UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
HERCULES OFFSHORE, INC., *et al.*	)	Case No. 15-11685 (___)
	)	
Debtors.[1]	)	
	)	

DECLARATION OF TROY L. CARSON IN SUPPORT OF FIRST DAY MOTIONS

I, Troy L. Carson, hereby declare under penalty of perjury:

1. I am the Senior Vice President and Chief Financial Officer of Hercules Offshore, Inc. ("HERO"), a corporation organized under the laws of Delaware, and of each of the other above-captioned debtors and debtors in possession (collectively, the "Debtors").[2] I have been employed by HERO since 2007 and have served HERO in my current capacity since November 2014. Prior to being named Chief Financial Officer, I served as Senior Vice President and Chief Accounting Officer, Chief Accounting Officer, Principal Accounting Officer and Vice President and Corporate Controller.

2. In such capacity, I am generally familiar with the Debtors' day to day operations, business and financial affairs, and books and records.

3. Except as otherwise indicated herein, all facts set forth in this declaration (this "Declaration") are based on my personal knowledge of the Debtors' operations and finances, information gathered from my review of relevant documents, or information supplied to me by

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Cliffs Drilling Company (8934); Cliffs Drilling Trinidad L.L.C. (5205); FDT LLC (7581); FDT Holdings LLC (4277); Hercules Drilling Company, LLC (2771); Hercules Liftboat Company, LLC (0791); Hercules Offshore, Inc. (2838); Hercules Offshore Services LLC (1670); Hercules Offshore Liftboat Company LLC (5303); HERO Holdings, Inc. (5475); SD Drilling LLC (8190); THE Offshore Drilling Company (4465); THE Onshore Drilling Company (1072); TODCO Americas Inc. (0289); and TODCO International Inc. (6326).

[2] Capitalized terms used but not defined herein have the meanings ascribed to such terms in the *Debtors' Joint Prepackaged Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (the "Plan"), filed contemporaneously herewith.

other members of the Debtors' management and the Debtors' advisors. I am over the age of 18 and am authorized to submit this Declaration on behalf of the Debtors. If called upon to testify, I could and would testify competently to the facts set forth herein.

4. The Debtors have requested a variety of forms of relief in the "first day" motions and applications (collectively, the "First Day Motions") filed concurrently herewith to minimize the adverse effects of the commencement of these chapter 11 cases on the Debtors' businesses and to facilitate confirmation of the *Debtors' Joint Pre-Packaged Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, dated as of July 13, 2015 (the "Plan"). I am familiar with the contents of each of the First Day Motions as well as the Plan and I believe that the relief sought in those First Day Motions is necessary to permit an effective transition into chapter 11 and a quick emergence from chapter 11. I further believe that the relief requested in the First Day Motions will preserve and maximize the value of the Debtors' estates and assist the Debtors in achieving an expeditious, successful reorganization.

5. The successful solicitation of the Plan represents the culmination of negotiations and consideration of options over the course of more than six months. During that time, the Debtors considered and explored the possibilities of new financing and an exchange of existing notes for new notes, while also negotiating the terms of the Plan with their stakeholders. Ultimately, with the assistance of their advisors, the Debtors concluded that the Plan created the best opportunity to maximize the value of their estates and to provide for the long term success of their business. As a result of the transactions under the Plan, the Debtors will convert approximately $1.2 billion of debt into equity, raise $450 million of new capital and provide an opportunity for existing equity holders (despite the fact that they are more than $500 million out of the money) to receive a distribution if they do not opt out of the releases under the Plan as

more fully set forth below. The Debtors have sufficient liquid unencumbered assets to accomplish these goals (subject to any counterclaims or defenses) in these chapter 11 cases without the incurrence of DIP loans.

6. Part I of this Declaration describes the Debtors' corporate structure and business operations. Part II describes the Debtors' prepetition capital structure and indebtedness. Part III describes the circumstances leading to the commencement of these chapter 11 cases. And Part IV sets forth the relevant facts in support of each of the First Day Motions.

Preliminary Statement

7. The Debtors and their Non-Debtor Subsidiaries (collectively, "Hercules" or the "Company") are leading providers of shallow-water drilling and marine services to the oil and natural gas exploration and production industry globally. Hercules operates a fleet of 27 self-elevating, mobile offshore drilling units, or "jackup rigs," including one rig under construction, and 21 self-elevating, self-propelled "liftboat" vessels. This diverse fleet is capable of providing services such as oil and gas exploration and development drilling, well service, platform inspection, maintenance and decommissioning operations. HERO, the Company's parent entity, was formed in 2004 and has evolved from a small U.S. Gulf of Mexico offshore drilling operator to an expansive, worldwide enterprise operating in several key shallow-water provinces around the world.

8. As of the Petition Date, the Debtors have estimated assets with a book value of approximately $546 million net of intercompany claims against and historic investments in, the Non-Debtor Subsidiaries. As set forth in the Disclosure Statement filed with the Plan, the Debtors have asserted that the going concern enterprise value falls within a range of approximately $535 million to $725 million. Separately, the Debtors have total liabilities of approximately $1.31 billion, the bulk of which is comprised of unsecured debt obligations under

its Senior Notes conservatively exceeding the enterprise value by approximately $500 million. Funded obligations under the Debtors' six outstanding series of Senior Notes equal approximately $1.2 billion in principal amount as of the Petition Date. The Debtors do not have substantial secured debt obligations, as they had not drawn down on a credit facility that had existed for some time prior to the chapter 11 cases. The Debtors have sufficient unencumbered cash on hand to finance their obligations in these chapter 11 cases without the need to obtain a debtor-in-possession loan or consent to use cash collateral. In view of the Debtors' cash position and limited need for additional funds given its current cash position, the Debtors instead terminated the facility and elected to pursue the restructuring under the Plan.

9. The restructuring transactions contemplated by the Plan will significantly deleverage the Debtors' balance sheet by converting the entire $1.2 billion in principal amount of its Senior Notes into 96.9% of Reorganized HERO's new equity. In addition, despite the fact that the amount of the Debtors' liabilities significantly exceeds the Debtors' enterprise value — by approximately $500 million — thus rendering the equity holders "out of the money," the Plan provides that the other 3.1% of New Common Stock and 100% of the New HERO Warrants[3] will be allocated to those existing equity holders that consent to the voluntary third-party releases set forth in the Plan. Importantly, holders of Allowed General Unsecured Claims will be paid in the ordinary course of business in accordance with ordinary course terms under the Plan subject to any rights or defenses the Debtors may have to all or any portion of such Claims. Effectively, the Plan will reinstate those Claims and leave them unimpaired. The Debtors have also received from certain members of the Steering Group commitments for a new $450 million term loan exit facility to provide liquidity for the continuation of operations following the Effective Date.

[3] The New HERO Warrants will provide existing equity holders that consent to the voluntary third-party releases set forth in the Plan the opportunity to purchase their pro rata shares of up to an additional 20% of the New HERO Common Stock at a per share price based upon a $1.55 billion total enterprise value.

10. The Plan has very strong support from the Debtors' key stakeholders, as over 99% of holders of Class 3 Senior Notes Claims — the only class entitled to vote on the Plan — voted to accept the Plan.[4] The Debtors believe that the Plan and the transactions contemplated thereunder will right-size the Debtors' balance sheet, increase their liquidity, and strengthen their go-forward operations, positioning the Debtors for long-term success.

PART I

I. Corporate History and Structure.

11. HERO was formed in 2004. HERO is the ultimate parent of forty-two direct and indirect subsidiaries, of which fifteen domestic entities are Debtors in these chapter 11 cases. The remaining twenty-seven are Non-Debtor Subsidiaries, and are foreign entities, with the single exception of Hercules Offshore International LLC, a Delaware limited liability company which is owned by foreign Non-Debtor Subsidiaries and which has not guaranteed the Senior Notes.

12. The chart attached hereto as Exhibit B illustrates the Debtors' corporate structure as of the Petition Date.

II. Overview of Business Operations.

13. Hercules is a leading provider of shallow-water drilling and marine services to the oil and natural gas exploration and production industry globally. The Company provides such services to national oil and gas companies, major integrated energy companies and independent oil and natural gas operators. Through its diverse fleet of jackup rigs and liftboats, its services range from oil and gas exploration, well service, platform inspection, maintenance and decommissioning operations.

[4] *See Declaration of James Daloia of Prime Clerk LLC Regarding the Solicitation of Votes and Tabulation of Ballots Cast on the Debtors' Joint Prepackaged Chapter 11 Plan*, filed contemporaneously herewith. The Debtors commenced solicitation of the Plan on July 13, 2015. The deadline for submitting ballots was August 12, 2015.

