estimates any Disputed, contingent, or unliquidated Claim that estimated amount shall constitute a maximum limitation on such Claim, as applicable, for all purposes under the Plan (including for purposes of distributions), and the Debtors or the Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such holder has Filed a motion requesting the right to seek such reconsideration on or before 21 days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

E. Adjustment to Claims without Objection

Any duplicate Claim or Interest or any Claim or Interest that has been paid, satisfied, amended, or superseded may be adjusted or expunged on the Claims Register at the direction of the Reorganized Debtors without the Reorganized Debtors having to File an application, motion, complaint, objection, or any other legal proceeding seeking to object to such Claim or Interest and without any further notice to or action, order, or approval of the Bankruptcy Court.

F. No Interest

Unless otherwise specifically provided for herein or by order of the Bankruptcy Court, postpetition interest shall not accrue or be paid on Claims, and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim or right. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim with respect to the period from the Effective Date to the date a final distribution is made on account of such Disputed Claim, if and when such Disputed Claim becomes an Allowed Claim.

G. Disallowance of Claims and Interests

All Claims and Interests of any Entity from which property is sought by the Debtors under sections 542, 543, 550, or 553 of the Bankruptcy Code or that the Debtors or the Reorganized Debtors allege is a transferee of a transfer that is avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code shall be disallowed if: (a) the Entity, on the one hand, and the Debtors or the Reorganized Debtors, as applicable, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turn over any property or monies under any of the aforementioned sections of the Bankruptcy Code; and (b) such Entity or transferee has failed to turn over such property by the date set forth in such agreement or Final Order

H. Single Satisfaction Rule

Holders of Allowed Claims may assert such Claims against each Debtor obligated with respect to such Claims, and such Claims shall be entitled to share in the recovery provided for the applicable Class of Claims against each obligated Debtor based upon the full Allowed amount of such Claims. Notwithstanding the foregoing, in no case shall the aggregate value of all property received or retained under the Plan on account of any Allowed Claim exceed 100 percent of the underlying Allowed Claim plus applicable interest, if any.

ARTICLE VIII
EFFECT OF CONFIRMATION OF THE PLAN

A. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors), Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Interests relate to services performed by employees of the Debtors prior to the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Proof of Claim based upon such debt or right is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the holder of such a Claim or Interest has accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the occurrence of the Effective Date.

B. Releases by the Debtors

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all Causes of Action, including any derivative claims asserted on behalf of the Debtors, that the Debtors, the Reorganized Debtors, or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Seadrill Entities, the Seadrill Entities' in- or out-of-court restructuring efforts, intercompany transactions, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the RSA, the Disclosure Statement, the Investment Agreement, the Plan, or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the RSA, the Disclosure Statement, or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

C. Releases by Holders of Claims and Interests

As of the Effective Date, each Releasing Party is deemed to have released and discharged each Debtor, Reorganized Debtor, and Released Party from any and all Causes of Action, whether known or unknown, including any derivative claims asserted on behalf of the Debtors, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Seadrill Entities, the Seadrill Entities' in- or out-of-court restructuring efforts, intercompany transactions, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the RSA, the Disclosure Statement, the Investment Agreement, the Plan, or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in

connection with the RSA, the Disclosure Statement, the Investment Agreement, or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

D. Exculpation

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is released and exculpated from any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the RSA and related prepetition transactions, the Disclosure Statement, the Plan, or any Restructuring Transaction, contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, except for claims related to any act or omission that is determined in a final order to have constituted actual fraud or gross negligence, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of votes and distribution of consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

E. Injunction

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all Entities who have held, hold, or may hold claims or interests that have been released, discharged, or are subject to exculpation are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, the Exculpated Parties, or the Released Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such claims or interests; (c) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such claims or interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such claims or interests unless such holder has Filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a claim or interest or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests released or settled pursuant to the Plan.

F. Protection against Discriminatory Treatment

In accordance with section 525 of the Bankruptcy Code, and consistent with paragraph 2 of Article VI of the United States Constitution, no Governmental Unit shall discriminate against any Reorganized Debtor, or any Entity with which a Reorganized Debtor has been or is associated, solely because such Reorganized Debtor was a Debtor under chapter 11, may have been insolvent before the commencement of the Chapter 11 Cases (or during the

Chapter 11 Cases but before such Debtor was granted or denied a discharge), or has not paid a debt that is dischargeable in the Chapter 11 Cases.

G. Recoupment

In no event shall any holder of Claims or Interests be entitled to recoup any Claim or Interest against any claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless such holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or Interest or otherwise that such holder asserts, has, or intends to preserve any right of recoupment.

H. Document Retention

On and after the Effective Date, the Reorganized Debtors may maintain documents in accordance with their standard document retention policy, as may be altered, amended, modified, or supplemented by the Reorganized Debtors.

I. Reimbursement or Contribution

If the Bankruptcy Court disallows a Claim for reimbursement or contribution of an Entity pursuant to section 502(e)(1)(B) of the Bankruptcy Code, then to the extent that such Claim is contingent as of the time of allowance or disallowance, such Claim shall be forever disallowed and expunged notwithstanding section 502(j) of the Bankruptcy Code, unless prior to the Confirmation Date: (1) such Claim has been adjudicated as non-contingent; or (2) the relevant holder of a Claim has Filed a non-contingent Proof of Claim on account of such Claim and a Final Order has been entered prior to the Confirmation Date determining such Claim as no longer contingent.

J. Release of Liens

Except with respect to (1) the Liens securing Other Secured Claims (depending on the treatment of such Claims) or (2) as otherwise provided herein or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, including for the avoidance of doubt, the Amended Finance Documents, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and the holders of such mortgages, deeds of trust, Liens, pledges, or other security interests shall execute such documents as may be reasonably requested by the Debtors or the Reorganized Debtors, as applicable, to reflect or effectuate such releases, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

ARTICLE IX
CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

A. Conditions Precedent to the Effective Date.

It shall be a condition to the Effective Date that the following conditions shall have been satisfied or waived pursuant to Article IX.B of the Plan:

1. the RSA and Investment Agreement shall not have been terminated and shall remain in full force and effect;

2. entry of the Confirmation Order and no stay of the Confirmation Order shall then be in effect;

3. entry into the Amended Credit Facilities (with all conditions precedent thereto having been satisfied or waived);

4. issuance of the New Secured Notes and the New Seadrill Common Shares (with all conditions precedent thereto having been satisfied or waived);

5. the effectiveness of all applicable Definitive Documentation, subject to the consent and approval rights set forth in the RSA;

6. the establishment of the Professional Fee Escrow Account;

7. payment of the Bank CoCom and Agents' reasonable and documented unpaid professional fees and expenses;

8. payment of the Commitment Parties' reasonable and documented unpaid professional fees and expenses;

9. all requisite governmental authorities and third parties will have approved or consented to the Restructuring Transactions, to the extent required; and

10. recognition of the Plan through the Bermuda Dissolution Proceedings which would have the effect of an injunction encompassing the terms of the Plan, including the release and exculpations set forth in Article VIII of the Plan, under the Bermuda Dissolution Proceedings.

B. Waiver of Conditions Precedent

The Debtors, with the prior written consent of the Required Consenting Parties, may waive any of the conditions to the Effective Date set forth in Article IX.A of the Plan at any time or as otherwise provided in the RSA or Investment Agreement, without any notice to any other parties in interest and without any further notice to or action, order, or approval of the Bankruptcy Court, and without any formal action other than proceeding to confirm and consummate the Plan. The failure of the Debtors or Reorganized Debtors, as applicable, or the Required Consenting Parties, to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

C. Effect of Non-Occurrence of Conditions to Consummation

If the Effective Date does not occur on or before the termination of the RSA or the Investment Agreement, then: (1) the Plan will be null and void in all respects; (2) nothing contained in the Plan, the Disclosure Statement, the Investment Agreement, or the RSA shall: (a) constitute a waiver or release of any Claims, Interests, or Causes of Action by an Entity; (b) prejudice in any manner the rights of any Debtor or any other Entity; or (c) constitute an admission, acknowledgment, offer, or undertaking of any sort by any Debtor or any other Entity; provided, however, that all provisions of the RSA and Investment Agreement that survive termination of those agreements shall remain in effect in accordance with the terms thereof.

ARTICLE X
MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN

A. Modification of Plan

Subject to the limitations and terms contained in the Plan, the RSA, the Investment Agreement, and the approval rights of the Required Consenting Parties set forth therein, the Debtors reserve the right to (1) amend or modify the Plan before the entry of the Confirmation Order consistent with the terms set forth herein, in accordance with the Bankruptcy Code and the Bankruptcy Rules; and (2) after the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as applicable, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, the RSA, and the Investment Agreement, remedy any defect or omission, or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan consistent with the terms set forth herein.

B. Effect of Confirmation on Modifications

Entry of the Confirmation Order shall constitute approval of all modifications to the Plan occurring after the solicitation thereof pursuant to section 1127(a) of the Bankruptcy Code and a finding that such modifications to the Plan do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

C. Withdrawal of Plan

The Debtors reserve the right, subject to the terms of the RSA and the approval rights of the Required Consenting Parties set forth therein and the Investment Agreement and the approval rights of the Commitment Parties set forth therein, to revoke or withdraw the Plan with respect to any or all Debtors before the Confirmation Date and to File subsequent chapter 11 plans. If the Debtors revoke or withdraw the Plan, or if Confirmation or the Effective Date does not occur, then: (1) the Plan will be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of Executory Contracts or Unexpired Leases effectuated by the Plan, and any document or agreement executed pursuant hereto will be null and void in all respects; and (3) nothing contained in the Plan shall (a) constitute a waiver or release of any Claims, Interests, or Causes of Action by any Entity, (b) prejudice in any manner the rights of any Debtor or any other Entity, or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by any Debtor or any other Entity; provided, however, that all provisions of the RSA and the Investment Agreement that survive termination of those agreements shall remain in effect in accordance with the terms thereof.

ARTICLE XI
RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Claim or Interest and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims or Interests;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to Executory Contracts or Unexpired Leases, including: (a) the assumption or assumption and assignment of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine, and, if necessary, liquidate, any Cure or Claims arising therefrom, including pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; and (c) any dispute regarding whether a contract or lease is or was executory or expired;

4. ensure that distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan and adjudicate any and all disputes arising from or relating to distributions under the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of (a) contracts, instruments, releases, indentures, and other agreements or documents approved by Final Order in the Chapter 11 Cases and (b) the Plan, the Confirmation Order, and contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan;

7. enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

8. grant any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code;

9. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

10. hear, determine, and resolve any cases, matters, controversies, suits, disputes, or Causes of Action in connection with or in any way related to the Chapter 11 Cases, including: (a) with respect to the repayment or return of distributions and the recovery of additional amounts owed by the holder of a Claim or an Interest for amounts not timely repaid pursuant to Article VI of the Plan; (b) with respect to the releases, injunctions, and other provisions contained in Article VIII of the Plan, including entry of such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions; (c) that may arise in connection with the Consummation, interpretation, implementation, or enforcement of the Plan, the Confirmation Order, and contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan; or (d) related to section 1141 of the Bankruptcy Code;

11. decide and resolve all matters related to the issuance of the New Secured Notes and the New Seadrill Common Shares;

12. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

13. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

14. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

15. enter an order or Final Decree concluding or closing the Chapter 11 Cases;

16. enforce all orders previously entered by the Bankruptcy Court; and

17. hear and determine any other matters related to the Chapter 11 Cases and not inconsistent with the Bankruptcy Code or title 28 of the United States Code.

ARTICLE XII
MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, exculpations, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors. All Claims and Interests shall be as fixed, adjusted, or compromised, as applicable, pursuant to the Plan regardless of whether any holder of a Claim or Interest has voted on the Plan.

B. Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan; *provided that* such agreements and other documents shall be consistent in all material respects with the terms and conditions of the RSA and Investment Agreement, including the condition that such documents be in form and substance reasonably satisfactory to the Required Consenting Parties. The Debtors or the Reorganized Debtors, as applicable, and all holders of Claims and Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

C. Payment of Statutory Fees

All fees payable pursuant to 28 U.S.C. § 1930(a) shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or a Final Decree is issued, whichever occurs first.

D. Reservation of Rights

Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the holders of Claims or Interests prior to the Effective Date.

E. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, Affiliate, officer, director, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

F. Service of Documents

After the Effective Date, any pleading, notice, or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall be served on:

Reorganized Debtors	**Seadrill Limited** Par-la-Ville Place 14 Par-la-Ville Road Hamilton HM 08, Bermuda Attention: Georgina Sousa with copies for information only (which shall not constitute notice) to: **Seadrill Management Ltd.** (Corporate Headquarters) 2nd Floor Building 11 Chiswick Business Park 566 Chiswick High Road London W4 5YS United Kingdom Attn: Chris Edwards

Proposed Counsel to Debtors	**Kirkland & Ellis LLP** **Kirkland & Ellis International LLP** 609 Main Street Houston, Texas 77002 Attn.: Brian E. Schartz **Kirkland & Ellis LLP** **Kirkland & Ellis International LLP** 300 North LaSalle Chicago, Illinois 60654 Attn.: James H.M. Sprayregen, P.C. Anup Sathy, P.C. Ross M. Kwasteniet, P.C. Adam C. Paul
United States Trustee	**Office of the United States Trustee** **for the Southern District of Texas** 515 Rusk Street, Suite 3516 Houston, Texas 77002 Attn.: [____]

G. Term of Injunctions or Stays

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases (pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court) and existing on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

H. Entire Agreement

Except as otherwise indicated, and without limiting the effectiveness of the RSA, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

I. Plan Supplement

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be made available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from http://cases.primeclerk.com/Seadrill or the Bankruptcy Court's website at www.txs.uscourts.gov/bankruptcy. Unless otherwise ordered by the Bankruptcy Court, to the extent any exhibit or document in the Plan Supplement is inconsistent with the terms of any part of the Plan that does not constitute the Plan Supplement, such part of the Plan that does not constitute the Plan Supplement shall control.

J. Non-Severability

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted; *provided that* any such alteration or interpretation shall be consistent with the RSA and in form and substance reasonably satisfactory to the Required Consenting Parties. Notwithstanding any such

holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' consent, consistent with the terms set forth herein; and (3) nonseverable and mutually dependent.

K. Votes Solicited in Good Faith

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and each of their respective Affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale, and purchase of Securities offered and sold under the Plan and any previous plan, and, therefore, neither any of such parties or individuals or the Reorganized Debtors will have any liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale, or purchase of the Securities offered and sold under the Plan and any previous plan.

L. Closing of Chapter 11 Cases

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, File all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases.

M. Waiver or Estoppel

Each holder of a Claim or an Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with the Debtors or their counsel, or any other Entity, if such agreement was not disclosed in the Plan, the Disclosure Statement, the RSA, the Investment Agreement or papers Filed prior to the Confirmation Date.

N. Creditor Default

An act or omission by a holder of a Claim or an Interest in contravention of the provisions of this Plan shall be deemed an event of default under this Plan. Upon an event of default, the Reorganized Debtors may seek to hold the defaulting party in contempt of the Confirmation Order and shall be entitled to reasonable attorneys' fees and costs of the Reorganized Debtors in remedying such default. Upon the finding of such a default by a creditor, the Bankruptcy Court may: (a) designate a party to appear, sign and/or accept the documents required under the Plan on behalf of the defaulting party, in accordance with Bankruptcy Rule 7070; (b) enforce the Plan by order of specific performance; (c) award judgment against such defaulting creditor in favor of the Reorganized debtor in an amount, including interest, to compensate the Reorganized Debtors for the damages caused by such default; and (d) make such other order as may be equitable that does not materially alter the terms of the Plan.

[*Remainder of Page Intentionally Left Blank.*]

SEADRILL LIMITED
on behalf of itself and all other Debtors

[NAME]
[TITLE]
[ADDRESS]

Exhibit A

Allowed Credit Agreement Claims Schedule

Allowed Credit Agreement Claims Against Parent Debtors

Prepetition Credit Agreement	Allowed Credit Agreement Secured Claim Against Seadrill Limited	Allowed Credit Agreement Unsecured Claim Against Seadrill Limited	Total Allowed Credit Agreement Claim Against Seadrill Limited	Amended Credit Agreement
Prepetition $300MM Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $400MM Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $440MM Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $450MM Eminence Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $450MM Nordea Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $483MM Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $950MM Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $1.35B Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition $1.5B Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition AOD Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition NADL Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]
Prepetition Sevan Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]

Prepetition Credit Agreement	Allowed Credit Agreement Secured Claim Against Sevan	Allowed Credit Agreement Unsecured Claim Against Sevan	Total Allowed Credit Agreement Claim Against Sevan	Amended Credit Agreement
Prepetition Sevan Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]

Prepetition Credit Agreement	Allowed Credit Agreement Secured Claim Against NADL	Allowed Credit Agreement Unsecured Claim Against NADL	Total Allowed Credit Agreement Claim Against NADL	Amended Credit Agreement
Prepetition NADL Credit Agreement	$[__]	$[__]	$[__]	Plan Supplement, Ex. [__]

Allowed Credit Agreement Claims Against Other Debtors

Prepetition Credit Agreement	Total Allowed Credit Agreement Claim Against Other Seadrill Debtors	Amended Credit Agreement
Prepetition $300MM Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$400MM Prepetition Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$440MM Prepetition Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$450MM Prepetition Eminence Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$450MM Prepetition Nordea Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$483MM Prepetition Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$950MM Prepetition Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$1.35B Prepetition Credit Agreement	$[__]	Plan Supplement, Ex. [__]
$1.5B Prepetition Credit Agreement	$[__]	Plan Supplement, Ex. [__]
Prepetition AOD Credit Agreement	$[__]	Plan Supplement, Ex. [__]
Prepetition NADL Credit Agreement	$[__]	Plan Supplement, Ex. [__]
Prepetition Sevan Credit Agreement	$[__]	Plan Supplement, Ex. [__]

Prepetition Credit Agreement	Total Allowed Credit Agreement Claim Against Other Sevan Debtors	Amended Credit Agreement
Prepetition Sevan Credit Agreement	$[__]	Plan Supplement, Ex. [__]

Prepetition Credit Agreement	Total Allowed Credit Agreement Claim Against Other NADL Debtors	Amended Credit Agreement
Prepetition NADL Credit Agreement	$[__]	Plan Supplement, Ex. [__]

Exhibit B

SFL Claims Schedule

Prepetition SFL Charter	Amended Credit Agreement
Prepetition Hercules Charter	Plan Supplement, Ex. [__]
Prepetition Deepwater Charter	Plan Supplement, Ex. [__]
Prepetition Linus Head-Charter	Plan Supplement, Ex. [__]
Prepetition Linus Sub-Charter	Plan Supplement, Ex. [__]

Exhibit C

List of Debtors

#	Debtor
1.	Seadrill Americas, Inc.
2.	Sevan Drilling North America LLC
3.	Seadrill Limited
4.	North Atlantic Drilling Ltd.
5.	Sevan Drilling Limited (Bermuda)
6.	Eastern Drilling AS
7.	North Atlantic Alpha Ltd.
8.	North Atlantic Crew AS
9.	North Atlantic Crewing Ltd.
10.	North Atlantic Drilling UK Ltd.
11.	North Atlantic Elara Ltd.
12.	North Atlantic Epsilon Ltd.
13.	North Atlantic Linus Charterer Ltd.
14.	North Atlantic Management AS
15.	North Atlantic Navigator Ltd.
16.	North Atlantic Norway Ltd.
17.	North Atlantic Phoenix Ltd.
18.	North Atlantic Support Services Limited
19.	North Atlantic Venture Ltd.
20.	Scorpion Drilling Ltd.
21.	Scorpion Intrepid Ltd.
22.	Scorpion Servicos Offshore Ltda
23.	Scorpion Vigilant Ltd.
24.	Sea Dragon de Mexico S. de R.L. de C.V.
25.	Seadrill Abu Dhabi Operations Limited
26.	Seadrill Angola, Lda.
27.	Seadrill Aquila Ltd.
28.	Seadrill Ariel Ltd.
29.	Seadrill Brunei Ltd.
30.	Seadrill Callisto Ltd.
31.	Seadrill Capital Spares Pool AS
32.	Seadrill Carina Ltd.
33.	Seadrill Castor Ltd.
34.	Seadrill Castor Pte. Ltd.

#	Debtor
35.	Seadrill Cressida Ltd.
36.	Seadrill Deepwater Charterer Ltd.
37.	Seadrill Deepwater Crewing Ltd.
38.	Seadrill Deepwater Units Pte. Ltd.
39.	Seadrill Dorado Ltd.
40.	Seadrill Draco Ltd.
41.	Seadrill Eclipse Ltd.
42.	Seadrill Eminence Ltd.
43.	Seadrill Far East Limited
44.	Seadrill Freedom Ltd.
45.	Seadrill GCC Operations Ltd.
46.	Seadrill Gemini Ltd.
47.	Seadrill Global Services Ltd.
48.	Seadrill Gulf Operations Neptune LLC
49.	Seadrill Indonesia Ltd.
50.	Seadrill International Resourcing DMCC
51.	Seadrill Jack Up Holding Ltd.
52.	Seadrill Jack Up I B.V.
53.	Seadrill Jack Up II B.V.
54.	Seadrill Jupiter Ltd.
55.	Seadrill Labuan Ltd.
56.	Seadrill Libra Ltd.
57.	Seadrill Management (S) Pte. Ltd.
58.	Seadrill Management AME Ltd.
59.	Seadrill Management Ltd.
60.	Seadrill Neptune Hungary Kft.
61.	Seadrill Newfoundland Operations Ltd.
62.	Seadrill Nigeria Operations Ltd.
63.	Seadrill Offshore AS
64.	Seadrill Offshore Malaysia Sdn. Bhd.
65.	Seadrill Offshore Nigeria Limited
66.	Seadrill Operations de Mexico, S. de R.L. de C.V.
67.	Seadrill Orion Ltd.
68.	Seadrill Pegasus (S) Pte. Ltd.
69.	Seadrill Prospero Ltd.
70.	Seadrill Saturn Ltd.
71.	Seadrill Servicos de Petroleo Ltda

#	Debtor
72.	Seadrill Telesto Ltd.
73.	Seadrill Tellus Ltd.
74.	Seadrill Tucana Ltd.
75.	Seadrill UK Ltd.
76.	Sevan Brasil Ltd.
77.	Sevan Driller Ltd.
78.	Sevan Drilling Limited (UK)
79.	Sevan Drilling Pte. Ltd.
80.	Sevan Drilling Rig II AS
81.	Sevan Drilling Rig II Pte. Ltd.
82.	Sevan Drilling Rig V AS
83.	Sevan Drilling Rig V Pte. Ltd.
84.	Sevan Drilling Rig VI AS
85.	Sevan Louisiana Hungary Kft.
86.	Sevan Marine Servicos de Perfuracao Ltda

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
VICTORIA DIVISION

In re:	)	Chapter 11
SEADRILL LIMITED, *et al.*,[1]	)	Case No. 17-60079 (DRJ)
Debtors.	)	(Joint Administration Requested)

DISCLOSURE STATEMENT RELATING TO THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SEADRILL LIMITED AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

JACKSON WALKER L.L.P.
Patricia B. Tomasco (TX Bar No. 01797600)
Matthew D. Cavenaugh (TX Bar No. 24062656)
1401 McKinney Street, Suite 19010
Houston, Texas 77010
Telephone: (713) 752-4284
Facsimile: (713) 308-4184
Email: ptomasco@jw.com
mcavenaugh@jw.com

-and-

Jennifer F. Wertz (TX Bar No. 24072822)
100 Congress Avenue, Suite 1100
Austin, Texas 78701
Telephone: (512) 236-2247
Facsimile: (512) 391-2147
Email: jwertz@jw.com

-and-

Rachel Biblo Block (TX Bar No. 24097382)
2323 Ross Avenue, Suite 600
Dallas, Texas 75201
Telephone: (214) 953-6070
Facsimile: (214) 661-6810
Email: rblock@jw.com

Proposed Co-Counsel to the Debtors and Debtors in Possession

KIRKLAND & ELLIS LLP
KIRKLAND & ELLIS INTERNATIONAL LLP
Anna G. Rotman, P.C. (TX Bar No. 24099361)
Brian E. Schartz (TX Bar No. 24046761)
609 Main Street
Houston, Texas 77002
Telephone: (713) 836-3600
Facsimile: (713) 836-3601
Email: anna.rotman@kirkland.com
brian.schartz@kirkland.com

-and-

James H.M. Sprayregen, P.C.
(*pro hac* vice admission pending)
Anup Sathy, P.C. (*pro hac* vice admission pending)
Ross M. Kwasteniet, P.C. (*pro hac* vice admission pending)
Adam C. Paul (*pro hac* vice admission pending)
300 North LaSalle Street
Chicago, Illinois 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200
Email: james.sprayregen@kirkland.com
anup.sathy@kirkland.com
ross.kwasteniet@kirkland.com
adam.paul@kirkland.com

Proposed Co-Counsel to the Debtors and Debtors in Possession

[1] Due to the large number of Debtors in these chapter 11 cases, for which the Debtors have requested joint administration, a complete list of the Debtors and the last four digits of their tax identification, registration, or like numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed claims and noticing agent at http://cases.primeclerk.com/Seadrill. The location of Debtor Seadrill Americas, Inc.'s principal place of business and the Debtors' service address in these chapter 11 cases is 11025 Equity Drive, Suite 150, Houston, Texas 75201.

IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT[2]

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS ENTITLED TO VOTE FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE JOINT CHAPTER 11 PLAN OF SEADRILL LIMITED AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE VIII HEREIN.

THE PLAN IS SUPPORTED BY THE DEBTORS, CERTAIN HOLDERS OF CLAIMS, AND CERTAIN COMMITMENT PARTIES THAT HAVE EXECUTED THE RESTRUCTURING SUPPORT AGREEMENT, INCLUDING HOLDERS OF APPROXIMATELY 97 PERCENT OF THE CLAIMS ARISING UNDER THE BANK FACILITIES AND HOLDERS OF MORE THAN 40 PERCENT OF THE UNSECURED BONDS. THE DEBTORS URGE HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO VOTE TO ACCEPT THE PLAN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM ENTITLED TO VOTE TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN ANTICIPATED EVENTS IN THE CHAPTER 11 CASES. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH ANTICIPATED EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS OR ANY OTHER AUTHORIZED PARTY MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY

---

2 Capitalized terms used but not defined in this disclaimer shall have the meaning ascribed to them elsewhere in this Disclosure Statement.

DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN AND THE RSA.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS OR INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, WHO VOTE TO REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTION CONTEMPLATED THEREBY.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT DESCRIBED HEREIN AND SET FORTH IN ARTICLE IX OF THE PLAN. THERE IS NO ASSURANCE THAT THE PLAN WILL BE CONFIRMED, OR IF CONFIRMED, THAT THE CONDITIONS REQUIRED TO BE SATISFIED FOR THE PLAN TO GO EFFECTIVE WILL BE SATISFIED (OR WAIVED).

YOU ARE ENCOURAGED TO READ THE PLAN AND THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING ARTICLE VIII, ENTITLED "RISK FACTORS," WHICH BEGINS ON PAGE 50, BEFORE SUBMITTING YOUR BALLOT TO VOTE ON THE PLAN.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTEE BY THE COURT OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE MERITS OF THE PLAN.

SUMMARIES OF THE PLAN AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN. THE SUMMARIES OF THE FINANCIAL INFORMATION AND THE DOCUMENTS ANNEXED TO THIS DISCLOSURE STATEMENT OR OTHERWISE INCORPORATED HEREIN BY REFERENCE ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THOSE DOCUMENTS. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE OF THIS DISCLOSURE STATEMENT, AND THERE IS NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE. EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR IN ACCORDANCE WITH APPLICABLE LAW, THE DEBTORS ARE UNDER NO DUTY TO UPDATE OR SUPPLEMENT THIS DISCLOSURE STATEMENT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF SOLICITING VOTES FOR THE ACCEPTANCES AND CONFIRMATION OF THE PLAN AND MAY NOT BE RELIED ON FOR ANY OTHER PURPOSE. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE DISCLOSURE STATEMENT AND THE PLAN, THE RELEVANT PROVISIONS OF THE PLAN WILL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY SIMILAR FEDERAL, STATE, LOCAL, OR FOREIGN REGULATORY AGENCY, NOR HAS THE SEC OR ANY OTHER AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT.

THE DEBTORS HAVE SOUGHT TO ENSURE THE ACCURACY OF THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT; HOWEVER, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR INCORPORATED HEREIN BY REFERENCE HAS NOT BEEN, AND WILL NOT BE, AUDITED OR REVIEWED BY THE DEBTORS' INDEPENDENT AUDITORS UNLESS EXPLICITLY PROVIDED OTHERWISE.

UPON CONFIRMATION OF THE PLAN, CERTAIN (BUT NOT ALL) OF THE SECURITIES DESCRIBED IN THIS DISCLOSURE STATEMENT WILL BE ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, 15 U.S.C. §§ 77A–77AA, TOGETHER WITH THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "SECURITIES ACT"), OR SIMILAR FEDERAL, STATE, LOCAL, OR FOREIGN LAWS, IN RELIANCE ON THE EXEMPTION SET FORTH IN SECTION 1145 OF THE BANKRUPTCY CODE. OTHER SECURITIES MAY BE ISSUED PURSUANT TO OTHER APPLICABLE EXEMPTIONS UNDER THE FEDERAL SECURITIES LAWS. TO THE EXTENT EXEMPTIONS FROM REGISTRATION UNDER SECTION 1145 OF THE BANKRUPTCY CODE OR APPLICABLE FEDERAL SECURITIES LAW DO NOT APPLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO A VALID EXEMPTION OR UPON REGISTRATION UNDER THE SECURITIES ACT.

