

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS (HOUSTON)

IN RE: . Case No. 20-35740
SEADRILL PARTNERS LLC, . (Jointly Administered)
Debtors. . Chapter 11

.
IN RE: . Case No. 21-30427
SEADRILL LIMITED, . (Jointly Administered)
Debtors. . Chapter 11
515 Rusk Street
Houston, TX 77002
Thursday, April 15, 2021
11:00 a.m.

TRANSCRIPT OF 20-35740 JOINT EMERGENCY MOTION FOR ENTRY OF AN ORDER APPROVING (I) THE SETTLEMENT BETWEEN THE SEADRILL LIMITED DEBTORS AND THE SEADRILL PARTNERS DEBTORS AND (II) THE SDLP DEBTORS' SUPPLEMENTAL NOTICE WITH RESPECT TO THEIR PLAN AND DISCLOSURE STATEMENT [486];
21-30427 JOINT EMERGENCY MOTION FOR ENTRY OF AN ORDER APPROVING (I) THE SETTLEMENT BETWEEN THE SEADRILL LIMITED DEBTORS AND THE SEADRILL PARTNERS DEBTORS AND (II) THE SDLP DEBTORS' SUPPLEMENTAL NOTICE WITH RESPECT TO THEIR PLAN AND DISCLOSURE STATEMENT [566]
**BEFORE THE HONORABLE DAVID R. JONES VIA VIDEOCONFERENCE
UNITED STATES BANKRUPTCY COURT JUDGE**

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1 (Proceedings commence at 11:00 a.m.)

2 THE COURT: Good morning again, everyone. This is
3 Judge Jones. The time is 11 o'clock Central. Today is April
4 the 15th, 2021. This is the docket for Houston, Texas.

5 Next on this morning's docket we have hearings both
6 in the jointly administered cases under Case Number 20-35740,
7 Seadrill Partners, as well as the jointly administered cases
8 under Case Number 21-30427, Seadrill Limited.

9 Folks, if you would, please remember to record your
10 electronic appearance. If you're appearing in both matters or
11 in both cases, I'd ask that you enter an appearance in both
12 cases. That's the way that we will know you were there.

13 First time that you speak, if you would, please state
14 your name and who you represent. We'll only have one
15 recording, and it really helps the court reporter do his or her
16 job.

17 Finally, we are recording using CourtSpeak. We'll
18 record this morning's hearing, again, as a joint hearing, and
19 we'll put the audio of the file in the Seadrill Partners case
20 only because it's the lowest number and that just happened to
21 be the random choice I made.

22 And then with that, who is starting us off this
23 morning?

24 MR. SATHY: Your Honor, it's Anup Sathy from
25 Kirkland. Are you able to hear me?



1 THE COURT: Very well, thank you, and good morning.

2 MR. SATHY: Good morning, Judge. I'm going to start
3 today. There'll be a number of my partners that speak, but
4 thank you for hearing us. Your Honor, we do have a short but
5 incredibly consequential agenda this morning. I'm going to
6 start with the settlement motion, along with my partner,
7 Mr. Schartz. And then we'll hand over to Mr. Winters to handle
8 the rest of the Seadrill Limited agenda.

9 Your Honor, as you've heard from numerous status
10 conferences, we've been inching our way toward a joint
11 settlement. It's been elusive at times, and complicated by a
12 number of considerations. Intercompany settlements are, by
13 their nature, inherently challenging. But having debtors on
14 both sides has added a number of additional complexities to
15 this process.

16 My plan is to cover the perspective from the
17 Seadrill Limited side, and then I'll ask Mr. Schartz to cover
18 from the Seadrill Partners side. From the Seadrill Limited
19 side, Your Honor, we approached the settlement with basically
20 three principles. One is to be transparent in the way we
21 negotiated, the second is to be commercial, and the third is to
22 be practical.

23 With respect to being transparent, Mr. Matt Lyne,
24 who's on the line as well, is the Senior Vice President of
25 Seadrill Limited. He's our declarant. Mr. Lyne, along with a



1 number of Seadrill Limited officers and personnel, led the
2 negotiations and -- including the separation and the transition
3 planning. He was at the center of the negotiations. Mr. Lyne
4 has no affiliation with Seadrill Partners. He was completely
5 on the Seadrill Limited side.

6 I see a number of other Seadrill Limited
7 representatives. All of them, it looks like, are from London,
8 on the line as well. Again, there were a number of Seadrill
9 Limited parties that were involved in this negotiation.

10 Representatives from my firm at Kirkland were
11 involved. We were involved in the discussions, given the role
12 we've had with Seadrill going back all the way to 2017. So
13 we've had a tremendous amount of historical knowledge with both
14 of these estates over the last four years. And so our role was
15 basically as a facilitator between the parties and trying to
16 bridged some of the open issues. But there were a lot of eyes
17 on this transaction, as you might not be surprised to hear.

18 From the Limited side, Mr. Zumbro and his team were
19 intimately involved in the discussions and the drafting of the
20 documents. And we also kept our economic constituents in the
21 loop, including our Ad Hoc Committee, as well as the CoCom, and
22 we appreciate Mr. Barr and his team and Mr. Greissman and his
23 team for their help and review of the issues.

24 With respect to being commercial, the perspective
25 from Limited is we wanted to continue to provide services under



1 the services agreement, but it was difficult to do without
2 having conversation. And there have been some delays in
3 getting paid. And ultimately, Seadrill Limited evaluated
4 whether it made sense to stop performing or seek your help with
5 respect to getting paid.

6 There were a lot of untenable positions with respect
7 to stopping the services, given some of the significant
8 commercial, health, safety implications. But we obviously
9 didn't want to keep not getting paid.

10 With respect to a separation, it became clear once
11 Seadrill Limited was not going to be part of the ongoing
12 services for the Seadrill Partners rigs that we needed to
13 develop a reasonable separation protocol. And the settlement
14 actually provides for both. With respect to the payment,
15 there's roughly around \$36 million to \$38 million of payments
16 that are going to be made to Seadrill Limited.

17 It's a range because part of it's going to be the
18 length of time that the transition period takes. But it does
19 cover the postpetition allocation of overhead. It covers
20 postpetition pass-throughs. It covers transition fees. It
21 covers restructuring fees. There is an escrow for
22 going-forward fees. And there's a payment -- a daily rate for
23 operating fees for the two operating rigs that are -- that
24 continue to perform.

25 With respect to transition, there's a fairly detailed



1 transition plan that's attached to the term sheet, which is
2 attached to the order. We candidly decided that it made sense
3 to have a general understanding of the transition. Not every
4 issue is resolved in a couple of page summary. This could have
5 been a 200-page transition agreement. And I think the parties
6 ultimately decided from the perspective of moving forward that
7 there was going to be a general understanding of the issues
8 that needed to be solved, the transition plan that needed to be
9 implemented, and ultimately there'll be, I suspect, a lot of
10 business discussions, hopefully without a lot of lawyers, to
11 try to resolve whatever disputes may arise.

12 But most importantly, from the Seadrill Limited
13 perspective, there is a fixed date on the transition to June
14 30th. And again, our hope is that once we move forward on the
15 separation, that the commercial discussions can resolve any
16 remaining issues.

17 And then third, Your Honor, was we wanted to be
18 practical. We've got two debtors, with lots of secured debt in
19 both estates. And so pursuing claims against each other just
20 didn't seem practical from our perspective. You mentioned at
21 the very beginning of this process that we ought to not spend
22 \$10 million chasing \$20 million. And while I will say I don't
23 think we've spent 10, we did spend a little bit trying to
24 really frame the issues.

25 That being said, there will be a lot of pleadings,



1 and a lot of adversaries, a lot of standing motions, that will
2 hopefully not ever need to be filed, and we think that that's
3 actually a better result. Sadly, on a personal level, I will
4 not likely become an expert on the Louisiana lien statute. But
5 perhaps that's a better result, because we will avoid what we
6 think would have been really, candidly, a civil war between the
7 estates, which really we think would have been detrimental to
8 both sides.

9 We also from the Limited side thought about a bigger
10 picture, practical implication of the settlement. We think
11 that this still allows for future discussions and a potential
12 reunion of the companies at some point. We had always hoped
13 that that would have been one of the paths that would have been
14 explored. It was explored. But ultimately, the timing is just
15 not right today for that to happen.

16 But we're all seeing market consolidation in the
17 space. In fact, two of your debtors, Noble and PACD have
18 already announced a merger. We know there's going to be future
19 consolidation. And so from our perspective, we want to keep
20 that option open for the estate eventually to consider, and it
21 would be difficult to have those kind of discussions if there
22 was frankly an all-out litigation.

23 So from the perspective of Limited, this is not what
24 we had obviously hoped would have happened, but we do think it
25 is absolutely the right answer from the Limited side of the



1 equation. It provides for reasonable payment, it provides for
2 an orderly transition, and it allows for Limited to continue to
3 focus on the other parts of our restructuring, which I
4 explained to you in February and you'll hear more about that
5 later.

6 Your Honor, if you have any questions for me on the
7 Limited side; otherwise, I'd ask Mr. Schartz to give you the
8 perspective from the Partners side.

9 THE COURT: Certainly. Mr. Sathy, no, I don't have
10 questions. I -- this was all put together in such a way that
11 it was easy to sit down and work your way through it. And to
12 -- I agree, I won't understand every nuance of why something
13 was done or how something was done, but I got the gist of the
14 give and take that the parties undertook.

15 I also think that the approach just makes perfect
16 sense. It's often very difficult for lawyers to realize that
17 they can't predict and know everything that's going to happen.
18 And the approach that was taken certainly recognizes that the
19 only certainty is that we don't know how everything is going to
20 turn out. And you left the operational people the flexibility
21 to be practical and address problems. That's very clear in
22 what you've done. And so I appreciate the approach and I think
23 I have a pretty good sense.

24 Let me ask -- and I'll just -- I'll go ahead. It
25 hasn't been introduced, but I have read Mr. Lyne's declaration



1 at 567, as well as Mr. Meghji's declaration at 487, just so
2 everyone knows that I have read those two declarations in
3 preparation for this morning's hearing.

4 MR. SATHY: Great. Thank you, Your Honor.

5 THE COURT: All right. Let me find Mr. Schartz.
6 He's moved around a bit. Ah, there he is.

7 Mr. Schartz, good morning. Can you hear us?

8 MR. SCHARTZ: I can. I can. Can you hear me?

9 THE COURT: Very well.

10 MR. SCHARTZ: Good. I apologize in advance if I'm a
11 little sniffily. Allergies are terrible, but I'll try to
12 minimize that as much as possible. For the record, Brian
13 Schartz, Kirkland & Ellis, on behalf of the Seadrill Partners
14 debtors.

