

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

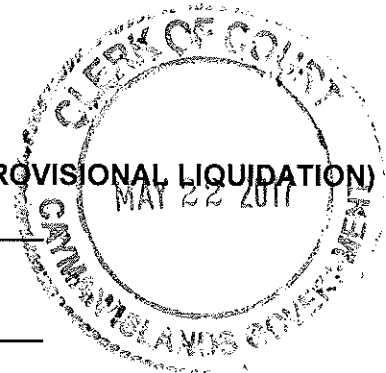


CAUSE NO: FSD 100 OF 2017 ()

IN THE MATTER OF SECTION 86 OF THE COMPANIES LAW (2016 REVISION)

AND

IN THE MATTER OF DRILLSHIPS FINANCING HOLDING INC. (IN PROVISIONAL LIQUIDATION)



PETITION

To the Grand Court

The humble petition of Drillships Financing Holding Inc (in provisional liquidation) ("DFH") of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, shows that:

Introduction

- 1 The object of this Petition is to seek the sanction of the Court pursuant to section 86 of the Companies Law (2016 Revision) (the "**Companies Law**") to a proposed Scheme of Arrangement (the "**DFH Scheme**") between DFH and its secured creditors (as detailed at paragraph 27 below) (the "**DFH Scheme Creditors**").
- 2 Save where otherwise indicated, capitalised terms in this Petition are defined in the DFH Scheme. A copy of the Scheme shall be exhibited to an affidavit made by Antonios Kandylidis, which shall be filed with this Honourable Court.

The Petitioner

- 3 DFH was incorporated in the Marshall Islands on 28 May 2013 (registration number 61701) under the Marshall Islands Business Corporations Act. On 18 October 2016, DFH was registered as a foreign company under the Companies Law with registration number 316135.

This Petition was presented by Maples and Calder, attorneys for the Petitioner, whose address for service is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. (Ref: CJM/MCL/713299-03/50804028)

The registered agent of DFH is c/o Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands.

- 4 DFH's foreign registered office is at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and has been since 18 October 2016. The Group's (as defined below) principal executive offices have been located in the Cayman Islands since 27 September 2016.
- 5 As at the date of this Petition the authorised share capital of DFH is 500 registered shares with no par value. As at the date of this Petition, DFH has 500 shares in issue, which shares are fully paid or credited as fully paid and are held by Ocean Rig UDW Inc. ("**UDW**") as the sole shareholder.
- 6 The objects for which DFH was established are unrestricted and generally to carry out the objects more particularly set out in its Articles of Incorporation dated 28 May 2013.

Business of the Group

- 7 The Ocean Rig group of companies (the "**Group**") is an international offshore drilling contractor providing oilfield services for offshore oil and gas exploration, development and production drilling and specialising in the ultra-deep water and harsh-environment segment of the offshore drilling industry. The business of the Group is principally to own and operate a fleet of semi-submersible and ultra-deep water drilling rigs and vessels which are contracted to drill oil and gas wells for customers, which are typically major oil and gas companies.
- 8 The Group's operating subsidiaries own a fleet of 11 offshore drilling rigs which, when in operation, are contracted out to be used in drilling projects across the world, including in Brazil, Norway and West Africa.
- 9 The Group is structured into four debt silos and the non-silo subsidiary group.
- 10 DFH is a holding company of one of the four debt silos within the Group.

Assets

- 11 The principal assets of DFH comprise shares in its wholly owned subsidiaries being:

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- 11.1 Drillships Projects Inc. ("DP");
 - 11.2 Drillship Holdings Inc.; and
 - 11.3 Drillships Investment Inc..
- 12 All of the shares and assets of DFH's direct and indirect subsidiaries have been pledged as security in respect of the guarantees they have granted as set out in paragraphs 16.1, 16.2 and 16.3 below (together the "**DFH Subsidiary Guarantors**"), except for the shares of Ocean Rig Olympia Ghana Operations Ltd., Ocean Rig Poseidon Operations Inc. and OR Benguela Operations Inc.