THE DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER FEDERAL SECURITIES LAWS. THE DEBTORS CONSIDER ALL STATEMENTS REGARDING ANTICIPATED OR FUTURE MATTERS TO BE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS MAY INCLUDE STATEMENTS ABOUT THE DEBTORS':

- **BUSINESS STRATEGY;**
- **TECHNOLOGY;**
- **FINANCIAL CONDITION, REVENUES, CASH FLOWS, AND EXPENSES;**
- **LEVELS OF INDEBTEDNESS, LIQUIDITY, AND COMPLIANCE WITH DEBT COVENANTS;**
- **FINANCIAL STRATEGY, BUDGET, PROJECTIONS, AND OPERATING RESULTS;**
- **OIL AND NATURAL GAS PRICES AND THE OVERALL HEALTH OF THE OIL AND NATURAL GAS INDUSTRY;**
- **FUTURE DEMAND FOR OFFSHORE DRILLING SERVICES;**
- **THE AMOUNT, NATURE, AND TIMING OF CAPITAL EXPENDITURES;**
- **AVAILABILITY AND TERMS OF CAPITAL;**
- **SUCCESSFUL RESULTS FROM THE DEBTORS' OPERATIONS;**
- **THE INTEGRATION AND BENEFITS OF ASSET AND PROPERTY ACQUISITIONS OR THE EFFECTS OF ASSET AND PROPERTY ACQUISITIONS OR DISPOSITIONS ON THE DEBTORS' CASH POSITION AND LEVELS OF INDEBTEDNESS;**
- **COSTS OF CONDUCTING THE DEBTORS' OTHER OPERATIONS;**
- **GENERAL ECONOMIC AND BUSINESS CONDITIONS;**
- **EFFECTIVENESS OF THE DEBTORS' RISK MANAGEMENT ACTIVITIES;**
- **ENVIRONMENTAL LIABILITIES;**
- **COUNTERPARTY CREDIT RISK;**
- **THE OUTCOME OF PENDING AND FUTURE LITIGATION;**
- **GOVERNMENTAL REGULATION AND TAXATION OF THE OIL AND NATURAL GAS INDUSTRY;**
- **DEVELOPMENTS IN OIL-PRODUCING AND NATURAL GAS-PRODUCING COUNTRIES;**
- **UNCERTAINTY REGARDING THE DEBTORS' FUTURE OPERATING RESULTS;**
- **PLANS, OBJECTIVES, AND EXPECTATIONS;**
- **THE ADEQUACY OF THE DEBTORS' CAPITAL RESOURCES AND LIQUIDITY;**
- **RISKS IN CONNECTION WITH ACQUISITIONS;**
- **THE POTENTIAL ADOPTION OF NEW GOVERNMENTAL REGULATIONS; AND**
- **THE DEBTORS' ABILITY TO SATISFY FUTURE CASH OBLIGATIONS.**

STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE REORGANIZED DEBTORS' FUTURE PERFORMANCE. THERE ARE RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE REORGANIZED DEBTORS' ACTUAL PERFORMANCE OR ACHIEVEMENTS TO BE DIFFERENT FROM THOSE THEY MAY PROJECT, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE THE PROJECTIONS MADE HEREIN. THESE RISKS, UNCERTAINTIES, AND FACTORS MAY INCLUDE THE FOLLOWING: THE DEBTORS' ABILITY TO CONFIRM AND CONSUMMATE THE PLAN; THE POTENTIAL THAT THE DEBTORS MAY NEED TO PURSUE AN ALTERNATIVE TRANSACTION IF THE PLAN IS NOT CONFIRMED; THE DEBTORS' ABILITY TO REDUCE THEIR OVERALL FINANCIAL LEVERAGE; THE POTENTIAL ADVERSE IMPACT OF THE CHAPTER 11 CASES ON THE DEBTORS' OPERATIONS, MANAGEMENT, AND EMPLOYEES; THE RISKS ASSOCIATED WITH OPERATING THE DEBTORS' BUSINESSES DURING THE CHAPTER 11 CASES; CUSTOMER RESPONSES TO THE CHAPTER 11 CASES; THE DEBTORS' INABILITY TO DISCHARGE OR SETTLE CLAIMS DURING THE CHAPTER 11 CASES; GENERAL ECONOMIC, BUSINESS, AND MARKET CONDITIONS; CURRENCY FLUCTUATIONS; INTEREST RATE FLUCTUATIONS; PRICE INCREASES; EXPOSURE TO LITIGATION; A DECLINE IN THE DEBTORS' MARKET SHARE DUE TO COMPETITION OR PRICE PRESSURE BY CUSTOMERS; THE DEBTORS' ABILITY TO IMPLEMENT COST REDUCTION INITIATIVES IN A TIMELY MANNER; THE DEBTORS' ABILITY TO DIVEST EXISTING BUSINESSES; FINANCIAL CONDITIONS OF THE DEBTORS' CUSTOMERS; ADVERSE TAX CHANGES; LIMITED ACCESS TO CAPITAL RESOURCES; CHANGES IN DOMESTIC AND FOREIGN LAWS AND REGULATIONS; TRADE BALANCE; NATURAL DISASTERS; GEOPOLITICAL INSTABILITY; AND THE EFFECTS OF GOVERNMENTAL REGULATION ON THE DEBTORS' BUSINESSES.

TABLE OF CONTENTS

Page

I. INTRODUCTION 1

II. PRELIMINARY STATEMENT 1

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND PLAN 5

A. What is chapter 11? 5
B. Why are the Debtors sending me this Disclosure Statement? 5
C. Am I entitled to vote on the Plan? 6
D. What will I receive from the Debtors if the Plan is consummated? 8
E. What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim? 15
F. Are any regulatory approvals required to consummate the Plan? 16
G. What happens to my recovery if the Plan is not confirmed or does not go effective? 17
H. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?" 17
I. Is there potential litigation related to the Plan? 17
J. Will the final amount of Allowed Unsecured Claims affect the recovery of holders of Allowed Unsecured Claims under the Plan? 17
K. How will the preservation of the Causes of Action impact my recovery under the Plan? 18
L. Will there be releases and exculpation granted to parties in interest as part of the Plan? 19
M. What is the deadline to vote on the Plan? 21
N. How do I vote for or against the Plan? 21
O. Why is the Bankruptcy Court holding a Confirmation Hearing? 21
P. When is the Confirmation Hearing set to occur? 21
Q. What is the purpose of the Confirmation Hearing? 22
R. What is the effect of the Plan on the Debtors' ongoing businesses? 22
S. What are the Notes Rights Offering and the Equity Rights Offerings? 22
T. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan? 22
U. Do the Debtors recommend voting in favor of the Plan? 23
V. Who Supports the Plan? 23

IV. THE DEBTORS' RESTRUCTURING SUPPORT AGREEMENT AND PLAN 23

A. Restructuring Support Agreement 23
B. The Plan 27

V. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW 30

A. Seadrill's Corporate History 30
B. Seadrill's Operations 36
C. The Debtor's Prepetition Capital Structure 38

VI. EVENTS LEADING TO THE CHAPTER 11 FILINGS 43

A. Market Decline and Industry-Specific Challenges 43
B. Proactive Approach to Addressing Liquidity Constraints 44
C. Creditor Negotiations, Bank Deal, Capital Raise Process, and Chapter 11 Filing 45
D. Independent Investigation 46
E. Bermuda Proceedings 46

VII. MATERIAL DEVELOPMENTS AND ANTICIPATED EVENTS OF THE CHAPTER 11 CASES 47

A. Corporate Structure upon Emergence 47
B. Expected Timetable of the Chapter 11 Cases 47
C. First Day Relief 47
D. Other Procedural and Administrative Motions 48
E. Schedules and Statements 48
F. [Appointment of Official Committee] 48
G. Litigation Matters 48
H. Postpetition Marketing Process 49

VIII. RISK FACTORS 50

A. Bankruptcy Law Considerations 50
B. Risks Related to Recoveries under the Plan 54
C. Risks Related to the Debtors' and the Reorganized Debtors' Businesses 56

IX. SOLICITATION AND VOTING PROCEDURES 61

A. Holders of Claims Entitled to Vote on the Plan 62
B. Voting Record Date 62
C. Voting on the Plan 62
D. Ballots Not Counted 63

X. RIGHTS OFFERING PROCEDURES 63

XI. CONFIRMATION OF THE PLAN 64

A. Requirements for Confirmation of the Plan 64
B. Best Interests of Creditors/Liquidation Analysis 64
C. Feasibility 65
D. Acceptance by Impaired Classes 65
E. Confirmation without Acceptance by All Impaired Classes 66
F. Valuation of the Debtors 66

XII. CERTAIN SECURITIES LAW MATTERS 67

A. Issuance of Securities under the Plan 67
B. Subsequent Transfers of Securities Issued under the Plan 67

XIII. CERTAIN UNITED STATES FEDERAL INCOME TAX AND BERMUDA TAX CONSEQUENCES OF THE PLAN 68

A. Introduction 68
B. Certain U.S. Federal Income Tax Consequences to the Debtors 70
C. Bermuda Tax Consequences to the Debtors 72
D. Certain U.S. Federal Income Tax Consequences to the Holders of Certain Claims 72
E. Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Claims 84
F. Information Reporting and Back-up Withholding 84
G. FATCA 85

XIV. RECOMMENDATION 86

EXHIBITS

EXHIBIT A Plan of Reorganization

EXHIBIT B Restructuring Support and Lock-Up Agreement

EXHIBIT C Corporate Organization Chart

EXHIBIT D Disclosure Statement Order

EXHIBIT E Rights Offering Procedures

EXHIBIT F Liquidation Analysis

EXHIBIT G Financial Projections

EXHIBIT H Valuation Analysis

I. INTRODUCTION

Seadrill Limited and its debtor affiliates, as debtors and debtors in possession (collectively, the "Debtors," and together with Seadrill Limited's direct and indirect non-Debtor subsidiaries and affiliates, collectively, "Seadrill"), submit this disclosure statement (this "Disclosure Statement"), pursuant to section 1125 of the Bankruptcy Code, to holders of Claims against the Debtors in connection with the solicitation of votes for acceptance of the *Joint Chapter 11 Plan of Reorganization of Seadrill Limited and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, dated [●] (the "Plan").[1] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for each of the Debtors.

THE DEBTORS, CERTAIN HOLDERS OF CLAIMS, AND CERTAIN COMMITMENT PARTIES THAT HAVE EXECUTED THE RESTRUCTURING SUPPORT AGREEMENT, INCLUDING HOLDERS OF APPROXIMATELY 97 PERCENT OF THE CLAIMS ARISING UNDER THE BANK FACILITIES (AS DEFINED BELOW) AND HOLDERS OF MORE THAN 40 PERCENT OF THE UNSECURED BONDS (AS DEFINED BELOW), SUPPORT CONFIRMATION OF THE PLAN AND THE DEBTORS BELIEVE THAT THE COMPROMISES CONTEMPLATED UNDER THE PLAN ARE FAIR AND EQUITABLE, MAXIMIZE THE VALUE OF THE DEBTORS' ESTATES, AND PROVIDE THE BEST RECOVERY TO STAKEHOLDERS. AT THIS TIME, THE DEBTORS BELIEVE THE PLAN REPRESENTS THE BEST AVAILABLE OPTION FOR COMPLETING THE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. PRELIMINARY STATEMENT

Seadrill was formed in 2005. Since then, it has grown into one of the world's largest offshore drilling contractors and now serves customers around the globe. Seadrill's customers (typically referred to as "operators") include super-major and major oil and gas companies, state-owned national oil companies, and comparatively smaller, local independent offshore exploration and production companies. The Debtors' fleet, which makes up the substantial majority of the enterprise-wide Seadrill fleet, consists of 32 offshore drilling units, including 7 drillships, 12 semi-submersible rigs, and 13 jack-up rigs. Seadrill has also contracted for the construction and delivery of 14 additional offshore drilling units (including 4 drillships, 2 semi-submersible rigs, and 8 jack-up rigs) that are in varying stages of completion in shipyards located in Southeast Asia. Four of Seadrill's newbuild contracts are with Debtor entities. In simple terms, the Debtors' business is to contract their 32 rigs for a specified period of time (often spanning several years) at a contracted-for daily rate or "dayrate."

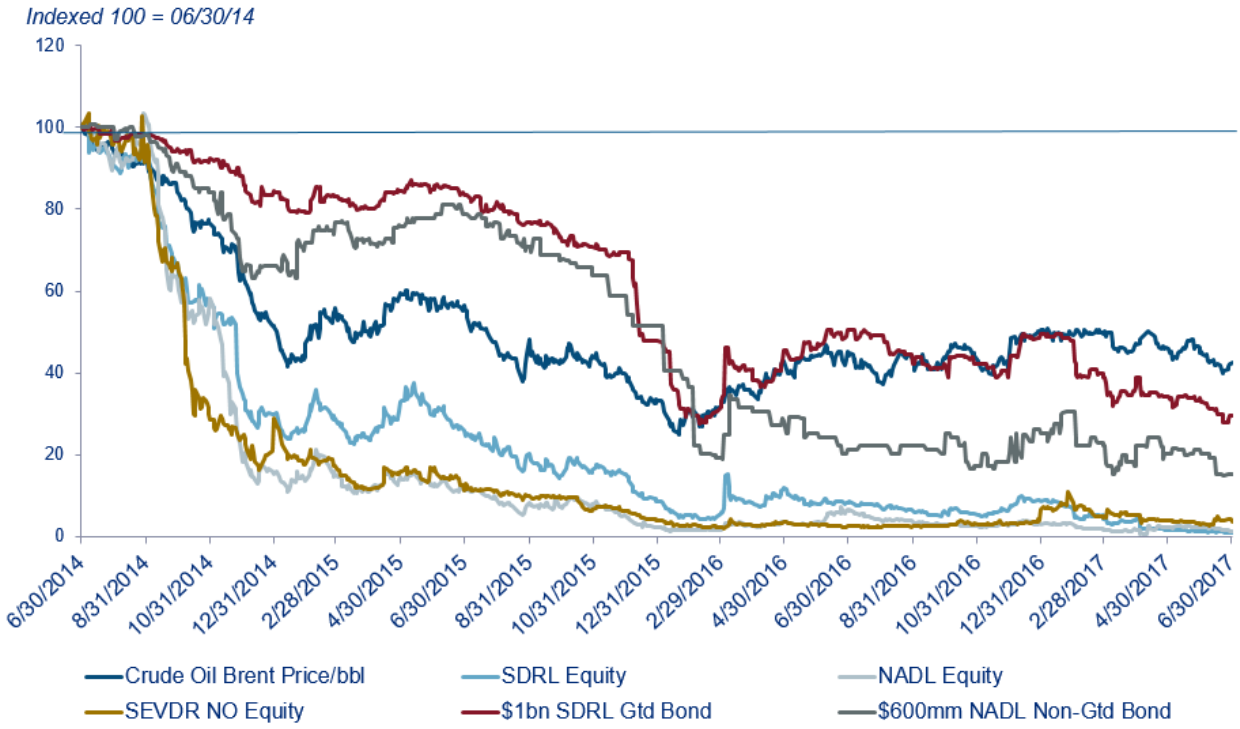
As of the Petition Date, the Debtors are liable for more than $8 billion in aggregate funded-debt obligations, including: (a) obligations under 12 Seadrill Limited backed, secured bank-funded credit facilities (the "Bank Facilities," and the lenders thereunder, the "Bank Lenders") with an aggregate principal amount outstanding of approximately $5.7 billion (each with a discrete collateral package—primarily non-overlapping combinations of the Debtors' offshore drilling rigs), the administrative agent banks for which form the Bank CoCom (described below); and (b) six series of unsecured bonds (the "Unsecured Bonds") with an aggregate principal amount outstanding of approximately $2.3 billion. Additionally, the Debtors are liable for an aggregate of approximately (a) $1.8 billion in contingent

---

[1] Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern**.

liabilities under 4 newbuild contracts and (b) $1.1 billion in capital lease obligations under three sale/leaseback agreements with certain of SFL's subsidiaries.

For the last three years, oil and natural gas prices have been in a down cycle. Offshore drillers like Seadrill depend on "upstream" capital expenditures to fuel continued growth and success. During this down cycle, a number of large upstream oil and natural gas exploration and production companies, servicing companies, and operators have been forced to seek chapter 11 protection. Even the super-major oil and gas companies that have avoided restructurings have aggressively scaled back exploration and production-related capital expenditures. As a result, the distress in the upstream sector has spread to service providers and other ancillary businesses that depend on upstream capital expenditures for their revenues, including offshore drilling companies like Seadrill. The graphic below highlights the link between Seadrill's success and commodity pricing conditions by comparing the declines in the trading price from mid-2014 to today of (a) crude oil, (b) Seadrill Limited, NADL, and Sevan common shares, and (c) certain of the Unsecured Bonds (with and without a Seadrill Limited guarantee).



Oil prices peaked in mid-2014 at more than $115 per barrel before declining to less than $30 per barrel by early 2016. While oil prices have recovered modestly since early 2016, they have hovered near or below breakeven pricing for offshore drilling projects. During that same period, Seadrill Limited's common share trading price fell to a fraction of mid-2014 highs.

As an initial response to deteriorating market conditions, in November 2014, Seadrill Limited decided to suspend dividends to shareholders. In early 2015, Seadrill began discussions with the Bank Lenders, which resulted in limited covenant relief under its secured bank-funded facilities pursuant to amendments executed in May 2015. While the Debtors' cash position has been strong since Seadrill Limited suspended dividends, it became clear that maturing funded-debt obligations would be difficult, if not impossible, to refinance and could cause an enterprise-wide liquidity squeeze if not addressed proactively. Thus, beginning in late 2015 and into early 2016, Seadrill continued broader discussions with a "coordinating committee" (the "Bank CoCom") that included each of the administrative agent banks under the Bank Facilities.

As a result of discussions with the Bank CoCom, in April 2016, Seadrill executed amendments and waiver agreements (collectively, the "R1 Agreement") with respect to the Bank Facilities that resulted in additional covenant relief and extended the maturities of certain of the Bank Facilities. As part of the R1 Agreement, the parties established April 30, 2017 as the "long stop" date by which Seadrill was to implement a broader restructuring. In March and April 2017, Seadrill and the requisite Bank Lenders again agreed to extend the maturities of certain of the Bank Facilities and also agreed to extend the long stop date to July 31, 2017. The requisite Bank Lenders subsequently agreed to a further, final extension of the long stop date to September 12, 2017 and applicable Bank Facility maturities to September 14, 2017.[2]

Seadrill took full advantage of the time provided by the foregoing maturity extensions to explore a number of strategic alternatives. The key focus at the outset of negotiations with the Bank Lenders was to secure at least a five-year liquidity runway to bridge to a broader market recovery. This runway, embodied in the Bank Deal (described below), forms the foundation of the Debtors' restructuring. While the Bank Lenders expressed a willingness to enter into a transaction to extend maturities and reduce near-term amortization obligations as part of a broader restructuring, they insisted that the transaction be supported by a capital injection of at least $1 billion to ensure that Seadrill has sufficient liquidity to weather the economic storm and, in part, to serve as credit support for the restructured Bank Facility obligations.

Thus, beginning in September 2016, the Debtors launched a capital raise process seeking at least $1 billion in new financing. After nearly six months of marketing efforts and negotiations, the Debtors received a joint proposal from Hemen Holding Ltd. ("Hemen"), Seadrill Limited's largest shareholder and a leading investor in the offshore space, and Centerbridge Credit Partners L.P. ("Centerbridge") that contemplated a $1 billion investment. Over time, that proposal developed into a $1.06 billion commitment (the "Capital Commitment") backed not only by Hemen and Centerbridge, but also by a syndicate of additional investors (together with Hemen and Centerbridge, the "Commitment Parties"). The Syndication Parties hold approximately 30 percent of the Debtors' approximately $2.3 billion in outstanding unsecured bonds (the "Unsecured Bonds"). The Commitment Parties (*i.e.*, including Hemen and Centerbridge) hold approximately 40 percent of the Unsecured Bonds. Thus, while the Bank Deal serves as the foundation of the Debtors' restructuring, the opportunity to participate in the Capital Commitment has served as an important building block for consensus.

The continued investment of Hemen was critical to the success of the Debtors' fund raising goals. ***First***, the Bank CoCom refused to waive change-of-control default provisions in the Bank Facility credit agreements tied to Hemen's level of ownership of Seadrill Limited. Many of the Bank Lenders have significant long-term relationships with Hemen and told Seadrill the necessary level of concessions and flexibility were conditioned on Hemen's involvement in Seadrill post-restructuring. ***Second***, many of the third parties Seadrill spoke to said they would only be interested in investing in the Debtors' recapitalization if Hemen was an anchor investor. Hemen is a world-renowned leader in the offshore drilling and shipping markets and Hemen's participation in the Capital Commitment (described below) helped validate the investment opportunity and attracted others to participate. Initially, however, Hemen was resistant to the idea of being the lead investor, preferring to let other investors set market-clearing terms. After further discussions and a request from the Debtors to submit a proposal, in March 2017, Hemen (partnering with Centerbridge) submitted a proposal. This proposal ultimately developed into the Capital Commitment

On the heels of this resolution, after nearly two years of negotiations, the Debtors, approximately 97 percent of the Bank Lenders, the Commitment Parties, and SFL (and certain of SFL's subsidiaries)

---

[2] As described below, on August 14, 2017, because the Debtors' and the requisite Bank Lenders could not reach a consensual resolution to further extend the maturity of the maturing *West Eminence* Facility (due to a single Bank Lender), the Debtors sought and a court of competent jurisdiction in Bermuda entered an order approving a scheme of arrangement that effectuated an extension the maturity of the maturing *West Eminence* Facility to September 14, 2017.

agreed to the consensual restructuring transaction set forth in the Restructuring Support Agreement. Together, the Commitment Parties party hold more than 40 percent of the Unsecured Bonds. Importantly, the fact that the Debtors were negotiating with the Commitment Parties has been disclosed numerous times dating back to 2016 and other bondholders had the opportunity to execute nondisclosure agreements for purposes of taking on nonpublic information and participating in negotiations. The Debtors are hopeful that many more holders of the Unsecured Bonds will join the Restructuring Support Agreement as well.

The Restructuring Support Agreement, a copy of which is attached hereto as **Exhibit B** and incorporated herein by reference, contemplates a series of transformative restructuring transactions that will:

- eliminate near-term amortization obligations and extend maturities under the Debtors' secured bank facilities by approximately five years, on average (the "Bank Deal");
- equitize $2.3 billion in unsecured bond obligations;
- facilitate a $1.06 billion capital injection backed by the Commitment Parties, which will take the form of $860 million in new secured notes (the "NSNs") and a $200 million direct equity investment;
- leave employee, customer, and ordinary trade Claims largely Unimpaired; and
- re-cast the Debtors' corporate structure into a new "IHCo"/"RigCo"/"NSNCo" holding structure that will support both the Bank Deal and the Capital Commitment.

In addition to addressing the Debtor's capital structure, the transactions contemplated by the Restructuring Support Agreement will preserve Seadrill's valuable relationships with the Bank Lenders, which collectively represent a substantial portion of the worldwide rig financing market. The transactions also will preserve Seadrill's valuable relationship with Hemen, which is Seadrill's largest shareholder, is affiliated with one of the largest oil tanker and shipping groups in the world, and is critical to Bank Lender consent to a restructuring. Finally, the broad consensus embodied in the Restructuring Support Agreement will ensure that the Chapter 11 Cases proceed in an efficient, cost-effective manner. In accordance with the Restructuring Support Agreement, on the Petition Date, the Debtors commenced these chapter 11 cases.

In addition to the recapitalization contemplated by the Restructuring Support Agreement, the Debtors negotiated a series of transactions in the months preceding the Petition Date to limit the effects of the Chapter 11 Cases on certain of the Debtors' non-Debtor Affiliates, including cross-defaults that would otherwise have been triggered upon a Seadrill Limited chapter 11 filing, thereby limiting the number of Seadrill entities filing for chapter 11 protection. Seadrill Limited owns substantial, but non-controlling, interests in a number of entities described below as "Non-Consolidated Entities." Seadrill Limited's ownership interests in the Non-Consolidated Entities collectively form a key enterprise value driver and failure to insulate the Non-Consolidated Entities from the effects of the Chapter 11 Cases could have led to cross-defaults that could have destroyed a great deal of that value. Each of the Non-Consolidated Entities, as well as the applicable prepetition insulating transaction, are described in greater detail in Article V.A(ii) of this Disclosure Statement, entitled "Non-Consolidated Entities and Description of Insulating Transactions," which begins on page 32.

To capture the full benefit of the compromises embodied in the Restructuring Support Agreement, and to avoid losing the Capital Commitment, the Debtors must move through chapter 11 at a steady pace. The investment agreement governing the Capital Commitment (the "Investment Agreement") has two key milestones:

- entry of an order confirming the Debtors' chapter 11 plan within nine months following the Petition Date; and

- the effective date of the Debtors' chapter 11 plan occurring within two months following the confirmation of the Plan.

These milestones allow the Debtors more than sufficient time to market test the terms of the Capital Commitment to determine whether they are the best available under the circumstances.[3] The Debtors negotiated an unqualified, 90-day "go shop" period (measured from the Petition Date) under the Investment Agreement to allow this value-maximizing marketing process to occur. The Debtors' postpetition marketing process is described in greater detail in Article VII.H of this Disclosure Statement, entitled "Postpetition Marketing Process," which begins on page 49. The Debtors intend to complete the postpetition marketing process and then move promptly to approval of this Disclosure Statement and confirmation of the Plan.

The formulation of the Restructuring Support Agreement and Plan is a significant achievement for the Debtors in the face of historic commodity price declines and a depressed operating environment. The Debtors strongly believe that the Plan is in the best interests of the Debtors' estates, and represents the best available alternative. Given the Debtors' core strengths, including their modern fleet, highly-skilled workforce, global reach, and successful operating and safety track record, the Debtors are confident they can efficiently implement the restructuring set forth in the Restructuring Support Agreement to ensure their long-term viability and success. For these reasons, the Debtors strongly recommend that holders of Claims entitled to vote to accept or reject the Plan vote to accept the Plan.

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND PLAN

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a chapter 11 plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a disclosure

[3] The Investment Agreement further requires that the Debtors secure entry of an order approving this Disclosure Statement within five months after the Petition Date.

statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan and to share such disclosure statement with all holders of claims whose votes on the Plan are being solicited. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution under, the Plan, if any, depends on what type of Claim you hold. Each category of holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below:

Class	Claim or Interest	Status	Voting Rights
Other Claims			
A1	Other Secured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
A2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
A3	Intercompany Claims	Impaired/ Unimpaired	Not Entitled to Vote (Deemed to Accept or Reject)
Claims against Seadrill Limited			
B1-a	$1.5B Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-b	$483MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-c	$450MM Eminence Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-d	$1.35B Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-e	$950MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-f	$450MM Nordea Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-g	$440MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-h	$400MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B1-i	$300MM Credit Agreement Secured Claims against Seadrill Limited	Impaired	Entitled to Vote
B2	Guarantee Facility Claims against Seadrill Limited	Impaired	Entitled to Vote

Class	Claim or Interest	Status	Voting Rights
B3	General Unsecured Claims against Seadrill Limited	Impaired	Entitled to Vote
B4	Seadrill Limited 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
B5	Interests in Seadrill Limited	Impaired	Not Entitled to Vote (Deemed to Reject)
Claims against Other Seadrill Debtors			
C1-a	$1.5B Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-b	$483MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-c	$450MM Eminence Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-d	$1.35B Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-e	$950MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-f	$450MM Nordea Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-g	$440MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-h	$400MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-i	$300MM Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C1-j	Prepetition AOD Credit Agreement Claims against Other Seadrill Debtors	Impaired	Entitled to Vote
C2	General Unsecured Claims against Other Seadrill Debtors	Unimpaired	Not Entitled to Voted (Deemed to Accept)
C3	Interests in Other Seadrill Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Claims against NADL			
D1	Secured Credit Agreement Claim against NADL	Impaired	Entitled to Vote
D2	NADL Revolving Loan Claim	Impaired	Entitled to Vote
D3	General Unsecured Claims against NADL	Impaired	Entitled to Vote
D4	NADL 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
D5	Interests in NADL	Impaired	Not Entitled to Vote (Deemed to Reject)

Class	Claim or Interest	Status	Voting Rights
Claims against Other NADL Debtors			
E1	Credit Agreement Claims against Other NADL Debtors	Impaired	Entitled to Vote
E2	General Unsecured Claims against Other NADL Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)
E3	Interests in Other NADL Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Claims against Sevan			
F1	Secured Credit Agreement Claims against Sevan	Impaired	Entitled to Vote
F2	Sevan Second Lien Claim	Impaired	Entitled to Vote
F3	General Unsecured Claims against Sevan	Unimpaired	Not Entitled to Vote (Deemed to Accept)
F4	Sevan 510(b) Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
F5	Interests in Sevan	Unimpaired	Not Entitled to Vote (Deemed to Accept)
Claims against Other Sevan Debtors			
G1	Credit Agreement Claims against Other Sevan Debtors	Impaired	Entitled to Vote
G2	General Unsecured Claims against Other Sevan Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)
G3	Interests in Other Sevan Debtors	Unimpaired	Not Entitled to Vote (Deemed to Accept)

D. What will I receive from the Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to holders of Claims or Interests under the Plan. Any estimates of Claims or Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to consummate the Plan. As used in describing the treatment of holders of Interests in Classes B5. D5, and F5, "extinguished" means extinguishment of the economic interests pursuant to Bermuda law; the shares representing such Interests will not themselves be extinguished under Bermuda law.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[4]

[4] The recoveries set forth below may change based upon changes in the amount of Claims that are Allowed (as defined in the Plan) as well as other factors related to the Debtors' business operations and general economic conditions.

Each holder of an Allowed Claim or Allowed Interest, as applicable, shall receive under the Plan the treatment described below in full and final satisfaction, settlement, release, and discharge of and in exchange for such holder's Allowed Claim or Allowed Interest, except to the extent different treatment is agreed to by the Reorganized Debtors and the holder of such Allowed Claim or Allowed Interest, as applicable. Unless otherwise indicated, the holder of an Allowed Claim or Allowed Interest, as applicable, shall receive such treatment on the Effective Date or as soon as reasonably practicable thereafter.