A. Jackup Rig and Liftboat Fleet and Other Assets

14. The Company's property consists primarily of jackup rigs, liftboats and ancillary equipment, substantially all of which it owns through various subsidiaries domestically and internationally. The Debtors and Non-Debtor Subsidiaries own 26 self-elevating mobile drilling units, or "jackup rigs." The jackup rigs are used primarily for exploration and development drilling in shallow waters. 19 of these jackup rigs are owned by the Debtors, including 18 that operate exclusively in the Gulf of Mexico and 1 that operates in overseas locations. The remaining 7 are owned by foreign Non-Debtor subsidiaries. In addition, presently under construction in Singapore is the *Hercules Highlander*, a newbuild jackup rig scheduled to be completed in 2016, which will be owned by a Non-Debtor Subsidiary and for which Hercules has a drilling contract with Maersk Oil North Sea UK Limited ("Maersk"), as described in greater detail below, that goes into effect upon its completion and installation.

15. In addition, Hercules also owns and operates 19 liftboat vessels, of which 10 are owned by the Debtors. In addition, Hercules operates 2 liftboats owned by a third party. Liftboats have large open deck space, which provides a versatile, mobile and stable platform to support a broad range of offshore maintenance and construction services throughout the life of an oil or natural gas well. Hercules' liftboats operate in West Africa and the Middle East.

16. Hercules maintains offices, maintenance facilities, yard facilities, warehouses and waterfront docks as well as residential premises in various countries, including the United States, United Kingdom, Nigeria, Singapore, Saudi Arabia, United Arab Emirates, Malaysia, and Bahrain. All of these properties are leased except for an office and a warehouse in the United Kingdom. The Company's leased principal executive offices are located in Houston, Texas.

B. Industry Operating Environment and Competition.

17. The shallow-water offshore markets in which Hercules operates are highly competitive. Contracts are typically awarded on a competitive bid basis. Pricing is often the primary factor in determining which qualified contractor is awarded a job, although technical capability of service and equipment, unit availability, unit location, safety record and crew quality may also be considered. Certain competitors in the shallow-water business may have greater financial and other resources than Hercules presently has. As a result, these competitors may have a better ability to withstand periods of low utilization, compete more effectively on the basis of price, build new rigs, acquire existing rigs, and make technological improvements to existing equipment or replace equipment that becomes obsolete.

18. Competition for offshore rigs is usually on a global basis, as drilling rigs are highly mobile and may be moved, at a cost that is sometimes substantial, from one region to another in response to demand. However, a number of the Company's jackup rigs are mat-supported, which render them less capable than independent leg jackup rigs of managing variable sea floor conditions found in many areas outside of the Gulf of Mexico. As a result, the Company's ability to move its mat-supported jackup rigs to certain regions in response to changes in market conditions is limited. Additionally, a number of competitors have independent leg jackup rigs with generally higher specifications and capabilities than most of the independent leg rigs that Hercules currently operates. Particularly during market downturns when there is decreased rig demand, higher specification rigs may be more likely to obtain contracts than lower specification rigs.

19. In the face of these market conditions, the Company as a whole has continually sought out opportunities to improve its operations and financial performance. In this regard, it has looked to sell or scrap underperforming or unutilized assets to convert them to cash or just to

reduce the substantial expense associated with owning these assets. In the months leading up to the chapter 11 cases, the Company has sold 6 unutilized rigs in May and June for aggregate proceeds of $4.5 million. Separate and apart from the cash proceeds from these transactions, the Debtors will no longer have to shoulder the costs of ownership of these assets.

20. Additionally, the offshore drilling industry as a whole, and the Company's operations more specifically, are affected in varying degrees by federal, state, local and foreign and/or international governmental laws and regulations regarding the discharge of materials into the environment or otherwise relating to environmental protection. The industry is dependent on demand for services from the oil and natural gas industry and, accordingly, is also affected by changing tax and other laws relating to the energy business generally. In the United States, Hercules is subject to the jurisdiction of the Environmental Protection Agency, the U.S. Coast Guard, the National Transportation Safety Board, the U.S. Customs and Border Protection, the Department of Interior, the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement, as well as classification societies such as the American Bureau of Shipping. The Company's non-U.S. operations are subject to other laws and regulations in countries in which Hercules operates, including laws and regulations relating to the importation of and operation of rigs and liftboats, currency conversions and repatriation, oil and natural gas exploration and development, environmental protection, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of rigs, liftboats and other equipment. Hercules believes that it is currently in compliance in all material respects with the environmental regulations to which it is subject.

C. Customers and Existing Contractual Arrangements.

21. The Company individually negotiates its contracts to provide services and they vary in their terms and provisions. Currently, all of the Company's drilling contracts are on a dayrate basis. Dayrate drilling contracts typically provide for higher rates while the unit is operating and lower rates or a lump sum payment for periods of mobilization or when operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other factors. A dayrate drilling contract generally extends over a period of time covering the drilling of a single well or group of wells or covering a stated term. Traditionally, most contracts in the U.S. Gulf of Mexico have been on a short-term basis of less than six months. Contracts in international locations have historically been longer-term, with contract terms of up to five years. Customers may have the right to terminate, or may seek to renegotiate, existing contracts if Hercules experiences downtime or operational problems above a contractual limit, if the rig is a total loss, or in other specified circumstances, which could result in penalties to Hercules. A customer is more likely to seek to cancel or renegotiate its contract during periods of depressed market conditions.

22. A liftboat contract generally is based on a flat dayrate for the vessel and crew. Liftboat dayrates are determined by prevailing market rates, vessel availability and historical rates paid by the specific customer. Under most of its liftboat contracts, Hercules receives a variable rate for reimbursement of costs such as catering, fuel, rental equipment and other items. Liftboat contracts generally are for shorter terms than are drilling contracts.

23. Hercules calculates its contract revenue backlog, or future contracted revenue, as the contract dayrate multiplied by the number of days remaining on the contract assuming full utilization, less any penalties or reductions in dayrate for late delivery or non-compliance with contractual obligations. Backlog excludes revenue for management agreements, mobilization,

demobilization, contract preparation and customer reimbursables. The amount of actual revenue earned and the actual periods during which revenue is earned will be different than the expected backlog due to various factors. Downtime due to various operational factors, including unscheduled repairs, maintenance, operational delays, health, safety and environmental incidents, weather events and other factors (some of which are beyond the Company's control), may result in lower dayrates than the full contractual rate. In some of the contracts, the customer has the right to terminate the contract without penalty and, in certain instances, with little or no notice.

24. The Company's backlog at July 21, 2015, totaled approximately $904,302,000 for its executed contracts, including the Maersk contract for the *Hercules Highlander*. Approximately $67,135,000 of this estimated backlog is expected to be realized during 2015. The following table reflects the amount of the Company's contract backlog for its executed contracts by year as of July 21, 2015:

	For the Years Ending December 31,				
	Total	**2015**	**2016**	**2017**	**Thereafter**
			(in thousands)		
Domestic Offshore	$ 19,784	$ 19,784	$ —	$ —	$ —
International Offshore	880,078	42,911	110,919	202,451	523,797
International Liftboats	4,440	4,440	—	—	—
Total	$ 904,302	$ 67,135	$ 110,919	$ 202,451	$ 523,797

25. The following are some of Hercules' larger customer contracts:

- *Maersk:* In May 2014, Hercules British Offshore Limited, a Non-Debtor Subsidiary of HERO, signed a five-year drilling contract (the "Maersk Agreement") with Maersk for the *Hercules Highlander*. Hercules expects performance under the Maersk Agreement to commence in mid-2016. In support of the Maersk Agreement, in May 2014, Hercules North Sea, Ltd., a Non-Debtor Subsidiary, signed a rig construction contract with Jurong Shipyard Pte Ltd in Singapore with respect to the *Hercules Highlander*. Hercules estimates the shipyard cost of the *Hercules Highlander* at approximately $236 million. Including project management, spares,

commissioning and other costs, total delivery cost for the *Hercules Highlander* is estimated at approximately $270 million of which approximately $216 million remains to be paid and will be due upon delivery of the rig, which is expected to be in April 2016.[5]

- *Saudi Aramco:* Hercules has three rigs, *Hercules 261*, *Hercules 262* and *Hercules 266*, under contract with Saudi Aramco. *Hercules 261* and *Hercules 262* are operating under five-year contracts, each of which is scheduled to terminate in the Fall 2019. The contract term for the *Hercules 266* is currently scheduled to expire between September 30, 2015 and April 8, 2016, at the discretion of Saudi Aramco. The originally contracted dayrate for *Hercules 261*, *Hercules 262* and *Hercules 266* was approximately $136,000, $118,000, and $125,000 per day, respectively. In June 2015, Hercules received notice from Saudi Aramco reducing the dayrates for all three rigs to $67,000 per day. The reduced dayrates for *Hercules 261* and *Hercules 262* will apply from January 1, 2015, through December 31, 2016, and will apply from January 1, 2015 through the remaining contract term for *Hercules 266*.