DFH's Principal Financial Indebtedness

- 13 The principal liabilities of DFH consist of an aggregate principal amount of US\$1.83 billion (plus accrued interest of US\$23.8 million as at 31 March 2017) pursuant to a US\$1.9 billion credit agreement dated 12 July 2013 between DFH, DP and certain lenders (the "**Lenders**") (the "**DFH Credit Facility**").
- 14 The interest rate payable is LIBOR plus 5%¹ per annum payable quarterly on 12 January, 12 April, 12 July and 12 October each year, equivalent to approximately US\$28 million per quarter. In addition, a payment of principal is due on the same dates in the amount of US\$4.8 million. DFH and DP are jointly and severally liable for all payments of principal and interest pursuant to this facility.
- 15 Pursuant to a guarantee agreement dated 12 July 2013 between DFH, DP, UDW the Subsidiary Guarantors and Deutsche Bank AG New York Branch as Collateral Agent, UDW and the DFH Subsidiary Guarantors have guaranteed all of the obligations of DFH and DP to pay both the interest and principal under the DFH Credit Facility (the "**DFH Guarantee**" and "**DFH Subsidiary Guarantee**") respectively.
- 16 Pursuant to a pledge and security agreement dated 12 July 2013, between UDW, DFH, DP, the DFH Subsidiary Guarantors and Deutsche Bank AG New York Branch as Collateral Agent:

¹ Interest under the DFH Credit Facility is calculated at LIBOR plus 5%. The LIBOR rate is floored at 1.0%.

- 16.1 DFH pledged all of the shares in its direct subsidiaries as security in respect of its payment obligations in respect of the DFH Credit Facility;
- 16.2 UDW pledged all of its shares in DFH as security in support of the DFH Guarantee; and
- 16.3 the DFH Subsidiary Guarantors granted security over all of their assets in support of the DFH Subsidiary Guarantee.

The Restructuring and Provisional Liquidation of DFH

- 17 On 23 March 2017, UDW, Drill Rigs Holdings Inc. ("**DRH**"), Drillships Ocean Ventures Inc. ("**DOV**") and DFH entered into a restructuring support agreement² ("**RSA**") with an ad hoc group of DOV and DFH creditors. Under the terms of the RSA, the parties undertook to take all steps necessary to support, implement, or otherwise give effect to the restructuring of the Group's Existing Debt on the terms set out in Schedule 3 to the RSA (the "**Restructuring**") and the Schemes of Arrangement proposed by UDW, DRH, DFH and DOV (as applicable).
- 18 As at the date of this Petition, the RSA has been entered into by Scheme Creditors representing approximately 90% in value of the Existing Debt, representing approximately:
 - 18.1 90% in value of the UDW Scheme Creditors;
 - 18.2 99% in value of the DFH Scheme Creditors;
 - 18.3 97% in value of the DOV Scheme Creditors; and
 - 18.4 57% in value of the DRH Scheme Creditors.
- 19 On 24 March 2017 DFH: (i) presented a winding up petition (the "**DFH Winding Up Petition**") pursuant to section 92(d) of the Companies Law on the grounds that it was unable to pay its debts and/or that it was just and equitable that DFH be wound up, and (ii) applied for an order pursuant to section 104(1) of the Companies Law appointing Eleanor Fisher of AlixPartners (Cayman) Limited (now Kalo (Cayman) Limited) and Simon Appell of

² Since amended on 7 April 2017, 21 April 2017, 8 May 2017 and 17 May 2017.

AlixPartners Services UK LLP as joint provisional liquidators of DFH on the grounds that DFH intended to present a compromise or arrangement to its creditors.

- 20 On 27 March 2017, Mr Appell and Ms Fisher were appointed as joint provisional liquidators of DFH (the "JPLs"). The JPLs were also appointed as joint provisional liquidators of each of UDW, DRH and DOV on 27 March 2017.
- 21 The JPLs were authorised to develop and propose a restructuring in respect of UDW, DFH, DOV and DRH in accordance with the terms of the RSA if the JPLs determined it appropriate to do so.
- 22 The filing of the DFH Winding Up Petition constituted an event of default under the DFH Credit Facility (section 8(a)(9)). All amounts due thereunder have, as a result, been automatically accelerated and become due and payable.