15 As Mr. Sathy sometimes does, he stole my thunder,
16 which -- but I'm okay with that, and I'm going to talk about
17 this from the Seadrill Partners perspective. I'll try not to
18 repeat what's been covered. We are here to obtain approval of
19 a comprehensive settlement between the Partners debtors and
20 their estate and the Limited debtors and their estate.

21 Your Honor, we came into this case on December 1st on
22 what was, you know, an emergency basis, as I'm sure you
23 remember. And battle lines started being drawn in this case
24 very early. There were a lot of issues to address. And at
25 many points throughout the process, from a Partners



1 perspective, it appeared that it would devolve into all-out
2 war. And this case could have gone in a very different
3 direction.

4 Fortunately, that's not where we're at today, and
5 what we have before you is a value-maximizing settlement that
6 solidifies the scope of transition for the Seadrill Partners
7 debtors as they transition to those new go-forward MSA
8 operators that you've already approved in subsequent hearings.
9 So that's Vantage, Odfjell, which I still don't know how to say
10 exactly, Diamond, Edrill, all of that is underlied by the
11 transition that's built into the settlement that's really the
12 topic of today.

13 And to put a finer point on it, we're not here at
14 confirmation, but it does help ensure the feasibility of the
15 Partners plan of reorganization. And that's a really important
16 point because the plan has built into it projections that we're
17 going to tie to the effectiveness of the business on a
18 go-forward basis. That assumes this transition happens as
19 smooth as possible.

20 In addition, it reserves -- it resolves, excuse me --
21 all of the claims that have been mutually asserted between the
22 parties, Partners debtors and the Limited debtors. I'm not
23 going to run through the litany, although they are on papers.

24 It is important that we obtain the relief that we're
25 seeking now, and that from a Seadrill Partners perspective,



1 because we really need the transition services to effectuate as
2 soon as possible.

3 I'd like to take a moment, Judge, to just talk a
4 little bit about the process that we had on the Seadrill
5 Partners side. It's been kind of a strange engagement because
6 Mr. Sathy and I have been involved directly and indirectly, but
7 the folks on the front lines from the Seadrill Partners
8 perspective are Mr. Mo Meghji, who's the company's CRO.
9 There's a Conflicts Committee that is four of the seven-member
10 board of directors that is working directly with Mr. Bernbrock
11 and his team at Sheppard Mullin. And we have Evercore on the
12 Kirkland side -- on the Seadrill Partners side as well.

13 So from that perspective, it took -- you know, not
14 just herding cats. It's more like herding herds of cats just
15 on the advisors side, plus you have to add in what I'll say
16 are, you know, extraordinary and significant efforts made by
17 our largest creditor constituency, the term loan B lenders, who
18 have been there every step of the way. They're owed
19 approximately \$3 billion, and we've been working alongside
20 their advisors at Rothschild and Milbank for several years,
21 but, you know, very significantly during the course of these
22 Chapter 11 cases.

23 So without that sort of really framework on our
24 Partners side, I don't think the settlement would have come
25 together the way it has with the counterparts that Mr. Sathy



1 just talked through on the Cravath side.

2 We also have at Partners the Seadrill Partners
3 Creditors' Committee. And I wish I could stand here and say
4 that we've worked out every single issue with Mr. Kuebel and
5 his team at Locke Lord. We do, as we head into today, have one
6 language issue on the reservation of rights provision. It's
7 Paragraph 16 in the revised order that we'll get to in a
8 second. Hopefully, we can work that out during the course of
9 this hearing. And I don't want to let that negative be the
10 enemy of the good, because I do think that the relationship
11 between Partners and the Creditors' Committee has been positive
12 so far, and we've taken a lot of steps to take their comments
13 into consideration as we go through this process.

14 So complex restructurings often take a village,
15 Judge. I think this one takes, I don't know, a small-size
16 town. And that's where we're at.

17 Turning to the settlement, I just want to highlight a
18 few key aspects. Mr. Sathy did touch on them, but I want to
19 put a couple numbers to the framework that he touched on. The
20 agreed scope of transition is laid out in the settlement term
21 sheet that's an exhibit. To say that that exhibit was highly
22 negotiated is probably an understatement. It was extremely
23 negotiated, potentially very contested, but we did work that
24 out. That really is sort of the most important leg of this
25 stool, although they all are important.



1 There is a monetary consideration element to it,
2 building on what Mr. Sathy said. Total monetary consideration,
3 so the headline number, is between 39- and \$36 million to be
4 paid to Limited by Partners on account of various services.
5 Some of the highlights of what goes into that is about just
6 under \$19 million, which would go on what we call services
7 under the MSAs and some additional services. There's also a
8 \$9 million segregated account that's going to be created on the
9 Seadrill Partners side that will secure future payments under
10 the settlement. And we spell that out, as well.

11 There is a mutual release and waiver of claims
12 between the Partners side and the Limited side. That includes,
13 Judge, the prepetition cash suite of approximately
14 \$19.4 million that I'm sure you're very familiar with.

15 There's mutual ongoing support obligations with
16 respect to implementation of the settlement and each debtor's
17 estate's respective plans of reorganization. There is some
18 clarifying language in the order on that point that I'll get to
19 in a moment.

20 And there's also ongoing access to what's known as
21 the "spare parts tool," which we could spend talking probably
22 several hours about. But suffice to say, it's a mechanism
23 where Partners uses some parts that are on Limited rigs, and
24 this -- we've sort of worked out how that will get sorted out,
25 including parts that are actually in the process of being



1 repaired, and who's going to pay for them. So we've answered
2 that. That was one of the significant questions that came from
3 the Committee, and I think we've done our part to address that
4 as clearly as we could.

5 The second part of this motion, Judge, is approval of
6 a supplemental notice of the combined hearing on approval of
7 the Seadrill Partners disclosure statement and confirmation of
8 their plan. So you previously approved, Judge, the Seadrill
9 Partners disclosure statement on a conditional basis. That was
10 on March 26th -- that was just before March 26th, and we
11 started solicitation around that time.

12 As part of that solicitation package, as is typical
13 in the jurisdiction, parties were given the opportunity either
14 via their ballot or notice of non-voting status to opt out of
15 the plan's third-party releases, consistent with the legal
16 standard here.

17 So, because we are modifying the releases, we didn't
18 want to go the rabbit hole of restarting solicitation. We
19 don't think we need to go there. Instead, what we're proposing
20 is that contemporaneously with entry into the settlement,
21 approval of the settlement, what we'll do is we'll send a
22 notice. And that notice will give the opportunity for parties
23 to opt out of the revised release.

24 And in addition -- this was buried in Footnote 4 of
25 our motion when we filed it, but we've worked it out in the



1 order. We're also proposing to push back the confirmation
2 hearing on the Seadrill Partners side by approximately a couple
3 of weeks. We'll go through what the deadlines are, but suffice
4 to say we've created an opt-out process that should give folks
5 a chance to adjust, you know, for the revised releases that are
6 contemplated by this settlement.

7 I'm going to take a moment right now and pause and
8 see, Judge, if you do have any questions. I can't see you on
9 my screen, so I don't know if you're grimacing or smiling.

10 THE COURT: No. Mr. Schartz, one, I don't know why
11 you can't see me. But I don't --

12 MR. SCHARTZ: (Audio interference)

13 THE COURT: Sorry. I don't have any questions. I
14 understand the concern that I had you fixed with the revised
15 schedule. And the only question that I'm going to ask you is
16 I'm going to want a commitment by which the order and the
17 notices get served out, because I didn't see that. But other
18 than that, I got it, I understand it, and I'm just comfortable.

19 MR. SCHARTZ: Okay. Thank you very much. I'm going
20 to do one last thing, and then I'm going to give Mr. Bernbrock
21 and Mr. Zumbro a chance to chime in real fast and tell you how
22 they've done everything they can to keep us honest.

23 I am going to move the two declarations that you
24 mentioned into evidence. That's the December of Matt Lyne,
25 which was filed at Document -- Docket Number -- excuse me --



1 567, into evidence. And then we also have the declaration of
2 Mr. Mo Meghji at Docket Number 487 in the Partners case. That
3 was Mr. Lyne's is at Docket Number 567 in the Limited case -- I
4 knew I was going to mess this up -- and Mr. Meghji's
5 declaration is Docket Number 487 in the Seadrill Partners case,
6 move those into evidence. Both of them are available and
7 present at the hearing today.

8 THE COURT: All right. Thank you.

9 Anyone have any objection to the admission of
10 Mr. Lyne's declaration in the Limited case at Docket Number
11 567, or Mr. Meghji's declaration, which is 487 in the Partners
12 case?

13 I had one person just raise their hand. Hold on.
14 Again, anyone have any objection?

15 All right. Then they are admitted.

16 (ECF 567 in Case No. 21-30427 and ECF 487 in Case No.
17 20-35740 admitted into evidence)

18 THE COURT: Anyone wish to cross-examine either
19 Mr. Lyne or Mr. Meghji?

20 All right. Then thank you, gentlemen. The
21 declarations were very helpful in preparing for the hearing.

22 UNIDENTIFIED: Thank you.

23 THE COURT: All right. Mr. Schartz, what's next?

24 MR. SCHARTZ: I'm going to pass it to Mr. Zumbro or
25 Mr. Bernbrock. And I can now see you on my screen. It was on



1 my end, so apologies for that.

2 THE COURT: No, no. Just fine. All right.

3 Mr. Zumbro, you want to go next?

4 MR. ZUMBRO: Sure. Thank you, Your Honor. Good
5 morning. Can you hear me okay?

6 THE COURT: Very well, thank you, and good morning to
7 you.

8 MR. ZUMBRO: Good morning. Paul Zumbro from Cravath
9 as conflicts counsel to Seadrill Limited. Your Honor, as
10 conflicts counsel, we were charged with assessing, prosecuting,
11 and defending claims both ways here. As Mr. Sathy mentioned,
12 they were hotly contested. They were complex, both as a legal
13 and a factual matter. He's being too humble. He really is an
14 expert in the Louisiana lien act, but now he doesn't have to
15 apply that expertise.

16 But we do believe, Your Honor, that the compromise is
17 a sensible one, and it takes into account the Court's
18 admonition -- I probably should say plural "admonitions" --
19 that we not spend millions of dollars to litigate and resolve
20 claims that are themselves millions of dollars. Rather, the
21 proposed settlement resolves the claims in a commercial manner.

22 Your Honor, I think importantly from the Court's
23 perspective, I'm also very comfortable representing to the
24 Court that the process that led to this settlement and
25 compromise was conducted in a good-faith basis and an



1 arm's-length basis. So that was, I think, key to the
2 commercial resolution and the clean process that allowed for a
3 resolution of these complex claims.

4 And accordingly, subject to the resolution of the
5 language in Paragraph 16 of the order that Mr. Schartz referred
6 to, we would respectfully urge the Court to enter the proposed
7 order. Thank you, sir.