- *Eni Agreement:* In March 2015, Hercules signed a five-year contract with a subsidiary of Eni S.p.A. for use of the *Hercules 260* in West Africa. The dayrate under the contract will range from a minimum of $75,000 per day when the price of Brent crude oil is $86 or less per barrel, to a maximum of $125,000 per day when the price of Brent crude oil is $125 or more per barrel.

III. Employees.

26. As of July 31, 2015, Hercules had in the aggregate approximately 1,257 employees. The Debtors employ approximately 776 employees and Non-Debtor Subsidiaries employ approximately 481 employees. Hercules requires skilled personnel to operate and provide technical services and support for its rigs and liftboats. As a result, Hercules conducts extensive personnel training and safety programs. In the course of the last year as a result of prevailing economic conditions, Hercules has reduced its total number of employees.

27. As of the Petition Date, the Debtors are not parties to any collective bargaining agreements. Efforts have been made from time to time to unionize portions of the offshore workforce in the U.S. Gulf of Mexico. Employees of certain Non-Debtor Subsidiaries in West Africa are working under collective bargaining agreements.

[5] A substantial portion of the Debtors' exit financing is earmarked to pay the remaining amount.

PART II

I. Prepetition Capital Structure.

28. As of the Petition Date, the Debtors' funded debt consists of approximately $1.2 billion of unsecured Senior Notes issued over time in six series. The Debtors do not have any institutional secured debt having previously terminated their secured credit facility in June 2015 as there were no amounts drawn under that facility. The six series of unsecured Senior Notes are as follows:

A. April 2019 Notes.

29. On April 3, 2012, HERO completed the issuance and sale of $200 million aggregate principal amount of senior notes at a coupon rate of 10.25% with maturity in April 2019 (the "April 2019 Notes"). The April 2019 Notes were sold at par and HERO received net proceeds from the offering of the notes of $195.4 million after deducting the initial purchasers' discounts and offering expenses. Interest on the April 2019 Notes is payable in cash semi-annually in arrears on April 1 and October 1 of each year.

30. The April 2019 Notes are unsecured obligations of HERO and are guaranteed by each of the Debtor Subsidiaries. As of the date hereof, the entire $200 million in aggregate principal amount of the April 2019 Notes remains outstanding plus accrued and unpaid interest.

B. July 2021 Notes.

31. On July 8, 2013, HERO completed the issuance and sale of $400 million aggregate principal amount of senior notes at a coupon rate of 8.75% with maturity in July 2021 (the "July 2021 Notes"). The July 2021 Notes were sold at par and HERO received net proceeds from the offering of the notes of approximately $393 million after deducting the bank fees and estimated offering expenses. The net proceeds from such offering, together with cash on hand (including the proceeds of approximately $103.9 million HERO received from the sales of

certain inland barge rigs, domestic liftboats and related assets), were used to fund (i) the acquisition of Discovery Offshore S.A., (ii) the final shipyard payments totaling $333.9 million for two jackup rigs, the *Hercules Triumph* and *Hercules Resilience*, (iii) related capital expenditures and (iv) general corporate purposes. Interest on the July 2021 Notes is payable semi-annually in arrears on January 15 and July 15 of each year. The Debtors did not make the most recent interest payment on July 15, 2015 on account of the agreement reached in the RSA (as defined below) and the solicitation of the Plan.

32. The July 2021 Notes are unsecured obligations of HERO and are guaranteed by each of the Debtor Subsidiaries. As of the date hereof, the entire $400 million in aggregate principal amount of the July 2021 Notes remains outstanding plus accrued and unpaid interest.

C. October 2021 Notes.

33. On October 1, 2013, HERO completed the issuance and sale of $300 million aggregate principal amount of senior notes at a coupon rate of 7.5% with maturity in October 2021 (the "October 2021 Notes"). These notes were sold at par and HERO received net proceeds from the offering of the notes of approximately $294.5 million after deducting the bank fees and estimated offering expenses. Interest on the notes is payable semi-annually in arrears on April 1 and October 1 of each year.

34. These October 2021 Notes are unsecured obligations of HERO and are guaranteed by each of the Debtor Subsidiaries. As of the date hereof, the entire $300 million in aggregate principal amount of the October 2021 Notes remains outstanding plus accrued and unpaid interest.

D. April 2022 Notes.

35. On March 26, 2014, HERO completed the issuance and sale of $300 million aggregate principal amount of senior notes at a coupon rate of 6.75% with maturity in April 2022

(the "April 2022 Notes"). The April 2022 Notes were sold at par and HERO received net proceeds from the offering of the notes of approximately $294.8 million after deducting bank fees and estimated offering expenses. Interest on the April 2022 Notes is payable semi-annually in arrears on April 1 and October 1 of each year.

36. The April 2022 Notes are unsecured obligations of HERO and are guaranteed by each of the Debtor Subsidiaries. As of the date hereof, the entire $300 million in aggregate principal amount of the April 2022 Notes remains outstanding plus accrued and unpaid interest.

E. Legacy Notes.

37. On April 14, 1998, R&B Falcon Corporation, an entity that was ultimately merged into HERO, issued $250 million of senior notes at a coupon rate of 7.375% with a maturity in March 2018 (the "Legacy Notes"). The Legacy Notes are unsecured obligations of HERO and are not guaranteed by any of the Debtors. As of the date hereof, approximately $3.508 million in aggregate principal amount of the Legacy Notes remains outstanding plus accrued and unpaid interest.

F. Convertible Notes.

38. In 2008, HERO issued $250 million convertible senior notes at a coupon rate of 3.375% with a maturity in June 2038 (the "Convertible Notes"). The Convertible Notes are an unsecured obligation of HERO and are not guaranteed by any of the Debtors. As of the date hereof, approximately $7.4 million aggregate principal amount of the Convertible Notes remains outstanding plus accrued and unpaid interest.

II. HERO Equity Interests.

39. As of the Petition Date, HERO common stock was listed for trading on The Nasdaq Global Select Market ("NASDAQ") and approximately 161,639,357 shares of HERO Equity Interests were issued and outstanding. In March 2015, HERO received a letter from

NASDAQ informing HERO that its common stock was below the minimum bid price requirement for continued listing on NASDAQ. HERO expects that its common stock will become delisted from trading on NASDAQ following the Petition Date and will then be traded on the OTC Pink market. If the Plan is confirmed, Reorganized HERO will use reasonable efforts to cause the listing on NASDAQ of the New HERO Common Stock on or as soon as reasonably practicable after the Effective Date.

PART III

Events Leading to the Chapter 11 Cases

I. Mobile Drilling Rig and Liftboat Market.

40. Demand for Hercules' oilfield services is driven by its exploration and production customers' capital spending, which can experience significant fluctuation depending on commodity prices and expectations of future price levels, among other factors. The recent decline in the price of crude oil has negatively impacted dayrates and demand for Hercules' services. Additionally, the consolidation of the domestic customer base has negatively impacted demand for jackup rigs in the U.S. Gulf of Mexico. Hercules understands that, notwithstanding the decline in demand, a number of new jackup rigs are currently under construction around the world and will become available for service in the next three years. This expected new capacity growth could put further pressure on the international operating environment for the existing jackup rig fleet. Although activity levels for liftboats are not as closely correlated to commodity prices as Hercules' drilling segments, commodity prices are still a key driver of liftboat demand. Demand for liftboat services in West Africa has been weak, which Hercules believes has been driven by budgetary constraints with major customers, primarily in Nigeria.

41. On February 25, 2015, Hercules received a notice from Saudi Aramco terminating for convenience its drilling contract for the *Hercules 261*, effective on or about March 27, 2015.

Hercules received subsequent notices from Saudi Aramco extending the effective date of termination to May 31, 2015. On June 1, 2015, Hercules received notice from Saudi Aramco reinstating the drilling contract on the *Hercules 261*, in exchange for dayrate concessions on the *Hercules 261*, *Hercules 262* and *Hercules 266* from their existing contracted rates to $67,000 per day. These reduced dayrates became effective retroactively and were applied from January 1, 2015 through December 31, 2016 for the *Hercules 261* and *Hercules 262*, and through the remaining contract term for the *Hercules 266*.

