

# **Project Paratus – Agreed NSN Term Sheet**

*2 July, 2021 – SUBJECT TO FRE 408 & ITS EQUIVALENTS*



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This document is subject to FRE 408 and its equivalents.

# NSN Term Sheet

Subject	NSN Term Sheet (2 July, 2021)
<b>Transaction Structure</b>	<ul style="list-style-type: none"> <li>• NSN holders to receive 65.0% of pro forma NSNCo equity and take back debt equal to 100% of current face value of NSNs                             <ul style="list-style-type: none"> <li>– Seadrill to retain 35.0% of pro forma NSNCo equity, subject to further agreement on details / specific voting rights</li> <li>– Up to \$50mm of NSNCo cash to be used to redeem a portion of the NSNs at par upon full repayment of the New SeaMex InterCo Loan, subject to a minimum post transaction liquidity at NSNCo of \$10mm</li> </ul> </li> <li>• NSNCo to retain current cash balance, subject to utilisations contemplated herein</li> <li>• No cash shall be funded into NSNCo by Reorganised Seadrill Ltd, IHCo or RigCo or their respective Subsidiaries</li> <li>• NSNCo and its subsidiaries to no longer be wholly owned subsidiaries of Seadrill</li> <li>• All intercreditor claims of NSNs outside of the NSN structure to be released</li> <li>• The NSNs shall maintain all existing first ranking security within the NSNCo Group; no guarantees from Reorganized Seadrill Ltd., IHCo, RigCo or their respective Subsidiaries going forward</li> </ul>
<b>MLS Loan</b>	<ul style="list-style-type: none"> <li>• Seadrill portion (currently \$8.7m) of MLS Loan to Seamex remains outstanding, but to become pari in payment priority and ranking to the New SeaMex Notes (described below), provided that MLS loan will be repaid by March 22, 2022</li> </ul>
<b>NSNCo Governance</b>	<ul style="list-style-type: none"> <li>• NSN holders to have appointment rights in respect of 4 of the 5 directors at NSNCo, and Seadrill to have appointment rights in respect of 1 of the 5 directors at NSNCo; no simple majority requirement for the Seadrill appointed directors</li> <li>• Detailed arrangements between shareholders to be agreed</li> </ul>

Subject	NSN Term Sheet (2 July, 2021)
<b>NSN Claims at Seadrill and RigCo</b>	<ul style="list-style-type: none"> <li>• Release by the holders of the NSNs of all existing guarantees and security and claims with respect to Seadrill Limited and its subsidiaries (including IHCo and RigCo and their respective subsidiaries)</li> <li>• No cash or cash funding obligations shall be paid by nor guaranteed by Reorganized Seadrill Ltd. or RigCo or their respective Subsidiaries</li> </ul>
<b>Costs and Management Agreements</b>	<ul style="list-style-type: none"> <li>• Seadrill's management agreement structure and compensation vis-à-vis SeaMex to remain on current terms (mutually acceptable payment protection reflecting current market terms to be agreed to ensure timely payment of management fees going forward)                         <ul style="list-style-type: none"> <li>– SeaMex/its successor to guarantee payment of past due management fees on a super senior basis to the New SeaMex Notes, to be swept on senior basis (for avoidance of doubt, senior basis including senior in priority to all payments to the New SeaMex Notes) subject to \$40mm minimum cash at SeaMex post-sweep</li> <li>– If the outstanding management fees are not repaid by March 22, 2022, senior guarantee from NSNCo to purchase management fee claim at par</li> <li>– Management fees (plus direct pass through costs) will be paid effective 1 March 2021 as soon as MOHA funds are first made available to the SeaMex group, subject to cap of \$1.1mm/month for management fees</li> </ul> </li> <li>• Go-forward management of NSNCo group TBD</li> <li>• To the extent Reorganised Seadrill Ltd. and / or RigCo incur expenses (including personnel, accounting, or other functions), NSNCo to provide reimbursement promptly at cost plus margin subject to approval of a capped budget for any such costs/expenses in advance. Cap relates to internal costs and any third party costs such as audit / legal fees to be passed through at cost</li> </ul>
<b>Management Incentive Fee</b>	<ul style="list-style-type: none"> <li>• Upon the incurrence of a Liquidity Event, Seadrill to earn a 5% management incentive fee on any proceeds related to such Liquidity Event above an amount equal to (a) par plus accrued on the NSNs as of the closing of the restructuring transaction, less (b) \$50mm                         <ul style="list-style-type: none"> <li>– Potential to alternatively be structured as a management incentive fee tied to SeaMex-specific Liquidity Event with same economics</li> <li>– Liquidity Event includes any sale, refinancing, or other transaction that generates cash proceeds or listed shares, any dividends, and any repayments or interest received on loans to JVs, whether or not actually used to pay down / redeem NSNs</li> </ul> </li> </ul>