8 THE COURT: No. Thank you.

9 All right. Who would like to go next?

10 MR. BERNBROCK: Good morning, Your Honor. It's
11 Justin Bernbrock from Sheppard Mullin Richter & Hampton. Can
12 you hear me, Judge?

13 THE COURT: Very well. Thank you.

14 MR. BERNBROCK: It's good to speak with you again,
15 Judge, and I echo all the statements made by Mr. Zumbro,
16 Mr. Schartz, and Mr. Sathy. We were engaged in this matter in
17 July of 2020. Since that time, we've had weekly and sometimes
18 more than weekly calls with the four independent directors on
19 the Conflicts Committee. We were a part of bringing aboard
20 Mr. Meghji and getting his leadership and help in the matter,
21 which I think has proven very valuable.

22 I simply make the same representation to you, Your
23 Honor, to the Court, and to all the parties in interest, that
24 this deal is at arm's length and it has been negotiated in good
25 faith. And if there were something that was not, you would



1 have heard about it.

2 And with that, Judge, I'm happy to answer any
3 questions.

4 THE COURT: Thank you, Mr. Bernbrock. I don't have
5 any.

6 Anyone else wish to make comments?

7 MR. LEBLANC: Your Honor, it's Andrew Leblanc of
8 Milbank.

9 THE COURT: Yes, sir. Good morning.

10 MR. LEBLANC: Good morning, Your Honor. And as you
11 know, we represent the term loan B lenders in the Seadrill
12 Partners case. Your Honor, just briefly, it's in the nature of
13 a reservation of rights, which I hope doesn't open the
14 floodgates, but we have a very unique situation that causes us
15 to need to bring this reservation to the Court's attention.

16 Your Honor would have seen a number of changes to the
17 proposed form of order that has come in over the last several
18 days. We unfortunately, despite being involved in the process
19 from the beginning and heavily involved in the negotiations and
20 fully supportive of the transaction as a whole, particularly on
21 the business side, we had issues that were outstanding on the
22 form of the order and term sheet, and didn't -- weren't
23 previewed with the form of order in a time that we could have
24 actually caused a more acceptable form of order to be
25 submitted.



1 But there's one critical issue that's unique to us,
2 to our group, and that is we're parties to a plan support
3 agreement with the Partners debtor. I know Your Honor hasn't
4 -- it hasn't been submitted to the Court for approval, but it
5 is binding on us. That obligates us to support the Partners
6 plan as it's filed, but that requires the plan to be acceptable
7 to us. And it obligates us not to opt out of the releases.

8 The consequence of that is while this document that's
9 before you doesn't actually cause us to grant a release to any
10 parties, if we are stuck with the obligation not to opt out of
11 those releases, then we are granting those releases as part of
12 this.

13 And Your Honor, as a general matter, we are fine with
14 that. That's something we negotiated for. And what Your Honor
15 can see from the proposed form of order is the releases are
16 going to be reciprocal for anybody who doesn't opt out of the
17 release. So if you grant the release, you get a release.

18 But because we haven't had time to review the form of
19 the order and the form of the releases with our clients,
20 because it has been changing up until half an hour ago, I can't
21 tell you today, Your Honor, that all of our client group will
22 agree to the terms of the Seadrill Partners plan, and therefore
23 feel bound by the plan support agreement.

24 And I just put that reservation on. There's nothing
25 for Your Honor to do at this point. I only make that point so



1 no one comes back in the future and says you didn't object to
2 the settlement, which we are not doing. But by not objecting
3 to the settlement, you bound yourself to grant those releases
4 and to not assert that it's inconsistent with the plan support
5 agreement.

6 I don't expect that we'll have any issue, Your Honor.
7 We just haven't had a chance, frankly, to talk to our clients
8 about the final version of these words, because of the process
9 at the end which in our view was quite unfortunate that it got
10 filed without us having an opportunity to review.

11 Your Honor, you'll notice there's two other changes
12 from our perspective to the form of order that came to Your
13 Honor today. The ones that we were the drafts persons on are
14 in Paragraph 13 reflecting the support of the Limited plan by
15 Partners. And that's just a reflection of the fact that there
16 is no plan on the Limited side today. So having that
17 reciprocal obligation didn't make a lot of sense to us, because
18 we didn't know what the Limited plan could say.

19 And so we fashioned a series of protections to make
20 clear that as long as it's not adverse to us -- there's not
21 going to be any interaction between the two beyond the terms of
22 the settlement; and so, as long as it's not adverse to the
23 Limited estate, it doesn't impose any (audio interference)
24 Partners estate and doesn't impose obligations that Partners
25 then could use commercially reasonable efforts to be supported.



1 And then the only other change that we -- that was
2 important to us was with respect to the MSA modifications. We
3 just want it to be unambiguous that the settlement terms as
4 between Limited and Partners are the obligations that will now
5 exist, and the MSAs are not being amended. And so we added
6 that for the avoidance of doubt language at the end of
7 Paragraph 4 to make clear that the agreements -- the
8 obligations imposed in the settlement agreement are the
9 obligations between the parties now, and no one can argue that
10 there's -- these are additive to what is in the MSAs, which are
11 now -- as Mr. Sathy mentioned, have substantially been
12 terminated.

13 So, Your Honor, with those -- again, we are
14 supportive of the settlement, but I didn't want -- because of
15 the unique situation we're in with our plan support agreement,
16 I didn't want it to go unsaid that we need to talk with our
17 clients about the language in -- with respect to the releases
18 and they'll make their own decisions.

19 THE COURT: Got it. Mr. Leblanc, I -- number one, I
20 very much appreciate the tightrope that you are walking.
21 You've done a nice job of navigating that thus far. I also
22 very much appreciate it being brought to my attention. I got
23 it. We'll just deal with the issues if, as, and when they show
24 up. But I appreciate your letting me know that it's out there.

25 MR. LEBLANC: Happy to, Your Honor.



1 THE COURT: All right. Anyone else?

2 MS. FINK: Your Honor, this is Maja Zerjal Fink,
3 Arnold & Porter, on behalf of the TLB agent. Can you hear me
4 all right?

5 THE COURT: Very well, thank you. Good morning.

6 MS. FINK: Terrific. I just wanted to point out one
7 additional thing in addition to what Mr. Leblanc said. In the
8 proposed order that was just filed, as Mr. Schartz pointed out,
9 the confirmation is being pushed out. And I just wanted to
10 note that under the cash collateral order that Your Honor just
11 entered this week, we have May 7th as the effective date under
12 the milestones. I'm sure we can work this out with the
13 debtors, but there's certain approval that needs to be given to
14 make that happen.

15 THE COURT: Thank you for reminding me about that.
16 So when we -- if you get to the point where there's an issue,
17 if you all could just work with Mr. Alonzo to make sure that
18 you pick a time that allows us to have a discussion and allows
19 me to address the problem, could I ask you to do that?

20 MS. FINK: Yes.

21 UNIDENTIFIED: Absolutely.

22 THE COURT: All right. Thank you.

23 All right. Anyone else?

24 MR. KUEBEL: Your Honor?

25 THE COURT: Mr. Kuebel, good morning.



1 MR. KUEBEL: Good morning, Your Honor. I guess it's
2 appropriate for me to chime in. And I'm going to apologize to
3 you in advance. I'm going old school yesterday because my new
4 technology didn't seem to go so well with (audio interference)
5 so hopefully can hear me well, and I can go (audio
6 interference) a few of the Committee's observations; and
7 specifically, Your Honor, a couple of general comments on the
8 settlement itself.

9 I want to let the Court know about our diligence
10 process, a few of our concerns, and then I'm going to highlight
11 this sort of residual language issue for the Court's attention,
12 if that's okay with Your Honor.

13 THE COURT: Sure.

14 MR. KUEBEL: (Audio interference) so with that said,
15 Your Honor, I want to acknowledge the importance of this
16 settlement, and provide compliments to my old friend Anup Sathy
17 and the Kirkland (audio interference) conflicts counsel, the
18 professionals. I know that this is the result of months and
19 months of work and contested negotiations. And we do think on
20 balance that compromise is in the best business judgment (audio
21 interference) of the Partners estate, and it's a very important
22 milestone. In fact, it's hard to see a path out of this
23 reorganization on the Partners side without this enabling
24 settlement.

25 So I don't want to underscore in any way that -- or



1 signal that the Committee is not supportive of the settlement,
2 because the Committee is supportive and we think it is the best
3 path out at this point (audio interference) circumstances.

4 With that said, and with the mindset that we're not
5 here (audio interference), the Committee does have concerns
6 about certain aspects of the settlement. First and foremost,
7 Your Honor, this settlement is very, very fast-moving. In the
8 papers themselves (audio interference) till April 9th, just
9 last week.

10 So we are here on an emergency basis. It's been
11 very, very fast-moving. The parties have allowed the Committee
12 to participate (audio interference) we have the ongoing draft
13 of the term sheets. And so the Committee has worked hard with
14 the advisors to get up to speed.

15 But I'm also quick to point out that the Committee is
16 not all of the general unsecured creditors, and we do have
17 concerns that all of the (audio interference) creditors had
18 very little time to digest the import of the settlement.
19 However, on balance, because of what we think the importance is
20 of these transition issues, the Committee believes that it is
21 in the best interest of the estate to let the settlement go
22 forward at this time, provided that there's appropriate
23 reservation of rights for disclosure, confirmation, and other
24 related issues, particularly as they relate to (audio
25 interference).



1 And I want to (audio interference) Your Honor of the
2 releases that's particularly acute in this case, because so
3 many of the unsecured creditors are both (audio interference)
4 proposed creditors of Limited and Partners. And in many
5 instances, there may have been creditors who were working on
6 MSAs with Limited for the benefit of Partners because under the
7 MSA Limited was procuring the services for the Partners rigs.

8 We are very, very concerned, and we want to make sure
9 that the creditors' rights (audio interference) statements are
10 properly reserved and preserved (audio interference) settlement
11 controls the plan, can potentially (audio interference) viewed
12 as a sub rosa plan. We don't want that to happen. So we want
13 to make sure that there's adequate (audio interference).

14 Along those lines, Your Honor, as we've worked
15 through our concerns with the various conflicts counsel and
16 (audio interference) Sheppard Mullin and Kirkland teams, we
17 first and foremost focused on the notice. We recognize that
18 the creditors need to know at this point that through this
19 settlement there will be a release of Limited, and the
20 creditors need to (audio interference) particularly if they've
21 already voted, that there is a little bit of a different
22 dynamic to these releases, and that those opt-outs need to be
23 reconsidered and refocused where appropriate.