42. Hercules has taken numerous actions to mitigate the effects of the decline in activity levels, including but not limited to, significantly reducing: (i) operating expenses by cold stacking nine rigs and warm stacking three rigs since the fourth quarter of 2014; (ii) its capital expenditures planned for 2015; and (iii) its workforce, both onshore and offshore. Hercules has also looked to dispose of underutilized or under-performing assets to convert them to cash or to eliminate substantial maintenance or other costs associated with retaining them.

II. Certain Events that Set the Stage for the Restructuring and the Chapter 11 Cases.

43. Largely driven by the fluctuation in commodity prices, Hercules, like other companies in the offshore drilling market, has faced challenges as demand for jackup rigs remains weak, while the market is still scheduled to deliver a significant number of newbuild rigs in the next several years. These challenges are born out in Hercules' recent earnings and utilization statistics for its three business segments, Domestic Offshore, International Offshore, and International Liftboats.

44. Specifically, revenue generated from Domestic Offshore for the second quarter 2015 decreased 71% to $40.6 million from $140.4 million in the second quarter 2014, driven by lower utilization and dayrates on a reduced marketed rig fleet. Operating days during the second quarter 2015 declined to 439 days with utilization of 53.6% on a marketed fleet of 9 rigs,

compared to 1,297 days on 18 marketed rigs at 79.2% utilization during the second quarter 2014. Average revenue per rig per day decreased to $92,538 in the second quarter 2015 from $108,237 in the comparable 2014 period. Operating expenses of $26.4 million in the second quarter 2015 include a net loss of $3.4 million related to asset sales, including the *Hercules 85*, *153*, *203*, *206*, *207* and *211*, compared to expenses of $63.5 million in the second quarter 2014, which includes a gain of $7.4 million from the sale of the *Hercules 250* and *2002*. The significant reduction in operating expenses in the current quarter, after adjusting for asset sales, was largely attributable to the reduced number of fully crewed rigs in operation. Domestic Offshore reported operating income of $1.4 million in the second quarter 2015, compared to $57.3 million in the second quarter 2014, including the aforementioned asset sale gains and losses.

45. International Offshore revenue of $17.5 million in the second quarter 2015 includes a $13.4 million adjustment related to retroactive dayrate concessions on the *Hercules 261*, *262* and *266* made on their existing contracts with Saudi Aramco, and compares to revenue of $71.7 million in the second quarter 2014. Utilization decreased to 50.0% in the second quarter 2015 from 62.5% in the second quarter 2014, largely due to idle time on the *Hercules Triumph, Hercules Resilience* and *Hercules 208*, partially offset by higher utilization on the *Hercules 261* and *Hercules 260*. Average revenue per rig per day decreased to $47,975 in the second quarter 2015 from $157,637 in the second quarter of 2014, driven largely by idle time on the *Hercules Resilience* and *Hercules Triumph*, lower renegotiated dayrates on the three rigs working for Saudi Aramco, as well as the retroactive dayrate adjustments on these three rigs. Operating expense decreased to $35.5 million in the second quarter 2015, from $44.1 million in the respective 2014 period, which includes a $10.5 million gain on the sale of *Hercules 258*. This reduction in operating expense was driven in part by lower costs on the *Hercules 261* and

262 as well as lower costs incurred on the idle rigs. International Offshore recorded an operating loss of $40.5 million in the second quarter 2015 compared to operating income of $6.7 million in the prior year period, including the aforementioned rig sale gain.

46. International Liftboats revenue declined to $21.2 million in the second quarter 2015 from $30.9 million in the prior year period, due to lower utilization and dayrates. Second quarter 2015 utilization declined to 49.7% from 61.0% in the respective 2014 period. Average revenue per liftboat per day decreased 16% to $20,329 in the second quarter 2015 from $24,162 in the second quarter 2014, primarily due to market pressure on dayrates. Operating expenses in the second quarter 2015 declined by 21% to $15.0 million, compared to $19.1 million in the second quarter 2014, reflecting lower activity levels and the impact of our cost reduction measures. International Liftboats recorded operating income of $0.8 million in the second quarter 2015 compared to an operating loss of $0.7 million in the second quarter 2014, which includes approximately $5.3 million of bad debt expense.

III. Prepetition Restructuring Initiatives.

47. In early 2015, faced with a heavy debt burden and declining revenues, Hercules hired financial and legal advisors to evaluate a wide range of options to improve Hercules' financial position in the event of a prolonged market downturn. Hercules engaged Baker Botts L.L.P. as its legal restructuring counsel, Lazard Frères & Co. as its financial advisor, and Deutsche Bank as its investment banker. In addition, Hercules continued to retain Andrews Kurth LLP as its general corporate counsel. Hercules engaged in discussions with potential financing sources and separately with existing holders of Senior Notes to determine available options to enhance liquidity, including new financing and deleveraging measures. It considered both out-of-court as well as bankruptcy court focused alternatives. Hercules and its board of

directors carefully considered and weighed each option with the benefit of advice from its financial and legal advisors.

48. In March 2015, an ad hoc group of holders of Senior Notes — which would ultimately become the Steering Group — formed and hired professionals to advise the group about options to protect their investment in Hercules bonds. The Steering Group engaged Akin Gump Strauss Hauer & Feld LLP as its legal counsel and the Blackstone Group as its financial advisor at the expense of Hercules by agreement to facilitate negotiations. Thereafter, Hercules and the Steering Group entered into negotiations regarding a potential restructuring transaction that would allow Hercules to maximize value for all of its stakeholders by substantially reducing its debt burden and securing additional liquidity to help Hercules navigate the current downcycle.

IV. The Restructuring Support Agreement.

49. On June 17, 2015, after many weeks of intensive negotiations, the Debtors and the Steering Group, who collectively hold in excess of two-thirds of the aggregate principal amounts outstanding under the Senior Notes, entered into the Restructuring Support Agreement (as may be amended from time to time, the "Restructuring Support Agreement" or "RSA"), a copy of which is attached hereto as Exhibit A. The Restructuring Support Agreement sets forth, subject to certain conditions, the commitment to and obligations of, on the one hand, the Debtors, and on the other hand, the Steering Group members in connection with a restructuring of the Senior Notes pursuant to the Plan. The Plan, which will substantially reduce the Debtors' debt burden, solidify the Debtors' long-term growth and operating performance, and provide the Debtors with the financing necessary for their operations going forward, is based on the restructuring term sheet attached to and incorporated by reference in the Restructuring Support Agreement (the "Term Sheet").

50. The Restructuring Support Agreement as embodied in the terms of the Plan, discussed below, contemplates a value maximizing transaction for Hercules, providing for a balance sheet restructuring while operations continue as usual. The contemplated new capital structure will provide the best foundation for Hercules to meet the challenges in the global offshore drilling market due to the downcycle in crude oil prices and the expected influx of newbuild jackup rigs over the coming years as well as an opportunity for all of its existing stakeholders to participate in any recovery.

51. The Term Sheet incorporated as part of the RSA contemplates that the Debtors will reorganize as a going concern and continue their day-to-day operations substantially as currently conducted. It provides for a substantial reduction in the Debtors' funded debt obligations, including the following principal terms:

(1) An exchange of $1.2 billion in principal amount of Senior Notes for 96.9% of the New HERO Common Stock.

(2) A new capital raise of first lien debt with a maturity of 4.5 years and bearing interest at LIBOR plus 9.5% per annum (1.0% LIBOR Floor), payable in cash, issued at a price equal to 97% of the principal amount. The first lien debt will consist of $450 million for general corporate use and to finance the remaining construction cost of the Company's newbuild rig, the *Hercules Highlander*, and will be guaranteed by substantially all of HERO's U.S. domestic and international subsidiaries and secured by liens on substantially all of HERO's domestic and foreign assets.