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		Other Claims		
A1	Other Secured Claims	Each holder of an Allowed Other Secured Claim shall receive as determined by the Debtors or the Reorganized Debtors, as applicable: (i) payment in full in Cash of its Allowed Other Secured Claim; (ii) the collateral securing its Allowed Other Secured Claim; (iii) Reinstatement of its Allowed Other Secured Claim; or (iv) such other treatment rendering its Allowed Other Secured Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code.	[●]	[●]
A2	Other Priority Claims	Each holder of an Allowed Other Priority Claim shall receive Cash in an amount equal to such Allowed Other Priority Claim.	[●]	[●]
A3	Intercompany Claims	Intercompany Claims shall be, at the election of the applicable Debtor, be (a) Reinstated or (b) released.	[●]	[●]
		Claims against Seadrill Limited		
B1-a	$1.5B Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-a Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.5B Credit Agreement in principal amount equal to the amount of its Allowed Class B1-a Claims.	[●]	[●]
B1-b	$483MM Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-b Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $483MM Credit Agreement in a principal amount equal to its Allowed Class B1-b Claims.	[●]	[●]
B1-c	$450MM Eminence Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-c Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450M Eminence Credit Agreement in a principal amount equal to the amount of its Allow class B1-c Claims.	[●]	[●]
B1-d	$1.35B Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-d Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.35B Credit Agreement in a principal amount equal to the amount of its Allow class B1-d Claims.	[●]	[●]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
B1-e	$950MM Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-e Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $950MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-e Claims.	[●]	[●]
B1-f	$450MM Nordea Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-f Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450MM Nordea Credit Agreement in a principal amount equal to the amount of its Allow class B1-f Claims.	[●]	[●]
B1-g	$440MM Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-g Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $440MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-g Claims.	[●]	[●]
B1-h	$400MM Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-h Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $400MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-h Claims.	[●]	[●]
B1-i	$300MM Credit Agreement Secured Claims against Seadrill Limited	Each holder of an Allowed Class B1-i Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $300MM Credit Agreement in a principal amount equal to the amount of its Allow class B1-i Claims.	[●]	[●]
B2	Guarantee Facility Claim against Seadrill Limited	Each holder of an Allowed Guarantee Facility Claim against Seadrill Limited shall receive their Pro Rata share of participation in the Amended Guarantee Facility.	[●]	[●]
B3	General Unsecured Claims against Seadrill Limited	• **If Class B3 votes to accept the Plan**, each holder of an Allowed General Unsecured Claim against Seadrill Limited (including Allowed Seadrill Limited Unsecured Note Claims, Seadrill Limited Interest Rate Swap Claims, and Seadrill Limited Currency Swap Claims) shall receive: (1) 100 percent of its Pro Rata share (measured by reference to the Unsecured Pool Denominator) of the Unsecured Pool Equity and, (2) if such holder is an Eligible Holder it shall also receive 100 percent of its Pro Rata share of (A) the Note Rights and (B) the Equity Rights; *provided*, *however*, that the Commitment Parties have agreed not to receive the Note Rights and Equity Rights on account of their General Unsecured Claims against Seadrill	[●]	[●]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		• **If Class B3 votes to reject the Plan**, each holder of an Allowed General Unsecured Claim against Seadrill Limited shall receive the Liquidation Recovery, unless otherwise ordered by the Bankruptcy Court. *provided*, *however*, that the holders of Credit Agreement Unsecured Claims against Seadrill Limited have agreed to forgo their right to receive their Pro Rata share of any recovery on account of General Unsecured Claims against Seadrill Limited; *provided further*, that, for the avoidance of doubt, holders of Credit Agreement Unsecured Claims against Seadrill Limited shall be entitled to vote to accept or reject the Plan on account of such Claims.		
B4	Seadrill Limited 510(b) Claims	• **If Class B3 votes to accept the Plan**, each holder of an Allowed Seadrill Limited 510(b) Claim shall receive its Pro Rata share of the Equity Recovery. • **If Class B3 votes to reject the plan**, each holder of an Allowed Seadrill Limited 510(b) Claim will be extinguished and shall not receive or retain any distribution, property, or other value on account of their Seadrill Limited 510(b) Claims.	$[●]	N/A
B5	Interests in Seadrill Limited	All Interests in Seadrill Limited will be extinguished in accordance with the Description of the Transaction Steps and: • **If Class B3 votes to accept the Plan**, each holder of an Allowed Interest in Seadrill Limited shall receive its Pro Rata share of the Equity Recovery. • **if Class B3 votes to reject the plan**, each holder of an Allowed Interest in Seadrill Limited shall not receive or retain any distribution, property, or other value on account of its Interest in Seadrill Limited.	N/A	N/A
Claims against Other Seadrill Debtors				
C1-a	$1.5B Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-a Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.5B Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-a Claim less (ii) the principal amount of its participation received on account of its Class B1-a Claims, if any.	[●]	[●]
C1-b	$483MM Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-b Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $483MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-b Claim less (ii) the principal amount of its participation received on account	[●]	[●]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		of its Class B1-b Claims, if any.		
C1-c	$450MM Eminence Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-c Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450MM Eminence Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-c Claim less (ii) the principal amount of its participation received on account of its Class B1-c Claims, if any.	[●]	[●]
C1-d	$1.35B Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-d Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $1.35B Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-d Claim less (ii) the principal amount of its participation received on account of its Class B1-d Claims, if any.	[●]	[●]
C1-e	$950MM Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-e Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $950MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-e Claim less (ii) the principal amount of its participation received on account of its Class B1-e Claims, if any.	[●]	[●]
C1-f	$450MM Nordea Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-f Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $450MM Nordea Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-f Claim less (ii) the principal amount of its participation received on account of its Class B1-f Claims, if any.	[●]	[●]
C1-g	$440MM Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-g Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $440MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-g Claim less (ii) the principal amount of its participation received on account of its Class B1-g Claims, if any.	[●]	[●]
C1-h	$400MM Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-h Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended $400MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-h Claim less (ii) the principal amount of its participation received on account of its Class B1-h Claims, if any.	[●]	[●]
C1-i	$300MM Credit Agreement	Each holder of an Allowed Class C1-i Claim shall receive its Pro Rata share of participation in the Amended Credit	[●]	[●]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
	Claims against Other Seadrill Debtors	Facility entered into pursuant to the Amended $300MM Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-i Claim less (ii) the principal amount of its participation received on account of its Class B1-i Claims, if any.		
C1-j	Prepetition AOD Credit Agreement Claims against Other Seadrill Debtors	Each holder of an Allowed Class C1-j Claim shall receive its Pro Rata share of participation in the Amended Credit Facility entered into pursuant to the Amended AOD Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class C1-j Claim	[●]	[●]
C2	General Unsecured Claims Against Other Seadrill Debtors	Each holder of an Allowed General Unsecured Claim against an Other Seadrill Debtor shall, at the election of the applicable Debtor, be (a) Reinstated or (b) paid in full in Cash.	[●]	100%
C3	Interests in Other Seadrill Debtors	Each holder of an Allowed Interest in an Other Seadrill Debtor shall be Reinstated.	N/A	100%
Claims against NADL				
D1	Credit Agreement Claim against NADL	Each holder of an Allowed Class D1 Claim shall receive its Pro Rata participation in the Amended Credit Facility entered into pursuant to the Amended NADL Credit Agreement in principal amount equal to the amount of its Allowed Class D1 Claims.	[●]	[●]
D2	NADL Revolving Loan Claim	The holder of the NADL Revolving Loan Claim shall, at the election of the applicable Debtor, be (a) Reinstated or (b) released	[●]	100%/0%
D3	General Unsecured Claims against NADL	• **If Class D3 votes to accept the Plan**, each holder of an Allowed General Unsecured Claim against NADL (including NADL Guaranteed Unsecured Claims and NADL Non-Guaranteed Unsecured Note Claims) shall receive: (1) 70 percent of its Pro Rata share (measured by reference to the Unsecured Pool Denominator) of the Unsecured Pool Equity and, (2) if such holder is an Eligible Holder it shall also receive 70 percent of its Pro Rata share of (A) the Note Rights and (B) the Equity Rights; *provided*, *however*, that the Commitment Parties have agreed not to receive the Note Rights and Equity Rights on account of their General Unsecured Claims against NADL. • **If Class D3 votes to reject the Plan**, each holder of an Allowed General Unsecured Claim against NADL shall receive the Liquidation Recovery, unless otherwise ordered by the Bankruptcy Court.	[●]	[●]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		provided, *however*, that the holders of Credit Agreement Unsecured Claims against NADL have agreed to forgo their right to receive their Pro Rata share of any recovery on account of General Unsecured Claims against NADL; *provided*, *further*, that, for the avoidance of doubt, holders of Credit Agreement Unsecured Claims shall be entitled to vote to accept or reject the Plan on account of such Claims.		
D4	NADL 510(b) Claims	Each holder of an Allowed NADL 510(b) Claim will be extinguished and shall not receive or retain any distribution, property, or other value on account of their Seadrill Limited 510(b) Claims.	[●]	N/A
D5	Interests in NADL	Each Interest in NADL will be extinguished in accordance with the Description of the Transaction Steps and each holder of such Interest in NADL shall not receive or retain any distribution, property, or other value on account of its Interest in NADL.	N/A	0%
Claims against Other NADL Debtors				
E1	Credit Agreement Claims against Other NADL Debtors	On the Plan Effective Date, each holder of an allowed Credit Agreement Claim against an Other NADL Debtor shall receive its pro rata participation in the Amended Credit Facility entered into pursuant to the Amended NADL Credit Agreement in a principal amount equal to (i) the amount of its Allowed Class E1 Claim less (ii) the principal amount of its participation received on account of its Class D1 Claims, if any.	[●]	[●]
E2	General Unsecured Claims against Other NADL Debtors	On the Plan Effective Date, each holder of an allowed General Unsecured Claim against an Other NADL Debtor shall, at the election of the applicable Debtor, be (a) Reinstated or (b) paid in full in Cash.	[●]	100%
E3	Interests in Other NADL Debtors	On the Plan Effective Date, each allowed Interest in an Other NADL Debtor shall be Reinstated.	N/A	100%
Claims against Sevan				
F1	Credit Agreement Claims against Sevan	Each holder of an Allowed Class F1 Claim shall receive its Pro Rata participation in the Amended Sevan Credit Facility.	[●]	[●]
F2	Sevan Second Lien Claim	All Sevan Second Lien Claims shall, at the election of the applicable Debtor, be (a) Reinstated or (b) released	[●]	100%/0%
F3	General Unsecured Claims against Sevan	• **If Class F3 votes to accept the Plan**, each holder of an Allowed General Unsecured Claim against Sevan shall receive: (1) 70 percent of its Pro Rata share (measured by reference to the Unsecured Pool Denominator) of the Unsecured Pool Equity and, (2) if	[●]	[●]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		such holder is an Eligible Holder it shall also receive 70 percent of its Pro Rata share of (A) the Note Rights and (B) the Equity Rights; *provided*, *however*, that the Commitment Parties have agreed not to receive the Note Rights and Equity Rights on account of their General Unsecured Claims against Sevan. • **If Class F3 votes to reject the Plan**, each holder of an Allowed General Unsecured Claim against Sevan shall receive the Liquidation Recovery, unless otherwise ordered by the Bankruptcy Court. *provided*, *however*, that the holders of Credit Agreement Unsecured Claims against Sevan have agreed to forgo their right to receive their Pro Rata share of any recovery on account of General Unsecured Claims against Sevan; *provided*, *further*, that, for the avoidance of doubt, holders of Credit Agreement Unsecured Claims against Sevan shall be entitled to vote to accept or reject the Plan on account of such Claims.		
F4	Sevan 510(b) Claims	Each holder of an Allowed Sevan 510(b) Claim will be extinguished and shall not receive or retain any distribution, property, or other value on account of their Sevan 510(b) Claims.	[●]	N/A
F5	Interests in Sevan	Each holder of an Interest in Sevan will be extinguished and shall not receive or retain any distribution, property, or other value on account of its Interest in Sevan.	N/A	0%
Claims against Other Sevan Debtors				
G1	Sevan Credit Agreement Subsidiary Claims	Each holder of an Allowed Class G1 Claim shall receive its Pro Rata participation in the Amended Sevan Credit Facility.	[●]	[●]
G2	General Unsecured Claims against Other Sevan Debtors	Each holder of an Allowed General Unsecured Claim against an Other Sevan Debtor shall, at the election of the applicable Debtor, be (a) Reinstated or (b) paid in full in Cash.	[●]	100%
G3	Interests in Other Sevan Debtors	Each Allowed Interest in an Other Sevan Debtor shall be Reinstated.	N/A	100%

E. What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims or Interests set forth in Article III of the Plan.

1. Administrative Claims

Administrative Claims will be satisfied as set forth in Article II.A of the Plan, as summarized herein. Unless otherwise agreed to by the holder of an Allowed Administrative Claim and the Debtors or the Reorganized Debtors, as applicable, each holder of an Allowed Administrative Claim (other than holders of Professional Fee Claims and Claims for fees and expenses pursuant to section 1930 of chapter 123 of title 28 of the United States Code) will receive in full and final satisfaction of its Administrative Claim an amount of Cash equal to the amount of such Allowed Administrative Claim in accordance with the following: (a) if an Administrative Claim is Allowed on or prior to the Effective Date, on the Effective Date or as soon as reasonably practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter); (b) if such Administrative Claim is not Allowed as of the Effective Date, no later than 30 days after the date on which an order Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter; (c) if such Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim without any further action by the holders of such Allowed Administrative Claim; (d) at such time and upon such terms as may be agreed upon by such holder and the Debtors or the Reorganized Debtors, as applicable; or (e) at such time and upon such terms as set forth in an order of the Bankruptcy Court.

Except as otherwise provided in Article II.A of the Plan, and except with respect to Administrative Claims that are Professional Fee Claims, requests for payment of Administrative Claims must be Filed with the Bankruptcy Court and served on the Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than the Administrative Claims Bar Date, holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed with the Bankruptcy Court and served on the Debtors and the requesting party no later than 60 days after the Effective Date. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with the Bankruptcy Court with respect to an Administrative Claim previously Allowed.

2. Priority Tax Claims

Priority Tax Claims will be satisfied as set forth in Article II.C of the Plan, as summarized herein. Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code and, for the avoidance of doubt, holders of Allowed Priority Tax Claims will receive interest on such Allowed Priority Tax Claims after the Effective Date in accordance with sections 511 and 1129(a)(9)(C) of the Bankruptcy Code.

F. Are any regulatory approvals required to consummate the Plan?

There are no known U.S. regulatory approvals that are required to consummate the Plan. However, to the extent such any such regulatory approvals or other authorizations, consents, rulings, or documents are necessary to implement and effectuate the Plan, it is a condition precedent to the Effective Date that they be obtained.

G. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative may provide holders of Claims with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* Article XI.B of this Disclosure Statement, entitled "Best Interests of Creditors/Liquidation Analysis," which begins on page 64, and the Liquidation Analysis attached hereto as **Exhibit F**.

H. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to holders of Allowed Claims will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as reasonably practicable thereafter, as specified in the Plan. *See* Article XI of this Disclosure Statement, entitled "Confirmation of the Plan," which begins on page 63, for a discussion of the conditions precedent to consummation of the Plan.

I. Is there potential litigation related to the Plan?

Parties in interest may object to the approval of this Disclosure Statement and may object to Confirmation of the Plan as well, which objections potentially could give rise to litigation. *See* Article VIII.C.24 of this Disclosure Statement, entitled "The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising Out of the Chapter 11 Cases," which begins on page 61.

In the event that it becomes necessary to confirm the Plan over the rejection of certain Classes, the Debtors may seek confirmation of the Plan notwithstanding the dissent of such rejecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if it determines that the Plan satisfies section 1129(b) of the Bankruptcy Code. *See* Article VIII.A.4 of this Disclosure Statement, entitled "The Debtors May Not Be Able to Secure Confirmation of the Plan," which begins on page 50.

J. Will the final amount of Allowed Unsecured Claims affect the recovery of holders of Allowed Unsecured Claims under the Plan?

The Debtors' estimate of aggregate Allowed General Unsecured Claims against Debtors Seadrill Limited, NADL, and Sevan is approximately $[●] million to $[●] million. The Debtors estimate that holders of General Unsecured Claims against Debtors Seadrill Limited, NADL, and Sevan will receive a recovery of approximately [●] percent to [●] percent. The Debtors' estimate of aggregate Allowed General Unsecured Claims against Debtors other than Seadrill Limited, NADL, and Sevan is approximately $[●] million to $[●] million. General Unsecured Claims against Debtors other than Seadrill Limited, NADL, and Sevan will be paid in full in cash on the Effective Date or Reinstated—thus, such claims are unimpaired and not entitled to vote to accept or reject the Plan. Although the Debtors' estimate of Allowed General Unsecured Claims is generally the result of the Debtors' and their advisors' careful analysis of available information, General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. The projected amount of General Unsecured Claims set forth herein is subject to change.

As of the Petition Date, the Debtors were parties to certain litigation matters that arose in the ordinary course of operating their businesses and could become parties to additional litigation in the future as a result of conduct that occurred prior to the Petition Date. Although the Debtors have disputed, are disputing, or will dispute in the future the amounts asserted by such litigation counterparties, to the extent these parties are ultimately entitled to a higher amount than is reflected in the amounts estimated by the Debtors herein, the value of recoveries to holders of General Unsecured Claims against Seadrill Limited, NADL, and Sevan could change as well, and such changes could be material.

Finally, the Debtors, or any official committees appointed in the Chapter 11 Cases, may object to certain proofs of claim, and any such objections ultimately could cause the total amount of Allowed General Unsecured Claims to change. These changes could affect recoveries to holders of General Unsecured Claims against Seadrill Limited and NADL, and such changes could be material.

K. How will the preservation of the Causes of Action impact my recovery under the Plan?

The Plan provides for the retention of all Causes of Action other than those that are expressly waived, relinquished, exculpated, released, compromised, or settled.

In accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date, other than the following: (a) the Causes of Action released by the Debtors pursuant to the releases and exculpations contained in the Plan, including in Article VIII of the Plan, which shall be deemed released and waived by the Debtors and Reorganized Debtors as of the Effective Date; and (b) all Causes of Action that arise under sections 544, 547, 548, and 549 of the Bankruptcy Code and state fraudulent conveyance law.

The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against it. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity.** Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action, or to decline to do any of the foregoing, without the consent or approval of any third party or any further notice to or action, order, or approval of the Bankruptcy Court.

L. Will there be releases and exculpation granted to parties in interest as part of the Plan?

Yes, the Plan proposes to release the Released Parties and to exculpate the Exculpated Parties. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts and were an essential element of the negotiations among the Debtors and the other parties to the Restructuring Support Agreement in obtaining their support for the Plan pursuant to the terms of the Restructuring Support Agreement.

The Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize and preserve the going-concern value of the Debtors for the benefit of all parties in interest. Accordingly, each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

IMPORTANTLY, ALL HOLDERS OF CLAIMS OR INTERESTS THAT DO NOT FILE AN OBJECTION WITH THE BANKRUPTCY COURT IN THE CHAPTER 11 CASES THAT EXPRESSLY OBJECTS TO THE INCLUSION OF SUCH HOLDER AS A RELEASING PARTY UNDER THE PROVISIONS CONTAINED IN ARTICLE VIII OF THE PLAN WILL BE DEEMED TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY, INDIVIDUALLY, AND COLLECTIVELY CONSENTED TO THE RELEASE AND DISCHARGE OF ALL CLAIMS AND CAUSES OF ACTION AGAINST THE DEBTORS AND THE RELEASED PARTIES. THE RELEASES ARE AN INTEGRAL ELEMENT OF THE PLAN.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Fifth Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions. The release, exculpation, and injunction provisions that are contained in the Plan are copied in pertinent part below.

1. Releases by the Debtors.

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all Causes of Action, including any derivative claims asserted on behalf of the Debtors, that the Debtors, the Reorganized Debtors, or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Seadrill Entities, the Seadrill Entities' in- or out-of-court restructuring efforts, intercompany transactions, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the RSA, the Disclosure Statement, the Investment Agreement, the Plan, or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the RSA, the Disclosure Statement, or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

2. Releases by Holders of Claims and Interests.

As of the Effective Date, each Releasing Party is deemed to have released and discharged each Debtor, Reorganized Debtor, and Released Party from any and all Causes of Action, whether known or unknown, including any derivative claims asserted on behalf of the Debtors, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Seadrill Entities, the Seadrill Entities' in- or out-of-court restructuring efforts, intercompany transactions, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the RSA, the Disclosure Statement, the Investment Agreement, the Plan, or any Restructuring Transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the RSA, the Disclosure Statement, the Investment Agreement, or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

3. Exculpation

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is released and exculpated from any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or filing of the RSA and related prepetition transactions, the Disclosure Statement, the Plan, or any Restructuring Transaction, contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, except for claims related to any act or omission that is determined in a final order to have constituted actual fraud or gross negligence, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of votes and distribution of consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

4. Injunction

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all Entities who have held, hold, or may hold claims or interests that have been released, discharged, or are subject to exculpation are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, the Exculpated Parties, or the Released Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests; (b) enforcing, attaching,

collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such claims or interests; (c) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such claims or interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such claims or interests unless such holder has filed a motion requesting the right to perform such setoff on or before the Effective Date, and notwithstanding an indication of a claim or interest or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests released or settled pursuant to the Plan.

5. Release of Liens.

Except with respect to the Liens securing (a) Other Secured Claims (depending on the treatment of such Claims), or (b) as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and the holders of such mortgages, deeds of trust, Liens, pledges, or other security interests shall execute such documents as may be reasonably requested by the Debtors or the Reorganized Debtors, as applicable, to reflect or effectuate such releases, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and its successors and assigns.

M. What is the deadline to vote on the Plan?

The Voting Deadline is [●], at [●] p.m. (prevailing Central Time).

N. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your ballot must be properly completed, executed, and delivered as directed, so that your ballot or a master ballot including your vote is **actually received** by the Debtors' solicitation agent, Prime Clerk LLC (the "Solicitation Agent") **on or before the Voting Deadline, *i.e.* [●], at [●] p.m. prevailing Central Time**. *See* Article IX of this Disclosure Statement, entitled "SOLICITATION AND VOTING PROCEDURES," which begins on page 61 for more information.

O. Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

P. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for [●], at [●] a.m. (prevailing Central Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation must be filed and served on the Debtors, and certain other parties, by no later than [●], at [●] p.m. (prevailing Central Time) in accordance with the notice of the Confirmation

Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit D** and incorporated herein by reference.

Q. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

R. What is the effect of the Plan on the Debtors' ongoing businesses?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, the occurrence of the Effective Date means that the Debtors will not be forced to go out of business. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date that is the first Business Day after the Confirmation Date on which (1) no stay of the Confirmation Order is in effect, (2) all conditions to Consummation have been satisfied or waived (*see* Article IX of the Plan), and (3) the Debtors, with the consent of the Required Supporting Creditors, declare the Plan effective. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their businesses and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

S. What are the Notes Rights Offering and the Equity Rights Offerings?

The holders of General Unsecured Claims against Seadrill Limited, NADL, and Sevan that are Eligible Holders have an opportunity to collectively invest up to $85 million to acquire New Secured Notes and New Seadrill Common Shares through the Notes Rights Offering and up to $25 million to acquire New Seadrill Common Shares through the Equity Rights Offerings. The procedures for participating in the Notes Rights Offering and Equity Rights Offerings are set forth in the Rights Offering Procedures and described in Article X of this Disclosure Statement, entitled "Rights Offering Procedures," which begins on page 63.

T. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Debtors' Solicitation Agent, Prime Clerk LLC, via one of the following methods:

By regular mail, hand delivery, or overnight mail at:
Seadrill Limited
c/o Prime Clerk LLC
830 3rd Avenue, 3rd Floor
New York, NY 10022

By electronic mail at:
[●]

By telephone (toll free) at:
(844) 276-3026 (U.S. and Canada)
(917) 962-8497 (International)

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in the Chapter 11 Cases are available upon written request to the Solicitation Agent at the address above or by downloading the exhibits and documents from the website of the Solicitation Agent at http://cases.primeclerk.com/Seadrill (free of charge) or the Bankruptcy Court's website at http://www.txs.uscourts.gov/bankruptcy/ (for a fee).

U. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe that the Plan provides for a larger distribution to the Debtors' creditors and equity holders than would otherwise result from any other available alternative. The Debtors believe that the Plan, which contemplates a significant deleveraging of the Debtors' balance sheet and enables them to emerge from chapter 11 expeditiously, is in the best interest of all holders of Claims or Interests, and that any other alternatives (to the extent they exist) fail to realize or recognize the value inherent under the Plan.

V. Who Supports the Plan?

The Plan is supported by the Debtors and the Commitment Parties, as set forth in the following chart:

Commitment Parties	Support (expressed as an approximate percentage of the total principal amount of claims outstanding)
Debtors	N/A
Holders of Credit Agreement Claims	97%
Holders of Unsecured Bonds	40%
Holders of Interests in Seadrill Limited	24%[5]

IV. THE DEBTORS' RESTRUCTURING SUPPORT AGREEMENT AND PLAN

A. Restructuring Support Agreement

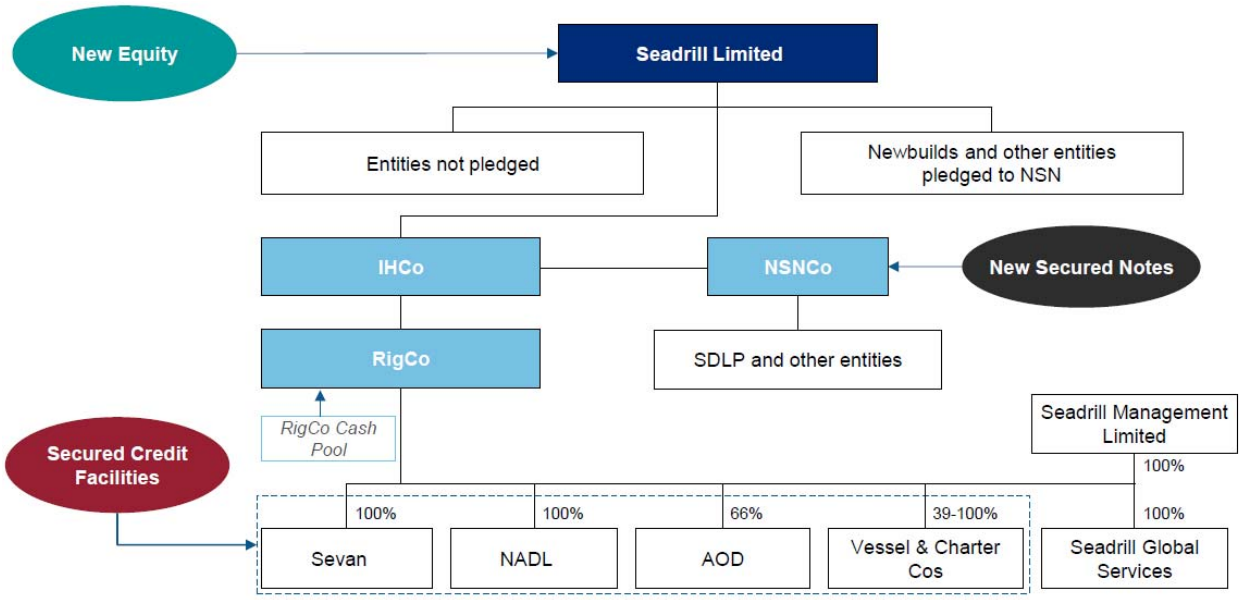
On September 12, 2017, the Debtors, holders of approximately 97 percent of Claims arising under the Bank Facilities, the Commitment Parties, and SFL (and certain of SFL's subsidiaries) entered into the Restructuring Support Agreement. Since executing the Restructuring Support Agreement, the Debtors have further documented the terms of the prearranged restructuring contemplated thereby, including the Plan.[6] The restructuring transactions contemplated by the Plan will (a) re-profile the Bank Facility obligations to eliminate near-term amortization obligations and extend maturities; (b) reduce overall leverage through

[5] Inclusive solely of 100 percent of Hemen's Interest in Seadrill Limited.

[6] The key terms of the Plan are discussed in greater detail in Section V.B of this Disclosure Statement, entitled "The Plan," immediately following this section.

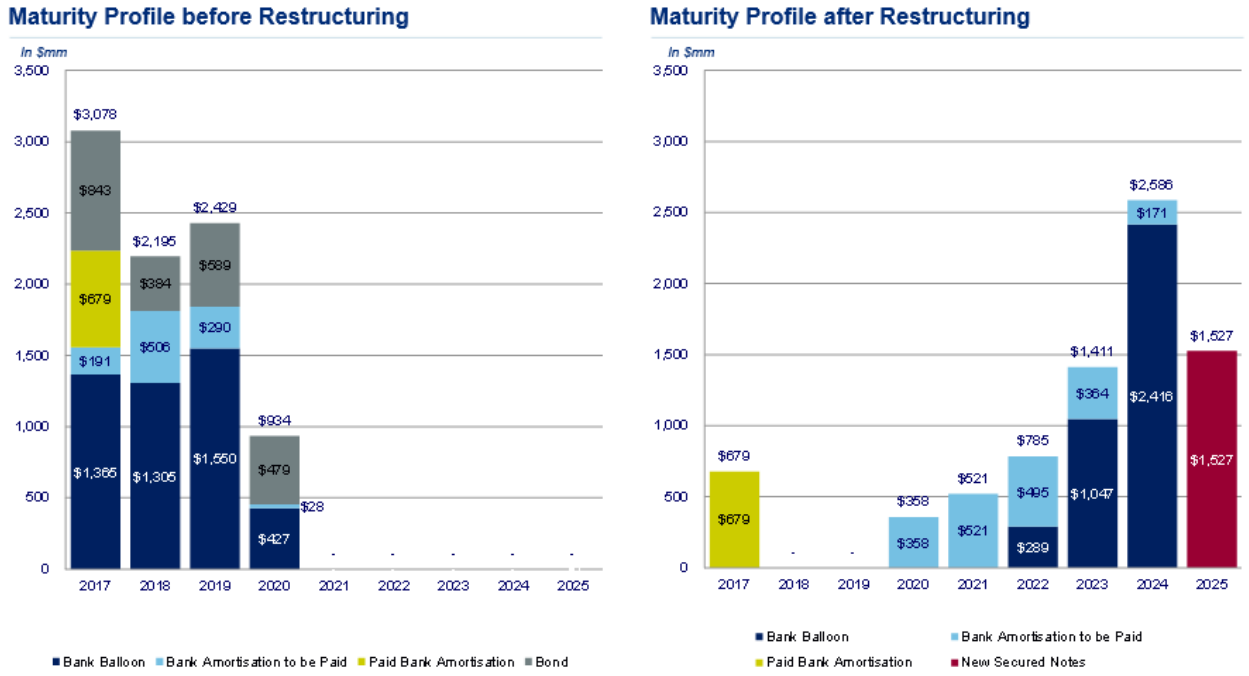
equitizing the Unsecured Bonds; (c) result in a $1.06 billion new capital injection (as set forth in the Investment Agreement); (d) leave employee, customer, and ordinary trade Claims largely Unimpaired; and (e) reorganize the Seadrill corporate structure to support the re-profiled Bank Facilities and new capital injection. Each of the major restructuring transactions contemplated by the Restructuring Support Agreement is described in greater detail below. The Debtors believe that the transactions contemplated by the Restructuring Support Agreement are the best available restructuring terms and will allow Seadrill to succeed as a restructured company after emergence from these chapter 11 case and will afford meaningful runway to allow the market to recover.