24 Additionally, one of the things that we noticed in
25 this process is that there was not an ability for the creditors



1 to accept the plan and opt out. And we think that's an
2 important decision. I don't know what the general unsecured
3 creditors are thinking, but we'd like to at least get this case
4 to a place -- it's not there -- today, like to get it to a
5 place where the Committee can support the plan and the general
6 unsecured creditors have the ability to vote for the plan but
7 potentially opt out so that their third-party claims against
8 Limited are not affected.

9 We think we've reached accord on language of the
10 notice (audio interference) and Your Honor (audio interference)
11 draft a little of the proposed order. There are a number of
12 issues that we've worked through with conflicts counsel to the
13 debtor. We have -- and I'm happy to go (audio interference)
14 all of the various bits and pieces with you, Your Honor. Or if
15 Your Honor would prefer, in the interest of brevity, cut right
16 to the one outstanding, slight, open language issue in
17 Paragraph 16 of the proposed order.

18 So I'll stop for a second, Your Honor, ask if you
19 have any questions, and ask how you would like us to proceed
20 with the discussion of the proposed order.

21 THE COURT: So with the assumption -- and I want to
22 make sure that it's an assumption that makes sense. With the
23 assumption -- and I'm looking -- I'm looking -- I just -- I
24 have the Limited order up on my screen right now. So that's
25 the order at 583. With the assumption that all of the things



1 that you worked through are embodied within that order, I've
2 had the chance to read that. And I -- if I didn't trust the
3 respective skill sets and judgment and -- of all of the lawyers
4 involved, we'd be in a much different place.

5 And so the extent that you all have worked through
6 issues and it's reflected in 583, you don't need to walk me
7 through those. To the extent that there remains an issue in
8 Paragraph 16, that's the one I want to talk about and
9 understand.

10 MR. KUEBEL: Yes, Your Honor. So -- and I'm happy to
11 move forward and present the Committee's views and concerns
12 about that language, or yield the virtual podium to Seadrill
13 Partners first if they would like to -- if they'd like (audio
14 interference) --

15 THE COURT: Well, my guess is you're each going to
16 get multiple opportunities, so it makes no different to me.

17 Mr. Schartz, did you have a preference?

18 MR. SCHARTZ: I'm happy to go first. And frankly,
19 you know, if you -- we made the judgment call to file the order
20 that we did, so I'll explain to you the logic. You know, we
21 had a comment from one party that we really care about, and we
22 had another comment from another party that we really care
23 about. We had two hours. So we called balls and strikes. And
24 I'll walk you through the issue and tell you where we ended up.

25 Paragraph 16 is a provision that was proposed by the



1 Creditors' Committee -- I don't know -- yesterday or the day
2 before. We've been --

3 THE COURT: And Mr. --

4 MR. SCHARTZ: -- tweaking on the edges --

5 THE COURT: Mr. Schartz, and I'm sorry for
6 interrupting you. For all of the folks who are either on the
7 line or on GoToMeeting or both, I just want to make sure that
8 you've got access to this order and can follow along.

9 I'm happy to put it up, if that would be helpful.
10 But again, I'm looking at -- we're looking at Paragraph 16 of
11 the proposed order that's found at Docket Number 583 in the
12 Limited case.

13 All right. Then, with that, Mr. Schartz, my
14 apologies for interrupting. I just didn't want to leave
15 anybody behind.

16 MR. SCHARTZ: No problem. Thank you. I should have
17 said that myself. Next time.

18 So Paragraph 16 was proposed by Mr. Kuebel and his
19 team. The general idea, as we understood it, was -- of the
20 first sentence was to protect their rights with respect to the
21 plan and some of the other issues that Mr. Kuebel has
22 identified around claims and any other future issue that we may
23 have with respect to claims.

24 The key part that we're fighting over is the first
25 few words. From the -- from one creditor group perspective --



1 I hope Mr. Leblanc doesn't mind me saying this -- it is the
2 Milbank team -- and frankly, I think it's the debtor team too.
3 From our perspective and the creditors' -- Milbank team's
4 perspective, we would prefer to say, "Except as provided
5 herein, here's the reservation of rights," because we don't
6 want to create a loophole that, you know, you can drive a truck
7 through.

8 From Mr. Kuebel's perspective, they would like to
9 have a lead-in saying -- and I don't have the exact language,
10 something along of the lines of "Notwithstanding anything to
11 the contrary, here's our reservation of rights."

12 I hate it, and this type of decision and discussion
13 makes me hate lawyers at times, but it actually is an important
14 issue because what you're hearing today is the desire to get
15 the settlement approved and locked in so that we can turn on
16 the transition services and do all those things that we have to
17 leading up to the plan. But we don't want to create so much
18 ambiguity that the reservation of rights becomes the rule that
19 swallows the settlement. That's the issue here. So calling
20 balls and strikes, the version that we filed is the one that we
21 thought, you know, could work.

22 There is a second sentence in Paragraph 16, Judge,
23 starting with the word "For" kind of -- four lines from the
24 bottom. That's not in dispute, as far as I know. So we're
25 really just talking about that first sentence, Paragraph 16,



1 and the lead-in. And you know, I think the issue is whether or
2 not this becomes an exception that follows the rule or if it's
3 more of a narrowly-carved exception.

4 To the extent that Mr. Kuebel's really focused on
5 preserving rights with respect to the plan and the conditional
6 nature of the disclosure statement, I want to be very clear.
7 Seadrill Partners is okay with that. We're not at confirmation
8 today. We're not seeking to confirm the plan.

9 To the extent that Mr. Kuebel's looking for a way to,
10 you know, later challenge what's in the settlement order
11 outside the context in the plan disclosure statement, then I
12 think not just Partners but Limited would end up having a
13 problem because a bunch of things are going to happen and be
14 put into place as quickly as possible once this order is
15 approved, should you approve it, Judge, and we don't want to
16 have a "gotcha."

17 THE COURT: So --

18 MR. SCHATZ: So that's --

19 THE COURT: My fault. Go ahead. You weren't done.

20 MR. SCHATZ: I was going to start repeating myself,
21 so I'm going to stop.

22 THE COURT: So let me ask you -- and I just want to
23 make sure that I understand. Because you know I'm not nearly
24 as smart as all of you are, and so I take a rather simplistic
25 view of life. And so what I want to make sure that I



1 understand is -- what seems to me to be a really -- it's just a
2 non-controversial statement that if you said that nothing in
3 this order affects any party's right to object to final
4 approval of the disclosure statement or to confirmation of the
5 proposed plan, the debtors can't possibly have an objection to
6 that, right?

7 MR. SCHARTZ: We have no objection to that, Your
8 Honor.

9 THE COURT: And I -- if that's the language that is
10 in there, Mr. Kuebel, I fail to appreciate why that doesn't
11 preserve everything that, quite frankly, not just the Committee
12 but any other creditor, shareholder, or anyone in between --
13 we're not -- this is not wiring the confirmation hearing. It's
14 not affecting the standards that have to be met. It's simply
15 -- it's, quite frankly, not even needed, but it's a sentence
16 that just provides clarification that we're going to have a
17 confirmation hearing. 1123 and 1129 have to be satisfied. And
18 -- as well as, since it's final approval of a disclosure
19 statement, 1125 is still on the table, and the debtor will
20 either satisfy those requirements or not.

21 So what am I missing, Mr. Kuebel?

22 MR. KUEBEL: Your Honor, I think from our
23 perspective, everything that we've talked about (audio
24 interference) consistent with how we see this moving forward.

25 THE COURT: Uh-huh.



1 MR. KUEBEL: And so where (audio interference) hangup
2 is --

3 THE COURT: So Mr. Kuebel -- and I'm sorry. So I
4 want to make sure that we get this right. And you did this
5 before, and I didn't say anything because I could figure out
6 what you said, even though I couldn't hear you. When you get
7 animated and you wrap your phone -- when you wrap your fingers
8 across the microphone, or you take the phone away directly from
9 your mouth, we can't hear you.

10 MR. KUEBEL: We have to -- let me make sure that I'm
11 addressing that and avoiding that at all costs, Your Honor.
12 Can you hear me now?

13 THE COURT: Very well. And you'll be fine until you
14 start to get passionate.

15 MR. KUEBEL: Thank you, Your Honor. The challenges
16 of virtual podium.

17 Your Honor, I think that everything that's been
18 presented to Your Honor is consistent with how we see this
19 working. And I guess when it gets into wordsmithing, our
20 concern is that the language that was added this morning that
21 took away the language we wanted, which was effectively
22 "notwithstanding anything herein to the contrary," and replaced
23 it with the "except as provided herein" really shifts the
24 hierarchy of the -- potentially shifts the hierarchy of the
25 settlement and its terms over the plan and confirmation. And I



1 think all of us agree that we're not in confirmation here
2 today.

3 THE COURT: Right. So --

4 MR. KUEBEL: We are concerned on a short time
5 period --

6 THE COURT: Right. So, Mr. Kuebel --

7 MR. KUEBEL: -- (audio interference) --

8 THE COURT: If I could just interrupt you for a
9 second because --

10 MR. KUEBEL: Always.

11 THE COURT: -- what I heard Mr. Schartz, I think,
12 agree to is that we could do a simple sentence that just says
13 "nothing herein shall affect any party's" -- and I want to use
14 "party," not just the Committee -- but "any party's right to
15 object to confirmation of the proposed plan or final approval
16 of the disclosure statement."

17 Correct, Mr. Schartz?

18 MR. SCHARTZ: That's correct, Your Honor.

19 THE COURT: So, Mr. Kuebel, it seems to me that we
20 can take out that big long sentence and include a much shorter
21 one, and we make it clear that confirmation and final approval
22 of the disclosure statement are a clean slate. The debtor has
23 to meet its burden, and nothing changes. There is no
24 burden-shifting. There's no burden changing. There's no
25 something -- some element being satisfied out of the



1 settlement. It's -- the settlement is the settlement, but
2 debtor's got all of its normal burdens and obligations with
3 respect to final approval of the disclosure statement and
4 confirmation of the plan.

5 MR. KUEBEL: Judge, you said it better than I did, as
6 usual, and those are the exact protections we're trying to
7 preserve for the creditors.

8 THE COURT: All right. So let's -- let me ask this,
9 just given how hard you all have worked. Everyone should see
10 the order up on the screen, right? I've got that sentence
11 highlighted. All right.

12 Is there -- again, I always hate to be Isgur -- I am
13 perfectly comfortable with you all doing that sentence. I'm
14 perfectly comfortable in doing it right now in front of
15 everybody. It's anyone's call.

16 Mr. Schartz, you have an opinion about that?

17 MR. SCHARTZ: Judge, I'm happy to watch you go full
18 Judge Isgur on us.

19 THE COURT: And you know -- where is -- and you know,
20 since Mr. Barr is such an Isgur fan, I know that Isgur will
21 hear about this later on. Let me do this.