Objects and mechanics of the DFH Scheme and the Restructuring

- 23 The purpose of the Restructuring is to deleverage the Group and allow the Group and DFH to continue as going concerns.
- 24 The Restructuring will comprise four separate schemes of arrangement. The schemes of UDW, DFH and DOV are interconditional and all must be sanctioned by the Court in order for any of them to become effective. The DRH scheme of arrangement (the "**DRH Scheme**") is conditional on the UDW, DFH and DOV schemes being sanctioned, however, if the DRH Scheme is not sanctioned, the Restructuring will proceed without the DRH Scheme.
- 25 Pursuant to the schemes, the respective Scheme Creditors will transfer and/or release, in accordance with the terms of the schemes, their existing claims against UDW, DFH and DOV (as applicable) for some, or all of, cash, new debt and new equity issued by UDW.
- 26 If the DFH Scheme is approved at the DFH Scheme Meeting and is sanctioned by the Court and becomes effective:
 - 26.1 On the Restructuring Effective Date, subject to the other provisions of the DFH Scheme, each holder of a DFH Scheme Claim will (amongst other things):

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- (a) release a portion of its claims under the DFH Credit Facility in exchange for DFH Cash Entitlements and DFH New Loan Entitlements;
- (b) transfer the balance of its claims under the DFH Credit Facility to UDW in exchange for its DFH New Share Entitlements; and
- (c) transfer to UDW in full, its rights against DP, a wholly owned subsidiary of DFH and co-borrower under the DFH Credit Facility, and agree not to bring any proceedings in respect of those claims against DP.

27 DFH has one class of DFH Scheme Creditor. This comprises the Lenders under the DFH Credit Facility.

Orders and Directions

28 DFH intends to make an application for, amongst other things, orders and directions:

- 28.1 that the relevant class of DFH Scheme Creditors affected by the DFH Scheme is that referred to at paragraph 27 above;
- 28.2 that DFH be at liberty to convene a single meeting of the holders of the DFH Scheme Claims (the "**DFH Scheme Meeting**") for the purpose of considering and, if thought fit, approving (with or without modification) the DFH Scheme;
- 28.3 as to the mode of delivery of a scheme document (which includes an explanatory statement and notice of the DFH Scheme Meeting) to, amongst others, the holders of the DFH Scheme Claims and that a record date be set for the purposes of dispatch and for the purposes of voting at the DFH Scheme Meeting; and
- 28.4 as to the appointment of one of the JPLs as chairman of the DFH Scheme Meeting, and for directions that the chairman of the DFH Scheme Meeting should report the result thereof to the Court.

29 That the resolution intended to be put to the DFH Scheme Creditors at the DFH Scheme Meeting is:

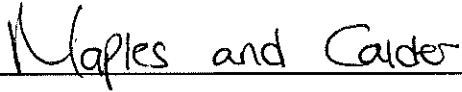
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"THAT the Scheme of Arrangement, a copy of which has been tabled at this Scheme Meeting, be approved subject to any modification, addition or condition which the Grand Court of the Cayman Islands may think fit to approve or impose which would not directly or indirectly have a material adverse effect on the rights of the Scheme Creditors."

YOUR PETITIONER THEREFORE HUMBL Y PRAYS THAT:

- (1) the DFH Scheme may be sanctioned by the Court so as to be binding on each party thereto in accordance with its terms.
- (2) to this end, all necessary inquiries may be made and directions may be made and given.
- (3) such further or other relief as the Court shall see fit.

Dated the day of 2017.



Maples and Calder

Attorneys-at-Law for the Petitioner

ENDORSEMENT

This Petition has been presented to the Grand Court of the Cayman Islands on the day of 2017 and will be heard by the Grand Court of the Cayman Islands on the day of 2017 at a.m. / p.m. in the fore/after noon (or as soon thereafter as the Petition can be heard).

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