Corporate Reorganization. To support the Bank Deal and Capital Commitment, Seadrill will execute a corporate reorganization that will ultimately result in a new holding company and a new IHCo/RigCo/NSNCo holding structure. Seadrill will move its rig-owning entities under the new RigCo holding company structure and the rigs and the earnings from operation of the rigs will continue to serve as collateral under the re-profiled Bank Facilities. The RigCo entity will also issue guarantees of the re-profiled Bank Facility obligations and security of the shares of RigCo will also be granted in favour of all Bank Lenders, effectively cross-collateralizing the Bank Facility obligations across all of the rig-owning entities (*i.e.*, the Bank Lenders will maintain first priority liens on their own, unique collateral packages and will share in cross-collateralization of the RigCo level across all Bank Facilities). Further, to facilitate the Capital Commitment, among other things, the Debtors will form the NSNCo holding company to issue the NSNs and hold, among other things, the Debtors' interests in the Non-Consolidated Entities, certain non-rig owning Debtor entities, and certain other NSNs collateral. Both RigCo and NSNCo will be organized beneath another new intermediate holding company structure, or "IHCo," which will also issue certain guarantees. IHCo will be a direct subsidiary of New Seadrill. A simplified graphic of the corporate reorganization is set forth below.



Bank Deal. If they can obtain a five-year runway to weather this historic downturn, the Debtors believe their business can support the proposed leverage at emergence from the Chapter 11 Cases over the long term. The foundation of the financial restructuring contemplated by the Restructuring Support Agreement is the Bank Deal, the core terms of which are: (a) an on average five-year maturity extension under the Bank Facilities; (b) the elimination of amortization obligations from the Petition Date through December 31, 2019 (with amortization obligations reinstated on a modified basis thereafter); (c) a financial covenant holiday until 2021 subject to a $650 million RigCo minimum liquidity requirement, which ratchets

down over time; and (d) certain financial covenant waivers. As part of the consideration for these valuable concessions, each of the Bank Facilities will benefit from, among other things, the RigCo guarantee and security over RigCo shares described above.



Capital Commitment. The Restructuring Support Agreement further contemplates the Capital Commitment, which will be in the form of a $200 million direct equity investment and a $860 million NSNs investment. In return for the $200 million equity investment, the investors will receive their respective portions of 25 percent of the new common equity in New Seadrill on terms set forth in the Investment Agreement. The NSNs will mature seven years after their issuance and will carry an interest rate of 12 percent—with 8 percent paid "in kind" and 4 percent paid in cash. Purchasers of the NSNs will also receive an aggregate of 57.5 percent of the new equity in New Seadrill on terms set forth in the Investment Agreement. Participation in the $1.06 billion Capital Commitment will be allocated among the Debtors' stakeholders as follows:

Stakeholder	Allocation	Form of Allocation
New Secured Notes Investment		
Hemen/Centerbridge	$440 million	Direct Investment
Other Commitment Parties	$335 million	Direct Investment
Holders of General Unsecured Claims, with Note Rights	$85 million	Rights Offering (Backstopped by certain of the Commitment Parties)
Direct Equity Investment		
Hemen/Centerbridge	$125 million	Direct Investment
Certain Other Commitment Parties	$50 million	Direct Investment

Stakeholder	Allocation	Form of Allocation
Holders of General Unsecured Claims, with Equity Rights	$25 million	Rights Offering (Backstopped by Hemen)

In addition to Seadrill Limited's interests in the Non-Consolidated Entities, Seadrill will transfer certain unencumbered assets to NSNCo to support the NSNs and security will be granted over these assets where practicable. Finally, the NSNs will benefit from: (a) first-ranking guarantees from IHCo and all other subsidiaries of Seadrill Limited that do not sit below IHCo (subject to exceptions); (b) a Seadrill Limited guarantee ranking *pari passu* with the re-profiled Bank Facilities; (c) a first-ranking pledge over all deposit and security accounts and all cash balances held by NSNCo; and (d) a second-ranking guarantee from RigCo.

Unsecured Bond Equitization. The Bank Deal and the Capital Commitment are contingent in part upon the Debtors' commitment to reduce overall leverage and ensure a clean liquidity runway during the course of the Bank Deal amortization deferral period. Accordingly, the Restructuring Support Agreement provides that, to the extent holders of unsecured claims at Seadrill Limited, NADL, and Sevan (Classes B3, D3, and F3) vote as a class to accept the Debtors' chapter 11 plan, such holders will receive their pro rata share of 15 percent of the new equity in New Seadrill, plus, if such holders are Eligible Holders, their pro rata share of subscription rights to participate in up to (a) $85 million of the NSNs portion of the Capital Commitment and (b) $25 million of the equity portion of the Capital Commitment.[7]

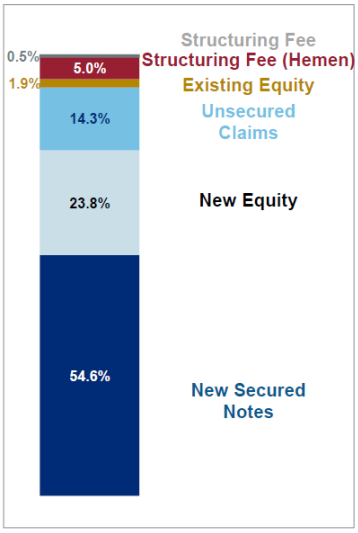
Equity Cancellation. Under the Restructuring Support Agreement, so long as holders of unsecured claims at Seadrill Limited (Class B3) vote as a class to accept the Plan, holders of common equity Interests in Seadrill Limited will receive their pro rata share of 2 percent of the New Seadrill Common Shares. On the Effective date, the value in the existing Interests in Seadrill Limited, NADL and Sevan will be extinguished; a holder of such Interests shall not receive or retain any distribution, property, or other value on account of its Interest.

Taking into account the allocation of New Seadrill Common Shares under the Plan and pursuant to the Capital Commitment, as well as certain fees paid in New Seadrill Common Shares under the Capital Commitment, New Seadrill's *pro forma* equity ownership will be as set forth below. The Debtors have determined that the fees paid in the form of new equity under the Capital Commitment are reasonable under the circumstances and within market for financings of this size and complexity with an extended commitment period.

7 For the avoidance of doubt, holders of NADL-issued Unsecured Bonds that are not guaranteed by Seadrill Limited will receive a recovery equal to 70 percent of the recovery provided under the Debtors' chapter 11 plan to holders of Seadrill Limited-guaranteed Unsecured Bonds.

Stakeholder	Ownership of Seadrill Limited
New Secured Notes	▪57.5% pre dilution
New Equity	▪25% pre dilution
Unsecured Claims	▪15% pre dilution
Existing Equity	▪2% pre dilution
Structuring Fee	▪0.5% of equity pre dilution
Structuring Fee to Hemen	▪5% of equity post dilution

Fully Diluted



The Plan represents a significant step in the Debtors' restructuring process, which has been underway for almost two years. The Restructuring Support Agreement, together with the Investment Agreement, will allow the Debtors to proceed expeditiously through chapter 11 to a successful emergence.

B. The Plan

The Plan contemplates the following key terms, among others described herein and therein:

1. Issuance and Distribution of the New Shares

The issuance of the New Shares shall be authorized without the need for any further corporate action and without any further action by the holders of any Claims or Interests. On the Effective Date, applicable holders of Claims and Interests shall receive the New Shares in exchange for their respective claims as set forth under Article III.B of the Plan. On the Effective Date:

- New Seadrill will issue 25 percent of the New Seadrill Common Shares, plus any Excess New Seadrill Common Shares, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee, in exchange for $200 million in Cash substantially on the terms set forth in the Investment Agreement.

- New Seadrill will issue 57.5 percent of the New Seadrill Common Shares to the purchasers of the New Secured Notes on a Pro Rata basis in accordance with the amount of New Secured Notes issued to such purchasers, subject to dilution by the Employee Incentive Plan and Primary Structuring Fee on the terms set forth in the Investment Agreement.

- New Seadrill will issue 5 percent of the New Seadrill Common Shares to Hemen on account of the Primary Structuring Fee, subject to dilution by the Employee Incentive Plan, and 0.5 percent of the New Seadrill Common Shares to the Select Commitment Parties on a Pro Rata basis in accordance with each Select Commitment Party's respective equity commitment percentage, subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee, in each case as set forth in the Investment Agreement.

- 100 percent of the New NADL Common Shares and 100 percent of the New Sevan Common Shares shall be issued to the Reorganized Debtors in accordance with the Description of Transaction Steps.

All of the New Shares issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance of the New Shares under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance. On or as soon as reasonably practicable after the Effective Date, New Seadrill shall cause the New Seadrill Common Shares to be registered under Section 12 of the Securities Exchange Act.

For the avoidance of doubt, any claimant's acceptance of New Shares shall be deemed as its agreement to the New Organizational Documents, as the same may be amended or modified from time to time following the Effective Date in accordance with its terms.

2. Issuance and Distribution of New NADL Common Shares and New Sevan Common Shares

On the Effective Date, 100% of the New NADL Common Shares and New Sevan Common Shares shall be issued to the Reorganized Debtors in accordance with the Description of Transaction Steps. For administrative convenience, the holders of Credit Agreement Claims against NADL and the Other NADL Debtors and Sevan and the Other Sevan Debtors have agreed to accept participation in the Amended NADL Credit Facility and Amended Sevan Credit Facility, as applicable, in lieu of any entitlement to receive the New NADL Common Shares and New Sevan Shares and consent to the issuance of such shares to the Reorganized Debtors in accordance with the Description of Transaction Steps.

3. Issuance and Distribution of New Secured Notes

On the Effective Date, NSNCo will issue the New Secured Notes in exchange for $860 million in Cash, substantially on the terms set forth in the Investment Agreement and New Secured Notes Indenture. Pursuant to the Investment Agreement, the applicable Commitment Parties shall commit to purchase the full $860 million in principal amount of the New Secured Notes.

4. Rights Offerings

If the requisite votes set forth in the Plan are obtained, the Reorganized Debtors shall consummate the Equity Rights Offering and the Notes Rights Offering in accordance with the Rights Offering Procedures. Holders of the Equity Rights shall receive the opportunity to purchase up to $25 million of the New Seadrill Common Shares on a Pro Rata basis in accordance with the Plan and Rights Offering Procedures. Holders of the Note Rights shall receive the opportunity to purchase up to $85 million in principal amount of the New Secured Notes on a Pro Rata basis in accordance with the Plan and Rights Offering Procedures.

If Class B3, Class D3, and Class F3 vote to reject the Plan, the Debtors shall not be obligated to conduct or consummate the Equity Rights Offering or the Notes Rights Offering, and the Equity Rights and Notes Rights shall be null and void ab initio and of no force and effect and the Excess New Seadrill Common Shares and New Secured Notes will be distributed to the Commitment Parties on a Pro Rata basis based on their respective allocations in accordance with the Investment Agreement.

The Rights Offering Procedures will be authorized pursuant to the Disclosure Statement Order, a form of which is attached as **Exhibit E** to this Disclosure Statement.

5. Amended SFL Charters

Certain of the Debtors or Reorganized Debtors, as applicable, shall enter into the Amended SFL Charters on the Effective Date, on terms set forth in the RSA and included in the Plan Supplement.

Confirmation shall be deemed approval of the Amended SFL Charters (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred and fees paid by the Debtors or the Reorganized Debtors in connection therewith), to the extent not approved by the Bankruptcy Court previously, and the Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to issue the Amended SFL Charters without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or vote, consent, authorization, or approval of any Person, subject to such modifications as the Debtors or Reorganized Debtors may deem to be necessary to consummate the Amended SFL Charters.

6. Use of Proceeds

Proceeds from the issuance of the New Secured Notes and Equity Placement, as applicable, will be used, among other things, to fund certain distributions under the Plan, the Debtors' operations, and administration of the Chapter 11 Cases, as well as for general corporate purposes.

7. Amended Guarantee Facility

The Debtors or Reorganized Debtors, as applicable, shall enter into the Amended Guarantee Facility on the Effective Date, on terms set forth in the RSA and included in the Plan Supplement.

Confirmation shall be deemed approval of the Amended Guarantee Facility (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred and fees paid by the relevant Debtors or Reorganized Debtors in connection therewith), to the extent not approved by the Bankruptcy Court previously, and the relevant Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to issue the Amended Guarantee Facility without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or vote, consent, authorization, or approval of any Person, subject to such modifications as the Debtors or Reorganized Debtors may deem to be necessary to consummate such Amended Guarantee Facility.

8. General Settlement of Claims and Interests

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, which distributions and other benefits will be irrevocable and not subject to challenge upon the Effective Date, the provisions of the Plan will constitute a good-faith compromise and settlement of all Claims, Interests, and controversies relating to the contractual and legal rights that a holder of a Claim or Interest may have with respect to any Allowed Claim or Allowed Interest, or any distribution to be made on account of such Allowed Claim.

The Plan will be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the

Effective Date, the Reorganized Debtors may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other Entities.

Pursuant to Rule 408 of the Federal Rules of Evidence, the Plan, this Disclosure Statement, the Restructuring Support Agreement (and any exhibits or supplements relating to the foregoing), the Investment Agreement, and all negotiations relating thereto will not be admissible into evidence in any proceeding unless and until the Plan is consummated, and then only in accordance with the Plan. In the event the Plan is not consummated, provisions of the Plan, this Disclosure Statement, the Restructuring Support Agreement (and any exhibits or supplements relating to the foregoing) and all negotiations relating thereto will not be binding or probative.

9. Releases

The Plan contains certain releases (as described more fully in Article III.L of this Disclosure Statement, entitled "Will there be releases and exculpation granted to parties in interest as part of the Plan?," which begins on page 19), including mutual releases among the Debtors, Reorganized Debtors, and certain of their key stakeholders. Additionally, all holders of Claims or Interests that do not file an objection with the Bankruptcy Court in the Chapter 11 Cases that expressly objects to the inclusion of such holder as Releasing Party under the provisions contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively consented to the release and discharge of all Claims and Causes of Action against the Debtors and the Released Parties.

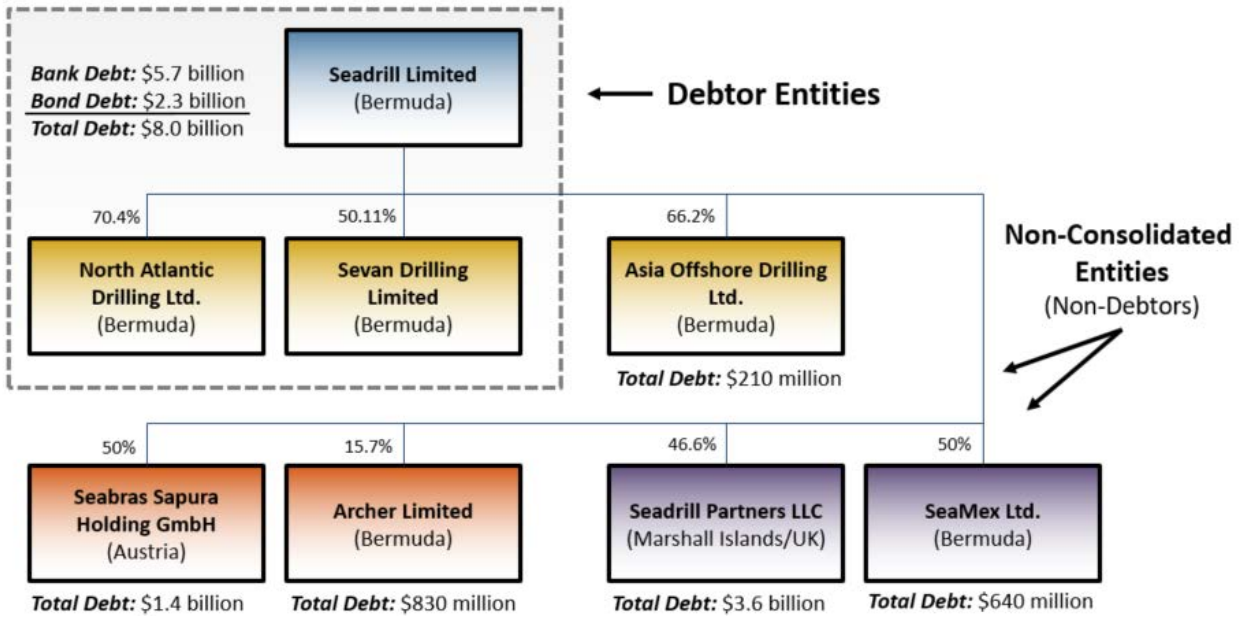
V. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW

A. Seadrill's Corporate History

Seadrill Limited was formed on May 10, 2005 as a Bermuda exempted company. John Fredriksen, who holds a number of interests in the offshore space through Hemen and other investment vehicles, founded Seadrill and has served as chairman of Seadrill Limited's board of directors since its inception. At the time of its formation, Seadrill acquired a fleet of three jack-up rigs pursuant to a purchase and subscription agreement with entities affiliated with Hemen. Today, Hemen holds an approximately 24-percent ownership interest in Seadrill Limited. During the years following its formation, Seadrill capitalized on strong demand for offshore drilling equipment and services, driven by a favorable oil pricing environment, by actively expanding its fleet, geographic footprint, and technical capabilities through both strategic acquisitions and organic growth. By the end of 2013, Seadrill had grown into one of the world's premier offshore drilling contractors.

The majority of the rig-owning entities that are obligors under the Bank Facilities are organized as wholly-owned subsidiaries of Seadrill Limited (the "Seadrill Subsidiary Entities"). Historically, Seadrill Limited also guaranteed the obligations of certain of its non-wholly owned subsidiaries (and their respective subsidiaries), a number of which are majority-owned by Seadrill Limited and consolidated with the Seadrill Subsidiary Entities for accounting and reporting purposes. In general, Seadrill Limited's non-wholly owned subsidiaries and their respective subsidiaries are organized into several groups, each of which is described below. Seadrill Limited and 85 of its direct and indirect subsidiaries, not including any of the Non-Consolidated Entities, are Debtors in these chapter 11 cases

Seadrill Limited also directly or indirectly owns substantial, but non-majority, interests in four other offshore drilling and services companies that form their own respective corporate groups within the Seadrill enterprise and are not Debtors in these chapter 11 cases. A graphic depicting a simplified version of Seadrill's corporate structure and identifying which entities are Debtors is set forth below. Seadrill's complete corporate organization chart is attached hereto as **Exhibit B**.



(i) Consolidated Entities

Seadrill Limited, the Seadrill Subsidiary Entities, and the Seadrill corporate groups that are majority-owned by Seadrill Limited are collectively referred to as the "Consolidated Entities" because they are consolidated for accounting and reporting purposes. The Consolidated Entities operate as a single, integrated enterprise under a common management team, and the value of each Consolidated Entity group is reflected in the value of the broader Seadrill enterprise. Seadrill Limited is an obligor (as either borrower or guarantor) under all $8 billion of the Consolidated Entities' funded-debt obligations with the exception of $413 million of Debtor North Atlantic Drilling Limited Unsecured Bond obligations.

Seadrill Limited and the Seadrill Subsidiary Entities (Debtor Group). Seadrill Limited and its wholly-owned subsidiaries own and operate 22 rigs (i.e., the substantial majority of the Debtors' fleet), including six drillships, six semi-submersible rigs, and 10 jack-up rigs. As described in greater detail below, Seadrill Limited and the Seadrill Subsidiary Entities are obligors under approximately $7.6 billion of the Consolidated Entities' funded-debt obligations, including approximately $5.7 billion under certain of the Bank Facilities and approximately $1.9 billion in Seadrill Limited-issued Unsecured Bonds.

North Atlantic Drilling Limited (Debtor Group). Debtor North Atlantic Drilling Limited ("NADL," and together with its direct and indirect subsidiaries, collectively, the "NADL Entities"), a Bermuda exempted company, is a 70.4-percent owned subsidiary of Seadrill Limited. The NADL Entities focus exclusively on harsh environment offshore drilling operations in the North Atlantic Ocean. Seadrill Limited formed NADL in February 2011 to reorganize Seadrill's harsh environment activities under a single sub-holding company. Shortly after its formation in April 2011, NADL purchased six harsh-environment drilling rigs from Seadrill Limited, which were financed by a $2 billion senior secured loan facility guaranteed by Seadrill Limited and certain of the other NADL Entities. As of the Petition Date, the NADL Entities own and operate seven rigs, consisting of three semi submersibles, three jack up rigs, and one drillship. As described in greater detail below, the NADL entities are direct obligors under approximately $1.5 billion of the Consolidated Entities' funded-debt obligations, including approximately $908 million under one of the Bank Facilities (which is guaranteed by Seadrill Limited) and approximately $579 million in NADL-issued Unsecured Bonds (approximately $166 million of which is guaranteed by Seadrill Limited). NADL completed an initial public offering in February 2014. The 29.6 percent of NADL

common shares not owned by Seadrill Limited is publicly listed and trades on the NYSE under the ticker symbol "NADL."

Sevan Drilling Limited (Debtor Group). Debtor Sevan Drilling Limited ("Sevan," and together with its direct and indirect subsidiaries, collectively, the "Sevan Entities"), a Bermuda exempted company, is a 50.1-percent owned subsidiary of Seadrill Limited. The Sevan Entities focus on offshore drilling in the ultra-deepwater segment. Sevan was formed in May 2006 by Sevan Marine ASA, a Norwegian limited liability company not affiliated with Seadrill. Seadrill Limited initially acquired 28.52 percent of Sevan's outstanding common shares for $65 million in November 2011, becoming Sevan's largest shareholder in the process. In July 2013, Seadrill Limited completed a series of share acquisitions and other transactions that made it Sevan's controlling shareholder. The Sevan Entities' three semi-submersible drilling rigs employ an innovative cylindrical-hull design known as the "Sevan design." As described in greater detail below, the Sevan entities are direct obligors under approximately $875 million of the Consolidated Entities' funded-debt obligations under one of the Bank Facilities (which is guaranteed by Seadrill Limited). The 49.9 percent of Sevan common shares not owned by Seadrill Limited is publicly listed and trades on the OSE under the ticker symbol "SEVDR."

Asia Offshore Drilling Limited (Non-Debtor Group). Non-Debtor Asia Offshore Drilling Limited ("AOD," and together with its three non-Debtor subsidiaries, collectively, the "AOD Entities"), a Bermuda exempted company, is a 66.2-percent owned subsidiary of Seadrill Limited. The AOD Entities own three high-specification jack-up rigs, all of which are currently under contract. Debtor Seadrill G.C.C. Operations Ltd. ("Seadrill GCC") operates each of the AOD Entities' rigs and pays the application AOD Entities a bareboat charter for each of the rigs. The AOD Entities only own rigs—they do not have their own employees or operations. AOD was formed in late 2010 by Mermaid Maritime Public Company Limited ("Mermaid"), a Thai company that is not affiliated with Seadrill Limited. In July 2011, Seadrill participated in a private placement whereby Seadrill Limited obtained 33.75 percent of AOD's outstanding common stock and subsequently completed a series of transactions that resulted in Seadrill Limited becoming AOD's controlling shareholder. The AOD entities are direct obligors under approximately $210 million of the Consolidated Entities' funded-debt obligations under one of the Bank Facilities (the "AOD Facility"). Mermaid continues to privately hold the remaining 33.8 percent of AOD common stock.

Debtors Seadrill Limited and Seadrill GCC guarantee the obligations under the AOD Facility. The four AOD entities are also obligors under the AOD Facility, but are not Debtors. Approximately 87 percent of the Bank Lenders under the AOD Facility have executed the Restructuring Support Agreement, which contains an agreement to forbear from exercising remedies against the AOD Entities as a result of Seadrill Limited's and Seadrill GCC's chapter 11 filings. In light of the Bank Lender forbearance and the simple nature of the AOD Entities' capital structure and operations, Seadrill determined to pursue a restructuring of the AOD Entities' debt obligations without commencing chapter 11 cases for the AOD Entities at this time. The Debtors will continue discussions with the AOD Entities' stakeholders, including the AOD Facility Bank Lenders not party to the Restructuring Support Agreement and Mermaid in hopes of reaching a consensual resolution of a restructuring of the AOD Entities.

(ii) Non-Consolidated Entities and Description of Insulating Transactions

In addition to its wholly-owned subsidiaries and majority investments in NADL, Sevan, and AOD, Seadrill Limited owns non-majority interests in four other offshore drilling and services companies that, together with their respective subsidiaries, are referred to as the "Non-Consolidated Entities." Certain of the Non-Consolidated Entities share common management with the Consolidated Entities. Others are independently managed. Each Non-Consolidated Entity corporate group has its own capital structure. Seadrill Limited historically guaranteed certain of the Non-Consolidated Entities' funded-debt obligations. Thus, a Seadrill Limited chapter 11 filing would have triggered a default in each Non-Consolidated Entity

corporate group. Before the Petition Date, the Debtors, the Non-Consolidated Entities, and certain of their respective secured bank lenders, however, took significant steps to insulate the Non-Consolidated Entities from a Seadrill Limited chapter 11 filing. The Non-Consolidated Entity groups now will be largely unaffected by these chapter 11 cases. The Non-Consolidated Entity insulating transactions significantly benefit the Debtors' estates by reducing the scope and complexity of these chapter 11 cases and preserving and maximizing the going concern value of Seadrill Limited's interests in the Non-Consolidated Entities.

Seadrill Partners LLC (Non-Debtor Group). Seadrill Limited indirectly owns a 46.6-percent ownership interest in non-Debtor Seadrill Partners LLC ("Seadrill Partners," and together with its subsidiaries, collectively, the "Seadrill Partners Entities"), a Marshall Islands limited liability company. The Seadrill Partners Entities own 11 offshore drilling rigs, including four semi-submersible rigs, four drillships, and three tender rigs. Seadrill Partners was formed in June 2012 as a wholly-owned subsidiary of Seadrill Limited. In October 2012, Seadrill Partners completed an initial public offering of its common units, which trade on the NYSE under the ticker symbol "SDLP." The 53.4 percent of Seadrill Partners' common units not owned by Seadrill Limited is publicly held. In connection with Seadrill Partners' initial public offering, certain Seadrill Partners Entities entered into a management and services agreement with Seadrill Management Limited ("Seadrill Management"), a wholly owned subsidiary of Seadrill Limited that also manages the Consolidated Entities. Under this agreement, Seadrill Management performs substantially all Seadrill Partners management and administrative functions.

As of the Petition Date, certain of the Seadrill Partners Entities are obligated under more than $3.6 billion in funded-debt obligations, which include:

- approximately $2.9 billion outstanding under a secured, bank-funded "Term Loan B" credit facility due February 2021;
- approximately $340 million outstanding under a $1.45 billion secured, bank-funded credit facility originally due February 2018 (and extended to October 2020);
- approximately $280 million outstanding under a $420 million secured, bank-funded credit facility originally due January 2018 (and extended to July 2020); and
- approximately $93 million outstanding under a $119.1 million secured, bank-funded credit facility originally due December 2017 (and extended to June 2020).

Historically, each of the foregoing credit facilities, other than the Term Loan B credit facility, crossed over the Seadrill Limited and Seadrill Partners corporate groups. Seadrill Limited or certain of its wholly-owned subsidiaries were either a primary obligor or guarantor under the facilities. Where Seadrill Limited or its subsidiaries were primary obligors, Seadrill Subsidiary Entity-owned collateral (*i.e.*, rigs) secured the obligations under the facilities. To avoid cross-defaults and insulate the Seadrill Partners Entities from a Seadrill Limited chapter 11 filing, the Debtors, the Seadrill Partners Entities, and the Seadrill Partners Entities' bank lenders negotiated and executed a transaction in the months immediately preceding the Petition Date that effectively "split" the non-Term Loan B facilities. Pursuant to this transaction, all Seadrill Limited guarantees and security granted by certain Seadrill Subsidiary Entities were released with respect to obligations of Seadrill Partners Entities, and the facilities were allocated among the Seadrill Limited and Seadrill Partners groups as appropriate. The transaction also included a maturity extension of two and one half years for the non-Term Loan B facilities, an aggregate $150 million pay down of those facilities ($100 million on closing, $25 million six months after closing, and $25 million 12 months after closing), and certain covenant relief. As currently structured, Seadrill anticipates that the Seadrill Partners Entities' funded-debt obligations and business operations will be largely unaffected by these chapter 11 cases.

SeaMex Limited (Non-Debtor Group). Seadrill Limited indirectly owns a 50 percent ownership interest in non-Debtor SeaMex Limited ("SeaMex," and together with its direct and indirect subsidiaries, collectively, the "SeaMex Entities"), a Bermuda exempted company, pursuant to a joint venture with funds controlled by Fintech Advisory Inc. ("Fintech"), a Delaware corporation that is also one of the Commitment Parties. Fintech continues to hold the remaining 50 percent ownership interest in SeaMex. SeaMex's fleet consists of five high-specification jack-up rigs purchased from Seadrill Limited in March 2015 for $1.08 billion. As with the Seadrill Partners Entities, Seadrill Management performs substantially all of the SeaMex Entities' management and administrative functions pursuant to a management and services agreement. As of the Petition Date, the SeaMex Entities are obligated under approximately $640 million in funded-debt obligations, which consists of amounts outstanding under a $750 million secured, bank-funded credit facility due September 2019.

To avoid cross-defaults, and to insulate the SeaMex Entities from a Seadrill Limited chapter 11 filing, the Debtors, the SeaMex Entities, and the SeaMex Entities' secured bank lenders negotiated an amendment to the SeaMex Entities' secured bank facility in the months immediately preceding the Petition Date to remove certain events of default related to a Seadrill Limited chapter 11 filing, remove certain change in control provisions, and implement certain other revisions. The SeaMex bank facility had been previously amended in a manner that allowed the pre-existing Seadrill Limited guarantee to lapse. As currently structured, Seadrill anticipates the SeaMex Entities' funded-debt obligations and business operations will be largely unaffected by these chapter 11 proceedings.

Seabras Sapura (Non-Debtor Group). In May 2012, Seadrill and Malaysian oilfield services company SapuraKencana Petroleum Berhad (now known as Sapura Energy Berhad) ("Sapura"), through certain of their respective subsidiaries, entered into a joint venture known as Seabras Sapura to own and operate offshore oil and gas service vessels in Brazil. In connection with this joint venture, Seadrill holds 50-percent ownership interests in an Austrian limited liability company Seabras Sapura Holding GmbH ("Seabras Holding") and a Brazilian limited liability company Seabras Sapura Participacoes Ltda. ("Seabras Participaçoes"). Sapura owns the remaining 50 percent of each entity. Through their respective subsidiaries, Seabras Holding and Seabras Participaçoes (collectively with such subsidiaries, "Seabras") own and operate six pipe-laying support vessels, all of which are operating off the coast of Brazil. Sapura subsidiaries are the managers of the jointly owned entities under the relevant agreements, though the Seabras Sapura joint venture is generally self-managed (*i.e.*, Seadrill Management does not provide management services).