22 MR. LEBLANC: Your Honor, before you type, could I --
23 this is Andrew Leblanc, if I may just make one point?

24 THE COURT: You can. I was actually going to give
25 you an opportunity to shoot at it once I got it up on the



1 screen. But if you want to help me avoid your criticizing me,
2 I'm all for that.

3 MR. LEBLANC: Well, let me just explain. The reason
4 we changed "notwithstanding anything in the order" --
5 "contained in the order" to "except as provided herein," is
6 there are very specific agreements in this order that affect
7 the issues that the Committee had laid out.

8 I don't mind your language, with one exception, Your
9 Honor, and that is Seadrill Limited has agreed in this -- in
10 the settlement not to object to the Partners plan. So any
11 party -- that's the reason for language like "except as
12 provided herein." We're not trying to modify any other part of
13 the agreement in this.

14 And so, for example, the concern we had with the
15 language as the Committee had drafted it was there are releases
16 in this agreement. Those are not open to criticism. Releases
17 between Partners and Limited, those are not open to challenge
18 at the plan confirmation hearing, because they'll be part of
19 this settlement and part of Your Honor's order.

20 And that's the reason for it. It's that simple. You
21 can't say "notwithstanding anything to the contrary herein,"
22 and then describe something that is expressly contemplated in
23 the agreement. And I think you can -- your language is fine
24 with respect to "all parties" except the party to this
25 agreement, who has agreed not to object to the debtor's



1 confirmation, and that's Seadrill Limited.

2 MR. ZUMBRO: Your Honor, it's Paul Zumbro. May I
3 just be heard very briefly, as well?

4 THE COURT: Of course.

5 MR. ZUMBRO: Just one other thing. I'm sure Your
6 Honor will delete it -- in the sentence you're deleting it.
7 But I just wanted -- for the record, that we had one concern
8 about the parenthetical in that first sentence that you're
9 deleting.

10 As Your Honor has said, the settlement is the
11 settlement. The settlement payments are also the settlement
12 payments. So once Your Honor enters this order, our view is
13 that those are sort of indefeasible, and once made, they're
14 done. And so I just didn't like the contrary suggestion in the
15 prior parenthetical, which I believe Your Honor is deleting and
16 replacing with your sentence. But just for the sake of the
17 record, I just wanted to reflect that view, because it was
18 filed on the docket.

19 THE COURT: Okay. I think -- and Mr. Zumbro, are you
20 able to see what I've just done?

21 MR. ZUMBRO: You're testing my 51-year-old eyes, sir,
22 but yes. I think so.

23 THE COURT: Well, you can make it bigger. If you
24 look at your screen, you move the cursor down to the bottom
25 sort of two-thirds. You'll see a little rectangle pop up, and



1 you can plus and minus it to suit your aging eyes.

2 MR. ZUMBRO: Got it. Thank you. The settlement
3 order and the terms --

4 THE COURT: What --

5 MR. ZUMBRO: Yes, Your Honor. That looks good.

6 THE COURT: So Paragraph 16 was what I changed, and I
7 did not change the second sentence of Paragraph 16. So let me
8 go back and confirm.

9 Mr. Schartz, you hadn't seen it. I read it to you
10 out of my head. But having looked at it on paper, are you okay
11 with that?

12 MR. SCHARTZ: I am okay. Thank you very much, Judge.

13 THE COURT: And let me ask Mr. Kuebel. Are you okay
14 with that?

15 MR. KUEBEL: Your Honor, I think so.

16 THE COURT: I mean, if there's an issue, nothing -- I
17 mean, the settlement's going to be the settlement. And the
18 effects are what they are. But in terms of your ability to
19 raise issues under 1129 or 1123, you know, they're just there.
20 And we're going to hear it. And I'll do my best to get it
21 right.

22 MR. KUEBEL: Yeah. I mean, I think this one may
23 include 1122, but yes, Your Honor.

24 THE COURT: Fair enough. I --

25 MR. KUEBEL: -- (audio interference) --



1 THE COURT: I wasn't trying to limit you. Fair
2 enough.

3 MR. KUEBEL: Yeah. Thank you, Your Honor.

4 THE COURT: All right. And let me come back to
5 Mr. Leblanc. Does that address the concern that you had?

6 MR. LEBLANC: Yes, Your Honor, it does.

7 THE COURT: Okay. So let me --

8 MR. PRINCE: Your Honor, this is Jim Prince for
9 Transocean. May I be heard briefly?

10 THE COURT: Of course, Mr. Prince. Good morning.

11 MR. PRINCE: Good morning. Transocean, Your Honor,
12 is a creditor in both estates. We are not here to try to
13 object to the substance of the settlement agreement.

14 Obviously, a lot of work -- a lot of good work went into the
15 negotiation and the transaction, so -- and we don't dispute
16 that. But as a creditor with claims in both estates, on the
17 Seadrill Limited side, the plan that's before Your Honor that
18 will go to confirmation -- that was going to confirmation at
19 the end of the month and now it looks like that's going to be
20 pushed back a couple weeks, and I think that's helpful to the
21 Seadrill Partners estate to have more time for issues to be
22 resolved, but in that plan there is a voting mechanism.

23 Some people call them a death trap, a death trap
24 clause. They have other names. But it's essentially for the
25 unsecured class. The unsecured class has to vote yes, and then



1 Mr. Leblanc's class has to vote yes. And if those two things
2 happen, then the large deficiency claim of Mr. Leblanc's client
3 does not share in the plan distribution to the general
4 unsecured class.

5 My client's claim arises under an executory contract.
6 That contract has both the parent company, Seadrill Limited,
7 and a number of its affiliates, as well as Seadrill Partners
8 and a number of its affiliates. Seadrill Partners this week
9 expressed -- or informed us that it was rejecting the contract.
10 That is going to have ramifications for the parents' estate and
11 whether it can assume, but that will have to be sorted out
12 later.

13 The point I'm making on voting is this. The
14 settlement is basically saying that Seadrill Limited and its
15 affiliates are going to be released parties under the Seadrill
16 Partners plan. That then triggers the ability to opt out. But
17 when you have the death trap mechanism and you have adverse
18 consequences on my client as a member of the general
19 unsecureds, if classes do not accept, I have the proverbial
20 Hobson's choice.

21 I think it's fixed by what Mr. Schartz and what
22 Mr. Kuebel have indicated. But the problem that I have is if I
23 want to avoid the adverse death trap of a large dilution by
24 Mr. Leblanc's clients in the unsecured class, I have to vote in
25 favor -- not necessarily me, but the class in general has to



1 vote in favor of the treatment.

2 So I would have an incentive, if I'm happy with the
3 currency that's proposed in the Seadrill Partners plan, to
4 accept. But under earlier versions of the ballot, if I accept,
5 I was deemed to be giving releases to the released parties,
6 which now that includes Seadrill Limited. Well, I don't want
7 to release my claims against Seadrill Limited and its estate
8 merely because I'm also trying to accept my treatment in the
9 Seadrill Partners plan.

10 I think that's being fixed by giving me an opt-out,
11 notwithstanding my acceptance. So I want to make sure that
12 that is going to be coming online and clear, because otherwise
13 it's a really bad outcome for any creditor that has claims in
14 both estates. Because you basically are giving up your claim
15 against the parent when you vote in favor of the subsidiary's
16 plan.

17 THE COURT: Right. What I heard Mr. Kuebel say is
18 that that was paramount importance to the Committee, and that
19 they negotiated a fix for that. Mr. Kuebel, did I miss that?

20 UNIDENTIFIED: Yes, sir, Your Honor --

21 UNIDENTIFIED: You did --

22 MR. PRINCE: That's great news for me, Your Honor.
23 Since we're in the process of looking at documents, the only
24 reason I'm really here is to see the outcome of the reservation
25 of rights that now Your Honor has drafted, and I'm very happy



1 with Your Honor's language, and to also just confirm that I'm
2 not in this kind of -- you know, heads I lose, you know, tails
3 somebody else wins situation. And it doesn't sound like I'm in
4 that, so I'm all content.

5 THE COURT: I don't think you are. And if it turns
6 out based upon the statements -- I'm sorry -- Mr. Schartz?

7 MR. SCHARTZ: I'll just -- I'll clarify -- I'm not
8 sure I agree with all of the characterizations that Mr. Prince
9 made of Seadrill Partners plan, but I will agree that we've
10 resolved this issue.

11 I wish I could say I was, you know, so Machiavellian
12 that we could create like a very difficult Hobson's choice, but
13 there is no language -- I'm actually reading from the 497
14 version, because my redline that was printed doesn't have it --
15 but I'm reading from the notice that's proposed, Judge, and
16 it's the last -- "please take further notice" -- that paragraph
17 at the bottom of Page 2, second sentence. And I'm just going
18 to read it so you have it.

19 "For the avoidance of doubt, consistent with
20 revisions to definitions set forth" -- "revisions to
21 definitions of released party and releasing party set forth
22 (audio interference) amended plan, holders of claims and
23 interests entitled to vote on the plan may opt out of the
24 releases in Article VIII of the plan, even if they vote to
25 accept the plan."



1 So, if Mr. Prince is convinced that there's an issue
2 there, he can go ahead and, you know, opt out and, you know,
3 still vote in favor of the plan, and it will still work in a
4 way that I think is confirmable.

5 THE COURT: He's just preserving his leverage. He
6 hasn't yet figured out what his ask is yet, but he wants to
7 leave himself all possible avenues. I've known Mr. Prince for
8 a long time. All just fine.

9 Mr. Kuebel --

10 MR. KUEBEL: Your Honor?

11 THE COURT: Yes.

12 MR. KUEBEL: Your Honor, this is Rick Kuebel again,
13 on behalf of the Committee, and this is a testament how maybe
14 this process has moved fast, and these are the type of issues
15 that I think we would have all resolved, were we not in the
16 virtual courtroom, in Your Honor's conference room five minutes
17 before the hearing. But unfortunately, all the parties have
18 not had that luxury.

19 I do think that we -- with the changes that we made
20 to the notice, we've captured the tenor of Mr. Prince's
21 concerns and objections. But I don't know that he's had an
22 opportunity necessarily to look at it, see it, and read it, and
23 -- apologize for that, but we'd certainly commend him to look
24 at the language that was filed right before the hearing,
25 because I do think that we've endeavored to address and have



1 addressed that concern.

2 THE COURT: No. Understood. And as Mr. Schartz and
3 Mr. Sathy know, I mean, to the extent that there's something
4 wrong in this, they're the ones who bear the risk. And we'll
5 just -- we'll deal with that as -- if, as, and when it arises.
6 So I'm just comfortable based upon the representations that
7 we've got.

8 The Committee did its job. The Committee negotiated
9 a problem that it was worried about. The debtors made a
10 concession to get something done. And if it turns out that
11 there's a issue with implementation, then we will just deal
12 with it. So I applaud everyone for doing what they're supposed
13 to do.

