

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION



CAUSE NO: FSD 12 OF 2017 ()

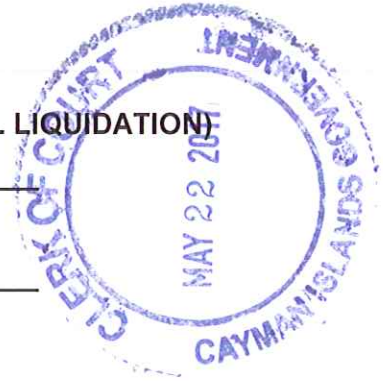
IN THE MATTER OF THE COMPANIES LAW (2016 REVISION)

AND

IN THE MATTER OF DRILL RIGS HOLDINGS INC. (IN PROVISIONAL LIQUIDATION)



PETITION



To the Grand Court

The humble petition of Drill Rigs Holdings Inc. (in provisional liquidation) ("DRH"), of PO Box 309, Uglund 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**") for a proposed Scheme of Arrangement (the "**DRH Scheme**") between DRH and its secured creditors as detailed at paragraph 29 below (the "**DRH Scheme Creditors**").
- 2 Save where otherwise indicated, capitalised terms in this Petition are defined in the DRH 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 DRH was incorporated in the Marshall Islands on 10 October 2008 (with registration number 32563) under the Marshall Islands Business Corporations Act. On 18 October 2016, DRH was registered as a foreign company under the Companies Law with registration number

This Petition was presented by Maples and Calder, attorneys for the Petitioner, whose address for service is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. (Ref: CJM/MCL/713299-03/51313234)

316134. The registered agent of DRH is c/o Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands.

- 4 DRH's foreign registered office since 18 October 2016 has been c/o Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. 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 DRH is 500 registered shares with no par value. As at the dated of this Petition, DRH 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 DRH was established are unrestricted and as more particularly set out in its Articles of Incorporation dated 10 October 2008.

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 DRH is a holding company of one of the four debt silos within the Group.

Assets

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

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- 11.1 Ocean Rig 1 Shareholders Inc.;
 - 11.2 Drill Rigs Operations Inc.; and
 - 11.3 Ocean Rig 2 Shareholders Inc.
- 12 All of the shares of DRH's direct and indirect subsidiaries have been pledged as security in respect of the guarantees referred to in paragraph 16.1, 16.2 and 16.3 below (together the "**DRH Subsidiary Guarantors**"), except for the shares of OCR Falklands Drilling Inc. and OR Norge Operations Inc.

DRH's Principal Financial Indebtedness

- 13 The principal liabilities of DRH consist of an aggregate principal amount of approximately US\$459.7 million in relation to senior secured notes (the "**2017 Notes**") issued pursuant to an indenture dated 20 September 2012 of which U.S. Bank National Association is the note trustee (the "**2017 Notes Indenture**"), in the original principal amount of US\$800 million. The 2017 Notes mature on 1 October 2017 when the outstanding principal will be due to be paid.
- 14 The coupon on the 2017 Notes bears interest at the rate of 6.5% per annum payable twice yearly on 1 April and 1 October (or the next business day thereafter).
- 15 Pursuant to the 2017 Notes Indenture referred to in paragraph 13 above, UDW and certain of DRH's subsidiaries have guaranteed DRH's obligations to pay both the interest and principal in respect of the 2017 Notes (the "**DRH Guarantee**" and "**DRH Subsidiary Guarantee**" respectively).
- 16 Pursuant to a pledge and security agreement dated 20 September 2012, between DRH, UDW, the DRH Subsidiary Guarantors and Deutsche Bank Trust Company Americas as Collateral Agent:
- 16.1 DRH pledged all of the shares in its direct subsidiaries as security in respect of its payment obligations in respect of the 2017 Notes.
 - 16.2 UDW pledged all of its shares in DRH as security in support of the DRH Guarantee; and

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16.3 the DRH Subsidiary Guarantors granted security over all of their assets in support of the DRH Subsidiary Guarantee and the DRH Guarantee.

17 Between the last quarter of 2015 and the first quarter of 2016 approximately 42.5% of the 2017 Notes (as measured by their principal face value) were purchased collectively by Alley Finance Co ("**Alley Finance**") and Algarve Finance Ltd ("**Algarve**"). DRH has been released from all obligations under the 2017 Notes purchased by Alley Finance and Algarve under the GSA.

The Restructuring and Provisional Liquidation of DRH

18 On 23 March 2017, UDW, DRH, Drillships Financing Holding Inc. ("**DFH**") and Drillships Ocean Ventures Inc. ("**DOV**") entered into a restructuring support agreement¹ ("**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).

19 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:

19.1 90% in value of the UDW Scheme Creditors;

19.2 99% in value of the DFH Scheme Creditors;

19.3 97% in value of the DOV Scheme Creditors; and

19.4 57% in value of the DRH Scheme Creditors.