As of the Petition Date, certain Seabras entities are obligated under approximately $1.2 billion in funded-debt obligations, which include:

- approximately $400 million outstanding under a senior secured credit facility (the "PLSV I Facility") due May 2024, secured by two pipe-laying support vessels (the *Sapura Diamante* and the *Sapura Topazio*);

- approximately $690 million outstanding under a senior secured credit facility (the "PLSV II Facility") due April 2025, secured by three additional pipe-laying support vessels (the *Sapura Jade*, the *Sapura Onix*, and the *Sapura Rubi*); and

- approximately $170 million outstanding under a senior secured credit facility due 2032, secured by one pipe-laying support vessel (the *Sapura Esmeralda*)

- approximately $20 million under a senior secured credit facility due 2020, which benefits from a standby letter of credit that is secured by one pipe-laying support vessel (the *Sapura Esmeralda*).

Both Seadrill Limited and Sapura issued limited guarantees of the PLSV I Facility and PLSV II Facility debt. Before the Petition Date, to preserve and maximize the value of Seadrill's investment in Seabras, Seadrill successfully negotiated with Seabras, Sapura, and the lenders under the PLSV I Facility and PLSV II Facility a waiver of up to six months of certain potential defaults arising out of Seadrill Limited's chapter 11 filing. Accordingly, Seadrill anticipates that Seabras's funded-debt obligations and business operations will be largely unaffected by the commencement of these chapter 11 cases. Seadrill will continue to engage in discussions with all parties regarding a comprehensive solution to ring-fence Seabras from Seadrill Limited's restructuring.

Archer Limited (Non-Debtor Group). Seadrill Limited owns a 15.7-percent equity interest in non-Debtor Archer Limited ("Archer"), a Bermuda exempted company that specializes in global drilling and well services. In September 2007, Seadrill spun off its well services division by establishing an independent well services company, Seawell Limited ("Seawell"), and completing a $50 million private placement of 20 million shares of Seawell. In February 2011, Seawell completed a merger with Allis-Chambers Energy, Inc., and the combined company was renamed Archer Limited. The 84.3 percent of Archer common shares not owned by Seadrill Limited are publicly traded on the OSE under the ticker symbol "ARCHER." Archer is self-managed. As of the Petition Date, Archer's funded debt obligations included:

- approximately $628 million outstanding under a $750 million secured, bank-funded credit facility due September 2020; and
- approximately $25 million outstanding under a €48.4 million Hermes covered term loan facility due September 2020; and
- approximately $45 million outstanding under subordinated, convertible facilities (for which Seadrill Limited is the lender) due 2021.

In the months immediately preceding the Petition Date, the Debtors, Archer, and Archer's secured bank lenders negotiated—as part of a broader Archer refinancing that resulted in its current capital structure—a release of pre-existing Seadrill Limited guarantees and a reduction in the Seadrill Limited-funded subordinated loans and fees (under which approximately $146 million was previously outstanding) to the current $45 million outstanding and, to avoid cross-defaults and to insulate Archer and its subsidiaries from a Seadrill chapter 11 filing, certain amendments to the Archer bank-funded credit facilities. As part of the transaction, Seadrill Limited also paid a fee in an amount equal to approximately ten percent (approximately $28 million) of the aggregate, contingent guaranteed liabilities and agreed that the subordinated loans and fees would be convertible to Archer equity at a pre-agreed price. Archer consummated its broader financial restructuring through a Bermuda scheme of arrangement and parallel chapter 15 proceeding. As currently structured, Seadrill anticipates that Archer's funded-debt obligations and business operations will be largely unaffected by these chapter 11 cases.

(iii) Ship Finance International Limited

SFL is 36-percent owned by Hemen, with the remaining common shares trading on the NYSE under the ticker symbol "SFL" and held by non-Seadrill affiliated entities. Over the years, certain of the Debtors have entered into sale and leaseback arrangements with SFL subsidiaries, which are guaranteed by Seadrill Limited. As of the Petition Date, certain of the Debtors were party to three sale/leaseback agreements with SFL subsidiaries. As of the Petition Date, approximately $1.1 billion in aggregate obligations remained outstanding under the SFL lease agreements, all of which is guaranteed by Seadrill Limited.

Beginning in late 2016, as part of their broader restructuring, the Debtors commenced discussions with SFL regarding a consensual restructuring of the SFL leases. The Debtors submitted an initial proposal to SFL in October 2016. SFL responded with a counter-proposal with respect to two of the three SFL leases in November 2016. Negotiations were then largely silent until mid-2017, when the Debtors and SFL exchanged a series of proposals and engaged in lengthy discussions that ultimately resulted in a consensual resolution that is embodied in the Restructuring Support Agreement.

Pursuant to the SFL resolution, each of the three existing SFL lease agreements will be amended to provide for a 29 percent deferral of lease payments for a period of five years. Deferred amounts will be paid five years from the date on which the relevant amount was deferred as part of the adjusted charter rate until the applicable purchase obligation/put option date under each lease. The strike price in respect of the call options for each lease will be adjusted by adding deferred amounts and subtracting repaid amounts in accordance with the adjusted charter hire rates until the relevant call option date on a dollar for dollar basis. The purchase obligation/put option date (for two of the three leases) and amount will be adjusted such that the all-in internal rate of return under each lease is reduced from the implied contractual level to 6.0 percent, with the put option amount under the lease in respect of the *West Linus* rig being further adjusted to $86 million. The SFL leases will be further amended in a manner broadly consistent with the Bank Deal terms. The independent members of the Seadrill Limited board of directors considered and approved the SFL resolution prior to its consummation. SFL and its subsidiaries will otherwise be unaffected by these chapter 11 cases.

In the context of the broader restructuring contemplated by the Restructuring Support Agreement, including the substantial new money financing to be provided, in part, by Hemen, the Debtors believe that the SFL resolution represents the best available alternative under the circumstances. On the Effective Date of the plan, the Debtors will assume amended versions of the SFL leases reflecting the terms described above.

B. Seadrill's Operations

Seadrill contracts with vendors and customers across the globe to provide drilling services, in both benign and harsh operating environments from shallow to ultra-deepwater. The Debtors' largest customers include Petroleo Brasileiro S.A., or "Petrobras," (the Brazilian national oil company), Total S.A. Group, ExxonMobil Corp., LLOG Exploration Company, and Statoil ASA. The Debtors' rigs are located around the world.

The substantial majority of the Debtors' 32 rigs came online in 2007 or later. The Debtors' current contract backlog (calculated as the contracted-for day rate multiplied by the outstanding term for all active contracts) is approximately $3.1 billion. The average contract duration for the Debtors' floaters is 10 months and jack-up rigs is 30 months. Thus, the majority of the Debtors' contract backlog will come due over the course of the next one and one half years, which may be difficult to replace so long as current market conditions persist.

As of the Petition Date, 15 of the Debtors' 32 rigs are not under contract and have either been warm stacked or cold stacked. Warm stacked rigs maintain a significant number of crew and are kept fully operational and ready for deployment. Cold stacked rigs are stored in a harbor, shipyard, or other designated offshore area and the majority of the crew is dismissed or reassigned to another rig. The Debtors' warm stacked floaters cost them approximately $50,000 per rig per day while cold-stacked floaters cost them approximately $10,000 per rig per day. There is no material difference in the costs for warm stacked and cold stacked jack-up rigs.

Specifically, the Debtors own 13 jack-up rigs (8 of which are currently under contract), while their non-Debtor affiliates own an additional 8 jack-up rigs. Of the Debtors' 13 jack-up rigs, 3 are qualified for harsh environment drilling. A summary of the year built, location, and contract status of the Debtors' 13 jack-up rigs is set forth below.

Rig	Year	Location	Contract
West Epsilon	1993	Norway	*stacked*[8]
West Prospero	2007	Malaysia	*stacked*
West Vigilant	2008	Malaysia	*stacked*
West Ariel	2008	Republic of Congo	February 2018
West Freedom	2009	Venezuela	September 2017
West Cressida	2009	Malaysia	September 2017
West Callisto	2010	Saudi Arabia	November 2018
West Leda	2010	Malaysia	*stacked*
West Elara	2011	Norway	September 2027
West Castor	2013	Mexico	December 2019
West Telesto	2013	Malaysia	December 2017
West Tucana	2013	Sharjah	*stacked*
West Linus	2014	Norway	December 2028

Additionally, The Debtors own 12 semi-submersible rigs (3 of which are currently under contract), while their non-Debtor affiliates own an additional 4 semi-submersible rigs. Of the Debtors' 12 semi-submersible rigs, 6 are qualified for harsh environment drilling. A summary of the year built, location, and contract status of the Debtors' 12 semi-submersible rigs is set forth below.

Rig	Year	Location	Contract
West Alpha	1986	Norway	*stacked*
West Venture	2000	Norway	*stacked*
West Phoenix	2008	UK	November 2017
West Hercules	2008	Norway	*stacked*
West Taurus	2008	Spain	*stacked*
West Eminence	2009	Spain	*stacked*
West Orion	2010	Malaysia	*stacked*
West Pegasus	2011	Spain	*stacked*
West Eclipse	2011	Angola	June 2018
Sevan Driller	2009	Malaysia	*stacked*
Sevan Brasil	2012	Brazil	July 2018
Sevan Louisiana	2013	USA	*stacked*

The Debtors own 7 drillships (6 of which are currently under contract), while their non-Debtor affiliates own an additional 4 drillships. A summary of the year built, location, and contract status of the Debtors' 7 drillships is set forth below.

[8] As described in greater detail below, when a drilling rig is not under contract, it may be "stacked" or stored in a non-operating state until the rig owner is able to secure a contract for that rig.

Unit	Year	Location	Contract
West Navigator	2000	Norway	*stacked*
West Gemini	2010	Angola	October 2017
West Tellus	2013	Brazil	October 2019
West Neptune	2014	USA	November 2018
West Jupiter	2014	Nigeria	December 2019
West Saturn	2014	Brazil	October 2019
West Carina	2015	Brazil	June 2018

The Debtors employ approximately 3,760 highly skilled individuals across 22 countries and 5 continents to operate their drilling rigs and perform various other corporate functions. The Debtors' monthly payroll is approximately $42 million. The skills and knowledge of Seadrill's employee base are essential to preserving operational stability, safety, and efficiency, which in turn is necessary to maximize value over the course of the Chapter 11 Cases.

C. The Debtor's Prepetition Capital Structure

As of the Petition Date, the Debtors were liable for approximately $8 billion in aggregate funded-debt obligations. These obligations arise under the 12 Bank Facilities and the six Unsecured Bond issuances. Seadrill Limited is an obligor under all 12 of the Bank Facilities. The table below summarizes the Debtors' prepetition capital structure, with near-term maturing obligations indicated in red.

Bank Facilities *(in US$ millions)*	**Principal**
Seadrill Limited Facilities	
$400 million facility due 2017 — *Jack-Up Facility*	135
$450 million facility due 2017 — *West Eminence Facility*	265
$300 million facility due 2018	144
$1.50 billion facility due 2019	1,125
$1.35 billion facility due 2019	945
$950 million facility due 2019	566
$450 million facility due 2020	122
$440 million facility due 2017 — *Split Facility*	64
$1.45 billion facility due 2018 — *Split Facility*	322
NADL Facility (Seadrill Limited Guaranteed)	
$2.00 billion facility due 2017 — *NADL Facility*	908
AOD Facility (Seadrill Limited Guaranteed)	
$360 million facility due 2018	210
Sevan Facility (Seadrill Limited Guaranteed)	
$1.75 billion facility due 2018	875
Total Bank Facilities	**$5,681 million**

Unsecured Bonds *(in US$ millions—Net of Seadrill Holdings)*	
Seadrill Limited Bonds	
$1.00 billion bond due 2017 — *Maturing Bonds*	843
NOK 1.80 billion bond due 2018	211
SEK 1.50 billion bond due 2019	168
$500 million bond due 2020	479
NADL Bonds	
NOK 1.50 billion bond due 2018 — *Seadrill Limited Guaranteed*	166
$600 million bond due 2019	413
Total Unsecured Bonds	**$2,280 million**

Danske Guarantee Facility	
Outstanding Obligations	$60 million

Total Obligations Outstanding	**$8,021 million**

(i) Bank Facilities

The Debtors generally incurred the obligations under the Bank Facilities described below to finance corporate acquisitions or the construction or acquisition of new rigs. The facilities are secured by, among other things, (a) a first priority, perfected mortgage in one or more of the Debtors' drilling rigs, (b) guarantees from the applicable rig-owning entities, and (c) first-priority security interests in the rig-owning entities' shares, earnings, and earnings accounts. No financial institution possesses a blanket lien over the Debtors' entire fleet. Instead, the secured credit facilities are secured by non-overlapping subsets of the Debtors' rigs.

(a) Seadrill Limited Facilities

$400 million facility due 2017 ("Jack-Up Facility"): On December 8, 2011, Seadrill Limited entered into that certain Senior Secured Credit Facility Agreement, by and among Seadrill Limited, as borrower, certain of Seadrill Limited's wholly-owned Debtor subsidiaries as guarantors, Nordea Bank Norge ASA, as agent, and the lender parties thereto. On April 28, 2016, the parties executed an amendment extending the maturity of the Jack-Up Facility from December 8, 2016 to May 31, 2017. On April 26, 2017, the parties executed an amendment to further extend the maturity of the Jack-Up Facility to August 31, 2017. On August 11, 2017, the parties executed a final amendment to extend the maturity of the Jack-Up Facility to September 14, 2017. Collateral securing the Jack-Up Facility includes four jack-up rigs owned by Debtor subsidiaries of Seadrill Limited, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

$450 million facility due 2017 ("West Eminence Facility"): On December 13, 2013, certain of the Debtors entered into that certain Senior Secured Credit Facility Agreement, by and among Debtor Seadrill Eminence Ltd., as borrower, Seadrill Limited and one wholly-owned Debtor subsidiary of Seadrill Limited, as guarantors, Danske Bank A/S, as agent, and the lender parties thereto. On April 28, 2016, the parties executed an agreement extending the maturity date of the $450 million *West Eminence* Facility from June 20, 2016 to December 31, 2016. On November 22, 2016 and April 26, 2017, the parties executed additional agreements further extending the maturity, ultimately to August 15, 2017. On August 14, 2017, because the Debtors' and the requisite lenders could not reach a consensual resolution to further extend the maturity of the *West Eminence* Facility (due to a single holdout lender), the Debtors sought and a court of competent jurisdiction in Bermuda entered an order approving a scheme of arrangement that effectuated an extension of the maturity of the $450 million *West Eminence* Facility to September 14, 2017. Collateral

securing the *West Eminence* Facility includes one semi-submersible drilling rig—the *West Eminence*—owned by a Debtor subsidiary of Seadrill Limited, assignment of certain earnings accounts, and a pledge of the common equity shares of Debtor and rig-owning entity Seadrill Eminence Ltd.

$300 million facility due 2018: On July 16, 2013, Seadrill Limited entered into that certain Senior Secured Credit Facility Agreement, by and among Seadrill Limited, as borrower, certain wholly-owned Debtor subsidiaries of Seadrill Limited as guarantors, DNB Bank ASA, as agent, and the lender parties thereto. The $300 million facility matures in July 2018. Collateral securing the $300 million facility includes two jack-up rigs owned by Debtor subsidiaries of Seadrill Limited, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

$1.50 billion facility due 2019: On July 30, 2014, certain of the Debtors entered into that certain Senior Secured Credit Facility Agreement, by and among Debtors Seadrill Saturn Ltd., Seadrill Jupiter Ltd., and Seadrill Neptune Hungary Kft., as borrowers, Seadrill Limited and certain wholly-owned Debtor subsidiaries of Seadrill Limited as guarantors, Nordea Bank Finland Plc, London Branch, as agent, and the lender parties thereto. The $1.50 billion facility matures in August 2019. Collateral securing the facility includes three drillships owned by Debtor subsidiaries of Seadrill Limited, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

$1.35 billion facility due 2019: On August 26, 2014, Seadrill Limited entered into that certain Senior Secured Credit Facility Agreement, by and among Seadrill Limited, as borrower, certain wholly-owned Debtor subsidiaries of Seadrill Limited as guarantors, DNB Bank ASA, as agent, and the lender parties thereto. The $1.35 billion facility matures in August 2019. Collateral securing the facility includes one drillship and two semi-submersible drilling rigs owned by Debtor subsidiaries of Seadrill Limited, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

$950 million facility due 2019: On January 26, 2015, Seadrill Limited entered into that certain Senior Secured Credit Facility Agreement, by and among Seadrill Limited, as borrower, certain wholly-owned Debtor subsidiaries of Seadrill Limited as guarantors, Nordea Bank AB, London Branch, as agent, and the lender parties thereto. The $950 million facility matures in January 2020. Collateral securing the facility includes one drillship and one semi-submersible drilling rig owned by Debtor subsidiaries of Seadrill Limited, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

$450 million facility due 2020: On August 26, 2015, Seadrill Limited entered into that certain Senior Secured Credit Facility Agreement, by and among Seadrill Limited, as borrower, certain wholly-owned Debtor subsidiaries of Seadrill Limited as guarantors, Nordea Bank AB, London Branch, as agent, and the lender parties thereto. The 2015 $450 million facility matures in August 2020. Collateral securing the facility includes six jack-up rigs owned by Debtor subsidiaries of Seadrill Limited, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

(b) Seadrill Limited Split Facilities.

As described above, on August 16, 2017, the Debtors and the Seadrill Partners Entities executed a transaction to address three credit facilities that previously straddled the Seadrill Limited and Seadrill Partners capital structures. Pursuant to that transaction, the Seadrill Limited guarantee of the $420 million Seadrill Partners facility due 2018 was severed, leaving the Debtors with no other obligations under that facility. Certain of the Seadrill Subsidiary Entities, however, were primary obligors (and had pledged

collateral) under the two other facilities described below, so the obligations under those two facilities were split between the applicable Seadrill Limited and Seadrill Partners corporate group entities.

$440 million facility due 2017. On December 4, 2012, Seadrill Limited entered into that certain Secured Credit Facility Agreement, by and among Seadrill Limited, as borrower, certain of Seadrill Limited's Debtor subsidiaries, certain non-Debtor subsidiaries of Seadrill Partners, as guarantors, Citibank Europe plc, UK branch, as agent, and the lender parties thereto. Pursuant to a transaction closing on August 16, 2017, certain obligations under the $440 million facility were novated to the Seadrill Partners corporate group before the facility was amended and restated to effectuate the split of the Seadrill Limited and Seadrill Partners corporate groups, resulting in the only obligations remaining outstanding being by Seadrill Limited and its obligor, wholly-owned subsidiaries. Collateral securing the Debtors' obligations under the split facility includes one jack-up rig owned by a Debtor subsidiary of Seadrill Limited, assignment of certain earnings accounts, and pledges of the common equity shares of Debtor and rig-owning entity Seadrill Telesto Ltd.

$1.45 billion facility due 2018. On March 20, 2013, certain of the Debtors entered into that certain Senior Secured Credit Facility Agreement, by and among Debtor Seadrill Tellus Ltd. and non-Debtor Seadrill Vela Hungary Kft. ("Seadrill Vela Hungary"), as borrowers, Seadrill Limited, one Debtor subsidiary of Seadrill Limited and certain non-Debtor subsidiaries of Seadrill Partners, as guarantors, ING Bank N.V., as agent, and the lenders party thereto. Pursuant to a transaction closing on August 16, 2017, the $1.45 billion facility was amended and restated to effectuate the split between the Seadrill Limited and Seadrill Partners corporate groups, resulting in only a portion of the obligations remaining outstanding as to Seadrill Limited and its obligor, wholly-owned subsidiaries. Collateral securing the Debtors' obligations under the split facility includes one drillship owned by Seadrill Tellus Ltd., a Debtor subsidiary of Seadrill Limited, , assignment of certain earnings accounts, and a pledge of the common equity shares of Debtor and rig-owning entity Seadrill Tellus Ltd.

(c) NADL Facility (Seadrill Limited Guaranteed)

$2.00 billion facility due 2018 ("NADL Facility"): On April 15, 2011, NADL entered into that certain Senior Secured Credit Facility Agreement, by and among NADL, as borrower, Seadrill Limited and certain subsidiaries of NADL, as guarantors, DNB Bank ASA, as agent, and the agents and lenders party thereto. As described below, on April 28, 2016, the parties executed an agreement extending the maturity of the NADL Facility from April 15, 2017 to June 30, 2017. On April 26, 2017, the parties executed an amendment to further extend the maturity to September 14, 2017. Collateral securing the NADL Facility includes three semi-submersible drilling rigs, two jack-ups, and one drillship owned by Debtor subsidiaries of NADL, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

(d) AOD Facility (Seadrill Limited Guaranteed)

$360 million facility due 2018: On April 9, 2013, three non-Debtor subsidiaries of AOD (collectively, the "AOD Borrower Subsidiaries") entered into that certain Senior Secured Credit Facility Agreement, by and among the AOD Borrower Subsidiaries, as borrowers, Seadrill Limited, one Debtor subsidiary of Seadrill Limited, Seadrill GCC Operations Limited, and AOD, as guarantors, ABN AMRO Bank N.V., as agent, and the other agents and lenders party thereto. The AOD Facility matures in April 2018. Collateral securing the facility includes three jack-up rigs owned by non-Debtor subsidiaries of AOD, assignment of certain earnings accounts, and pledges of the common equity shares of the non-Debtor obligor rig-owning entities. As described herein, the AOD Borrower Subsidiaries did not commence chapter 11 cases, but certain Debtors, including Seadrill Limited and Seadrill GCC Operations Limited, are obligors under the AOD facility

(e) Sevan Facility (Seadrill Limited Guaranteed)

$1.75 billion facility due 2018: On September 30, 2013, certain Debtor subsidiaries of Sevan (collectively, the "Sevan Borrower Subsidiaries") entered into that certain Senior Secured Facility Agreement, by and among the Sevan Borrower Subsidiaries, as borrowers, Seadrill Limited and certain subsidiaries of Sevan, as guarantors, ING Bank N.V., as agent, and the lenders party thereto. The Sevan Facility matures in October 2018. Collateral securing the facility includes three ultra-deepwater Sevan design cylindrical-hull semi-submersible rigs owned by Debtor subsidiaries of Sevan, assignment of certain earnings accounts, and pledges of the common equity shares of certain of the Debtor obligor (including rig-owning) entities.

(ii) Unsecured Bonds

The Debtors are also obligated under six issuances of unsecured bonds—four issued by Seadrill Limited and two issued by NADL. Details regarding the unsecured bonds are provided below.

(a) Seadrill Limited Unsecured Bonds

$1.00 billion bond due 2017 ("Maturing Bonds"): On September 14, 2012, Seadrill Limited issued $1.0 billion of 5.625% senior unsecured notes due September 2017. The notes are governed by that certain indenture, dated September 14, 2012, among Seadrill Limited, as issuer, and Deutsche Bank Trust Company Americas, as indenture trustee. No other Debtor entity guarantees or is otherwise obligated under the notes.

NOK 1.80 billion bond due 2018: On March 12, 2013, Seadrill issued NOK 1.8 billion of senior unsecured notes due March 2018. The notes are governed by that certain bond agreement, dated March 11, 2013, among Seadrill Limited, as issuer, and Norsk Tillitsmann ASA, as indenture trustee. No other Debtor entity guarantees or is otherwise obligated under the notes.

SEK $1.50 billion bond due 2019: On March 18, 2014, Seadrill Limited issued SEK 1.5 billion of senior unsecured notes due March 2019. The notes are governed by that certain bond agreement, dated March 17, 2014, among Seadrill Limited, as issuer, and Norsk Tillitsmann ASA, as indenture trustee. No other Debtor entity guarantees or is otherwise obligated under the notes.

$500 million bond due 2020: On September 25, 2013, Seadrill Limited issued $500 million of 6.125% senior unsecured notes due September 2020. The notes are governed by that certain indenture, dated September 25, 2013, among Seadrill Limited, as issuer, and Deutsche Bank Trust Company Americas, as indenture trustee. No other Debtor entity guarantees or is otherwise obligated under the notes.

(b) NADL Unsecured Bonds

NOK 1.5 billion bond due 2018 (Seadrill Limited Guaranteed): On October 30, 2013, NADL issued NOK 1.5 billion of senior unsecured notes due October 2018. The notes are governed by that certain bond agreement, dated October 30, 2013, among NADL, as issuer, and Norsk Tillitsmann ASA, as indenture trustee, as amended by that certain First Amendment and Restatement Agreement, dated February 13, 2015, among NADL, as issuer, and Nordic Trustee ASA, as indenture trustee. The obligations under the notes are unsecured and are fully and unconditionally guaranteed on a senior unsecured basis by Seadrill Limited pursuant to that certain On Demand Guarantee, dated February 13, 2015, among Seadrill Limited, as guarantor, and Nordic Trustee ASA as bond trustee.

$600 million bond due 2019: On January 31, 2014, NADL issued $600 million of 6.25% senior unsecured notes due January 2019. The notes are governed by that certain indenture, dated January 31,

2014, among NADL, as issuer, and Deutsche Bank Trust Company Americas, as indenture trustee. No other Debtor entity guarantees or is otherwise obligated under the notes.

(iii) Danske Guarantee Facility

Seadrill Limited maintains a guarantee facility with Danske Bank A/S ("Danske"), pursuant to which Danske provides certain operations-related credit support to third parties. Pursuant to the Danske Guarantee Facility, Seadrill Limited may request that Danske guarantee obligations to third parties, or issue letters of credit and other similar instruments, up to an aggregate amount of $90 million. These instruments generally secure obligations under the Debtors' customer contracts, as well as obligations in connection with the Debtors' bids on new drilling contracts. As of the Petition Date, there are approximately $54 million in obligations outstanding under the Danske guarantee facility. In most cases, the Debtors' customers require these performance guarantees in the ordinary course of business as a prerequisite to entering into new customer contracts.

(iv) Publicly-Held Common Shares

Seadrill Limited: Seadrill Limited is a publicly-held Bermuda exempted company listed on the NYSE and the OSE under the symbol "SDRL." Seadrill Limited common shares have traded on the OSE since November 2005, and on the NYSE since April 2010. As of the Petition Date, Seadrill Limited's nonaffiliated public float represents 75.8 percent of total shares issued and outstanding, and Seadrill Limited's principal shareholder, Hemen, holds 24.2 percent of Seadrill Limited's issued and outstanding common shares.

NADL: NADL is a publicly-held Bermuda exempted company listed on the NYSE and the Norwegian over-the-counter exchange under the symbol "NADL." NADL common shares have traded on the NYSE since January 2014. As of the Petition Date, Seadrill Limited owned approximately 70.4 percent of NADL's issued and outstanding common shares.

Sevan: Sevan is a publicly-held Bermuda exempted company listed on the OSE under the symbol "SEVDR." Sevan common shares have traded on the OSE since June 2015. As of the Petition Date, Seadrill Limited owns approximately 50.1 percent of Sevan's issued and outstanding common shares.

VI. EVENTS LEADING TO THE CHAPTER 11 FILINGS

A. Market Decline and Industry-Specific Challenges

Approximately three years ago, the oil and gas industry entered what has become a sustained down cycle that was brought on by low commodities prices. Seadrill has not been immune to the effects of the market decline. Oil prices peaked in mid-2014 at more than $115 per barrel before declining to less than $30 per barrel by early 2016. While oil prices have recovered modestly since early 2016, they have hovered near or below breakeven pricing for offshore drilling projects. During that same period, Seadrill Limited's common share trading price fell to a fraction of mid-2014 highs.

Seadrill also faces a mix of offshore drilling industry-specific risks. In response to the recent market downturn, operators have significantly pared back new drilling activity. Even as the market begins to improve, it is likely that the recovery for offshore drilling companies such as Seadrill will lag behind the market due to the comparatively high break-even price for offshore drilling projects.

Further, upstream capital expenditures, and especially the demand for offshore drilling services, are influenced as much by market expectations as actual market performance. Due to the size of the required capital investment and typical length of offshore drilling contracts, upstream capital expenditure

levels are unlikely to improve if operators expect continued volatility in the commodities markets. As a result, on an industry-wide basis, average semi-submersible rig dayrates have decreased by more than $200,000 from mid-2014 highs, while drillship dayrates have decreased by nearly $300,000 over that time period.

Finally, Seadrill operates in a highly competitive sector. Even in good times, offshore drilling contractors compete vigorously for new engagements. This competition has only intensified due to the substantial industry-wide excess rig capacity. While operators may consider a range of factors in contracting for drilling services, they tend to focus more closely on price in a weak market. These conditions have put substantial downward pressure on the day rates offshore drillers are able to charge. Additionally, while Seadrill's long-term contracts help to insulate it from market pressures, certain operators have aggressively pursued contract amendments in an attempt to extract favorable terms.

Although the Debtors and other offshore oil companies have actively sought to delay (and in some cases cancel) deliveries of newly-constructed rigs, and have divested or scrapped older rigs, global utilization rates remain well below historical highs.

B. Proactive Approach to Addressing Liquidity Constraints

In response to deteriorating market conditions, the Debtors have implemented various initiatives to reduce costs and increase efficiency. Since the end of 2014, the Debtors have reduced their employee headcount from approximately 9,500 enterprise-wide employees to approximately 4,780 enterprise-wide employees. The Debtors also decreased their rig and operating costs from $1.61 billion in 2015 to $1.02 billion in 2016 (including by stacking certain rigs), and their general and administrative expenses from $248 million in 2015 to $234 million in 2016. Moreover, Seadrill Limited suspended dividends to its common shareholders in November 2014 given uncertain market conditions. In part due to these efforts, as of the Petition Date, the Debtors had approximately $1 billion in cash. The Debtors intend to fund the Chapter 11 Cases with the consensual use of cash collateral, without the need for debtor-in-possession financing.

The Debtors also have taken steps to address contingent liabilities related to their newbuild contracts. Newbuild contract purchase obligations typically span several years and come due as the shipyard completes construction and delivers the newbuild rigs. The Debtors, however, successfully negotiated a number of newbuild deferrals and other relief with the shipyards. Hemen has close business relationships with substantially all of the Debtors' shipyards, which has helped the Debtors manage these multi-billion dollar obligations. The Debtors will continue to be able to leverage this relationship as long as Hemen remains a significant Seadrill Limited stakeholder.

Four of Seadrill's 14 newbuild contracts, implicating approximately $1.8 billion in obligations, are with Debtor entities. The purchase obligations under each of these contracts are coming due in the near term. In light of market conditions and continued low utilization rates, the Debtors are seeking to further defer these purchase obligations. But, the Debtors were unable to reach such a resolution prepetition. Further, the counterparty to two of the Debtor newbuild contracts initiated arbitration proceedings regarding the Debtors' obligations thereunder. The Debtors remain in active negotiations with this newbuild counterparty. While the Debtors may seek to reject newbuild contracts if they are unable to reach satisfactory commercial resolutions, their preference is for a consensual resolution with the counterparties.