# NSN Term Sheet (cont.)

Subject	NSN Term Sheet (2 July, 2021)
Other	<ul style="list-style-type: none"><li>• NSN holders to have a first priority right to fund any additional liquidity needs of NSN assets (including working capital support), subject to mechanics TBD</li><li>• Documentation and approvals needed, including customary releases</li><li>• Parties will continue to provide and share necessary information with respect to cash requirements and potential SeaMex funding needs, including updated information with respect to estimated pro forma NSNCo cash balance</li></ul>

# NSN Term Sheet (cont.)

Subject	NSN Term Sheet (2 July, 2021)
<b>Principal</b>	<ul style="list-style-type: none"> <li>• 100% of outstanding NSNCo debt as of the closing of the restructuring transaction remains<sup>(1)</sup>, minus up to \$50mm cash paydown upon full repayment of the New SeaMex InterCo Loan</li> <li>• NSNs held by NSNCo to be retired</li> </ul>
<b>Issuer</b>	<ul style="list-style-type: none"> <li>• NSNCo, but no guarantee shall be provided by Reorganized Seadrill Ltd., IHCco, RigCo or their respective Subsidiaries</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• July 15, 2026</li> </ul>
<b>Interest and Fees</b>	<ul style="list-style-type: none"> <li>• Either (a) 9.0%, consisting of (i) 3.00% cash interest plus (ii) 6.00% PIK interest, or (b) 10.0% PIK                             <ul style="list-style-type: none"> <li>– Interest shall be payable quarterly on the final trading day of each quarter</li> </ul> </li> </ul>
<b>Call Protection</b>	<ul style="list-style-type: none"> <li>• Redemption price on or after:                             <ul style="list-style-type: none"> <li>– July 15, 2021: 105% (1% reduction)</li> <li>– July 15, 2022: 102% (1% reduction)</li> <li>– July 15, 2023 and thereafter: 100%</li> </ul> </li> </ul>

(1) To include accrued interest through closing of the restructuring transaction

# NSN Term Sheet (cont.)

Subject	NSN Term Sheet (2 July, 2021)
<b>Mandatory Payment</b>	<ul style="list-style-type: none"><li>• Same as terms under existing indenture</li><li>• Mandatory offer concept will no longer exist given unnecessary complexity</li></ul>
<b>Financial Covenants</b>	<ul style="list-style-type: none"><li>• No financial covenants; Covenants and other restrictions will be amended so that they no longer apply to the Seadrill Group</li></ul>
<b>Other Terms and Conditions</b>	<ul style="list-style-type: none"><li>• Certain other amendments to NSN indenture covenants to be agreed</li><li>• New \$15m super senior basket for funding to Seamex group</li></ul>

# Appendix



# New SeaMex Notes – Illustrative Terms

Subject	New SeaMex Notes
<b>Borrower</b>	<ul style="list-style-type: none"> <li>New SeaMex Acquisition Co (newly formed Bermudian entity)</li> </ul>
<b>Guarantors</b>	<ul style="list-style-type: none"> <li>Same as existing SeaMex Bank Debt, and such other entities as required to provide the agreed Collateral</li> </ul>
<b>Amount</b>	<ul style="list-style-type: none"> <li>~\$191mm (~\$217mm including Upfront Fee)</li> </ul>
<b>Tenor</b>	<ul style="list-style-type: none"> <li>3 years</li> </ul>
<b>Rate</b>	<ul style="list-style-type: none"> <li>12.0% PIYC</li> <li>Interest shall be payable quarterly on the final trading day of each quarter</li> </ul>
<b>Upfront Fee</b>	<ul style="list-style-type: none"> <li>14.0% (Paid-in-Kind)</li> </ul>
<b>Rank</b>	<ul style="list-style-type: none"> <li>New SeaMex Notes will rank senior to all existing indebtedness of SeaMex (except for historical Seadrill Management Fees incurred before March 1, 2021 and Seadrill's portion of the MLS Loan as detailed above)</li> </ul>
<b>Collateral</b>	<ul style="list-style-type: none"> <li>Secured on a senior basis by substantially all assets of SeaMex/its successor and its subsidiaries</li> </ul>
<b>Call Protection</b>	<ul style="list-style-type: none"> <li>Year 0 – 1.5: Callable subject to makewhole, which shall be calculated as the sum of:                             <ul style="list-style-type: none"> <li>(a) the present value of interest payments through Year 1.5, discounted at a rate of 3M LIBOR (not to exceed 50bps) + 20bps (“Makewhole Interest”)</li> <li>(b) the applicable premium, which shall be calculated as 106% times the principal balance (“Applicable Premium”)</li> </ul> </li> <li>Year 1.5 – 2.5: 106</li> <li>Thereafter: Par</li> </ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>Refinance SeaMex Bank Debt (~\$191mm)</li> </ul>
<b>Financial Covenants</b>	<ul style="list-style-type: none"> <li>Minimum Liquidity Covenant: : Effective December 31, 2021<sup>(1)</sup>, \$10mm at all times, stepping up to \$20mm beginning January 1, 2023</li> </ul>
<b>Documentation</b>	<p>The documentation will be based on the ACIC model form Note Purchase Agreement and governed by English law. Overly complex and restrictive covenant and waterfall terms in the existing SeaMex Bank Debt will not be carried across.</p>