52. If the Plan is consummated as proposed, despite the fact that the Debtors' liabilities exceed the Debtors' total enterprise value by at least $500 million, and, therefore, the Debtors' equity holders are substantially out of the money, holders of the HERO Equity Interests will have the opportunity to receive 3.1% of the New HERO Common Stock and warrants to purchase up to another 20% New HERO Common Stock on a Pro Rata basis at a per share price

based on a total enterprise value of $1.55 billion[6] if they do not opt out of the releases set forth in the Plan. The Debtors and the Steering Group have provided this opportunity for holders of HERO Equity Interests to participate in the long-term growth of the Company despite the fact that the equity holders are far "out of the money" (by more than $500 million) to ensure an expeditious and efficient emergence from chapter 11. Thus, for avoidance of doubt, holders of HERO Equity Interests that opt not to grant the releases contained in Article VII.F of the Plan will not receive any distribution whatsoever under the Plan and will miss the opportunity to receive the New HERO Common Stock and the New HERO Warrants. The Debtors distributed notices providing holders of record of existing equity interests the opportunity to opt out on July 17, 2015.[7]

53. The Restructuring Support Agreement may be terminated upon the occurrence of certain events, including, among other things, the appointment of an official committee of equity security holders in the chapter 11 cases; the failure to meet specified milestones related to filing, confirmation and consummation of the Plan; and certain breaches by the parties under the RSA as amended. The milestones referenced above are as follows:

- on or before July 13, 2015, the Debtors were required to commence solicitation of the Plan;
- on or before August 22, 2015, the Debtors were required to commence the chapter 11 cases;
- on or before October 22, 2015, the Court shall commence a hearing to confirm the Plan; and
- on or before November 7, the Debtors shall exit chapter 11.

[6] The expiration date for the New HERO Warrants will be six years from the Effective Date of the Plan, subject to earlier expiration upon the occurrence of certain extraordinary events. If the terms for exercise of the New HERO Warrants are not met before the applicable expiration date, then holders of HERO Equity Interests that are entitled to receive such New HERO Warrants will receive only 3.1% of the New HERO Common Stock and will not realize any value under the terms of the Warrants.

[7] A copy of the notice sent to holders of HERO Equity Interests is attached as an exhibit to the Disclosure Statement Scheduling Motion discussed below. *See* Part IV § V below for additional details.

54. Given the consensus among the majority of holders of Senior Notes, as evidenced by the RSA, the Debtors believe that they will emerge from chapter 11 expeditiously, and with a significantly improved balance sheet that will allow the Reorganized Debtors to succeed in a competitive industry suffering a significant economic downturn. The Debtors believe, and I agree, that this outcome would be in the best interests of the Debtors, their estates and all stakeholders.

PART IV[8]

55. The Debtors have filed or will file a number of First Day Motions seeking orders granting various forms of relief. I believe the forms of relief requested are necessary to enable the Debtors to operate with minimal disruption during the pendency of the chapter 11 cases and to ensure consummation of the Debtors' proposed restructuring transactions. I have reviewed each of the First Day Motions, including the exhibits thereto. The Debtors believe, and I agree, that the Debtors have satisfied the applicable standards for the relief requested in each of the First Day Motions, and that the Court's grant of the requested relief is in the best interests of the Debtors' estates, their creditors, and all other parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the First Day Motions should be approved. A description of the relief requested and the facts supporting each of the First Day Motions is set forth below.

I. All General Creditors Motion.[9]

56. **Relief Requested**. The Debtors seek authority, in their sole discretion, to pay Claims of certain Creditors[10] in the ordinary course of business, including, as applicable, in accordance with the terms and conditions of the Debtors' prepetition contractual relationships

[8] Capitalized terms in this Part IV of this Declaration, to the extent not defined herein, have the meanings ascribed to them in the applicable First Day Motion.

[9] *See Motion of Hercules Offshore, Inc., et al., for Entry of an Order Authorizing the Debtors to Pay Prepetition Claims of General Unsecured Creditors in the Ordinary Course of Business*, filed concurrently herewith.

[10] As set forth in the General Creditors Motion, "Creditors" are defined to include general unsecured creditors and creditors whose Claims may give rise to liens under certain state and federal laws.

with Creditors. Additionally, the Debtors seek that the order require that (a) a Creditor that is subject to a prepetition contract with the Debtors maintain or apply, as applicable, Customary Terms during the pendency of these chapter 11 cases and (b) if a Creditor, after receiving a payment under the order, ceases to provide its Customary Terms, then the Debtors may, in their sole discretion, deem such payment to apply instead to any postpetition amount that may be owing to such Creditor or treat such payment as an avoidable postpetition transfer of property. Finally, the Debtors request that the Court modify the automatic stay to permit the Creditors to proceed with certain, but not all, litigation commenced before the Petition Date against the Debtors as the Debtors deem appropriate.

57. **The Claims.** The Creditors provide the Debtors goods and services in the ordinary course of business including, among other things, parts, equipment and other supplies, shipping, warehousing, information technology services, financial services, leases of property and equipment, maintenance and repair services, legal services, human resources services, consulting and advisory services and other basic business necessities for the operation of the Debtors' businesses. Correspondingly, the Debtors incur numerous fixed, liquidated, and undisputed payment obligations to the Creditors in the ordinary course of business that aggregated to approximately $14.54 million per month on average for the twelve months prior to the Petition Date, including $5.19 million per month in obligations to foreign creditors.

58. The following table contains summary descriptions of the Claims, and the Debtors' estimate of the amounts of the Claims accrued as of the Petition Date, and, of those amounts, the amounts that are due in the ordinary course of business within 21 days of the Petition Date:

Category	**Description of Services Provided**	**Approximate Amount Accrued as of the Petition Date**	**Approximate Amount Due Within 21 Days**
Operational	Suppliers, service providers and other vendors utilized in operating jackup rigs and liftboats and for related projects.	$6,450,000	$4,255,000
Administrative	Support services for corporate and administrative functions such as information technology, human resources, legal and accounting.	$675,000	$250,000
Shipper/Customs	Shippers, warehouseman, customs agents and similar third party providers.	$305,000	$305,000
Rental/Equipment Lease	Leasing equipment utilized by the Debtors in their operations.	$190,000	$190,000
Total		**$7,620,000**	**$5,000,000**

59. The Debtors estimate that, as of the Petition Date, they owe a total of approximately $7,620,000 on account of undisputed Claims, including approximately $2,235,000 to foreign creditors. The Debtors are not seeking to pay these amounts immediately; rather the Debtors will pay such amounts as they become due and payable in the ordinary course of the Debtors' businesses. As of the Petition Date, the Debtors have approximately $81 million in cash on hand. Cash maintained by the Debtors and the cash generated in the ordinary course of their businesses will provide ample liquidity for payment of the Claims, as well as for the Debtors to conduct operations during the chapter 11 cases and administer the chapter 11 cases.

60. Although the Debtors have not determined the amount as of the Petition Date, certain of the Claims likely relate to goods delivered to the Debtors within 20 days of the Petition Date. Additionally, certain Claims in an aggregate amount of approximately $495,000,[11] or approximately 6.5% of the Claims, are held by Creditors that (a) provide shipping, warehousing, and logistics services; (b) repair and maintain the Debtors' equipment and facilities; and/or (c) lease facilities or equipment to the Debtors.

61. The Debtors have relationships with upwards of 5,000 Creditors that provide the Debtors goods and services needed to run the Debtors' businesses. In many cases, including where a Creditor may itself be facing financial hardship, the Debtors' failure to pay Claims may result in Creditors' stopping work for or deliveries to the Debtors, which may severely disrupt the Debtors' businesses. That disruption may occur before the Debtors would be able to successfully bring an action in the Court to compel performance or otherwise enforce the automatic stay. Also, the Debtors interact with the Creditors pursuant to a variety of arrangements, including many arrangements that are not executory in nature. The counterparty of such an arrangement may not agree to continue to do business with the Debtors unless paid on account of prepetition amounts due from the Debtors and would be under no obligation to do so.

62. Material disruption to the Debtors' businesses that may result from nonpayment of the Claims could threaten the Debtors' ability to consummate their restructuring. If the holders of the Claims refuse to transact with the Debtors or limit credit or other trade terms the operations and continued viability of the Debtors' businesses will be jeopardized.

63. The goods and services the Creditors provide to the Debtors are absolutely necessary for the Debtors to conduct their business in the ordinary course. A Creditor's non-

[11] As of the Petition Date, the Debtors are unaware of any liens that have been asserted by any Creditor on account of such Claims.

performance could materially disrupt the Debtors' ability to operate its vessels and perform other services and harm the Debtors' customer relationships. The Debtors cannot rely on bringing a motion to the Court to compel a Creditor to address potential holdups as its sole means of ensuring uninterrupted supply of goods and services. Having the authority to pay the Claims will greatly help the Debtors ensure a smooth transition into chapter 11 and keep a clear path to consummate the restructuring.

64. The Debtors are currently engaged in litigation with various Creditors concerning, among other things, intellectual property, regulatory, employment, and workers' compensation matters. Specifically, the Debtors believe that the cost and inconvenience of imposing the automatic stay on certain pending creditor litigation is not justified in light of the fact that the Debtors are seeking to confirm the Plan on an expedited time frame, after which the creditor litigation will resume. The Debtors do not seek this relief in connection with certain derivative litigation and other litigation by equity holders on account of the fact that existing HERO equity holders are more than $500 million out of the money and therefore not entitled to a distribution under the Plan.