Recognizing the need to examine more comprehensive restructuring solutions, Seadrill sought outside strategic advice beginning in late 2015. Seadrill ultimately engaged Kirkland & Ellis LLP (U.S. counsel), Slaughter and May (U.K. counsel and legacy corporate counsel), Conyers Dill & Pearman Limited (Bermuda counsel), and Advokatfirmaet Thommessen AS (Norway counsel) as legal advisors, Houlihan

Lokey, Inc. and Morgan Stanley as financial advisors, and Alvarez & Marsal North America, LLC as restructuring advisor.

C. Creditor Negotiations, Bank Deal, Capital Raise Process, and Chapter 11 Filing

In May 2015, Seadrill executed certain amendments providing for limited covenant relief under the Bank Facilities. As the market downturn persisted, Seadrill determined that it would require a more comprehensive solution to bridge to a market recovery and began to focus on negotiating a transaction that would provide for at least a five-year liquidity runway, consistent with its business plan. Seadrill thereafter commenced discussions with the Bank CoCom regarding a broader restructuring, which ultimately led to the R1 Agreement.

As part of the R1 Agreement, the parties agreed to the initial April 30, 2017 long stop date by which Seadrill was to implement a comprehensive restructuring either in the form of an out-of-court refinancing or a transaction to be implemented through an in-court process. But the parties were unable to reach agreement with respect to a consensual restructuring by the April 30, 2017 long stop date. Instead, they agreed to further extend the maturities of the West Eminence Facility (to August 15, 2017), the Jack-Up Facility (to August 31, 2017), and NADL Facility (to September 14, 2017), as well as extend the long stop date to July 31, 2017. The parties ultimately agreed to an additional, final extension of the long stop date (to September 12, 2017) and the maturities of the West Eminence Facility and the Jack-Up Facility (both to September 14, 2017, coinciding with the NADL Facility maturity).

Further Bank CoCom discussions—made possible by more than a year of Bank Facility extensions starting with the R1 Agreement—proved successful. Beginning in late 2016, the Debtors and the Bank Lenders began to coalesce around what would become the foundation of the Debtors' restructuring—the Bank Deal. But the Bank Lenders required, as a precondition to consummating the Bank Deal, that the Debtors secure a new capital investment of at least $1 billion to support their businesses through the downturn. Accordingly, in September 2016, the Debtors launched a capital raise marketing process, seeking at least $1 billion in financing.

By December 2016, the Debtors had received indications of interest from several potential investors—substantially all of whom indicated that any feasible deal would necessarily include Hemen due to its industry presence, expertise, and key stakeholder relationships. Initially, however, Hemen suggested that the Debtors first seek to raise capital in the market, potentially without Hemen's explicit backing. By early 2017, however, the Debtors' concluded successful capital raise required the direct involvement of Hemen.

After further discussions, in March 2017, Hemen and Centerbridge submitted a proposal that would develop into the Capital Commitment. Centerbridge has no prior affiliation with Hemen or Seadrill—thus, Centerbridge acted as an initial market check of the terms of the Capital Commitment. Hemen's decision to back the Capital Commitment gave the Debtors the leverage to negotiate a Bank Deal that the Bank Lenders may never have supported with an alternative investor. Many of the Bank Lenders have significant long-term relationships with Hemen and told Seadrill the necessary level of concessions and flexibility were conditioned on Hemen's involvement in Seadrill post-restructuring.

Seadrill's negotiations with Hemen and Centerbridge developed in parallel with a Capital Commitment syndication process, pursued by the Debtors after Hemen and Centerbridge expressed a desire for additional co-investors, which ultimately brought the non-Hemen/Centerbridge Commitment Parties into the fold. Hemen is a world-renowned leader in the offshore drilling and shipping markets and Hemen's participation in the Capital Commitment helped validate the investment opportunity and attracted others to participate. After engaging in extensive discussions with the Debtors, Hemen, and Centerbridge, the parties reached a resolution under which Hemen and Centerbridge would syndicate a portion of the Capital

Commitment to additional Commitment Parties. From the Debtors' perspective, the core economic terms from the Hemen/Centerbridge proposal remained largely unchanged. Further, collectively, the Commitment Parties hold approximately 40 percent of the Unsecured Bonds, meaning that the proposed syndication potentially prevents future litigation with the Unsecured Bondholder stakeholder group.

In the more than one year of active negotiations preceding the Petition Date, the board of directors of Seadrill Limited (the "Board")—including a subcommittee of the Board formed to consider restructuring-related matters—met on a number of occasions to consider various restructuring proposals, maturity extensions, and certain ancillary matters, including the Non-Consolidated Entity insulating transactions described above. Further, on January 10, 2017, to fill two vacancies of retiring Board members, the Board appointed two fully independent directors (collectively, the "Independent Directors"), each of whom had prior restructuring experience the Board recognized would benefit Seadrill's ongoing negotiations. The Independent Directors separately considered certain of the restructuring transactions, including the Non-Consolidated Entity insulating transactions and any related-party transactions like the Hemen-backed Capital Commitment. On September 7, 2017, the Board unanimously approved the Debtors' entry into the Restructuring Support Agreement. On September 12, 2017, approximately 97 percent of the Bank Lenders, the Commitment Parties, and SFL (and certain of SFL's subsidiaries) executed the Restructuring Support Agreement.

In accordance with the terms of the Restructuring Support Agreement, on the Petition Date, the Debtors commenced these chapter 11 cases, as well as the parallel Bermuda insolvency proceedings of Seadrill Limited, NADL, and Sevan described below.

D. Independent Investigation

On January 10, 2017, the Seadrill board of directors appointed two disinterested directors (the "Disinterested Directors") to fill vacancies from retiring board members. Shortly after their appointment, the Disinterested Directors commenced an independent investigation analyzing potential claims that the Debtors may have against related parties. The investigation primarily has focused on a dozen related-party transactions from 2013 to 2016. Seadrill has provided more than 1,000 documents in response to specific requests and access to more than 2 million emails from 20 key custodians for the investigation. Kirkland & Ellis and Baker Tilly have interviewed 31 people involved in the transactions. The Restructuring Support Agreement provides for a termination event if the Disinterested Directors determine the contemplated releases are inappropriate. The Disinterested Directors are nearing completion of the investigation.

E. Bermuda Proceedings

To implement the foregoing restructuring, in parallel with these chapter 11 cases, contemporaneously with the Debtors' commencing these chapter 11 cases, Seadrill Limited, NADL, and Sevan (collectively, the "Bermuda Debtors") commenced "provisional liquidation" proceedings (the "Bermuda Proceedings") pursuant to sections 161 and 170 of the Bermuda Companies Act 1981 by presenting "winding up" petitions to the Bermuda Court. Upon the application of the Bermuda Debtors, the Bermuda Court will be requested to appoint joint "provisional liquidators" for each of the Bermuda Debtors with respect to the restructuring of those companies in these chapter 11 cases. The joint provisional liquidators act as officers of the Bermuda Court, and will be required under the order to report to the Bermuda Court from time to time on the progress of the Bermuda Debtors' chapter 11 proceedings. The Bermuda Debtors' application will also seek to limit the joint provisional liquidators' powers such that the Bermuda Debtors' management team and boards of directors will remain in control of the Bermuda Debtors' day-to-day operations and these chapter 11 cases and the joint provisional liquidators will have the power to oversee the process, including the review of documents. Upon the appointment of joint

provisional liquidators in respect of each of the Bermuda Debtors, a statutory stay of proceedings in Bermuda against those three entities or their assets will automatically arise. On the "return date" for the Bermuda petitions—similar to a "second day" hearing in a chapter 11 proceeding—the Bermuda Debtors will seek to postpone their petitions for a specified period, while the Debtors administer these chapter 11 cases.

After the effective date of the Debtors' chapter 11 plan, to effectuate the issuance of new equity by reorganized Seadrill Limited and certain other restructuring transactions, the Debtors will seek a winding up order from the Bermuda Court and the joint provisional liquidators will assume full powers and become permanent liquidators in respect of the Bermuda Debtors and proceed with the formal liquidation and dissolution of the Bermuda Debtors in accordance with Bermuda law. The common equity holders of the Bermuda Debtors will not receive a distribution or otherwise retain any value given that those entities have no assets as a result of the implementation of the Debtors' chapter 11 plan (other than as set forth above). On or before the effective date of the Debtors' chapter 11 plan, the Debtors will form "new" (*i.e.*, reorganized) Seadrill Limited, NADL, and Sevan to hold the assets of "old" Seadrill Limited, NADL, and Sevan and otherwise reside in their respective positions in the new RigCo/NSNCo holding structuring described above.

VII. MATERIAL DEVELOPMENTS AND ANTICIPATED EVENTS OF THE CHAPTER 11 CASES

A. Corporate Structure upon Emergence

Except as otherwise provided in the Plan (including, for the avoidance of doubt, the Restructuring Transactions), each Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and by-laws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and by-laws (or other formation documents) are amended under the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

B. Expected Timetable of the Chapter 11 Cases

As described above, the Investment Agreement contains a nine month milestone to secure confirmation of a chapter 11 plan and an eleven month milestone to emerge from chapter 11. Thus, to ensure that the Debtors and their stakeholders will benefit from the Capital Commitment and, more broadly, the Restructuring Support Agreement, the Debtors intend to move as quickly as practicable during these chapter 11 cases. Should the Debtors' projected timelines prove accurate, the Debtors could emerge from chapter 11 within eleven months after the Petition Date. **No assurances can be made, however, that the Bankruptcy Court will enter various orders on the timetable anticipated by the Debtors.**

C. First Day Relief

On the Petition Date, along with their voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petitions"), the Debtors filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees, vendors, and customers following the commencement of the Chapter 11 Cases. A brief description of each of the First Day Motions and the evidence in support thereof is set forth in the *Declaration of Edgar W. Mosley II,*

Managing Director of Alvarez & Marsal North America, LLC, in Support of Chapter 11 Petitions and First Day Motions, filed on [●] [Docket No. ●]. Significantly, pursuant to the First Day Motions, the Debtors sought and were granted the authority to pay the Claims of a number of their vendors in full, in the regular course business, including Mineral Contractor Claims.

The First Day Motions, the First Day Declaration, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at [●].

D. Other Procedural and Administrative Motions

The Debtors also filed several other motions subsequent to the Petition Date to further facilitate the smooth and efficient administration of the Chapter 11 Cases and reduce the administrative burdens associated therewith, including:

- Ordinary Course Professionals Motion. On [●], the Debtors filed the Debtors' Motion for Entry of an Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business [Docket No. ●] (the "OCP Motion"). The OCP Motion seeks to establish procedures for the retention and compensation of certain professionals utilized by the Debtors in the ordinary course operation of their businesses. On [●], the Bankruptcy Court entered an order granting the OCP Motion [Docket No. ●].
- Retention Applications. On [●], the Debtors filed a number of applications seeking to retain certain professionals postpetition pursuant to sections 327 and 328 of the Bankruptcy Code, including Kirkland & Ellis, LLP, Slaughter and May, and Conyers Dill & Pearman Limited as legal counsel, Houlihan Lokey Capital, Inc. as financial advisor, Alvarez & Marsal North America, LLC as restructuring advisor, PricewaterhouseCoopers LLP as independent auditor, and Ernst & Young LLP as tax services provider (collectively, the "Retention Applications"). Between [●] and [●], the Bankruptcy Court approved each of the Retention Applications. The foregoing professionals are, in part, responsible for the administration of the Chapter 11 Cases. The postpetition compensation of all of the Debtors' professionals retained pursuant to sections 327 and 328 of the Bankruptcy Code is subject to the approval of the Bankruptcy Court.

E. Schedules and Statements

On [●], the Debtors filed their Schedules of Assets and Liabilities and Statement of Financial Affairs [Docket Nos. ●].

F. [Appointment of Official Committee]

[On [●], the U.S. Trustee filed the [●], notifying parties in interest that the U.S. Trustee had appointed a statutory committee of unsecured creditors (the "Committee") in the Chapter 11 Cases. The Committee is currently composed of the following members: [●]. The Committee has retained [●] as its legal counsel and [●] as its financial advisor.]

G. Litigation Matters

In the ordinary course of business, the Debtors are parties to certain lawsuits, legal proceedings, collection proceedings, and claims arising out of their business operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims.

With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been

commenced before the commencement of the Chapter 11 Cases. In addition, the Debtors' liability with respect to litigation stayed by the commencement of the Chapter 11 Cases generally is subject to discharge, settlement, and release upon confirmation of a plan under chapter 11, with certain exceptions. Therefore, certain litigation Claims against the Debtors may be subject to discharge in connection with the Chapter 11 Cases.

H. Postpetition Marketing Process

The Debtors commenced a comprehensive marketing process prepetition to ensure that the terms of the Capital Commitment are the highest and best terms available under the circumstances. The Debtors' prepetition marketing efforts are described in greater detail in the *Declaration of David R. Hilty, Managing Director of Houlihan Lokey Capital, Inc., in Support of Chapter 11 Petitions and the Joint Chapter 11 Plan of Reorganization of Seadrill Limited and its Debtor Affiliates*, filed on [●] [Docket No. ●] (the "Hilty Declaration"). The Debtors' contemplated postpetition marketing process is described below.

As part of the Debtors' efforts to solicit alternative proposals, the Debtors intend to continue their marketing process seeking alternative proposals from financial and strategic parties. Due to operational risks, the Debtors did not reach out to certain strategic parties, many of whom are significant market competitors, during the prepetition marketing process. However, in order to explore every viable alternative, the Debtors and their advisors will reach out to such strategic parties that have been identified as potential investors during a robust postpetition marketing process. This process is more fully detailed in the marketing procedures, attached to the Hilty Declaration as **Exhibit A**.

Similar to the prepetition process, the Debtors and their advisors will identify potential interested parties, including those solicited prepetition (collectively, the "Potential Interested Parties"). Houlihan Lokey will distribute sanitized and publicly available information to the Potential Interested Parties, which will:

- describe, among other things, the operations and assets of the Debtors, the investments contemplated by the Investment Agreement, and the other restructuring transactions; and
- request that each Potential Interest Party sign an NDA to receive further confidential information.

The Debtors intend to conduct the postpetition marketing process as a two-step process, consisting of Phase I and Phase II, as described below. As part of Phase I, each Potential Interested Party that signs an NDA (collectively, the "Phase I Parties") will receive access to confidential information regarding the Restructuring Transactions, a projection model, an independent industry report, and access to a virtual data room consisting of due diligence materials, as well as further information as the Debtors deem appropriate.

The Debtors will then request each Phase I Party to submit a preliminary, written, non-binding offer (an "Indicative Offer") for an alternative investment proposal. The Debtors will evaluate Indicative Offers in consultation with their advisors, and, in their sole discretion, the Debtors may select a limited number of Phase I Parties to participate in Phase II (such parties, collectively, the "Phase II Parties").

Phase II Parties will have the opportunity to complete additional diligence, including management meetings, to facilitate preparation of final offers. The Debtors will request the Phase II Parties to provide final offers by a certain date, after which the Debtors will evaluate any alternative investments and determine whether any are higher or otherwise better than the terms of the Investment Agreement.

This marketing process will ensure that the proposals received accurately reflect the state of the market, and the process has provided an opportunity for interested parties to express their interest and submit a proposal if they wish to do so. At this time (subject to any subsequent bona fide offers from other potential investors, including the strategic investors), the Debtors believe that the fully documented Capital Commitment, as reflected in the fully executed Investment Agreement, represents the highest and best offer that the Debtors have received and maximizes value for all stakeholders.

VIII. RISK FACTORS

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Bankruptcy Law Considerations

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to holders of Allowed Claims under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of holders of Claims in such Impaired Classes.

1. Parties in Interest May Object to the Plan's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. The Conditions Precedent to the Effective Date of the Plan May Not Occur

As more fully set forth in Article IX of the Plan, the Effective Date of the Plan is subject to a number of conditions precedent. If such conditions precedent are waived or not met, the Effective Date will not take place.

3. The Debtors May Fail to Satisfy Vote Requirements

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan or transaction. There can be no assurance that the terms of any such alternative chapter 11 plan or other transaction would be similar or as favorable to the holders of Interests and Allowed Claims as those proposed in the Plan and the Debtors do not believe that any such transaction exists or is likely to exist that would be more beneficial to the Estates than the Plan.

4. The Debtors May Not Be Able to Secure Confirmation of the Plan

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan "does not

unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims or equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors will be able to reorganize their business and what, if anything, holders of Interests and Allowed Claims against them would ultimately receive.

The Debtors, subject to the terms and conditions of the Plan and the Restructuring Support Agreement, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in less favorable treatment of any non-accepting class of Claims or Interests, as well as any class junior to such non-accepting class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property with a lesser value than currently provided in the Plan or no distribution whatsoever under the Plan.

5. Nonconsensual Confirmation

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

6. Continued Risk upon Confirmation

Even if the Plan is consummated, the Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in demand for oil and natural gas (and thus demand for the services the Debtors provide), and increasing expenses. See Article VIII.C of this Disclosure Statement, entitled "Risks Related to the Debtors' and the Reorganized Debtors' Businesses," which begins on page 56. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of reorganization reflecting the Plan will achieve the Debtors' stated goals.

In addition, at the outset of the Chapter 11 Cases, the Bankruptcy Code provides the Debtors with the exclusive right to propose the Plan and prohibits creditors and others from proposing a plan. The Debtors will have retained the exclusive right to propose the Plan upon filing their Petitions. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan in order to achieve the Debtors' stated goals.

Furthermore, even if the Debtors' debts are reduced and/or discharged through the Plan, the Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' businesses after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

7. The Chapter 11 Cases May Be Converted to Cases under Chapter 7 of the Bankruptcy Code

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time, when commodities prices are at historically low levels, rather than reorganizing or selling the business as a going concern at a later time in a controlled manner, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, including Claims resulting from the rejection of Unexpired Leases and other Executory Contracts in connection with cessation of operations.

8. The Debtors May Object to the Amount or Classification of a Claim

Except as otherwise provided in the Plan, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim where such Claim is subject to an objection. Any holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

9. Risk of Non-Occurrence of the Effective Date

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

10. Risk that the Bermuda Court will not Grant Recognition of the Confirmation Order

After the Effective Date, the Reorganized Debtors intend to seek recognition of the Confirmation Order in Bermuda. There is a risk that the Bermuda Court will not grant such recognition, which may affect the Reorganized Debtors' ability to effectuate certain relief granted pursuant to the Confirmation Order in Bermuda.

11. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan

The distributions available to holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect distributions available to holders of Allowed Claims under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and creditor recoveries set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to holders of Allowed Claims under the Plan.

12. Releases, Injunctions, and Exculpations Provisions May Not Be Approved

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Debtors, Reorganized Debtors, or Released Parties, as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan.

The releases provided to the Released Parties and the exculpation provided to the Exculpated Parties is necessary to the success of the Debtors reorganization because the Released Parties and Exculpated Parties have made significant contributions to the Debtors' reorganizational efforts and have agreed to make further contributions, including by agreeing to massive reductions in the amounts of their claims against the Debtors' estates and facilitating a critical source of post-emergence liquidity by backstopping Rights Offering, but only if they receive the full benefit of the Plan's release and exculpation provisions. The Plan's release and exculpation provisions are an inextricable component of the Restructuring Support Agreement and Plan and the significant deleveraging and financial benefits that they embody.

13. Recoveries for Certain Classes are Tied to Whether Certain Classes Vote to Accept the Plan

Whether certain holders of General Unsecured Claims at Seadrill Limited, NADL, and Sevan are entitled to a specific level of recovery under the Plan is tied to whether such classes vote to accept or reject the Plan. Holders of General Unsecured Claims at Seadrill Limited, NADL, and Sevan should carefully review their treatment under the Plan. Holders of Interests in Seadrill Limited will note be entitled to any recovery under the Plan unless holders of General Unsecured Claims at Seadrill Limited vote as a Class to accept the Plan.

B. Risks Related to Recoveries under the Plan

1. The Reorganized Debtors May Not Be Able to Achieve their Projected Financial Results

The Reorganized Debtors may not be able to achieve their projected financial results. The financial projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the industry segments in which the Debtors operate in particular. While the Debtors believe that the financial projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. If the Debtors do not achieve their projected financial results, the value of the New Seadrill Common Shares may be negatively affected and the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

2. A Liquid Trading Market for the New Seadrill Common Shares May Not Develop

Although the Debtors and the Reorganized Debtors intend to apply to relist the New Seadrill Common Shares on a national securities exchange on or as soon as reasonably practicable after the Effective Date, the Debtors make no assurance that they will be able to obtain this listing or, even if the Debtors do, that liquid trading markets for shares of New Seadrill Common Shares will develop. The liquidity of any market for shares of New Seadrill Common Shares will depend upon, among other things, the number of holders of shares of New Seadrill Common Shares, New Seadrill's financial performance, and the market for similar securities, none of which can be determined or predicted. Accordingly, there can be no assurance that an active trading market for the New Seadrill Common Shares will develop, nor can any assurance be given as to the liquidity or prices at which such securities might be traded. In the event an active trading market does not develop, the ability to transfer or sell New Seadrill Common Shares may be substantially limited.

3. The Trading Price for the Shares of New Seadrill Common Shares May Be Depressed Following the Effective Date

Assuming that the Effective Date occurs, shares of New Seadrill Common Shares will be issued to holders of certain Classes of Claims or Interests (as applicable). Following the Effective Date of the Plan, shares of New Seadrill Common Shares may be sold to satisfy withholding tax requirements. In addition, holders of Claims or Interests (as applicable) that receive New Seadrill Common Shares may seek to sell such securities in an effort to obtain liquidity. These sales and the volume of New Seadrill Common Shares available for trading could cause the trading price for the New Seadrill Common Shares to be depressed, particularly in the absence of an established trading market for the New Seadrill Common Shares.

4. Certain Holders of New Seadrill Common Shares May Be Restricted in their Ability to Transfer or Sell their Securities

To the extent that the New Seadrill Common Shares issued under the Plan are covered by section 1145(a)(1) of the Bankruptcy Code, such securities may be resold by the holders thereof without registration under the Securities Act unless the holder is an "underwriter," as defined in section 1145(b) of the Bankruptcy Code with respect to such securities. Resales by holders of Claims or Interests (as applicable)

who receive New Seadrill Common Shares pursuant to the Plan that are deemed to be "underwriters" would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or applicable law. Such holders would only be permitted to sell such securities without registration if they are able to comply with an applicable exemption from registration, including Rule 144 under the Securities Act.

The New Seadrill Common Shares may not initially be registered under the Securities Act or any state securities laws, and the Debtors make no representation regarding the right of any holder of New Seadrill Common Shares to freely resell the New Seadrill Common Shares (including, as applicable, shares issuable upon exercise of the Note Rights and Equity Rights (as applicable). As set forth in the Investment Agreement, the Debtors have agreed to take certain steps to register the New Seadrill Common Shares after the Effective Date. *See* Article XII to this Disclosure Statement, entitled "Certain Securities Law Matters," which begins on page 67.

5. Restricted Securities Issued under the Plan May Not Be Resold or Otherwise Transferred Unless They Are Registered Under the Securities Act or an Exemption from Registration Applies

To the extent that securities issued pursuant to the Plan are not covered by section 1145(a)(1) of the Bankruptcy Code, such securities shall be issued pursuant to section 4(a)(2) under the Securities Act and will be deemed "restricted securities" that may not be sold, exchanged, assigned or otherwise transferred unless they are registered, or an exemption from registration applies, under the Securities Act. Holders of such restricted securities may not be entitled to have their restricted securities registered and will be required to agree not to resell them except in accordance with an available exemption from registration under the Securities Act. Under Rule 144, the public resale of restricted securities is permitted if certain conditions are met, and these conditions vary depending on whether the holder of the restricted securities is an "affiliate" of the issuer, as defined in Rule 144. A non-affiliate who has not been an affiliate of the issuer during the preceding three months may resell restricted securities after a six-month holding period unless certain current public information regarding the issuer is not available at the time of sale, in which case the non-affiliate may resell after a one-year holding period. An affiliate may resell restricted securities after a six-month holding period but only if certain current public information regarding the issuer is available at the time of the sale and only if the affiliate also complies with the volume, manner of sale and notice requirements of Rule 144. While the Debtors currently expect that the current public information requirement will be met when the six-month holding period expires, they cannot guarantee that resales of the restricted securities will qualify for an exemption from registration under Rule 144. In any event, holders of restricted securities should expect to be required to hold their restricted securities for at least six months.

Holders of New Seadrill Common Shares who are deemed to be "underwriters" under Section 1145(b) of the Bankruptcy Code will also be subject to restrictions under the Securities Act on their ability to resell those securities. Resale restrictions are discussed in more detail in Article XII to this Disclosure Statement, entitled "Certain Securities Law Matters," which begins on page 67.

6. Certain Tax Implications of the Plan

Holders of Allowed Claims should carefully review Article XII of this Disclosure Statement, entitled "Certain United States Federal Income Tax Consequences of the Plan," which begins on page 67, to determine how the tax implications of the Plan and the Chapter 11 Cases may adversely affect the Reorganized Debtors and holders of Claims and Interests.

7. The Debtors May Not Be Able to Accurately Report Their Financial Results

The Debtors have established internal controls over financial reporting. However, internal controls over financial reporting may not prevent or detect misstatements or omissions in the Debtors' financial statements because of their inherent limitations, including the possibility of human error, and the circumvention or overriding of controls or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If the Debtors fail to maintain the adequacy of their internal controls, the Debtors may be unable to provide financial information in a timely and reliable manner within the time periods required for the Debtors' financial reporting under SEC rules and regulations and the terms of the agreements governing the Debtors' indebtedness. Any such difficulties or failure could materially adversely affect the Debtors' business, results of operations, and financial condition. Further, the Debtors may discover other internal control deficiencies in the future and/or fail to adequately correct previously identified control deficiencies, which could materially adversely affect the Debtors' businesses, results of operations, and financial condition.

C. Risks Related to the Debtors' and the Reorganized Debtors' Businesses

14. The Reorganized Debtors May Not Be Able to Generate Sufficient Cash to Service All of their Indebtedness

The Reorganized Debtors' ability to make scheduled payments on, or refinance their debt obligations, depends on the Reorganized Debtors' financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Reorganized Debtors' control. The Reorganized Debtors may be unable to maintain a level of cash flow from operating activities sufficient to permit the Reorganized Debtors to pay the principal, premium, if any, and interest on their indebtedness, including, without limitation, potential borrowings under the Exit Facility upon emergence.

15. The Debtors Will Be Subject to the Risks and Uncertainties Associated with the Chapter 11 Cases

For the duration of the Chapter 11 Cases, the Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include the following: (a) ability to develop, confirm, and consummate the Restructuring Transactions specified in the Plan; (b) ability to obtain Bankruptcy Court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with suppliers, vendors, service providers, customers, employees, and other third parties; (d) ability to maintain contracts that are critical to the Debtors' operations; (e) ability of third parties to seek and obtain Bankruptcy Court approval to terminate contracts and other agreements with the Debtors; (f) ability of third parties to seek and obtain Bankruptcy Court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Debtors' creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

These risks and uncertainties could affect the Debtors' businesses and operations in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect the Debtors' operations and financial condition. Also, the Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Debtors cannot accurately

predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

16. Operating in Bankruptcy for a Long Period of Time May Harm the Debtors' Businesses

The Debtors' future results will be dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Debtors' businesses, financial condition, results of operations, and liquidity. So long as the proceedings related to the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of the Debtors' businesses. In addition, the longer the proceedings related to the Chapter 11 Cases continue, the more likely it is that customers and suppliers will lose confidence in the Debtors' ability to reorganize their businesses successfully and will seek to establish alternative commercial relationships.

So long as the proceedings related to the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases.

Furthermore, the Debtors cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even after a plan of reorganization is approved and implemented, the Reorganized Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from bankruptcy protection.

17. Financial Results May Be Volatile and May Not Reflect Historical Trends

During the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile as asset impairments, asset dispositions, restructuring activities and expenses, contract terminations and rejections, and/or claims assessments significantly impact the Debtors' consolidated financial statements. As a result, the Debtors' historical financial performance likely will not be indicative of their financial performance after the Petition Date.

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans pursuant to a plan of reorganization. The Debtors also may be required to adopt "fresh start" accounting in accordance with Accounting Standards Codification 852 ("Reorganizations") in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends. The financial projections contained in **Exhibit G** hereto do not currently reflect the impact of fresh start accounting, which may have a material impact on the Financial Projections.

18. The Debtors' Substantial Liquidity Needs May Impact and Revenue

The Debtors operate in a capital-intensive industry. The Debtors' principal sources of liquidity historically have been cash flow from operations, borrowings under various bank-funded facilities, issuances of bonds, and issuances of equity securities. If the Debtors' cash flow from operations remains depressed or decreases as a result of lower commodity prices, decreased E&P sector capital expenditures,

or otherwise, the Debtors may not have the ability to expend the capital necessary to improve or maintain their current operations, resulting in decreased revenues over time.

The Debtors face uncertainty regarding the adequacy of their liquidity and capital resources and have extremely limited, if any, access to additional financing. In addition to the cash necessary to fund ongoing operations, the Debtors have incurred significant professional fees and other costs in connection with preparing for the Chapter 11 Cases and expect to continue to incur significant professional fees and costs throughout the Chapter 11 Cases. The Debtors cannot guarantee that cash on hand and cash flow from operations will be sufficient to continue to fund their operations and allow the Debtors to satisfy obligations related to the Chapter 11 Cases until the Debtors are able to emerge from bankruptcy protection.

The Debtors' liquidity, including the ability to meet ongoing operational obligations, will be dependent upon, among other things: (a) their ability to comply with the terms and condition of any cash collateral order entered by the Bankruptcy Court in connection with the Chapter 11 Cases; (b) their ability to maintain adequate cash on hand; (c) their ability to generate cash flow from operations; (d) their ability to develop, confirm, and consummate a chapter 11 plan or other alternative restructuring transaction; and (e) the cost, duration, and outcome of the Chapter 11 Cases. The Debtors' ability to maintain adequate liquidity depends, in part, upon industry conditions and general economic, financial, competitive, regulatory, and other factors beyond the Debtors' control. In the event that cash on hand and cash flow from operations are not sufficient to meet the Debtors' liquidity needs, the Debtors may be required to seek additional financing. The Debtors can provide no assurance that additional financing would be available or, if available, offered to the Debtors on acceptable terms. The Debtors' access to additional financing is, and for the foreseeable future likely will continue to be, extremely limited if it is available at all. The Debtors' long-term liquidity requirements and the adequacy of their capital resources are difficult to predict at this time.