14 Mr. Prince, you comfortable, at least as of today?

15 MR. PRINCE: Yes, sir.

16 THE COURT: All right.

17 MR. PRINCE: Thank you very much.

18 THE COURT: Thank you.

19 MR. LEBLANC: Your Honor?

20 THE COURT: Yes, sir.

21 MR. LEBLANC: Your Honor? This is Andrew Leblanc,
22 again, of Milbank, on behalf of the term loan B lenders. I do
23 want -- the issue that we just discussed was a concern of ours,
24 as well, because nobody's intent -- and I think this is what
25 Mr. Schartz is suggesting -- that it was never their intent to



1 have a Partners creditor by voting yes on the plan and not
2 opting out of releases to release a claim that they have in a
3 different capacity as a creditor of the Limited estate. And I
4 don't want that to go unsaid.

5 Mr. Prince's situation may be different because it
6 may be the same claim that he has against the other entities,
7 but we negotiated into the order language in the release
8 section that says in their capacity as such, expressly to make
9 clear that if our client, the holders of the term loan B, also
10 happen to be lenders to Limited, by agreeing to the Partners
11 plan and not opting out of the releases, we're not releasing
12 our claims over there either. And it's nobody's intent that
13 that occur.

14 And so I think even on that issue -- and again,
15 Mr. Prince's issue may be different because of his situation.
16 But clearly, for everybody else who's out there who may hold
17 debt in both companies, you're not waiving your claims against
18 Limited by voting yes on the Partners plan. That was never the
19 intent.

20 THE COURT: All right. Thank you, Mr. Leblanc.

21 Anyone else? All right. With that, and in the
22 absence of any objection, let me again repeat myself just a
23 bit. I really appreciated the way in which this was laid out.
24 Obviously, I didn't participate in, nor would I want to, all of
25 the discussions that got us here today. I was worried -- but



1 just based upon all of the comments -- that there was the
2 potential path for mutually-assured destruction.

3 And I think as a credit to all of the talented
4 individuals that are on the line, on GoToMeeting, you've
5 avoided that and you've found a commercial solution that I
6 always appreciate and just works. It's got flexibility built
7 in, which is really hard to do, but yet, given the lawyers
8 enough comfort that a structure is in place that accomplishes
9 the goal.

10 Again, with respect to the proposed settlement as
11 between two debtors -- and I agree with the comment -- it's
12 always hard with respect to when you have two debtors who are
13 related that are negotiated. The potential problems are
14 multiplied. I very much appreciate the quality and the
15 advocacy, and the degree to which the issues were taken
16 seriously by conflicts counsel.

17 I am more than comfortable that the process has been
18 truly at arm's length, has been transparent. With respect to
19 the proposed compromise, I do find that I have jurisdiction
20 over the matter pursuant to 28 U.S.C. Section 1334, do find
21 that a proposed compromise constitutes a core proceeding under
22 28 U.S.C. Section 157. I further find that I have the
23 requisite constitutional authority to enter a final order with
24 respect to the proposed compromise.

25 Based upon the record, the declarations of Mr. Meghji



1 and Mr. Lyne, as well as all of the comments, which I
2 understand are not evidence, but they are representations made
3 by counsel to the Court, that this process has worked, and it's
4 truly a compliment to all of you.

5 I do find that the requirements for approval of a
6 proposed compromise, as set forth first by the Supreme Court in
7 TMT Trailer, repeated by the Fifth Circuit in cases such as
8 In re AWECO, Jackson Brewing, Foster Mortgage, that the
9 compromise meets all of the tests that I am required to apply.

10 I find that the proposed compromise represents the
11 exercise of prudent business judgment on behalf of both
12 debtors. Again, it's been transparent and negotiated at arm's
13 length. Could not have asked for any more from the process. I
14 will approve the compromise as to each debtor group.

15 Let me first -- Mr. Schartz, with respect to the
16 order at 583, and then I'll pull up 497 -- have you gotten a
17 time from Mr. Alonzo for the 14th?

18 MR. SCHARTZ: I'm embarrassed to say that I don't
19 know actually.

20 THE COURT: So I looked at the schedule --

21 MR. SCHARTZ: I'm not 100 percent sure.

22 THE COURT: I looked at the schedule. There was
23 nothing posted. I just didn't know if you all had talked this
24 morning, because he's at home today. I just --

25 MR. SCHARTZ: I think the game plan, Judge, was to



1 talk about it with you when we were here, just because we were
2 moving so quickly. The Committee -- we had highlighted this in
3 our motion. The Committee made a finer point of it better than
4 we did during our course of our discussions yesterday. So I
5 just don't think we have the time.

6 If you want us to come back and talk to him about it,
7 or go through that channel, you know, we can do that. But we
8 haven't had a chance to do it.

9 THE COURT: Or you could take a look at your screen
10 and see if that works. I'm giving you a hard time. How about
11 one o'clock on the 14th? That way you've got all afternoon.

12 MR. SCHARTZ: That looks great. And I deserve a hard
13 time for that one.

14 THE COURT: All right. Then with that, all right. I
15 have signed that one. Let me pull up -- let me pull up 497.
16 And let me ask everyone. I'm perfectly happy to put it up so
17 that you can see it, but what I planned on doing was in 497
18 simply copying the language into Paragraph 16. And here. I'm
19 happy to put this up.

20 All right. So what everyone is looking at -- 497,
21 which was the latest form of order, as I understand it, in the
22 Partners case.

23 MR. SCHARTZ: Correct.

24 THE COURT: You okay with that?

25 MR. SCHARTZ: Yep. Your Honor, if you could scroll



1 down, I just want to make sure you picked up the notice, since
2 it's obviously very important. It's Exhibit B, started at
3 about Page 21 in the PDF. I just want to make sure we picked
4 up the stuff that was in the back. I think we did.

5 THE COURT: Sure. Give me just --

6 (Pause)

7 MR. KUEBEL: Judge?

8 THE COURT: Yes, sir. I'll come back, Mr. Kuebel.
9 Let me just -- let me go get Exhibit --

10 MR. KUEBEL: Absolutely.

11 THE COURT: -- B first. All right.

12 So, Mr. Schartz, is there something particular you
13 wanted to look at?

14 MR. SCHARTZ: I just wanted to make sure it was
15 there, because we had it attached, so --

16 THE COURT: It is there.

17 MR. SCHARTZ: -- it has the language -- okay.
18 Perfect.

19 THE COURT: All right. Mr. Kuebel.

20 MR. SCHARTZ: We're good.

21 MR. KUEBEL: Yeah, just double-checking the language
22 in Paragraph 16, Your Honor, making sure that it's consistent
23 with our prior discussions.

24 THE COURT: Got it. I copied it from the other
25 order. So if it's not, we need to fix it in two places.



1 MR. KUEBEL: I think that's fine, Your Honor.

2 THE COURT: All right. Then, with that -- all right.
3 Those orders have been signed. They're off to docketing.

4 Are we now to Mr. Winter's?

5 MR. SCHARTZ: We are. Thank you, Judge.

6 UNIDENTIFIED: Thank you, Your Honor.

7 MR. SCHARTZ: I think the Seadrill Partners folks are
8 probably going to drop, if that's okay.

9 THE COURT: Terrific. Then, everyone, please
10 continue to be safe. Get your shots. If you've gotten them,
11 encourage someone else to get theirs.

12 MR. SCHARTZ: Thank you, Judge.

13 THE COURT: I so want to --

14 MR. SCHARTZ: Appreciate it.

15 THE COURT: -- live together as like a group of human
16 beings again, as opposed to video squares.

17 All right. Mr. Winters, the podium is yours.

18 MR. WINTERS: Thank you, Your Honor.

19 MR. ZUMBRO: Your Honor, may I be excused? I'm not a
20 Seadrill Partners person, but may I be excused since --

21 THE COURT: Mr. Zumbro, absolutely.

22 Folks who -- if folks wish to leave, just -- you are
23 free to go.

24 MR. ZUMBRO: Thank you, sir.

25 THE COURT: Yes, sir.



1 MR. SCHARTZ: Thank you.

2 THE COURT: All right. Mr. Winters.

3 MR. WINTERS: Yes, Your Honor. Spencer Winters of
4 Kirkland & Ellis, LLP, on behalf of the Seadrill Limited
5 debtors. I'll provide the Court with a brief status update on
6 the Chapter 11 cases and the ongoing restructuring discussions
7 before turning to address the independent director motion.

8 THE COURT: Okay.

9 MR. WINTERS: Since the last hearing, the debtors
10 have made significant progress across a number of fronts.
11 There's no question that we've covered a tremendous amount of
12 ground in the first two months of the case. First, we have
13 continued our orderly transition into these Chapter 11 cases.
14 That includes the filing and approval of a number of additional
15 pleadings, including a de minimis asset sales procedures order,
16 a guarantee facility order, and various professional retention
17 papers. It also includes the filing of a very voluminous set
18 of schedules and statements, over 12,000 pages worth, which
19 were filed last week.

20 Second, you just heard plenty about we resolved the
21 Seadrill Limited/Seadrill Partners dispute, and we also
22 selected the independent directors to the NADL board.

23 We just heard about the settlement at length, so I
24 won't dwell on that. But suffice it to say, it required a huge
25 effort from the Limited team and will be crucial in permitting



1 100 percent focus on the Limited restructuring going forward.
2 You'll also hear more about the independent director process in
3 a moment. But that, too, is an important step forward in the
4 broader Seadrill Limited restructuring effort.

5 As to the main event, we've made meaningful progress
6 in restructuring discussions between the parties. So toward
7 the end of March, in advance of the milestone in the cash
8 collateral order, we sent around a comprehensive restructuring
9 proposal to the CoCom and the Ad Hoc Group, and we publicly
10 filed that proposal on the docket at ECF Number 294.

11 Before putting out that proposal, the debtors sought
12 extensive, iterative feedback from both lender groups and their
13 advisors. The proposal that the debtors put out was carefully
14 calibrated to be fair to all parties and to strike a reasonable
15 resolution of the legitimate concerns that both lender groups
16 have expressed, and to do so in a value maximizing way.

17 Briefly, the proposal contemplates that the lenders
18 who are owed approximately \$5.6 billion would receive
19 approximately \$750 million of take-back debt and 99 percent of
20 the reorganized common stock. The take-back debt level in this
21 postpetition proposal is significantly lower than the
22 \$1.6 billion of debt that was contemplated in the final
23 prepetition restructuring negotiations. The debtors proposal
24 also modified the way take-back debt and equity are allocated
25 among the 12 silos in a manner that favors contracted revenue



1 and more accurately reflects collateral value.

2 Finally, the proposal also contemplates a cash-out
3 option for the lenders in the AOD credit facility. The
4 proposal is a proposal for a comprehensive plan of
5 reorganization with no parallel marketing process.