II. Cash Management Motion.[12]

65. **Relief Requested**. The Debtors seek authority to continue to operate their Cash Management System in the day-to-day operation of their businesses, and to honor certain prepetition obligations in accordance with the operation of the Cash Management System. Specifically, the Debtors request authority: (a) to continue to use, with the same account

[12] *See Motion of Hercules Offshore, Inc., et al., for Entry of Interim and Final Orders (A) Authorizing the Debtors to (I) Continue to Operate Their Cash Management System, (II) Honor Certain Prepetition Obligations Related Thereto, (III) Maintain Existing Business Forms, and (IV) Continue to Perform Intercompany Transactions, (B) Authorizing and Directing the Debtors' Banks to Honor All Related Payment Requests, (C) Waiving the Debtors' Compliance with Investment Guidelines Set Forth in Section 345(b) of the Bankruptcy Code and (D) Granting Related Relief*, filed concurrently herewith.

numbers, each of the Bank Accounts; (b) to treat the Debtors' existing Bank Accounts for all purposes as accounts of the Debtors as debtors in possession; and (c) to conduct banking transactions by all usual means and debit the Bank Accounts on account of all usual items and payment instructions.

66. Additionally, the Debtors seek authority: (a) to use, in their present form, all business forms (including check stock, letterhead, purchase orders, and invoices) and other correspondence and documents related to the Bank Accounts, without reference to the Debtors' status as debtors in possession; and (b) to continue the Intercompany Transactions between and among the Debtors and the Non-Debtor Subsidiaries in the ordinary course of business and in accordance with historical practices. The Debtors further request authority for the Banks: (i) to continue to maintain, service, and administer the Bank Accounts; (ii) to debit the Bank Accounts in the ordinary course of business on account of (A) all checks drawn on the Bank Accounts that are cashed at the Banks or exchanged for cashier's checks by the payees thereof prior to the Petition Date, (B) all checks or other items deposited in one of the Bank Accounts at the Banks prior to the Petition Date that have been dishonored or returned unpaid for any reason, together with any fees and costs in connection therewith, and (C) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Bank as fees or service charges for the maintenance of any aspect of the applicable Cash Management System. Finally, the Debtors seek to continue their existing Investment Practices and request that the Court waive the Debtors' compliance with investment guidelines set forth in section 345(b) of the Bankruptcy Code.

67. **The Cash Management System**. The Cash Management System consists of 62 Bank Accounts located at various Banks. The Cash Management System is comparable to the centralized cash management system used by similarly situated companies to manage the cash of

operating units in a cost-effective, efficient manner. The Debtors use the Cash Management System in the ordinary course of their business to collect, transfer, and disburse funds generated from their operations and to facilitate cash monitoring, forecasting, and reporting. The Debtors' treasury department maintains daily oversight over the Cash Management System and implements cash management controls for entering, processing, and releasing funds, including in connection with Intercompany Transactions. Additionally, the Debtors' corporate accounting department regularly reconciles the Debtors' books and records to ensure that all transfers are accounted for properly. On average, approximately $10.9 million in receipts and $12.8 million in disbursements flows through the Cash Management System on a weekly basis to service cash received and costs incurred in connection with the Debtors' business operations.

68. The relief requested in the Motion will help minimize any disruption in Hercules' business operations during the period between the Petition Date and confirmation of the Plan, and preserve the value of the Debtors' estates. Indeed, any disruptions in the Cash Management System could lead to delays in satisfying Hercules' obligations to its vendors and suppliers and meeting the demands of its various customers. In order to avoid the potential erosion of value that could ensue from any such interruptions in Hercules' ordinary course business operations, the Debtors believe it is imperative that they be authorized to continue the Cash Management System consistent with Hercules' historical practice.

69. Moreover, requiring the Debtors to maintain separate accounts now would decentralize Hercules' Cash Management System because, given Hercules' complex corporate and financial structure, it would be difficult to establish an entirely new cash management system for the Debtors. Indeed, strict adherence to the U.S. Trustee Guidelines would prove to be exceedingly burdensome to the Debtors and their management, reduce efficiencies, and cause

unnecessary expense. The delays that would result from opening the new accounts, revising cash management procedures, and instructing customers to redirect payments would disrupt Hercules' business operations at this critical time, have little or no benefit to the Debtors' estates, and erode the value of the Debtors' enterprise to the detriment of all stakeholders.

70. The Debtors receive funds from customers and pay funds to creditors by wire, ACH transfer, and other similar means, as well as by check. The Debtors also utilize a credit card account through Capital One to pay for travel and other business expenses of its executive and management level employees. The Debtors and Non-Debtor Subsidiaries also conduct transactions between and among themselves through wires, cash transfers and automated debits and credits. If the Debtors' ability to conduct transactions by debit, wire, ACH transfer, credit card or other similar methods is impaired, the Debtors may be unable to perform under certain contracts, their business operations may be unnecessarily disrupted, and their estates will incur additional costs.

71. **The Bank Accounts.** The funds generated from Hercules' operations are deposited into Bank Accounts associated with the Debtor or Non-Debtor Subsidiary entity that is party to the applicable customer contract. The majority of the Bank Accounts, and the central locus of the Hercules cash management activities, reside at Amegy Bank of Texas, N.A. ("Amegy"). The Amegy Bank Accounts ultimately concentrate into one of the three master operating accounts associated with the domestic or international regional segment of Hercules' operations. Funds from these three master operating accounts are then paid directly or transferred back to entity-level Bank Accounts to be disbursed to pay vendors, employees, and other costs associated with the business.

72. Although the Bank Accounts at Amegy handle the primary in-flows and out-flows of funds associated with the Debtors' operations, Hercules maintains twenty-nine (29) other Bank Accounts of various types and for various purposes at other banking institutions in the United States and abroad. The Bank Accounts are generally segregated by operating region, such that, to the extent a Bank Account of a Non-Debtor requires additional funds from elsewhere within Hercules, those funds are transferred from another Non-Debtor and funds of a Debtor entity are not transferred to a Non-Debtor Subsidiary, except in certain unusual circumstances (indeed, there has not been a Debtor to Non-Debtor Subsidiary transfer in nearly two years and none is expected during the course of these chapter 11 cases).

A. Amegy Accounts

73. The Bank Accounts at Amegy fall under three separate master operating accounts: the master operating account held by Debtor Hercules Drilling Company LLC (the "Domestic Master Account"); the master operating account held by Non-Debtor Hercules Oilfield Services Ltd. (the "HOSL Master Account") and the master operating account held by Non-Debtor Hercules Offshore Middle East Ltd. (the "HOME Master Account", and together with the Domestic Master Account and the HOSL Master Account, the "Master Accounts"). The Master Accounts concentrate and distribute funds to certain associated accounts (the "Sub-Accounts"). The Domestic Master Account concentrates funds from numerous Sub-Accounts associated with the Debtors' domestic operations while the HOSL Master Account and the HOME Master Account each concentrate funds from Sub-Accounts associated with a separate sector of the Non-Debtor Subsidiaries' international operations.

74. Each of the Master Accounts is, for the most part, self-sustaining, in that it receives sufficient funds from its Sub-Accounts to cover outgoing payments from the Master

Accounts and its Sub-Accounts. However, in certain unusual circumstances, a Master Account may run low on funds and require additional funds from elsewhere within the overall Hercules enterprise. If this occurs in either the HOME Master Account or HOSL Master Account, funds from the other will be transferred, such that no Debtor funds will be transferred to a Non-Debtor Subsidiary Bank Account. If the HOME Master Account or the HOSL Master Account does not have sufficient funds to meet the need, the Domestic Master Account will make the appropriate transfer. However, such Debtor to Non-Debtor Subsidiary transfers are rare and not only have no such transfers occurred since approximately October 2013, no such transfers are expected or forecasted during the time in which the Debtors contemplate being in chapter 11 (and the Debtors are not requesting authority to make such transfers absent consent of the Steering Group). Similarly, there are rarely, if ever, Non-Debtor to Debtor account transfers.