20 On 24 March 2017 DRH: (i) presented a winding up petition (the "**DRH 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 DRH be wound up, and (ii) applied for an order pursuant to section 104(1) of the Companies Law appointing Eleanor Fisher of

¹ Since amended on 7 April 2017, 21 April 2017, 8 May 2017 and 17 May 2017.

AlixPartners (Cayman) Limited (now Kalo (Cayman) Limited) and Simon Appell of AlixPartners Services UK LLP as joint provisional liquidators of DRH on the grounds that DRH intended to present a compromise or arrangement to its creditors.

- 21 On 27 March 2017, Mr Appell and Ms Fisher were appointed as joint provisional liquidators of DRH (the "JPLs"). The JPLs were also appointed as joint provisional liquidators of each of UDW, DFH and DOV on 27 March 2017.
- 22 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.
- 23 The filing of the DRH Winding Up Petition constituted an event of default under the 2017 Notes Indenture (section 6.01(9)). All amounts due thereunder have, as a result, been automatically accelerated and become due and payable.

Objects and mechanics of the DRH Scheme and the Restructuring

- 24 The purpose of the Restructuring is to deleverage the Group and allow the Group and DRH to continue as going concerns.
- 25 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 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.
- 26 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, DRH and DOV (as applicable) for some of, or all of, cash, new debt and new equity issued by UDW.
- 27 The 2017 Notes are governed by New York law. Accordingly, the effectiveness of the DRH Scheme will also be conditional upon the granting of an order by the United States

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Bankruptcy Court for the Southern District of New York under Chapter 15 of the United States Bankruptcy Code for the recognition of the DRH Scheme.

28 If the DRH Scheme is approved at the DRH Scheme Meeting and is sanctioned by the Court and becomes effective:

28.1 On the Restructuring Effective Date, subject to the other provisions of the DRH Scheme, the right, title and interest of the DRH Scheme Creditors to and in the DRH Scheme Claims shall be released fully and absolutely, in each case so as to bind all the DRH Scheme Creditors;

28.2 In consideration for the release of DRH Scheme Claims, each DRH Scheme Creditor, or its Nominated Recipient (if any), shall receive, its pro rata share of the DRH Scheme Consideration, subject to the terms of the DRH Scheme; and

28.3 The DRH Scheme Consideration to be issued to DRH Scheme Creditors will comprise their pro-rata share of the:

(a) DRH Cash Consideration; and either

(b) DRH Scheme Shares; or

(c) DRH Put Entitlement.

28.4 The RSA was amended on 17 May 2017 to include, amongst other things, the DRH Put Option.

DRH Scheme Creditors

29 DRH has one class of creditor. This comprises the holders of the 2017 Notes.

30 A group of DRH Scheme Creditors (the "**Supporting 2017 Notes Creditor Group**") have agreed to underwrite the DRH Put Option available to all other DRH Scheme Creditors. If a DRH Scheme Creditor elects the DRH Put Entitlement, the New UDW Shares which such DRH Scheme Creditor would otherwise have been entitled to receive under the DRH Scheme will be issued pro rata to the Supporting 2017 Notes Creditor Group. The Supporting 2017 Notes Creditor Group will receive the DRH Put Underwriters Fee which is

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equal to 1% of the value of the UDW New Share Consideration. This arrangement fee will be funded 90% by a reduction in UDW New Share Consideration under the DOV Scheme and the DFH Scheme, and funded 10% by a reduction in New UDW Share entitlements under the management equity plan.

- 31 Under the amendment to the RSA referred to above, if so directed by UDW, the Supporting 2017 Notes Creditor Group have agreed to undertake (i) not to vote at the DRH Scheme Meeting and (ii) to be bound by the DRH Scheme.

Orders and Directions

- 32 DRH intends to make an application for, amongst other things, orders and directions:
- 32.1 that the relevant class of DRH Scheme Creditors affected by the DRH Scheme is that referred to at paragraph 29 above;
- 32.2 that DRH be at liberty to convene a single meeting of the holders of the DRH Scheme Claims (the "**DRH Scheme Meeting**") for the purpose of considering and, if thought fit, approving (with or without modification) the DRH Scheme;
- 32.3 as to the mode of delivery of a scheme document (which includes an explanatory statement and notice of the DRH Scheme Meeting) to, amongst others, the holders of the DRH Scheme Claims and that a record date be set for the purposes of dispatch and for the purposes of voting at the DRH Scheme Meeting; and
- 32.4 as to the appointment of one of the JPLs as chairman of the DRH Scheme Meeting, and for directions that the chairman of the DRH Scheme Meeting should report the result thereof to the Court.
- 33 That the resolution intended to be put to the DRH Scheme Creditors at the DRH Scheme Meeting is:

"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 HUMBLY PRAYS THAT:

- (1) the DRH 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

Maples and Calder

NOTE: This Petition is not intended to be served on any party.

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman, on *4th September* 2017 at *10:00 a.m.*

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone 345 949 4296.