

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

In re:

SEADRILL LIMITED, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 21-30427 (DRJ)
)
) Jointly Administered
)

**THE COCOM'S STATEMENT AND RESERVATION OF RIGHTS WITH RESPECT
TO THE DEBTORS' FIRST REQUEST TO EXTEND THE EXCLUSIVE PERIODS
TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF**

The Coordinating Committee of Secured Lenders and Agents (the "CoCom")² hereby files this statement and reservation of rights with respect to the *Debtors' First Request to Extend the Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances Thereof* [Docket No. 706] (the "Motion")³ and respectfully states as follows:

STATEMENT

1. The CoCom is comprised of six financial institutions, all of which were members of the coordinating committee of lenders that negotiated the chapter 11 restructuring of Seadrill Limited and its affiliates confirmed by this Court in 2018. Certain members of the CoCom are also the agents under ten of the twelve senior secured credit facilities with Seadrill Limited's subsidiaries as borrowers and Seadrill Limited as a guarantor (the "Senior Credit Facilities," and

¹ A complete list of each of the Debtors in these Chapter 11 Cases may be obtained on the website of the Debtors' proposed claims and noticing agent at <http://cases.primeclerk.com/SeadrillLimited>. 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.

² The members of the CoCom and their respective economic interest are set forth in the *Verified Statement of the Coordinating Committee of Secured Lenders and Agents Pursuant to Bankruptcy Rule 2019* [Docket No. 220].

³ Capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

the lenders thereunder, the “Senior Lenders”). The members of the CoCom hold almost \$2.1 billion of senior secured debt (including ECA-covered debt), or approximately 37% of the \$5.54 billion total debt outstanding under the Senior Credit Facilities. The CoCom is in regular and direct contact with more than twenty other long-term lenders to the Debtors, including some of the world’s largest financial institutions and governmental export credit agencies, that have funded Seadrill through various business cycles for over a decade. Together, the CoCom and these other long-term lenders hold more than \$3.75 billion, or well over 70% in amount, of the outstanding collective indebtedness under the Senior Credit Facilities and are by far the Debtors’ largest economic stakeholders.

2. From the beginning of these cases, the CoCom has expressed support for the Debtors’ goal of achieving a holistic restructuring solution that will allow the Debtors to emerge from chapter 11 with their enterprise intact and value distributed equitably among all economic stakeholders. Such an outcome, and not a piecemeal liquidation as advocated by certain creditors throughout the chapter 11 cases, will maximize recoveries for creditors, provided that such a plan can be confirmed by, or within a reasonable amount of time after, August 31, 2021, when the Senior Lenders’ consent to the Debtors’ use of cash collateral expires.

3. The Debtors seek to extend the period during which they have the exclusive right to file a chapter 11 plan (which currently expires on June 10, 2021) through October 8, 2021. Based on the progress made in the chapter 11 cases to date and the apparent alignment among the CoCom, the Ad Hoc Group (which, in its current composition, now shares the CoCom’s goal of a holistic restructuring solution),⁴ and the Debtors on a value-maximizing path to emergence, the

⁴ According to the *Supplemental Verified Statement Regarding Ad Hoc Group of Lenders Pursuant to Bankruptcy Rule 2019* [Docket No. 720] filed on May 21, 2021, Strategic Value Partners (“SVI”) is no longer a

CoCom does not object to the Debtors' request at this time. But the CoCom files this statement to set forth certain concerns that could require the CoCom to seek to terminate this extended exclusivity period if the parties become misaligned or the Debtors deviate from their current path.

4. First, the CoCom does not consent to an extension of the milestones under the cash collateral order at this time. Creditor consent to the continued use of cash collateral is conditioned on, among other things, the Debtors obtaining Court approval of a disclosure statement by June 30, 2021 and confirmation of a plan by August 31, 2021. Cash Collateral Order ¶¶3(d)-(e). The Debtors acknowledge that the Motion, if approved, will not affect the interim disclosure statement milestone or outside plan confirmation date. While such dates may ultimately need to be extended, that will require the consent of the CoCom and other Senior Lenders. The dates were carefully negotiated by the parties to facilitate an expedited process, rather than to hinder confirmation of a consensual plan that may need slightly more time to reach the finish line. But the continued investment of lender cash in the reorganization process beyond the outside date will require consent of the Senior Lenders that may be difficult to achieve in the absence of a firm and committed transaction that is confirmable in the near-term. The extension of exclusivity is intended to facilitate the development and finalization of such a transaction, and the CoCom is not agreeing at this time to extend the interim milestone or outside date, or to compromise any of its other rights with respect to the Debtors' use of cash collateral.

5. Second, the CoCom expects that the Debtors will use any extension of exclusivity not only to finalize the currently contemplated stand-alone restructuring plan, but also to explore and develop any alternative bona fide third party holistic restructuring proposals into actionable

member of the Ad Hoc Group, and it is unclear whether SVP and Bybrook are still acting together in the sub-group represented by Quinn Emanuel.

transactions. The Debtors received one such proposal in early May from a competitor seeking to purchase substantially all of the Debtors' rig assets pursuant to a section 363 sale or plan of reorganization. The Debtors and the advisors to the CoCom and the Ad Hoc Group have had ongoing discussions about whether the proposal can be developed into an alternative holistic transaction capable of enhancing creditor recoveries relative to the currently contemplated stand-alone reorganization plan. The Debtors should, in the exercise of their fiduciary duties and interest in maximizing stakeholder recoveries, use any extension of exclusivity to develop and improve the terms of this bid (or any bona fide third party alternative) into a viable transaction and potential alternative for the chapter 11 cases. Given the size and diversity of the Senior Lender group, the process needs to be robust and transparent to demonstrate to creditors that the Debtors pursued every alternative with reasonable potential to maximize value. This will be necessary to obtain requisite Senior Lender acceptance of any reorganization plan that is solicited by the Debtors and ultimately presented to the Court for confirmation.

6. Finally, the CoCom understands that the Debtors will continue this process to conclusion without any bias related to post-emergence management compensation. The CoCom expects that the general parameters of any management incentive plan will be agreed among the Debtors and supporting creditors before confirmation, but that the specific decisions regarding the management team and individual compensation will be made post-emergence by an independent board of directors selected by existing creditors (or directors of an acquiring entity). Any such determinations regarding management compensation before emergence are premature, and the

CoCom will not consent to management incentive terms separate and apart from confirmation of a plan of reorganization.⁵

* * *

The goals of the CoCom and the par lenders have remained the same during the chapter 11 cases—confirmation of plan of reorganization within the pre-agreed timeframe that restructures the Debtors’ entire enterprise and distributes the maximum potential value equitably among stakeholders. A fully transparent and collaborative process is necessary to show creditors that the Debtors have used their extended exclusivity period to develop and select the correct path, and the CoCom understands that the Debtors will use any extension of exclusivity in that manner.

[Remainder of page intentionally left blank.]

⁵ The CoCom of course understands that payments to operational employees may be agreed and made prior to confirmation.

Respectfully submitted this 4th day of June, 2021.

By: /s/ Jason S. Brookner

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**COUNSEL TO THE COORDINATING
COMMITTEE OF SECURED LENDERS AND
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CERTIFICATE OF SERVICE

I hereby certify that on June 4, 2021, a true and correct copy of the foregoing document was served as provided by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Jason S. Brookner
Jason Brookner