1. Domestic Amegy Accounts

75. The Domestic Master Account is the central operating account associated with the Hercules domestic operations. The Domestic Master Account collects funds from and disburses funds to ten (10) other Bank Accounts at Amegy (together with the Domestic Master Account, the "Domestic Amegy Accounts") that are held in the name of Debtor entities. Eight (8) of these Bank Accounts are zero balance accounts that sweep all funds remaining in the account at the end of each day into the Domestic Master Account. These zero balance accounts receive funds generated from domestic operations, including funds paid to the Debtors in connection with customer contracts, and disburse funds to satisfy domestic payables. One such account is a payroll account in the name of Hercules Offshore Services LLC, the domestic Debtor entity that employs the Debtors' domestic employees. The remaining Domestic Amegy Accounts consist of a controlled disbursement accounts payable account and a self-direct investment account, both

in the name of Hercules Drilling Company, LLC. Periodic payments of interest on the Senior Notes are made directly from the Domestic Master Account.

2. HOSL Amegy Accounts

76. The HOSL Master Account is the central operating account in the name of Hercules Oilfield Services Ltd., a Non-Debtor Subsidiary, associated with the Hercules' international operations (other than drilling operations in Saudi Arabia, domestically-owned liftboats that operate internationally and international operations of Debtor Cliffs Drilling Company). The HOSL Master Account collects funds from and disburses funds to eleven (11) Sub-Accounts at Amegy (together with the HOSL Master Account, the "HOSL Amegy Accounts") held in the name of certain Non-Debtor Subsidiaries. Ten (10) of these Bank Accounts are zero balance accounts that sweep remaining funds at the end of each day into the HOSL Master Account. These zero balance accounts receive funds generated from international operations, including funds paid to the applicable Non-Debtor Subsidiary in connection with customer contracts, and disburse funds to satisfy payables of such Non-Debtor Subsidiary. One such Bank Account is a payroll account in the name of Hercules International Offshore Ltd. that is used to pay certain of the Non-Debtor Subsidiaries' international employees. The remaining HOSL Amegy Account consists of a self-directed investment account held in the name of Hercules Oilfield Services Ltd.

3. HOME Amegy Accounts

77. The HOME Master Account is the central operating account in the name of Hercules Offshore Middle East Ltd., a Non-Debtor Subsidiary, associated with Hercules' drilling operations in Saudi Arabia. The HOME Master Account collects funds from and disburses funds to two (2) other Sub-Accounts at Amegy: (1) a deposit account in the name of Non-Debtor

Subsidiary Hercules Offshore Arabia, Ltd. that receives funds generated from Saudi operations, including funds paid to Hercules Offshore Arabia Ltd. in connection with customer contracts, and disburses funds to satisfy payables related to its operations and (2) a self-directed investment account held in the name of Hercules Offshore Middle East Ltd.

B. Non-Amegy Bank Accounts

78. *Collateral Accounts*: HERO maintains a United States-based savings account at HSBC for use in providing cash collateral for letters of credit. Hercules Drilling Company, LLC maintains a separate restricted cash collateral account at Morgan Stanley Smith Barney in New York. Historically, this account was used in providing cash collateral for bonds provided in connection with contract bids. It is currently dormant and is in the process of being closed.

79. *Foreign Local Operating Accounts*: Hercules has a number of operating accounts in foreign locations in order to enable it to conduct its business locally.

- Hercules maintains ten (10) local operating accounts with HSBC in the United Kingdom, the United Arab Emirates, Malaysia, India and Saudi Arabia. With the exception of an Indian account, which is in the name of Debtor Cliffs Drilling Company, these accounts are in the name of Non-Debtor Subsidiaries.
- Hercules maintains three (3) accounts with Citibank located in Trinidad. Two of these accounts are in the name of Cliffs Drilling Company, a Debtor entity, and one is in the name of TODCO Trinidad Ltd, a Non-Debtor Subsidiary. The accounts were used to fund local operations in Trinidad, but are now dormant and in the process of being closed.
- Hercules maintains (2) current checking accounts with ING Bank in Luxembourg. These accounts are in the name of Non-Debtor Subsidiaries Discovery Offshore, S.A. and Discovery Offshore (Gibraltar) Ltd.
- Hercules maintains (2) local deposit accounts with Standard Chartered Bank. One account is located in Singapore in the name of Hercules Offshore, Inc. - Singapore branch. The other is in the name of Non-Debtor Subsidiary Hercules International Drilling, Ltd. and is based in Cameroon.
- Non-Debtor Subsidiary Hercules Offshore (Nigeria) Limited maintains (3) deposit accounts with United Bank of Africa in Nigeria. These are used to conduct operations in West Africa and are in the name of a Non-Debtor Subsidiary.

- Non-Debtor Subsidiary Discovery Offshore (Gibraltar) Ltd. maintains an operating account with the State Bank of India for use in local operations.
- Debtor TODCO Americas, Inc. maintains a deposit account at Bancolombia in Colombia for use in local operations.

C. Bank Fees

The Debtors pay approximately $20,000 per month in bank fees incurred in connection with the Bank Accounts (the "Bank Fees"). The Debtors pay the Bank Fees as they come due on a rolling basis over the course of each month, typically by direct debit. The Debtors estimate that they owe approximately one month in Bank Fees, or $20,000, as of the Petition Date.

80. The Debtors respectfully request that the Court authorize the banks to continue to maintain, service, and administer the Bank Accounts as accounts of the Debtors as debtors in possession, without interruption and in the ordinary course of business as set forth in the Motion.

81. **Investment Practices**. In the ordinary course of business, Hercules engages in certain investment practices to preserve principal and maintain sufficient liquidity to meet operational objectives, contractual obligations, and debt requirements, while seeking to maximize investment yield, consistent with a strict internal investment policy (collectively, the "Investment Practices"). As part of its Investment Practices and utilizing the Cash Management System, Hercules invests, on an overnight basis, excess funds in the Amegy Master Accounts (i.e., funds that have not otherwise been transferred to other Bank Accounts). It does so by sweeping such excess funds into three (3) investment accounts at Amegy (the "Overnight Investment Accounts"), one associated with each Amegy Master Account. The principal investments within the Overnight Investment Accounts are in money market mutual funds, obligations issued by the U.S. Treasury, obligations of a U.S. Federal Agency or U.S. Government sponsored enterprise, auction rate certificates, auction preferred stock, certificates of deposit, commercial paper, municipal securities, corporate debt, repurchase transactions,

variable rate demand obligations, and Eurodollar time deposits. The funds in each Overnight Investment Account are then swept back into each respective Amegy Master Account the following morning.

82. Additionally, Hercules maintains three (3) investment accounts with Capital One Bank in Houston, each of which is associated with one of the Amegy Master Accounts. Hercules also maintains (2) investment accounts with Comerica Bank in Houston, one in the name of HERO and one in the name of Non-Debtor Subsidiary Hercules Oilfield Services Ltd. Hercules Oilfield Services Ltd. also maintains an investment account at DNB Bank ASA in New York. Finally, Hercules maintains two additional investment accounts at Amegy that are not currently in use.

83. If the Debtors are limited to direct investments in U.S. government securities, they would need to (i) completely overhaul their existing investment approach and (ii) implement new associated controls and procedures. The risk of a compliance breakdown in connection with these activities is at least as large as any incremental risk posed by investment in the Overnight Investment Accounts, and the costs associated with these activities would likely exceed the yield on the investments. The Debtors are part of a large, sophisticated enterprise, and their operations team has determined that investment in the Overnight Investment Accounts will benefit the Debtors and the value of the Debtors' estates.

84. Requiring Hercules to change its Bank Accounts, Investment Practices and other components of the Cash Management System would be a significant disruption to Hercules, which relies on the Cash Management System for its business operations. In the context of these chapter 11 cases, where the Debtors have the required support to confirm the Plan and emerge

from chapter 11 on an expedited timeline, the Debtors respectfully request that they should be permitted to continue their Investment Practices and the Cash Management System.

85. **Business Forms.** As part of the Cash Management System, the Debtors utilize numerous preprinted business forms (the "Business Forms") in the ordinary course of their business. The Debtors also maintain books and records to document, among other things, their profits and expenses. To minimize expenses to their estates and avoid confusion on the part of employees, customers, vendors, and suppliers during the pendency of these chapter 11 cases, the Debtors request that the Court authorize their continued use of all correspondence and business forms (including, without limitation, letterhead, purchase orders, invoices, and preprinted checks) as such forms were in existence immediately before the Petition Date and thereafter, without reference to the Debtors' status as debtors in possession, rather than requiring the Debtors to incur the expense and delay of ordering entirely new business forms as required under the U.S. Trustee Guidelines.

86. **Intercompany Transactions.** The Debtors and the Non-Debtor Subsidiaries maintain business relationships and engage in transactions with each other resulting in intercompany loans, receivables, and payables in the ordinary course of business (the "Intercompany Transactions" and claims arising from such Intercompany Transactions, the "Intercompany Claims"). The Debtors and Non-Debtor Subsidiaries track all fund transfers in their respective accounting systems and can ascertain, trace, and account for all Intercompany Transactions.