(1) For the avoidance of doubt, testing of the minimum liquidity covenant shall commence on December 31, 2021

# New SeaMex Notes – Illustrative Terms (cont.)

Subject	New SeaMex Notes		
Restricted Payments	<ul style="list-style-type: none"> <li>Distributions to NSNCo (including paydown of the New SeaMex InterCo Loan or dividends) shall be allowed through December 31, 2022 after the MLS Loan and all accrued management fees owing to Seadrill have been repaid in full subject to SeaMex/its successor satisfying the below 1L Net Debt and Revenue Backlog Coverage metrics:                             <ul style="list-style-type: none"> <li><b>1L Net Debt</b> shall be calculated based on total outstanding New SeaMex Notes and other pari passu 1L obligations (if any), less cash in excess of the applicable Minimum Liquidity Covenant</li> <li><b>Revenue Backlog Coverage</b> shall be calculated based on (a) total revenue backlog, divided by (b) 1L Net Debt</li> <li>Any distributions shall first apply to paydown the New SeaMex InterCo Loan</li> </ul> </li> </ul>		
	<p style="text-align: center;"><b>Period</b></p>	<p style="text-align: center;"><b>1L Net Debt (pro forma for distributions)</b></p>	<p style="text-align: center;"><b>Revenue Backlog Coverage</b></p>
	<p style="text-align: center;">Through December 31, 2021</p>	<p style="text-align: center;">\$100m</p>	<p style="text-align: center;">≥3.0x</p>
	<p style="text-align: center;">January 1, 2022 – June 30, 2022</p>	<p style="text-align: center;">\$75m</p>	<p style="text-align: center;">≥4.0x</p>
	<p style="text-align: center;">July 1, 2022 – December 31, 2022</p>	<p style="text-align: center;">\$50m</p>	<p style="text-align: center;">≥4.0x</p>
<p style="text-align: center;">Thereafter</p>	<p style="text-align: center;">No distributions to be permitted</p>	<p style="text-align: center;">No distributions to be permitted</p>	
Other Terms and Conditions	<ul style="list-style-type: none"> <li>Usual and customary for facilities of this type</li> <li>The New SeaMex Notes will include a basket to provide flexibility for up to \$15 million of new funding to be injected into the SeaMex group</li> </ul>		

# New SeaMex InterCo Loan – Illustrative Terms

Subject	New SeaMex InterCo Loan
<b>Borrower</b>	<ul style="list-style-type: none"> <li>• SeaMex group</li> </ul>
<b>Lender</b>	<ul style="list-style-type: none"> <li>• NSNCo</li> </ul>
<b>Guarantors</b>	<ul style="list-style-type: none"> <li>• Same as existing SeaMex Bank Debt</li> </ul>
<b>Amount</b>	<ul style="list-style-type: none"> <li>• \$56.3mm</li> </ul>
<b>Tenor</b>	<ul style="list-style-type: none"> <li>• 3 years</li> </ul>
<b>Rate</b>	<ul style="list-style-type: none"> <li>• 7.5% PIYC, payable on the final trading day of each quarter</li> </ul>
<b>Rank</b>	<ul style="list-style-type: none"> <li>• Junior to the New SeaMex Notes, and senior (except for Seadrill Management Fees and Seadrill's portion of the MLS Loan as detailed above) to all other existing indebtedness of SeaMex</li> </ul>
<b>Call Protection</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>Source of Proceeds</b>	<ul style="list-style-type: none"> <li>• Existing cash from NSNCo (\$33.7mm)</li> <li>• Roll of existing Sponsor Working Capital Facility (\$22.6mm)</li> </ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>• Refinance Fintech MLS Loan (\$8.7mm)</li> <li>• Fund process costs and go-forward working capital needs of SeaMex group</li> </ul>
<b>Financial Covenants</b>	<ul style="list-style-type: none"> <li>• Cov-lite</li> </ul>
<b>Other Terms and Conditions</b>	<ul style="list-style-type: none"> <li>• Usual and customary for facilities of this type</li> </ul>

Subject	Seamex Restructuring
Seamex Transfer	<ul style="list-style-type: none"><li>• (i) An offer to the joint provisional liquidators (the “JPLs”) of SeaMex for a newly incorporated wholly owned subsidiary of NSNCo (“Newco”) to purchase all or substantially all of SeaMex’s assets (including its subsidiaries) and assume (directly or indirectly) all or substantially all of the Seamex group’s financial liabilities (including the novation of the c. \$190million guarantee granted by SeaMex in respect of the SeaMex Facility), in consideration for the release of all or a substantial part of the subordinated debt owed by SeaMex (and certain of its subsidiaries) to the Issuer (and certain of its subsidiaries), including the Seller’s Credit Loan, or an equivalent transaction with similar commercial effect, (the “SeaMex Transfer”); and (ii) if the JPLs consider it consistent with their duties and in the best interests of SeaMex’s creditors as a whole to accept the SeaMex Transfer offer, NewCo to effect the SeaMex Transfer</li></ul>