19. Oil and Natural Gas Prices Are Volatile, and Continued Low Oil or Natural Gas Prices Could Materially Adversely Affect the Debtors' Businesses, Results of Operations, and Financial Condition

The Debtors' revenues, profitability and the value of the Debtors' properties substantially depend on the willingness of their operator customer base to make operating and capital expenditures to explore and drill for, develop, and produce oil and natural gas. Operators' willingness to conduct such activities are in turn dependent on prevailing oil and natural gas prices. Further, since operators are reluctant to increase drilling activities in a high-volatility commodities pricing environment, demand for the Debtors' services is affected as much by oil and natural gas price expectations as actual pricing. In short, the Debtors face a high level of exposure to oil and natural gas price swings. Oil and natural gas are commodities, and therefore, their prices are subject to wide fluctuations in response to changes in supply and demand and are subject to both short- and long-term cyclical trends. Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future, especially given current economic and geopolitical conditions. The Debtors expect such volatility to continue in the future. The prices for oil and natural gas are subject to a variety of factors beyond the Debtors' control, such as:

- worldwide production and demand for oil and gas and geographical dislocations in supply and demand;
- the cost of exploring for, developing, producing and delivering oil and gas;
- expectations regarding future energy prices and production;
- advances in exploration, development and production technology;

- the ability of the Organization of Petroleum Exporting Countries ("OPEC"), to set and maintain levels and pricing;
- the level of production in non-OPEC countries;
- international sanctions on oil-producing countries, or the lifting of such sanctions;
- government regulations, including restrictions on offshore transportation of oil and natural gas;
- local and international political, economic and weather conditions;
- domestic and foreign tax policies;
- the development and exploitation of alternative fuels and unconventional hydrocarbon production, including shale;
- worldwide economic and financial problems and the corresponding decline in the demand for oil and gas and, consequently, our services;
- the policies of various governments regarding exploration and development of their oil and gas reserves, accidents, severe weather;
- natural disasters and other similar incidents relating to the oil and gas industry; and
- the worldwide political and military environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East, eastern Europe or other geographic areas or further acts of terrorism in the United States, Europe or elsewhere.

Continued volatility or weakness in oil and natural gas prices (or the perception that oil and natural gas prices will remain depressed) generally leads to decreased upstream spending, which in turn negatively affects demand to the Debtors' services. A sustained decline in oil or natural gas prices may materially and adversely affect the Debtors' future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures. As a result, if there is a further decline or sustained depression in commodity prices, the Debtors may, among other things, be unable to maintain or increase their borrowing capacity, meet their debt obligations or other financial commitments, or obtain additional capital, all of which could materially adversely affect the Debtors' businesses, results of operations, and financial condition.

20. The Offshore Drilling Industry is Influenced by Several Factors That Can Reduce the Demand for the Debtors' Services

While the price of oil and gas has a significant impact on the offshore drilling industry, several other factors have the potential to reduce the demand for the Debtors' services and disrupt the Debtors' business, including:

- the availability of debt financing on reasonable terms;
- the level of costs for associated offshore oilfield and construction services;
- oil and gas transportation costs;

- the level of rig operating costs, including crew and maintenance;
- the discovery of new oil and gas reserves;
- the political and military environment of oil and gas reserve jurisdictions; and
- regulatory restrictions on offshore drilling.

21. The Debtors' Business is Subject to Complex Laws and Regulations That Can Adversely Affect the Cost, Manner, or Feasibility of Doing Business

The Debtors' operations are subject to extensive laws and regulations in a number of different countries across the globe, including complex environmental laws and occupational health and safety laws. The Debtors may be required to make large expenditures to comply with such regulations. Failure to comply with these laws and regulations may result in the suspension or termination of operations and subject the Debtors to administrative, civil and criminal penalties. The Debtors' operations create the risk of environmental liabilities to governments or third parties for any unlawful discharge of oil, gas or other pollutants into the air or water. In the event of environmental violations, the Reorganized Debtors may be charged with remedial costs and land owners may file claims for alternative water supplies, property damage or bodily injury. Laws and regulations protecting the environment have become more stringent in recent years, and may, in some circumstances, result in liability for environmental damage regardless of negligence or fault. In addition, pollution and similar environmental risks generally are not fully insurable. These liabilities and costs could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Reorganized Debtors.

22. The Debtors' Operations are Subject to Hazards Inherent in the Energy Services Industry.

Risks inherent in the offshore drilling industry, such as equipment defects, accidents, and explosions, can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to, or destruction of property, equipment and the environment. These risks could expose the Debtors to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution and other environmental damages and could result in a variety of claims, losses and remedial obligations that could have an adverse effect on the Debtors' business and results of operations. The existence, frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. In particular, the Debtors' customers may elect not to purchase our services if they view our safety record as unacceptable, which could cause us to lose customers and substantial revenue.

23. The Debtors Operate in a Highly-Competitive Industry with Significant Potential for Excess Capacity.

The offshore drilling industry is highly competitive and fragmented and includes several large companies that compete in many of the markets we serve, as well as numerous small companies that compete with us on a local basis. Offshore drilling contracts are generally awarded on a competitive bid basis or through privately negotiated transactions. In determining which qualified drilling contractor is awarded a contract, the key factors are pricing, rig availability, rig location, the condition and integrity of equipment, its record of operating efficiency, including high operating uptime, technical specifications, safety performance record, crew experience, reputation, industry standing and customer relations. Our operations may be adversely affected if our current competitors or new market entrants introduce new drilling rigs with better features, performance, prices or other characteristics compared to our drilling rigs, or expand into service areas where we operate.

Competitive pressures and other factors may result in significant price competition, particularly during industry downturns, which could have a material adverse effect on our results of operations and financial condition.

24. The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising Out of the Chapter 11 Cases

In the future, the Reorganized Debtors may become parties to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

25. The Loss of Key Personnel Could Adversely Affect the Debtors' Operations

The Debtors' operations are dependent on a relatively small group of key management personnel and a highly-skilled employee base. The Debtors' recent liquidity issues and the Chapter 11 Cases have created distractions and uncertainty for key management personnel and employees. Because competition for experienced personnel in the offshore drilling industry can be significant, the Debtors may be unable to find acceptable replacements with comparable skills and experience and the loss of such key management personnel could adversely affect the Debtors' ability to operate their businesses. In addition, a loss of key personnel or material erosion of employee morale at the corporate and/or field levels could have a material adverse effect on the Debtors' ability to meet customer and counterparty expectations, thereby adversely affecting the Debtors' businesses and the results of operations.

26. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Debtors' Financial Condition and Results of Operations

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all Claims that arise prior to the Debtors' filing of their Petitions or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the plan of reorganization and/or (b) would be discharged in accordance with the terms of the plan of reorganization. Any Claims not ultimately discharged through a plan of reorganization could be asserted against the reorganized entity and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations.

27. The Debtors may not be able to negotiate an acceptable consensual resolution to address outstanding continent newbuild obligations

As of the Petition Date, the Debtors were obligated for approximately $4 billion in contingent obligations under 14 newbuild contracts. While the Debtors were unable to reach a comprehensive consensual resolution prior to the Petition Date, the Debtors intend to continue discussions postpetition. There can be no assurances that the Debtors will reach a comprehensive resolution.

IX. SOLICITATION AND VOTING PROCEDURES

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the holders of Claims in those Classes that are entitled to vote to accept or reject the Plan. The procedures and instructions for voting and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit D**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement in formulating a decision to vote to accept or reject the Plan.

THE DISCUSSION OF THE SOLICITATION AND VOTING PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.
PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS.

A. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all holders of Claims against or interests in a debtor are entitled to vote on a chapter 11 plan. The table in Article III.C of this Disclosure Statement, entitled "Am I entitled to vote on the Plan?" which begins on page 6, provides a summary of the status and voting rights of each Class (and, therefore, of each holder within such Class absent an objection to the holder's Claim or Interest) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from holders of Claims in Classes B1(a-i), B2, B3, C1(a-j), D1, D2, D3, E1, F1, F2, F3, and G1 (collectively, the "Voting Classes"). The holders of Claims in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, holders of Claims in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are ***not*** soliciting votes from holders of Claims or Interests in Classes A1, A2, A3, B4, B5, C2, C3, C4, D5, E2, E3, F4, F5, G2, and G3. Additionally, the Disclosure Statement Order provides that certain holders of Claims or Interests in the Voting Classes, such as those holders whose Claims or Interests have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date

The Voting Record Date is [●]. The Voting Record Date is the date on which it will be determined which holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the holder of a Claim.

C. Voting on the Plan

The Voting Deadline is [●], at [●] p.m. (prevailing Central Time). In order to be counted as votes to accept or reject the Plan, all ballots must be (a) electronically submitted utilizing the online balloting portal maintained by the Notice and Claims Agent on or before the Voting Deadline; or (b) properly executed, completed, and delivered (either by using the envelope provided, by first class mail, overnight courier, or personal delivery) so that the ballots are **actually received** by the Notice and Claims Agent on or before the Voting Deadline at the following address:

DELIVERY OF BALLOTS

SEADRILL LIMITED
C/O PRIME CLERK
830 3RD AVENUE 3RD FLOOR
NEW YORK, NY 10022

If you received an envelope addressed to your nominee, please return your ballot to your nominee, allowing enough time for your nominee to cast your vote on a ballot before the Voting Deadline.

PLEASE SELECT JUST ONE OPTION TO VOTE.
EITHER RETURN PROPERLY EXECUTED PAPER BALLOT WITH YOUR VOTE
OR
VOTE VIA ELECTRONIC MAIL TO [●]

Holders of Claims who cast a ballot via electronic mail to [●] with "[●]" in the subject line should NOT also submit a paper Ballot.

FOR ANY BALLOT CAST VIA ELECTRONIC MAIL, A FORMAT OF THE ATTACHMENT MUST BE FOUND IN THE COMMON WORKPLACE AND INDUSTRY STANDARD FORMAT (*I.E.*, INDUSTRY-STANDARD PDF FILE) AND THE RECEIVED DATE AND TIME IN THE SOLICITATION AGENT'S INBOX WILL BE USED AS A TIMESTAMP FOR RECEIPT.

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE SOLICITATION AGENT TOLL FREE AT [●]. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER WILL NOT BE COUNTED.

D. Ballots Not Counted

No ballot will be counted toward Confirmation if, among other things: (1) it is illegible or contains insufficient information to permit the identification of the holder of the Claim; (2) it was transmitted by means other than as specifically set forth in the ballots; (3) it was cast by an entity that is not entitled to vote on the Plan; (4) it was cast for a Claim listed in the Debtors' schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no proof of claim was timely filed; (5) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (6) it was sent to the Debtors, the Debtors' agents/representatives (other than the Solicitation Agent), the administrative agents under the Bank Facilities, or the Debtors' financial or legal advisors instead of the Solicitation Agent; (7) it is unsigned; or (8) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

X. RIGHTS OFFERING PROCEDURES

The procedures and instructions for exercising Note Rights and Equity Rights, as applicable, are set forth in the Rights Offering Procedures, which are attached to this Disclosure Statement as **Exhibit E**. The Rights Offering Procedures are incorporated herein by reference and should be read in conjunction with this Disclosure Statement in formulating a decision to exercise Subscription Rights.

TO PARTICIPATE IN THE RIGHTS OFFERING, EACH ELIGIBLE HOLDER MUST COMPLETE ALL THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES. IF ALL OF THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES ARE NOT COMPLETED BY THE SUBSCRIPTION EXPIRATION DEADLINE OR THE BACKSTOP FUNDING DEADLINE, AS APPLICABLE, THE ELIGIBLE HOLDER SHALL BE DEEMED TO HAVE FOREVER AND IRREVOCABLY RELINQUISHED AND WAIVED ITS RIGHT TO PARTICIPATE IN THE RIGHTS OFFERING.

XI. CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of holders of Claims or Interests.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11 for plan confirmation; (2) the Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11 for plan confirmation; and (3) the Plan has been proposed in good faith.

B. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each impaired class, that each holder of a claim or an equity interest in such impaired class either (1) has accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that the non-accepting holder would receive or retain if the debtors liquidated under chapter 7.

Attached hereto as **Exhibit F** and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis") prepared by the Debtors with the assistance of the Debtors' advisors. As reflected in the Liquidation Analysis, the Debtors believe that liquidation of the Debtors' businesses under chapter 7 of the Bankruptcy Code would result in substantial diminution in the value to be realized by holders of Claims or Interests as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to holders of Claims or Interests than would a liquidation under chapter 7 of the Bankruptcy Code.

If the Plan is not confirmed, and the Debtors fail to propose and confirm an alternative plan of reorganization, the Debtors' businesses may be liquidated pursuant to the provisions of a chapter 11 liquidating plan. In liquidations under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation may result in larger recoveries than a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Any distribution to holders of Claims or Interests (to the extent holders of Interests would receive distributions at all) under a chapter 11 liquidation plan would most likely be substantially delayed. Most importantly, the Debtors believe that any distributions to creditors in a chapter 11 liquidation scenario would fail to capture the significant going concern value of their businesses, which is reflected in the New Seadrill Common Shares to be distributed

under the Plan. Accordingly, the Debtors believe that a chapter 11 liquidation would not result in distributions as favorable as those under the Plan.

C. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtors, with the assistance of their advisors, have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared their projected consolidated balance sheet, income statement, and statement of cash flows (the "Financial Projections"). Creditors and other interested parties should review Article VIII of this Disclosure Statement, entitled "Risk Factors," which begins on page 50, for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

The Financial Projections are attached hereto as **Exhibit G** and incorporated herein by reference. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following the Chapter 11 Cases and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

D. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[9]

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number of the Allowed Claims in such class that vote on the Plan actually cast their ballots in favor of acceptance.

Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of impaired equity interests as acceptance by holders of at least two-thirds in amount of allowed interests in that class, counting only those interests that have *actually* voted to accept or to reject the plan. Thus, a Class of Interests will have voted to accept the Plan only if two-thirds in amount of the Allowed Interests in such class that vote on the Plan actually cast their ballots in favor of acceptance.

Pursuant to Article III.E of the Plan, if a Class contains Claims is eligible to vote and no holders of Claims eligible to vote in such Class vote to accept or reject the Plan, the holders of such Claims in such Class shall be deemed to have accepted the Plan.

---

[9] A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

E. Confirmation without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided*, that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown" so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors may request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan or any Plan Supplement document, including the right to amend or modify the Plan or any Plan Supplement document to satisfy the requirements of section 1129(b) of the Bankruptcy Code.

1. No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims or interests of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

2. Fair and Equitable Test

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. With respect to the fair and equitable requirement, no Class under the Plan will receive more than 100 percent of the amount of Allowed Claims or Interests in that Class. The Debtors believe that the Plan and the treatment of all Classes of Claims or Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

F. Valuation of the Debtors

In conjunction with formulating the Plan and satisfying its obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-Confirmation going concern value of the Debtors. Accordingly, the Debtors, with the assistance of their advisors, produced the Valuation Analysis that is set forth in **Exhibit H** attached hereto and incorporated herein by reference. As set forth in the Valuation Analysis, the Debtors' going-concern value recoveries to creditors under the Plan

are substantially higher than the recoveries such creditors would receive in a hypothetical liquidation of the Seadrill enterprise under chapter 7 of the Bankruptcy Code, as illustrated in the Liquidation Analysis. Accordingly, the Valuation Analysis further supports the Debtors conclusion that the treatment of Classes under the Plan is fair and equitable and otherwise satisfies the Bankruptcy Code's requirements for confirmation.

XII. CERTAIN SECURITIES LAW MATTERS

The Debtors believe the New Secured Notes, the New Seadrill Common Shares, the Equity Rights and the Note Rights to be "securities," as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and any applicable state securities laws.

A. Issuance of Securities under the Plan

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under section 5 of the Securities Act and state laws when such securities are to be exchanged for claims or principally in exchange for claims and partly for cash. In general, securities issued under section 1145 of the Bankruptcy Code may be resold without registration unless the recipient is an "underwriter" with respect to those securities. In reliance upon this exemption, the Debtors believe that the offer and sale under the Plan of New Seadrill Common Shares pursuant to the Equity Recovery and the Unsecured Pool Equity will be exempt from registration under the Securities Act and state securities laws with respect to any such Holder who is not deemed to be an "underwriter" as defined in section 1145(b) of the Bankruptcy Code.

Each of (i) the Equity Rights, and the New Seadrill Common Shares issued in the Equity Rights Offerings or to the Equity Commitment Parties, (ii) the Note Rights, the New Secured Notes, and the New Seadrill Common Shares issued in the Notes Rights Offering or to the Debt Commitment Parties, and (iii) the New Seadrill Common Shares issued in connection with the Structuring Fee will be issued without registration in reliance upon the exemption set forth in Section 4(a)(2) of the Securities Act and/or Regulation S. Section 4(a)(2) of the Securities Act provides that the registration requirements of section 5 of the Securities Act will not apply to the offer and sale of a security in connection with transactions not involving any public offering. The term "issuer," as used in Section 4(a)(2) of the Securities Act, means, among other things, a person who issues or proposes to issue any security. Any securities issued in reliance on Section 4(a)(2) will be "restricted securities" subject to resale restrictions and may be resold, exchanged, assigned or otherwise transferred only pursuant to registration, or an applicable exemption from registration under the Securities Act and other applicable law. Regulation S provides that the registration requirements of section 5 of the Securities Act will not apply to certain offerings and sales of securities outside of the United States. Only Eligible Holders may receive and exercise Equity Rights and Note Rights under the Plan. Eligible Holders include Accredited Investors and Qualified Investors that are not U.S. Persons.

B. Subsequent Transfers of Securities Issued under the Plan

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any person who:

- purchases a claim against, an interest in, or a claim for an administrative expense against the debtor, if that purchase is with a view to distributing any security received in exchange for such a claim or interest;
- offers to sell securities offered under a plan of reorganization for the holders of those securities;
- offers to buy those securities from the holders of the securities, if the offer to buy is (i) with a view to distributing those securities; and (ii) under an agreement made

in connection with the plan of reorganization, the completion of the plan of reorganization, or with the offer or sale of securities under the plan of reorganization; or

- is an issuer with respect to the securities, as the term "issuer" is defined in section 2(a)(11) of the Securities Act.

You should confer with your own legal advisors to help determine whether or not you are an "underwriter."

To the extent that persons who receive the securities issued under the Plan that are exempt from registration under the Securities Act or other applicable law by section 1145 of the Bankruptcy Code are deemed to be "underwriters," resales by those persons would not be exempted from registration under the Securities Act or other applicable law by section 1145 of the Bankruptcy Code. Securities issued under the Plan that are "restricted securities" may only be sold pursuant to a registration statement or pursuant to exemption therefrom, such as the exemption provided by Rule 144 under the Securities Act.

Persons (i) who receive securities that are exempt under section 1145 of the Bankruptcy Code but who are deemed "underwriters" or (ii) who receive securities issued under the Plan that are "restricted securities" would, however, be permitted to sell such securities without registration if an available resale exemption exists, including the exemptions provided by Rule 144 or Rule 144A under the Securities Act.

PERSONS WHO RECEIVE SECURITIES UNDER THE PLAN ARE URGED TO CONSULT THEIR OWN LEGAL ADVISOR WITH RESPECT TO THE RESTRICTIONS APPLICABLE UNDER THE FEDERAL OR STATE SECURITIES LAWS AND THE CIRCUMSTANCES UNDER WHICH SECURITIES MAY BE SOLD IN RELIANCE ON SUCH LAWS.

THE FOREGOING SUMMARY DISCUSSION IS GENERAL IN NATURE AND HAS BEEN INCLUDED IN THIS DISCLOSURE STATEMENT SOLELY FOR INFORMATIONAL PURPOSES. WE MAKE NO REPRESENTATIONS CONCERNING, AND DO NOT PROVIDE, ANY OPINIONS OR ADVICE WITH RESPECT TO THE SECURITIES OR THE BANKRUPTCY MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT. IN LIGHT OF THE UNCERTAINTY CONCERNING THE AVAILABILITY OF EXEMPTIONS FROM THE RELEVANT PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS, WE ENCOURAGE EACH HOLDER AND PARTY-IN-INTEREST TO CONSIDER CAREFULLY AND CONSULT WITH ITS OWN LEGAL ADVISORS WITH RESPECT TO ALL SUCH MATTERS. BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A SECURITY IS EXEMPT FROM THE REGISTRATION REQUIREMENTS UNDER THE FEDERAL OR STATE SECURITIES LAWS OR WHETHER A PARTICULAR HOLDER MAY BE AN UNDERWRITER, WE MAKE NO REPRESENTATION CONCERNING THE ABILITY OF A PERSON TO DISPOSE OF THE SECURITIES ISSUED UNDER THE PLAN.

XIII. CERTAIN UNITED STATES FEDERAL INCOME TAX AND BERMUDA TAX CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion summarizes certain United States ("U.S.") federal income tax and Bermuda tax consequences of the implementation of the Plan to the Debtors, and the U.S. federal income tax consequences to certain holders of Claims entitled to vote on the Plan. It does not address the U.S. federal income tax consequences to holders of Claims not entitled to vote on the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules

and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof (collectively, "Applicable U.S. Tax Law"). Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The Debtors have not requested, and will not request, any ruling or determination from the IRS or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

In general, other than with respect to the U.S. Entities (as defined below), the Debtors are not taxpayers in the U.S. As such, the Debtors will only take positions with respect to issues of U.S. federal income tax law to the extent they are required to do so by Applicable U.S. Tax Law. Unless stated expressly herein, nothing in this summary should be interpreted to imply that the Debtors will take any particular position with respect to issues of Applicable U.S. Tax Law to the extent the Debtors are not required by Applicable U.S. Tax Law to take a particular position.

This summary does not address non-U.S. (other than the limited discussion of Bermuda tax consequences to the Debtors included below), state, local or non-income tax consequences of the Plan (including such consequences with respect to the Debtors), nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a holder in light of its individual circumstances or to a holder that may be subject to special tax rules (such as persons who are related to the Debtors within the meaning of the Tax Code, persons liable for alternative minimum tax, U.S. holders whose functional currency is not the U.S. dollar, U.S. expatriates, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, controlled foreign corporations, passive foreign investment companies, partnerships (or other entities treated as partnerships or other pass-through entities), beneficial owners of partnerships (or other entities treated as partnerships or other pass-through entities), subchapter S corporations, persons who hold Claims or who will hold any consideration received pursuant to the Plan as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and holders of Claims who are themselves in bankruptcy). Furthermore, this summary assumes that a holder of a Claim holds only Claims in a single Class and holds a Claim only as a "capital asset" (within the meaning of section 1221 of the Tax Code). This summary also assumes that Claims will be treated in accordance with their form for U.S. federal income tax purposes. The U.S. federal income tax consequences of the implementation of the Plan to the Debtors and holders of Claims described below also may vary depending on the nature of any Restructuring Transactions that the Debtors engaged in.

This summary does not address the receipt, if any, of property by holders of Claims other than in their capacity as such (*e.g.*, this summary does not discuss the treatment of any commitment fee or similar arrangement or the receipt of any debt or equity interest pursuant to any backstop agreement, including the Investment Agreement (other than as expressly described below)). The treatment of the receipt of any such property may vary significantly from the treatment described herein, and Holders of Claims or Interests should consult their own tax advisors regarding any applicable consequences.

For purposes of this discussion, a "U.S. Holder" is a holder of a Claim that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons (within the meaning of section 7701(a)(30) of the Tax Code) have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "Non-U.S. Holder"

is any holder of a Claim that is neither a U.S. Holder nor a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a holder of a Claim, the tax treatment of a partner (or other beneficial owner) generally will depend upon the status of the partner (or other beneficial owner) and the activities of the entity. Partners (or other beneficial owners) of partnerships (or other entities treated as partnerships or other pass-through entities) that are holders of Claims should consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME AND BERMUDA TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, NON-U.S., NON-INCOME, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to the Debtors

As discussed immediately below, the Debtors do not anticipate that the Restructuring Transactions will result in any material U.S. federal income tax consequences to the Debtors. This summary (a) does not address any determinations with respect to "earnings and profits" for U.S. tax purposes and (b) assumes that any intercompany obligation that is owed by a U.S. Entity (as defined below) to any entity outside of such U.S. Entity's U.S. federal consolidated tax group is not modified pursuant to the Plan.

(i) Cancellation of Debt Income

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") for U.S. federal income tax purposes, upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (i) the adjusted issue price of the indebtedness satisfied, over (ii) the sum of (A) the amount of cash paid, (B) the issue price of any new indebtedness of the debtor issued, and (C) the fair market value of any other consideration (including stock or warrants of the debtor or another entity) given in satisfaction of such indebtedness at the time of the exchange.

A very limited number of entities held directly or indirectly by the Debtors are treated as U.S. entities (or as disregarded entities of other U.S. entities) for U.S. tax purposes (the "U.S. Entities"). None of the U.S. Entities are the primary obligors on the debt that will be modified or discharged pursuant to the Plan, and the Debtors believe that none of obligors on the debt that will be modified pursuant to the Plan are subject to U.S. federal income tax. Although certain of the U.S. Entities guarantee debt that is being modified or discharged pursuant to the Plan, the release or modification of a guarantee generally does not cause U.S. federal income tax consequences to the guarantor unless the guarantor is treated as a primary or co-obligor on the underlying debt instrument under a facts-and-circumstances analysis. The Debtors do not believe that any U.S. Entity would be treated as a primary or co-obligor under these principles. Accordingly, the Debtors (including the U.S. Entities) do not currently expect to realize significant COD Income for U.S. federal income tax purposes as a result of the Restructuring Transactions.

(ii) Limitation of NOL Carryforward and Other Tax Attributes

Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its surviving net operating loss ("NOL") carryovers, capital loss carryovers, tax credit carryovers, and certain other tax attributes (potentially including losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Debtors allocable to periods before the Effective Date (collectively, the "Pre-Change Losses") that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the Tax Code are complicated, but as a general matter, the Debtors anticipate that the distribution of the New Seadrill Common Shares pursuant to the Plan will result in an "ownership change" of the Debtors for these purposes, and that the Debtors' use of their Pre-Change Losses (if any) will be subject to limitation unless an exception to the general rules of section 382 of the Tax Code applies.

(a) General Section 382 Annual Limitation

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs: [_]% for ownership changes occurring in September 2017).

If a corporation (or affiliated group) has a net unrealized built-in gain at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then the section 382 limitation may be increased to the extent that the debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. If a corporation (or affiliated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or affiliated group's) net unrealized built-in gain or net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15% of the fair market value of its assets (with certain adjustments) before the ownership change.

Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

Notwithstanding the rules described above, if post-ownership change, a debtor corporation and its subsidiaries do not continue the debtor corporation's historic business or use a significant portion of its historic business assets in a new business for two years after the ownership change (the "Business Continuity Requirement"), the annual limitation resulting from the ownership change is zero.

As discussed below, special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding.

(b) Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when shareholders or so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least

50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies, the Business Continuity Requirement does not apply, although a different business continuation requirement may apply under the Treasury Regulations. If the 382(l)(5) Exception applies and the Debtors undergo another "ownership change" within two years after the Effective Date, then the Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception because under the 382(l)(6) Exception, the debtor corporation is not required to reduce its NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo an ownership change within two years without automatically triggering the elimination of its Pre-Change Losses. If the 382(l)(6) Exception applies, the Business Continuity Requirement discussed above also applies.

The Debtors do not expect to have material U.S. NOLs or other tax attributes subject to the rules of sections 382 and 383 of the Tax Code (other than tax basis in assets) at the time of the Restructuring Transactions. The Debtors have not determined the extent to which the Debtors' ability to claim depreciation deductions may be subject to limitation pursuant to the above rules.

C. Bermuda Tax Consequences to the Debtors

Certain of the Debtors, including Seadrill Limited, the Debtors' ultimate parent company, NADL, and Sevan, are Bermuda-incorporated entities. Bermuda generally does not impose obligations under any corporate tax regime and, as a result, the Debtors do not anticipate any Bermuda tax consequences pursuant to the Plan.

D. Certain U.S. Federal Income Tax Consequences to the Holders of Certain Claims

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to holders of Claims who are U.S. Holders. U.S. Holders of Claims are urged to consult their tax advisors regarding the tax consequences of the Restructuring Transactions.

In general, the U.S. federal income tax treatment of Holders of Claims will depend, in part, on whether the receipt of consideration under the Plan qualifies as an exchange of stock or securities pursuant to a tax free reorganization or if, instead, the consideration under the Plan is treated as having been received in a fully taxable disposition. Whether the receipt of consideration under the Plan qualifies for reorganization treatment will depend on, among other things, (a) whether the Claim being exchanged constitutes a "security" and (b) whether the Debtor against which a Claim is asserted is the same entity that is issuing the consideration under the Plan.

Neither the Tax Code nor the Treasury Regulations promulgated thereunder defines the term "security." Whether a debt instrument constitutes a "security" for U.S. federal income tax purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. The Debtors have not yet made any determinations regarding the treatment of any particular Claim as a security under U.S. federal income tax law.

(i) U.S. Federal Income Tax Consequences to Holders of Credit Agreement Claims

Pursuant to the Plan, except to the extent that a U.S. Holder of a Credit Agreement Claim agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of such Claims, each U.S. Holder of the Credit Agreement Claims will receive its pro rata share of participation in the Amended Credit Facility that corresponds to the Credit Facility under which such Credit Agreement Claim arose.

The following discussion generally assumes that the amendments to each of the relevant underlying credit agreements will constitute a "significant modification" of each applicable credit agreement under Applicable U.S. Tax Law and, specifically, the rules under Treasury Regulations Section 1.1001-3. Whether the particular amendments being made to each underlying credit agreement constitute a "significant modification" will depend upon, among other things, the original maturity date, yield to maturity, and other aspects of each underlying credit agreement. The Debtors have not yet performed an analysis of each credit agreement to determine whether the contemplated modifications will constitute a "significant modification" of any particular credit agreement, and the Debtors will only make such a determination with respect to any particular credit agreement to the extent they are required to do so under Applicable U.S. Tax Law, including the rules related to original issue discount ("OID") reporting obligations.