6 Since we've put out that proposal, we've continued to
7 obtain feedback from the parties. To be certain, no one is
8 ready to sign up for that proposal yet. But we held a call
9 with the CoCom, we held a call with the Ad Hoc Group, and then
10 we held an "all lender" call to provide an overview and to
11 obtain feedback from all lender groups, which we did receive.
12 We've also engaged in extensive financial diligence and various
13 bilateral discussions with the parties regarding the proposal.

14 The proposal also contemplates an up-to \$300 million
15 new money raise. To fill that commitment, we sent out a
16 process letter to the CoCom and the Ad Hod Group requesting
17 indications of interest for that new money commitment by April
18 30. The process letter included indicative proposed terms of
19 the financing and requested responses from the creditors on
20 those terms.

21 There's a lot of work left to be done, Your Honor,
22 but significant progress has been made towards the potential
23 restructuring. Looking forward, the cash collateral order
24 currently expires on May 9, subject to extension by the
25 parties. Although there are still significant points of



1 disagreement between the parties, we intend to use the next few
2 weeks to try to bridge that gap.

3 Unless the court has any questions on that update,
4 I'd propose we let other parties speak, if they wish, and then
5 I can take the independent director motion.

6 THE COURT: All right. Thank you. And I always very
7 much appreciate the update. Just helps me keep abreast of
8 what's going on.

9 Anyone want to take issue with anything that
10 Mr. Winters said or to supplement any of the report?

11 MR. SINGH: Good afternoon, Your Honor. Sunny Singh
12 of Weil, if I may be heard.

13 THE COURT: Of course, Mr. Singh. Good -- or yeah,
14 good afternoon now.

15 MR. SINGH: Yep, even by 15 minutes your time, Your
16 Honor. Your Honor, Sunny Singh, Weil Gotshal, on behalf of the
17 Ad Hoc Group of Lenders. And as I know Your Honor knows, but
18 just as a reminder, our clients collectively hold about \$1.3
19 billion of debt, including 47 percent at NADL, and a little
20 over 71 percent at the AOD debtors.

21 And Your Honor, I won't be long, I promise. But I
22 just did want to make sure you understood and you're aware from
23 our perspective where we think we are and the Ad Hoc Group's
24 position. We have, of course, received the debtor's proposal
25 and have had meetings and discussions with them about it. And



1 those are still ongoing, and we're evaluating. But I did want
2 to note, Your Honor, that we do have major concerns with the
3 proposal that's been put forward. I don't think we need to go
4 into it. But we do have some serious concerns and have
5 suggested alternative ways for the debtors to address those,
6 including a similar but alternative structure on what the
7 reorganized company could look like.

8 But I didn't want to sort of stand here and not let
9 Your Honor know that although we are working together, we're
10 certainly not there yet, between the various constituencies,
11 but all the parties are doing the right thing to continue to
12 evaluate and have those discussions. Frankly, I'm not sure
13 we'll ultimately get there, but we will try, and we're working
14 with everyone to try to make that happen, and we will be back
15 to report to Your Honor.

16 I will also note that -- I know Your Honor's going to
17 hear the motion on the independent directors -- that the
18 debtors did work with us on that, and we do appreciate them
19 working with us on that and taking out input. And should Your
20 Honor grant that motion, we look forward to having discussions
21 with the independent NADL directors of the debtors further to
22 make sure they understand our views.

23 THE COURT: Got it. Could I ask just -- and I don't
24 want specifics -- again, because I don't want to interfere with
25 what's going on. Just it helps me think about things, and it



1 also affects what I will say and what I won't say. Do we have
2 drastic valuation issues, or are they just structural issues?
3 Or both?

4 MR. SINGH: Your Honor, I would say it's a little bit
5 of both.

6 THE COURT: Okay.

7 MR. SINGH: The structural issues -- and I won't get
8 into too much detail, but one of the concerns we have with the
9 single silo structure that's been proposed by the debtors is
10 that it uses what we believe to be the more valuable assets and
11 offers that value to other silos. And you know, we want to
12 make sure we're getting fair consideration for that, which is
13 why we propose an alternative structure that addresses that
14 issue a little bit differently.

15 THE COURT: I got it.

16 MR. SINGH: So I -- it's not just structure. It sort
17 of flows through economics and other concerns.

18 THE COURT: I was trying to tiptoe around it, but I
19 got it. Thank you. All right.

20 MR. SINGH: Thank you, Your Honor.

21 THE COURT: Anyone else?

22 MR. WINSTON: Your Honor?

23 THE COURT: Mr. Winston.

24 MR. WINSTON: Eric Winston of Quinn Emmanuel. May I
25 be heard?



1 THE COURT: Of course. Good afternoon.

2 MR. WINSTON: Good afternoon, Your Honor. Thank you.
3 I will be very brief, but I just want to echo a few points that
4 Mr. Singh just made. Because, as Your Honor may recall, our
5 firm represents the SVP and Bybrook entities. They are members
6 of the Ad Hoc Group, but they are very heavily weighted towards
7 NADL, which is why I'm here.

8 And as I said twice before, and I want to just remind
9 Your Honor, it is our view to see the value of NADL and its
10 creditors maximized, and it's been our belief all along there
11 should be some type of market testing to see that happen.

12 And in the last 30 days, during this sort of 60-day
13 cash collateral period, in the last 30 days, yes, we know that
14 the debtors came out with their single silo proposal. Yes,
15 there's been an alternative structure by the Ad Hoc Group that
16 we actually believe is far fairer than what the debtors have
17 done. And Mr. Singh just echoed, and Your Honor's question
18 (indiscernible) both the valuation and a structural concern,
19 which I do agree is the case.

20 But having just watched what happened with Seadrill
21 Partners, it just furthers in our mind the benefit of a market
22 testing, and we would encourage the debtors to not use the next
23 30 days to be so wedded to one silo but to in fact explore the
24 alternatives, both that the Ad Hoc Group has done, as well as
25 what we have been advocating for.



1 It hasn't happened yet, and I worry that you're going
2 to have two ships passing in the night with the distance
3 getting even further and further between them, and that at the
4 end of 30 days everyone's going to raise their hands and say
5 what happens next? And I just don't think that's the right
6 path.

7 One of the things that I think is positive is the
8 appointment of the NADL independent directors. As the debtor's
9 professionals know, we've asked to have meetings with those
10 independent directors, assuming Your Honor were to grant the
11 motion today, primarily to identify our views and have the
12 independent directors advocate for now, because why they're
13 there, as well as address some of the other issues that relate
14 to NADL, including a concern we've previously raised about what
15 happens (audio interference) NADL (audio interference).

16 So I said I'd be brief. Hopefully, I honored my
17 word, Your Honor. And I thank you for your time, unless you
18 have any further questions.

19 THE COURT: So let me ask you. Hopefully, you know
20 me well enough at this point. You know that there will come a
21 time where I will put my finger on the scale. I'm always
22 reluctant to do that. I don't like doing it. I never liked
23 judges doing it to me, unless, you know, there just wasn't
24 another alternative.

25 Is there anything that you think that I ought to be



1 thinking about or doing at this point? Or is this just letting
2 me know where we are and you're not ready to ask?

3 MR. WINSTON: From my perspective, I'm not ready to
4 ask, because I think we agreed to a 60-day period. Or (audio
5 interference) we agreed to it. It happened. There's a 60-day
6 period, and I want to see how that plays out. And I do want to
7 see how the NADL independent directors are brought into this,
8 because that is something we've advocated for.

9 I am concerned, because I think at least at the NADL
10 level there are -- my clients, as well as I think others, that
11 hold more than a third of the debt, that are going to say why
12 are we doing this? And I just don't want to have a possibility
13 right now be ignored and then have a real fight down the road.

14 So I'm not saying put the finger on the scale now. I
15 am saying let's see how the next 30 days play out. But I
16 wanted to be clear, I thought this was a very useful status
17 conference to let Your Honor know while I have no dispute that
18 people are working hard and in good faith, there is a pretty
19 fundamental disagreement and difference of framework that still
20 exists.

21 THE COURT: Got it. So let me -- the only thing that
22 I will then do today is to commit to you that if you believe
23 that a status conference would be helpful, talk to all of your
24 colleagues -- obviously, treat everyone the way that you would
25 want to be treated in terms of scheduling. But if you think



1 that a status conference would be helpful, just reach out to
2 Mr. Alonzo after talking to the counsel that are involved, and
3 just say I really think that we could use a status conference,
4 you know, Tuesday or Wednesday. Obviously, the more choices
5 you give me, you avoid like lunchtime and after 5 and that kind
6 of thing. And I'm more than happy to do that.

7 MR. WINSTON: Your Honor, thank you so much, and I
8 will certainly pick up that suggestion. And as a west coast
9 guy that is very used to getting up early, I will make sure
10 there's plenty of time options available.

11 THE COURT: Fair enough. You prefer like eight
12 o'clock in the evening, because that would just fit, right? I
13 got it.

14 All right. Anyone else?

15 MR. GREISSMAN: Your Honor, Scott Greissman of
16 White & Case for the CoCom. I'm going to -- can you hear me?

17 THE COURT: Yes, sir. Very well. Thank you. Good
18 afternoon.

19 MR. GREISSMAN: Great. Thank you. Good afternoon,
20 Your Honor. I'm going to pause for a moment. I don't know if
21 debtor's counsel wanted to respond to any of those comments
22 before counsel -- before I weighed in from the CoCom's
23 perspective?

24 THE COURT: Why don't you go ahead and weigh in.
25 It's -- we're going to minimize the response. I got the issues



1 and I want to keep everybody positive, and not drawing battle
2 lines yet.

3 MR. GREISSMAN: I will take that cue, Your Honor, and
4 be super brief. Notwithstanding that the CoCom is
5 representative of over 70 percent of the debt in the structure
6 and is by far the largest economic stakeholder, and holds
7 interest across the entire structure, obviously the Ad Hoc
8 Group, which itself has subgroups, as you can tell, and
9 numerous counsel and financial advisors, you know, they're
10 weighted in two admittedly very important silos, but their
11 interests are quite -- quite provincial. They are mostly
12 limited to their silos.

13 The disputes -- I think people are dancing around the
14 issues -- but the disputes that are being foreshadowed in the
15 restructuring proposal are really -- you know, how the value's
16 allocated. And you know, just to be blunt, what you're hearing
17 is they want more. And more for them means less for everybody
18 else.

19 And that's sort of where things stand at the moment.
20 We are and remain aligned with the company, our partners over
21 the past decade in longer, and a holistic solution. We
22 understand that we can't deliver one without agreement from the
23 folks you're hearing from today, from at least some of them.
24 And we're going to continue in good faith down that road.