(a) Treatment of a Holder of a Credit Agreement Claim if such Credit Agreement Claim is Treated as a Security and the Interest in the Applicable Amended Credit Facility Constitutes a Security of the Applicable Debtor

If a Credit Agreement Claim is treated as a security and at least some of the consideration received in exchange for such Claim is also determined to be a "security" of the applicable Debtor, then the exchange of such Claims should be treated as a reorganization under the Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), and subject to the rules relating to market discount, a U.S. Holder of such a Claim should recognize gain (but not loss), to the extent of the lesser of (a) the amount of gain realized from the exchange (generally equal to the fair market value of all of the consideration (or issue price of debt instruments), including cash, received, minus the U.S. Holder's adjusted basis, if any, in the Claim) or (b) the cash and the fair market value (or issue price of debt

instruments) of "other property" received that is not permitted to be received under sections 354 and 356 of the Tax Code without recognition of gain.

With respect to an Amended Credit Facility that is treated as a "security" of the applicable Debtor, such U.S. Holder should obtain a tax basis in such Amended Credit Facility, other than any such amounts treated as received in satisfaction of accrued but untaxed interest (or OID), and subject to the rules relating to market discount, equal to (a) the tax basis of the Claim surrendered, less (b) the cash received, plus (c) gain recognized (if any). The holding period for such Amended Credit Facility should include the holding period for the exchanged Claims.

With respect to an Amended Credit Facility that is not treated as a "security" of the applicable Debtor, U.S. Holders should obtain a tax basis in such Amended Credit Facility, other than any amounts treated as received in satisfaction of OID, and subject to the rules relating to market discount, equal to the property's fair market value (or issue price, in the case of debt instruments) as of the date such property is distributed to the U.S. Holder. The holding period for any such Amended Credit Facility should begin on the day following the receipt of such Amended Credit Facility.

(b) Treatment of a Holder of a Credit Agreement Claim if such Credit Agreement Claim is Determined Not to be a "Security" or None of the Consideration Received under the Plan Constitutes Stock or Securities of the Applicable Debtor

If a Credit Agreement Claim is determined not to be a "security" or none of the consideration received by a U.S. Holder of such Claim is determined to be a stock or "security" of the applicable Debtor, then a U.S. Holder of such Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID, if any), each U.S. Holder of a Credit Agreement Claim should recognize gain or loss in an amount equal to the difference, if any, between (i) the issue price of the Amended Credit Facility interest received, and (ii) the U.S. Holder's adjusted tax basis in its Credit Agreement Claim. Subject to the rules regarding market discount and accrued interest discussed below, any gain or loss recognized will generally be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder has held the Claim for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations.

U.S. Holders of such Claims should obtain a tax basis in the debt instrument received, other than any such amounts treated as received in satisfaction of OID, equal to the debt's issue price (as discussed below) as of the date of the exchange. The holding period for such debt instrument should begin on the day following the Effective Date.

(c) Determination of Issue Price and OID with respect to Claims under Amended Credit Facilities

As noted above, holders of Credit Agreement Claims will receive their pro rata share of participation in the Amended Credit Facilities, and the amount of gain or loss recognized by U.S. Holders of such Claims will be determined by the issue price of a U.S. Holder's pro rata share of the debt instrument received under the Amended Credit Facility. The determination of "issue price" for purposes of this analysis will depend, in part, on whether the Credit Agreement Claims are traded on an established market for U.S. federal income tax purposes (or "publicly traded"). Under applicable Treasury Regulations, a debt instrument will not be treated as publicly traded if the outstanding stated principal amount of the issue that includes the debt instrument is $100 million or less on the relevant determination date.

The issue price of a debt instrument that is not traded on an established market, but that is issued in exchange for Claims against the Debtors that are publicly traded, would be the fair market value of the Claims that are publicly traded. The issue price of a debt instrument that is neither publicly traded nor issued for Claims that are publicly traded would generally be its stated redemption price at maturity (provided that the interest rate on the debt instrument is equal to or exceeds the applicable federal rate published by the IRS). Claims against the Debtors may be traded on an established market for these purposes even if no trades actually occur and there are merely firm or indicative quotes with respect to such Claims.

In the event the issue price of a Claim under an Amended Credit Facility is lower than its "stated redemption price at maturity" (i.e., the sum of all payments to be made on the debt instrument (other than "qualified stated interest"), including payments as a result of any interest that is "payable in kind") by more than a statutory de minimis amount, it would be treated as issued with OID. Where debt instruments are treated as being issued with OID, a U.S. Holder of any such debt instrument will generally be required to include any OID in income over the term of such debt instrument in accordance with a constant yield-to-maturity method, regardless of whether the U.S. Holder is a cash or accrual method taxpayer, and regardless of whether and when such U.S. Holder received cash payments of interest on such debt instrument (other than cash attributable to qualified stated interest, which is includible in income in accordance with the U.S. Holder's normal method of tax accounting). Accordingly, a U.S. Holder could be treated as receiving income in advance of a corresponding receipt of cash. Any OID that a U.S. Holder includes in income will increase the tax basis of the U.S. Holder in its interest in such debt instrument. A U.S. Holder of an interest in such new debt instruments will not be separately taxable on any cash payments that have already been taxed under the OID rules, but will reduce its tax basis in the pro rata shares of such debt instruments by the amount of such payments.

In general, interest (including OID, if any) received or accrued by U.S. Holders should be treated as foreign source interest ordinary income.

The above discussion is subject to the discussion of the CPDI rules discussed below.

(d) Contingent Payment Debt Instruments

In light of certain features of the Amended Credit Facilities, including (a) the cash sweep mechanism coupled with the fact that one or more of the Amended Credit Facilities may be deemed to be issued with OID for U.S. tax purposes if a particular Amended Credit Facility is subject to a "significant modification," [10] and (b) the effect of the amortization conversion election, it is possible that one or more of the Amended Credit Facilities could be treated as contingent payment debt instruments ("CPDIs") subject to the "noncontingent bond method" for accruing OID.

Under the noncontingent bond method, each U.S. Holder should be required to accrue OID on a constant yield to maturity basis based on the "comparable yield" of any debt instrument determined to be a CPDI, which generally is the rate at which the Debtors could issue a fixed rate debt instrument with terms and conditions similar to the applicable debt. U.S. Holders should accrue interest based on the comparable yield. U.S. Holders should not be required to separately include in income any additional amount for the interest payments actually received, except to the extent of positive or negative adjustments, as discussed below.

---

[10] U.S. tax law is unclear on whether "pure" timing contingencies can cause a debt instrument to be subject to the CPDI rules. The Debtors will only take a position on that issue to the extent they determine that they are required to make a determination with respect to whether any particular Amended Credit Facility constitutes a CPDI.

If, during any taxable year, the actual payments with respect to any CPDIs exceed the projected payments for that taxable year, U.S. Holders should incur a "net positive adjustment" under the contingent debt regulations equal to the amount of such excess. U.S. Holders should treat a net positive adjustment as additional interest income in that taxable year.

If, during any taxable year, the actual payments with respect to any CPDIs are less than the amount of projected payment for that taxable year, U.S. Holders may incur a "net negative adjustment" under the contingent debt regulations equal to the amount of such deficit. This net negative adjustment should (a) reduce a U.S. Holder's interest income on the relevant Amended Credit Facility for that taxable year, and (b) to the extent of any excess after application of (a), give rise to an ordinary loss to the extent of such U.S. Holder's interest income on the CPDIs during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments. Any net negative adjustment in excess of the amounts described in (a) and (b) should be carried forward as a negative adjustment to offset future interest income with respect to the relevant Amended Credit Facility or to reduce the amount realized on a sale, exchange, or repurchase of the CPDIs. As a result of the rules described above, recipients of CPDIs may be required to include amounts in income prior to receipt of cash attributable to such income.

The Debtors have not yet determined whether any particular Amended Credit Facility will constitute a CPDI or determined the "comparable yield" or a schedule of projected payments. The Debtors will only determine whether any particular Amended Credit Facility constitutes a CPDI, and will only determine the "comparable yield" or construct a schedule of projected payments, to the extent they determine they are required to do so under Applicable U.S. Tax Law. In the event the Debtors do not make these determinations, each U.S. Holder would be required to independently make the relevant determinations. In the event the Debtors determine that any Amended Credit Facility constitutes a CPDI and determines they are required to make determinations with respect to a schedule of projected payments, such information will be determined following the close of the Restructuring Transactions, and can be obtained by contacting the Reorganized Debtors at a contact address that will be determined at a later date.

The rules related to CPDIs are complex. U.S. Holders are encouraged to consult their own tax advisors, including with respect to whether any particular Amended Credit Facility constitutes a CPDI.

(ii) U.S. Federal Income Tax Consequences to Holders of General Unsecured Claims Against Seadrill, NADL, and Sevan

(a) In General

The recoveries to be received by U.S. Holders of General Unsecured Claims against Seadrill, NADL, and Sevan will depend on whether certain Classes B3, D3, and F3, respectively, vote to accept the Plan.

Pursuant to the Plan, except to the extent that a U.S. Holder of a General Unsecured Claim agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of such Claims, if the applicable class votes to accept the Plan, a U.S. Holder of a General Unsecured Claim will receive its pro rata share of (a) New Seadrill Common Shares, (b) the Note Rights, and (c) the Equity Rights.[11]

[11] However, the Commitment Parties and any Permitted Transferee of Company Claims/Interests held by a Commitment Party as of the Agreement Effective Date shall not receive the Note Rights and Equity Rights shall not receive the Note Rights and Equity Rights.

Pursuant to the Plan, except to the extent that a U.S. Holder of a General Unsecured Claim agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of such Claims, if the applicable class does not vote to accept the Plan, a U.S. Holder of a General Unsecured Claim will receive the Liquidation Recovery, which may be composed of New Seadrill Common Shares and/or Cash.

(b) U.S. Federal Income Tax Consequences to Holders of General Unsecured Claims against NADL and Sevan

Because none of the non-cash consideration being issued is being issued by NADL or Sevan, although the issue is not free from doubt, the exchange of the General Unsecured Claims against NADL and Sevan under the Plan will likely be fully taxable under section 1001 of the Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID, if any), each U.S. Holder of such Claim should recognize gain or loss equal to the difference between (i) the fair market value of the consideration received in exchange for such Claim; and (ii) such U.S. Holder's adjusted basis, if any, in such Claim. Subject to the rules regarding market discount and accrued interest discussed below, any gain or loss recognized will generally be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder has held the Claim for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations.

U.S. Holders of such Claims should obtain a tax basis in the non-cash consideration received, other than any such amounts treated as received in satisfaction of accrued but untaxed interest (or OID, if any), equal to such property's fair market value as of the date such property is distributed to the U.S. Holder. The holding period for any such non-cash consideration should begin on the day following the Effective Date.

(c) U.S. Federal Income Tax Consequences to Holders of General Unsecured Claims Against Seadrill

Pursuant to the Plan, except to the extent that a U.S. Holder of a General Unsecured Claim against Seadrill agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of such Claims, if the applicable class votes to accept the Plan, a U.S. Holder of a General Unsecured Claim will receive its pro rata share of (a) New Seadrill Common Shares, (b) the Note Rights, and (c) the Equity Rights.[12]

(i) Treatment if General Unsecured Claims are "Securities" of Seadrill and At Least Some of the Consideration Received Under the Plan Constitutes Stock or Securities of Seadrill

If a General Unsecured Claim against Seadrill is determined to be a "security" of Seadrill and at least some of the consideration received is also deemed to be a stock or a "security" of Seadrill, then the exchange of such Claims pursuant to the Plan should be treated as a reorganization under the Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), and subject to the rules relating to market discount, a U.S. Holder of such a Claim should recognize gain (but not loss), to the extent of the lesser of (a) the amount of gain realized from the exchange (generally equal to the fair market value of all of the consideration (or issue price of debt instruments), including cash,

[12] However, the Commitment Parties and any Permitted Transferee of Company Claims/Interests held by a Commitment Party as of the Agreement Effective Date shall not receive the Note Rights and Equity Rights shall not receive the Note Rights and Equity Rights.

received, minus the U.S. Holder's adjusted basis, if any, in the Claim) or (b) the cash and the fair market value (or issue price of debt instruments) of "other property" received that is not permitted to be received under sections 354 and 356 of the Tax Code without recognition of gain.

With respect to non-cash consideration that is treated as a "stock or security" of Seadrill, such U.S. Holder should obtain a tax basis in such property, other than any such amounts treated as received in satisfaction of accrued but untaxed interest (or OID), and subject to the rules relating to market discount, equal to (a) the tax basis of the Claim surrendered, less (b) the cash received, plus (c) gain recognized (if any). The holding period for such non-cash consideration should include the holding period for the exchanged Claims.

With respect to non-cash consideration that is not treated as a "stock or security" of Seadrill, U.S. Holders should obtain a tax basis in such property, other than any amounts treated as received in satisfaction of OID, and subject to the rules relating to market discount, equal to the property's fair market value (or issue price, in the case of debt instruments) as of the date such property is distributed to the U.S. Holder. The holding period for any such property should begin on the day following the receipt of such property.

(ii) Treatment if General Unsecured Claims against Seadrill are Not "Securities" of Seadrill or None of the Consideration Received Under the Plan Constitutes Stock or Securities of Seadrill

If a General Unsecured Claim against Seadrill is determined not to be a "security" of Seadrill or none of the consideration received by a U.S. Holder of such Claim is determined to be a stock or a "security" of Seadrill, then the exchange of such Claims pursuant to a Plan should be subject to the same treatment as the General Unsecured Claims against NADL and Sevan, as discussed above.

(d) Exercise of the Note Rights and Equity Rights

(i) Nature of Rights

The characterization of the Note Rights and the Equity Rights their subsequent exercise for U.S. federal income tax purposes—as simply the exercise of options to acquire the property that is subject to the Note Rights or Equity Rights or, alternatively, as an integrated transaction pursuant to which the applicable option consideration is acquired directly in partial satisfaction of a U.S. Holder's Claim—is uncertain. Although the issue is not free from doubt, unless otherwise noted this discussion assumes that the exchange of a Claim for the Note Rights and Equity Rights (along with the other consideration under the Plan) is a separately identifiable step from the exercise of such Note Rights and Equity Rights.

(ii) Exercise of the Note Rights

(1) General Issues

A U.S. Holder that elects to exercise the Note Rights should be treated as purchasing, in exchange for its Note Rights and the amount of cash funded by the U.S. Holder to exercise the Note Rights, the New Seadrill Common Shares and New Secured Notes it is entitled to purchase pursuant to the Note Rights. Such a purchase will generally be treated as the exercise of an option under general tax principles, and as such a U.S. Holder should not recognize income, gain or loss for U.S. federal income tax purposes when it exercises the Note Rights.

A U.S. Holder's holding period in the New Secured Notes received upon exercise of a Note Right generally should commence the day following the exercise date.

A U.S. Holder that does not exercise a Note Right may be entitled to claim a capital loss equal to the amount of tax basis allocated to the Note Right, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Note Right.

(2) Issue Price and OID of New Secured Notes

Upon the exercise of the Note Rights, a U.S. Holder will receive both New Seadrill Common Equity and New Secured Notes. The New Seadrill Common Equity and New Secured Notes should constitute an "investment unit" under Applicable U.S. Tax Law (and the Debtors have agreed that such treatment is appropriate in connection with the New Seadrill Common Equity and New Secured Notes being issued pursuant to the Investment Agreement to parties other than Holders of Claims) (the "Note Rights Investment Unit"). Accordingly, the issue price of the New Secured Notes will depend on the issue price of the Note Rights Investment Unit. Because the Note Rights Investment Unit is identical to the investment unit being received by other parties to the Investment Agreement (the "Other Investment Agreement Investment Units"), although the issue is not free from doubt, the Debtors will report that the issue price of the Note Rights Investment Unit is identical to the issue price of the Other Investment Agreement Investment Units. Under Applicable U.S. Tax Law, because the Other Investment Agreement Investment Units are being issued solely for a set amount of cash, the issue price of each Other Investment Agreement Investment Unit will be equal to the amount of cash paid to acquire the Other Investment Agreement Investment Unit. That issue price will then be allocated between the New Seadrill Common Equity and New Secured Notes based on their respective fair market values, with the amount allocated to the New Secured Notes determining the issue price of the New Secured Notes. The Debtors expect that this will result in the New Secured Notes being issued with a substantial amount of OID (in addition to OID related to the "payment in kind" feature of the New Secured Notes). OID with respect to the New Secured Notes will generally be subject to the same rules discussed in the context of Credit Agreement Claims, above.

The above discussion is subject to the discussion of the CPDI rules, below.

(3) Tax Basis in New Seadrill Common Shares and New Secured Notes

Although not free from doubt, a U.S. Holder's aggregate tax basis in the New Seadrill Common Shares and New Secured Notes received should equal the sum of (i) the amount of cash paid by the U.S. Holder to exercise its Note Rights plus (ii) such U.S. Holder's tax basis in its Note Rights immediately before the option is exercised. In connection with this determination, although not free from doubt, after allocating the issue price of the Note Rights Investment Unit, as described above, a U.S. Holder should further allocate such U.S. Holder's tax basis in its Note Rights immediately before its exercise among the New Seadrill Common Shares and New Secured Notes in accordance with their respective fair market values.

A U.S. Holder's holding period for the New Seadrill Common Shares received on the Effective Date pursuant to the exercise of the Equity Rights should begin on the day following the Effective Date.

The determination of a U.S. Holder's aggregate tax basis in the New Seadrill Common Shares and New Secured Notes is subject to uncertainty, and U.S. Holders should consult their own tax advisors regarding such allocation.

(4) Possible Treatment as Contingent Payment Debt Instruments

There is a possibility that the restrictions on the ability of NSNCo to elect to pay the "PIK" portion of the New Secured Notes' interest in cash may cause the New Secured Notes to be treated as CPDIs subject to the "noncontingent bond method" for accruing OID. In the event the New Secured Notes are treated as CPDIs, the same rules discussed in the context of Credit Agreement Claims, above, should apply.

The Debtors have not yet determined whether the New Secured Notes will constitute a CPDI or determined the "comparable yield" or a schedule of projected payments. The Debtors will only determine whether the New Secured Notes constitute CPDIs, and will only determine the "comparable yield" or construct a schedule of projected payments, to the extent they determine they are required to do so under Applicable U.S. Tax Law. In the event the Debtors do not make these determinations, each U.S. Holder would be required to independently make the relevant determinations. In the event the Debtors determine that the New Secured Notes constitute CPDIs and determine they are required to make determinations with respect to a schedule of projected payments, such information will be determined following the close of the Restructuring Transactions, and can be obtained by contacting the Reorganized Debtors at a contact address that will be determined at a later date. Although not free from doubt, in light of the Debtors' current view of the likelihood that the "PIK" portion of the New Secured Notes' interest would be paid in cash, the Debtors are currently of the view that the New Secured Notes would not constitute CPDIs.

The rules related to CPDIs are complex. U.S. Holders are encouraged to consult their own tax advisors, including with respect to whether the New Secured Notes constitute CPDIs.

(iii) Exercise of the Equity Rights

A U.S. Holder that elects to exercise the Equity Rights will be treated as purchasing, in exchange for its Equity Rights and the amount of cash funded by the U.S. Holder to exercise the Equity Rights, the New Seadrill Common Shares it is entitled to purchase pursuant to the Equity Rights. Such a purchase will generally be treated as the exercise of an option under general tax principles, and as such a U.S. Holder should not recognize income, gain or loss for U.S. federal income tax purposes when it exercises the Equity Rights. A U.S. Holder's aggregate tax basis in the New Seadrill Common Shares will equal the sum of (i) the amount of cash paid by the U.S. Holder to exercise its Equity Rights plus such U.S. Holder's tax basis in its Equity Rights immediately before the option is exercised. A U.S. Holder's holding period for the New Seadrill Common Shares received on the Effective Date pursuant to the exercise of the Equity Rights should begin on the day following the Effective Date.

A U.S. Holder that elects not to exercise the Equity Rights may be entitled to claim a capital loss equal to the amount of tax basis allocated to the Equity Rights, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Equity Rights.

(iii) Bond Premium

If a U.S. Holder's initial tax basis in its interest in an Amended Credit Facility or New Secured Notes exceeds the stated redemption price at maturity of such interest in such Amended Credit Facility or New Secured Notes, such U.S. Holder will be treated as acquiring the Amended Credit Facility or New Secured Notes with "bond premium." Such U.S. Holder generally may elect to amortize the premium over the remaining term of the Amended Credit Facility or New Secured Notes on a constant yield method as an offset to interest when includible in income under such U.S. Holder's regular accounting method. If a U.S. Holder does not elect to amortize the premium, that premium will decrease the gain or increase the loss

such U.S. Holder would otherwise recognize on disposition of the Claim under such Amended Credit Facility or New Secured Notes.

(iv) Market Discount

Under the "market discount" provisions of the Tax Code, some or all of any gain realized by a U.S. Holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its holder's initial tax basis in the debt instrument is less than (a) the stated redemption price at maturity or (b) in the case of a debt instrument issued with OID, its adjusted issue price, by at least a *de minimis* amount (equal to 0.25% of the stated redemption price at maturity multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued).

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

(v) Accrued Interest and OID

To the extent that any amount received by a U.S. Holder of a Claim is attributable to accrued but untaxed interest (or OID) on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income. Conversely, a U.S. Holder of a Claim may be able to recognize a deductible loss to the extent that any accrued interest previously was included in the U.S. holder's gross income but was not paid in full by the Debtors.

The tax basis of any non-cash consideration determined to be received in satisfaction of accrued but untaxed interest (or OID, if any) should generally equal the fair market value of such non-cash consideration. The holding period for any such non-cash consideration should begin on the day following the Effective Date.

If the fair market value of the consideration is not sufficient to fully satisfy all principal and interest on Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to holders of Claims in each Class will be allocated first to the principal amount of Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, and certain case law generally indicates that a final payment on a distressed debt instrument that is insufficient to repay outstanding principal and interest will be allocated to principal, rather than interest. However, certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the holder should be allocated in some way other than as provided in the Plan.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

(vi) U.S. Federal Income Tax Consequences to Holders of Owning and Disposing of Interests in Amended Credit Facilities and New Secured Notes

As noted above, in general, interest (including OID, if any) received or accrued by U.S. Holders with respect to Amended Credit Facilities and New Secured Notes should be treated as foreign source ordinary income.

Subject to the discussion of CPDIs immediately below, unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption, or other taxable disposition of interest in the Amended Credit Facilities or New Secured Notes. Such capital gain will be long-term capital gain if at the time of the sale, redemption, or other taxable disposition, the U.S. Holder held the debt for more than one year. Long-term capital gains of an individual taxpayer are generally taxed at preferential rates. The deductibility of capital losses is subject to certain limitations.

To the extent any Amended Credit Facility or the New Secured Notes constitute CPDIs, different rules apply. In such case, upon disposition, the U.S. Holder should recognize gain or loss upon the sale, exchange, or maturity of such debt in an amount equal to the difference, if any, between the consideration received in exchange therefor and its adjusted basis therein. In general, a U.S. Holder's adjusted basis should be its initial basis (determined pursuant to the rules discussed above), increased by the amount of interest it previously accrued with respect to such CPDIs (in accordance with the comparable yield and the projected payment schedule thereof), decreased by any interest payments that have been made, and increased or decreased by the amount of any positive or negative adjustment, respectively, that it is required to make. Any recognized gain should be ordinary interest income (rather than capital gain), and any recognized loss should be ordinary loss to the extent of interest a U.S. Holder included as income in the current or previous taxable years in respect of such CPDIs, and thereafter, capital loss.

If a U.S. Holder's adjusted basis in the CPDIs it receives is different than the issue price of the CPDI (e.g., the U.S. Holder receives the CPDIs in a transaction that is a tax free reorganization, as discussed above), such U.S. Holder must allocate any difference between the adjusted issue price and its basis to daily portions of interest or projected payments over the remaining term of the CPDI. If the U.S. Holder's basis is higher than the adjusted issue price of the CPDI, the amount of the difference allocated to a daily portion of interest or to a projected payment should be treated as a negative adjustment on the date the daily portion accrues or the payment is made. On the date of the adjustment, a U.S. Holder's adjusted basis in the CPDI should be reduced by the amount the U.S. Holder treats as a negative adjustment. If the U.S. Holder's basis is less than the adjusted issue price of the CPDI, the amount of the difference allocated to a daily portion of interest or to a projected payment should be treated as a positive adjustment on the date the daily portion accrues or the payment is made. On the date of the adjustment, a U.S. Holder's adjusted basis in the debt instrument should be increased by the amount it treats as a positive adjustment.

The rules related to CPDIs are complex, and U.S. Holders are encouraged to consult their own tax advisors.

(vii) U.S. Federal Income Tax Consequences to Holders of Owning and Disposing of New Seadrill Common Shares

Subject to the discussion regarding the passive foreign investment company ("PFIC") rules below, distributions, if any, made by New Seadrill out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes and including any taxes withheld from such distribution) with respect to the New Seadrill Common Shares, should generally be taxable to a U.S. Holder as foreign source ordinary dividend income. Distributions in excess of current and accumulated earnings and profits should be treated as a non-taxable return of capital to the extent of a U.S. Holder's basis in the New Seadrill

Common Shares and thereafter as capital gain. New Seadrill does not intend to determine its earnings and profits on the basis of U.S. federal income tax principles and, as a result, U.S. Holders should expect to treat all distributions on the New Seadrill Common Shares as dividends.

Dividends paid on the New Seadrill Common Shares should not be eligible for the dividends received deduction generally allowed to U.S. corporations with respect to dividends paid by domestic corporations or lower rates of dividend taxation allowed to non-corporate U.S. Holders.

A special set of U.S. federal income tax rules apply to ownership interests (or options to acquire ownership interests) in a PFIC. A non-U.S. corporation is a PFIC in any taxable year in which, after taking into account certain look-through rules, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the average value (determined on a quarterly basis) of its assets is attributable to assets that produce or are held to produce passive income. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of a subsidiary corporation in which it owns, directly or indirectly, a 25% or greater interest, by value. Passive income generally includes, but is not limited to, dividends, interest, rents, royalties, and capital gains. If New Seadrill is a PFIC at any time during which a U.S. Holder owns the New Seadrill Common Shares, the U.S. Holder would be subject to additional U.S. information return filing requirements and the potentially materially adverse rules discussed below. New Seadrill has not made, and will not make, a determination as to whether it is, was or ever will be a PFIC. Therefore, U.S. Holders are urged to consult their own tax advisors regarding the classification of New Seadrill as a PFIC and any attendant U.S. federal income tax consequences.

If New Seadrill is classified as a PFIC for any taxable year during which a U.S. Holder owns the New Seadrill Common Shares, the PFIC rules may alter the tax consequences of owning the New Seadrill Common Shares with respect to gains from the sale or other disposition of, and "excess distributions" with respect to, the New Seadrill Common Shares. Under the "default PFIC regime," in general, an "excess distribution" is any distribution to a U.S. Holder that is greater than 125% of the average annual distributions received by the U.S. Holder (including return of capital distributions) during the three preceding taxable years or, if shorter, a U.S. Holder's holding period. If New Seadrill is classified as a PFIC for any taxable year during which a U.S. Holder owns the New Seadrill Common Shares, gains from the sale or other disposition of, and "excess distributions" with respect to, the New Seadrill Common Shares should be allocated ratably over a U.S. Holder's entire holding period and taxed at the highest ordinary income tax rate in effect for each such taxable year (subject to certain exceptions). Moreover, interest should be charged retroactively at the rate applicable to underpayments of tax (with respect to each such tax year's ratable allocation) through the date of gains from the sale or other disposition of, and "excess distributions" with respect to, the New Seadrill Common Shares.

New Seadrill does not intend to prepare or provide the information that would enable a U.S. Holder to make a "qualified electing fund" election. U.S. Holders should consult with their own tax advisors with respect to whether the unfavorable PFIC rules may be avoidable by electing to mark the New Seadrill Common Shares to market.

The rules relating to PFICs are extremely complex and U.S. Holders are urged to consult their own tax advisors to determine the consequences of owning New Seadrill Common Shares in the event that New Seadrill is treated as a PFIC during any taxable year during which a U.S. Holder will own the New Seadrill Common Shares.

The above discussion assumes New Seadrill is not treated as a controlled foreign corporation (a "CFC") under Applicable U.S. Tax Law, but no assurance can be made in that regard. U.S. Holders are urged to consult their own tax advisors on the consequences of New Seadrill being treated as a CFC.

(viii) Limitation on Use of Capital Losses

A U.S. Holder of a Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S. Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

(ix) Medicare Tax

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, interest, dividends and gains from the sale or other disposition of capital assets. U.S. holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of consideration received pursuant to the Plan.

E. Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Claims

Because the issuers of consideration under the Plan are not U.S. entities, there generally should not be any U.S. federal income tax consequences to non-U.S. Holders with respect to the exchange of Claims under the Plan or the ownership or disposition of consideration received pursuant to the Plan.

F. Information Reporting and Back-up Withholding

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will also comply with all applicable reporting requirements of the Tax Code. In general, information reporting requirements may apply to distributions or payments made to a holder of a Claim under the Plan, as well as future payments made with respect to consideration received under the Plan. The Debtors do not expect distributions or payments to holders of Claims under the Plan to be subject to material withholding under the Tax Code.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a U.S. federal income tax return).

In addition, from an information reporting perspective, the Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

G. FATCA

A 30% withholding tax may be imposed on the payments of interest and dividends on the consideration received pursuant to the Plan, and after December 31, 2018, on the payments of gross proceeds from the sale or other disposition of Exchange Consideration that are made to a U.S. Holder or to certain foreign financial institutions, investment funds, and other non-U.S. persons receiving payments on a U.S. Holder's behalf if such U.S. Holder or such persons fail to comply with certain information reporting requirements ("FATCA Withholding"). Amounts that a U.S. Holder receives could be subject to FATCA Withholding if such U.S. Holder holds the consideration received under the Plan through another person (e.g., a foreign bank or broker) that is subject to FATCA Withholding because it fails to comply with these requirements (even if such Holder would not otherwise have been subject to withholding). Holders should consult their own tax advisors regarding FATCA Withholding.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, NON-U.S., OR NON-INCOME TAX LAW, AND OF ANY CHANGE IN APPLICABLE U.S. TAX LAW.

[*Remainder of page intentionally left blank*]

XIV. RECOMMENDATION

In the opinion of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors than would otherwise result in any other scenario. Accordingly, the Debtors recommend that holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Dated: September 12, 2017

SEADRILL LIMITED
on behalf of itself and all other Debtors

/s/

Mark Morris
Chief Financial Officer
Seadrill Limited

Exhibit A

Plan of Reorganization

Exhibit B

Restructuring Support Agreement

Exhibit C

Corporate Organization Chart

Exhibit D

Disclosure Statement Order

Exhibit E

Rights Offering Procedures

Exhibit F

Liquidation Analysis

Exhibit G

Financial Projections

Exhibit H

Valuation Analysis