25 The other, I think, thing that's being foreshadowed



1 at the moment -- and folks are dancing around it -- is what
2 happens when the cash collateral order milestone is reached and
3 there isn't a deal. And I think Your Honor's suggestion about
4 a status conference before that is probably going to be very
5 helpful, especially if folks are going to oppose the extension
6 of cash collateral.

7 That being the case, I'd just -- you know, to bring
8 it full circle -- remind the Court what we said at the
9 first-day hearing, which is that the consents achieved by the
10 par lenders who are representative of CoCom's interest are
11 enough to extend cash collateral beyond that deadline without
12 the consent of the Ad Hoc Group. We'd hope that's not the
13 case, and we think that there are particular interests and cash
14 at those silos are very fairly protected in the existing order,
15 which the company advisors made very -- very carefully made
16 sure was the case.

17 So I'd like for that cash collateral milestone not to
18 be a -- sort of a stumbling block, let's say, to continue
19 negotiations, and hopefully what will be a holistic solution.
20 But we understand, you know, a lot of that is out of our
21 control. Unfortunately, however, we bear the brunt of those
22 types of issues, and I just wanted to bring that to Your
23 Honor's attention. Thank you.

24 THE COURT: Got it. Thank you.

25 So let me say this to everybody. I've been thinking



1 about this for a couple of months, which is probably somewhat
2 adverse to all of you. Again, not going to -- not weighing in
3 today, but I'm prepared to. Again, I have so much respect for
4 all of the professionals, and I'll leave you to do what you're
5 going to do. I get the issues. And -- but just so everyone
6 knows, this isn't a -- I don't have a Plan B. I typically
7 always have a Plan B, and I really have one for this one. So
8 I'm going to let you all do what you do. And then, when
9 somebody asks, then, you know, we'll start talking.

10 I agree with you that cash collateral, Mr. Greissman,
11 shouldn't be a leverage point. Because sometimes when you
12 think you have leverage and you don't, and it blows up in your
13 face, leverage tends to go the other way. But you know, you
14 guys have all done this for a long time, so I'm going to leave
15 you all to do what you do. But I want everybody to know this
16 isn't something where, you know, I haven't been thinking about
17 this and have a "what if" scenario in my head. I do. So we'll
18 just -- we'll leave it at that.

19 Anyone else before Mr. Winters proceeds ahead with
20 the independent director motion?

21 All right. Mr. Winters, you want two independent
22 directors.

23 MR. WINTERS: We do, Your Honor. As previewed at the
24 last hearing, the debtors undertook a process to select and
25 appoint at least one independent director, and ultimately two



1 independent directors, to the board of NADL. We filed an
2 emergency motion requesting their appointment on Monday at
3 Docket Number 569. As set forth in the motion, appointing
4 independent directors to the NADL board is advisable from a
5 governance perspective. I think that's clear from the
6 discussion that we just had as well.

7 After considering a number of well-qualified
8 candidates and consulting with the creditor groups, we
9 ultimately determined to appoint Steve Panagos and Jeff Stein
10 as the independent directors. Both proposed directors have
11 energy experience and extensive experience in and out of court
12 restructurings. And both directors are independent of Seadrill
13 and its affiliates.

14 We're pleased to have them on board, and we believe
15 their appointment will bolster the debtor's governance process
16 and aid in the broader restructuring process.

17 We filed three declarations in support of the motion:
18 the declaration of Grant Creed, the CRO, at Docket Number 570;
19 the declaration of Mr. Panagos at Docket Number 571; and the
20 declaration of Mr. Stein at Docket Number 572. All three
21 declarants are on the line today and available for cross-
22 examination. We would respectfully request that the Court
23 admit all three declarations into evidence.

24 **THE COURT:** All right.

25 **MR. WINTERS:** Unless the Court has any questions, we



1 would respectfully request -- I'll stop there.

2 THE COURT: All right. Anyone have any objection to
3 the admission of the Creed declaration at 570, Panagos
4 declaration at 571, the Stein declaration at 572?

5 All right. Thank you. They are admitted.

6 (ECF 570, 571, and 572 in Case No. 21-30427 admitted into
7 evidence)

8 THE COURT: Anyone have a desire to cross-examine any
9 of those individuals?

10 All right. They get off easy today.

11 All right. Mr. Winters, you were about to say you
12 want me to approve the motion, correct?

13 MR. WINTERS: I was, Your Honor.

14 THE COURT: All right. Let me do this before we get
15 there. And so Mr. Stein is on the line.

16 Mr. Stein, is it possible -- first of all, are you
17 there? Mr. Stein, if you're there and you haven't already done
18 so, if you could hit "five star" on your phone for me.

19 All right. Mr. Stein, are you there?

20 MR. STEIN: Yes, I am, Your Honor. Can you hear me?

21 THE COURT: Very well. Thank you. Are you able to
22 join us by video or just not possible?

23 MR. STEIN: I'm on the video, Your Honor. I can see
24 you. It's my first time using your GoToMeeting, so I'm
25 endeavoring to turn on the webcam as we speak.



1 THE COURT: Got you. It's actually easier than
2 anything else you'll ever use, once you learn how to use it.
3 But isn't that case for everything?

4 MR. STEIN: I apologize, Your Honor.

5 THE COURT: No, no, no.

6 MR. STEIN: I thought it would be seamless for me.
7 But I am here and can respond to any inquiries you have today,
8 sir.

9 THE COURT: All right. Let me -- I want to talk to
10 you and Mr. Panagos. This is me to the two of you all.

11 And Mr. Panagos, could you just confirm for me that
12 you can hear me? I saw you nod, so I think you can, but I just
13 want to make sure that you can both hear and be heard.

14 MR. PANAGOS: I think I can now be heard, Your Honor.

15 THE COURT: Yes, sir. Thank you.

16 MR. PANAGOS: Can you hear me now?

17 THE COURT: Very well. Thank you.

18 So, first of all, good afternoon to both of you. I
19 want to make sure that we are all on the same page. There are
20 -- you know, every time I do something or say something, it
21 always starts at least one or more rumors that circulate around
22 the country, and they eventually get back to me.

23 I know with some of -- at least perhaps one other
24 case, there's -- there are rumors that float around that I
25 don't like independent directors, that I'm hard on independent



1 directors, and I don't think that any of that's true. I don't
2 like to be put in the position that I was put in, in perhaps at
3 least one other case. So I wanted you all to hear it from me.

4 I very much appreciate independent directors that are
5 active and independent. Being an independent director is not
6 an opportunity to collect a check and not participate in the
7 process. Independent directors, functioning as they should,
8 serve a very vital role, and I appreciate that.

9 It also means that I expect a lot from you, which
10 means that you are informed, that you make decisions, that you
11 ask questions, that you accept nothing as a given. My basic
12 premise for life, but -- oh, there's Mr. Stein. So I wanted
13 the two of you to hear it from me.

14 I need you in this case, but I need your skill, your
15 talent, your involvement, your playing the role that you're
16 being hired to perform. I want you meeting with people. I
17 want you questioning. I want you looking underneath all the
18 rocks. I want you testing the assumptions. I want what each
19 of you have garnered over the past 20 or 30 years of being in
20 industry. That helps me do my job and make the right decision.
21 It helps give transparency to the process. It helps give
22 comfort to those who may end up on the short end of a
23 particular deal.

24 There's nothing wrong with losing, but you want to
25 lose in a way that you understood why you lost. And that is



1 part of my job. I don't really care who wins and loses. What
2 I care is -- about the process. The process has to always win.
3 And you all play a vital role in that process.

4 So that was a long-winded way of telling me -- or of
5 me telling you do your jobs, and question and test. And I am
6 here to support you. If you have a problem, I want to know
7 about it. I will take action. You always have the ability
8 through counsel or, quite frankly, like any other professional,
9 you can communicate with my case manager to say we need a
10 status hearing. Obviously, I won't talk to you directly off
11 the record. But if there's a problem, all you need to do is
12 contact Mr. Alonzo and say look, we need a status conference
13 this afternoon. I will understand what that means, and we will
14 address any issues that you have.

15 Probably the only opportunity you'll ever get to
16 question a federal judge, but you know, any questions for me in
17 terms of what I need, what I'm looking for, what I expect from
18 the two of you?

19 MR. STEIN: Nothing further from me, Your Honor.
20 I've had the privilege of serving before you many times. I
21 understand completely and appreciate you providing those
22 comments both for Mr. Panagos and me, and for the benefit of
23 the collective. So thank you, Your Honor.

24 THE COURT: All right. Thank you.

25 Mr. Panagos, any questions or comments?



1 MR. PANAGOS: No, I don't. Thank you very much for
2 that lead-in. I really appreciate the clarity in the
3 situation. And you know, listening to the lead-in on our
4 appointment from the parties in interest sitting around the
5 table, I heard a number of issues that I hadn't heard prior,
6 but that doesn't surprise me. I'm sure there will be even more
7 that will come to light that Mr. Stein and I will have to
8 evaluate.

9 THE COURT: The two of you have a lot of work to do,
10 and, you know, at least one person on this video call won't
11 like you when you're done. But that doesn't matter. What we
12 want is the best possible outcome.

13 With that, in the absence of any objection, obviously
14 I knew Mr. Stein, and Mr. Panagos's résumé is impressive just
15 in and of itself, and so I didn't have any concerns. I did
16 want to make sure that the independent directors knew that if
17 in their -- in my appointing them, they had my unqualified
18 support. Again, the only time I've ever had an issue is when I
19 knew more about the case than the independent directors did,
20 and that never goes well. I should always be the dumbest one
21 in the room, because you all deal with it every day.

22 With that -- and Mr. Winters, I have the order that
23 was attached to the original motion. I just want to confirm
24 that that's the order that you want me to sign. And for the
25 record, that's the order at 569.



1 MR. WINTERS: That's right, Your Honor.

2 THE COURT: All right. Thank you. Give me just a
3 moment.

4 All right. That has been signed. It is off to
5 docketing. Anything else we need to do today, gentlemen?

6 MR. WINTERS: That's all, Your Honor. We appreciate
7 it.

8 THE COURT: All right. Terrific. As I indicated
9 earlier, but it's just part of my mantra, please do continue to
10 be safe. Get your shots if you haven't. If you have,
11 encourage others to get theirs. It's the only way we get back
12 to the practice of law in anywhere close to what we were used
13 to beforehand. Wear your mask. And I'll see everybody back in
14 their video square relatively soon. We'll be adjourned.

15 COUNSEL: Thank you, Judge.

16 COUNSEL: Thank you, Your Honor.

17 THE COURT: Thank you.

18 (Proceedings concluded at 12:39 p.m.)

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C E R T I F I C A T I O N

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I, Alicia Jarrett, court-approved transcriber, hereby certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter, and to the best of my ability.

Alicia J. Jarrett

ALICIA JARRETT, AAERT NO. 428 DATE: April 16, 2021
ACCESS TRANSCRIPTS, LLC