87. Such Intercompany Transactions are frequently conducted, (a) among the Debtors, and (b) among the Non-Debtor Subsidiaries. Normally, the Debtors do not transfer funds from their Bank Accounts to the Bank Accounts of Non-Debtor Subsidiaries (such

transfers, "Non-Debtor Subsidiary Transfers"). However, Hercules monitors the cash balances of the Master Accounts daily, in light of anticipated cash receipts and payment obligations. If the funds in one of the Master Accounts is determined to be insufficient to meet anticipated payment obligations, Hercules will, in consultation with its tax team, make a transfer from another Master Account that it deems appropriate. Generally, if either of the HOME Master Account or the HOSL Master Account requires additional funds, a transfer will be made from the other, such that no funds of a Debtor will flow to a Non-Debtor Subsidiary. However, on certain rare occasions, including if an event occurs that gives rise to a significant capital expenditure, the funds in the HOME Master Account and the HOSL Master Account may be insufficient to cover their combined payment obligations. In such instances, funds from the Domestic Master Account may be transferred to the HOME Master Account or the HOSL Master Account. Although such Non-Debtor Subsidiary Transfers are rare, they are integral to the Hercules enterprise and consistent with Hercules' historical, ordinary-course business practices. While the Debtors do not anticipate that any transfers from the Domestic Master Account to either of the HOME Master Account or HOSL Master Account, or any other Non-Debtor Subsidiary Transfers, will be necessary during the anticipated short duration of the chapter 11 cases, it requests that such Non-Debtor Subsidiary Transfers be authorized out of an abundance of caution, provided the Debtors will only make such Non-Debtor Subsidiary Transfers with the consent of the Steering Group.

88. In connection with the daily operation of the Cash Management System, as funds are disbursed throughout the Cash Management System and as business is transacted between the Debtors and between the Non-Debtor Subsidiaries, at any given time there may be Intercompany Claims owing by one Debtor to another Debtor, one Non-Debtor Subsidiary to

another Non-Debtor Subsidiary or between a Debtor and a Non-Debtor Subsidiary. Certain Intercompany Claims are settled in cash while most are reflected as journal entry receivables and payables, as applicable, in the respective Debtors' accounting systems. Under the Plan, Intercompany Claims will be reinstated and paid in the ordinary course. If Intercompany Transactions were to be discontinued, the Cash Management System, the Debtors' and Non-Debtor Subsidiaries' operations and related administrative controls would be disrupted unnecessarily to the detriment of the Debtors, their creditors, and other stakeholders. Since these transactions represent extensions of intercompany credit made in the ordinary course of business, the Debtors respectfully request the authority to continue conducting the Intercompany Transactions in the ordinary course of business without need for further Court order.

89. More significantly, the relief requested in this Motion will help minimize any disruption in Hercules' business operations during the limited period between the Petition Date and confirmation of the Plan, and preserve the value of the Debtors' estate. Indeed, any disruptions in the Cash Management System could lead to delays in satisfying Hercules' obligations to its vendors and suppliers and meeting the demands of its various customers. In order to avoid the potential erosion of value that could ensue from any such interruptions in Hercules' ordinary course business operations, the Debtors believe it is imperative that they be authorized to continue the Cash Management System consistent with Hercules' historical practice.

III. Prime Clerk LLC Retention Application Pursuant to Section 156(c).[13]

90. **Relief Requested**. The Debtors seek entry of an Order approving the Services Agreement between the Debtors and Prime Clerk LLC ("Prime Clerk") and the Debtors'

[13] *See Application of Hercules Offshore, Inc., et al., for Appointment of Prime Clerk LLC as Claims and Noticing Agent*, filed concurrently herewith.

retention and employment of Prime Clerk as claims and noticing agent for the Debtors in lieu of the Clerk of the United States Bankruptcy Court for the District of Delaware and for related relief, effective *nunc pro tunc* to the Petition Date.

91. **Services to be Provided**. The retention application pertains only to the work to be performed by Prime Clerk under the Clerk's delegation of duties permitted by 28 U.S.C. § 156(c), Local Rule 2002-1(f), and the Claims Agent Protocol, and any work to be performed by Prime Clerk outside of this scope is not covered by the application or by any order granting approval thereof. Specifically, Prime Clerk will perform, to the extent the Debtors request, the following services in its role as claims and noticing agent, as well as all quality control relating thereto:

a. prepare and serve required notices and documents in the cases in accordance with the Bankruptcy Rules in the form and manner directed by the Debtors and/or the Court, including, if applicable (i) notice of the commencement of the cases, (ii) notices of transfers of claims, (iii) notices of objections to claims and objections to transfers of claims, (iv) notices of any hearings on a disclosure statement and confirmation of the Plan, including under Bankruptcy Rule 3017(d), (v) notice of the effective date of any plan, and (vi) all other notices, orders, pleadings, publications, and other documents as the Debtors and/or the Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;

b. maintain (i) a list of all potential creditors, equity holders, and other parties in interest, and (ii) a "core" mailing list consisting of all parties described in Bankruptcy Rule 2002 and those parties that have filed a notice of appearance under Bankruptcy Rule 9010;

c. maintain a post office box or address for the purpose of receiving claims and returned mail, and process all mail received;

d. prepare and file or cause to be filed with the Clerk an affidavit or certificate of service for all notices, motions, orders, other pleadings, or documents served within seven business days of service that includes (i) either a copy of the notice served or the docket number(s) and title(s) of the pleading(s) served, (ii) a list of persons to whom it was mailed (in alphabetical order) with their addresses, (iii) the manner of service, and (iv) the date served;

e. process all proofs of claim received, including those received by the Clerk's Office, and check said processing for accuracy, and maintain the original proofs of claim in a secure area;

f. maintain the official claims register for each Debtor (the "Claims Register") on behalf of the Clerk and upon the Clerk's request, provide the Clerk with certified, duplicate unofficial Claims Registers; and specify in the Claims Registers the following information for each claim docketed: (i) the claim number assigned, (ii) the date received, (iii) the name and address of the claimant and agent, if applicable, who filed the claim, (iv) the amount asserted, (v) the asserted classification(s) of the claim (*e.g.*, secured, unsecured, priority, etc.), (vi) the applicable Debtor, and (vii) any disposition of the claim;

g. implement necessary security measures to ensure the completeness and integrity of the Claims Registers and the safekeeping of the original claims;

h. record all transfers of claims and provide any notices of such transfers as required by Bankruptcy Rule 3001(e);

i. relocate, by messenger or overnight delivery, all of the court-filed proofs of claim to the offices of Prime Clerk, not less than weekly;

j. upon completion of the docketing process for all claims received to date for each case, turn over to the Clerk copies of the Claims Registers for the Clerk's review (upon the Clerk's request);

k. monitor the Court's docket for all notices of appearance, address changes, and claims-related pleadings and orders filed, and make necessary notations on and/or changes to the Claims Registers;

l. assist in the dissemination of information to the public and respond to requests for administrative information regarding the cases, as directed by the Debtors and/or the Court, including through the use of a case website and/or call center;

m. 30 days prior to the close of these cases, to the extent practicable, request that the Debtors submit to the Court a proposed Order dismissing Prime Clerk and terminating Prime Clerk's services upon completion of its duties and responsibilities and upon the closing of these cases;

n. within seven days' notice to Prime Clerk of entry of an order closing the chapter 11 cases, provide to the Court the final version of the Claims Registers as of the date immediately before the close of the cases; and

o. at the close of these cases, box and transport all original documents, in proper format, as provided by the Clerk's office, to (i) the Federal

> Archives Record Administration, located at Central Plains Region, 200 Space Center Drive, Lee's Summit, MO 64064, or (ii) any other location requested by the Clerk's office.

92. The Claims Registers shall be open to the public for examination without charge during regular business hours and on a case-specific website maintained by Prime Clerk. Prime Clerk shall not employ any past or present employee of the Debtors for work that involves the Debtors' bankruptcy cases and it will follow the notice and claim procedures that conform to the guidelines promulgated by the Clerk's Office, section 331 of the Judicial Code, or as it otherwise may be directed by the Court.

IV. Joint Administration Motion.[14]

93. **Relief Requested**. The Debtors seek entry of the Order directing joint administration of the Debtors' chapter 11 cases for procedural purposes only. Specifically, the Debtors request that the Court maintain one file and one docket for all of these chapter 11 cases under the case of Hercules Offshore, Inc.

94. **The Debtors' Corporate Structure**. The Debtors are "affiliates" pursuant to section 101(2) of the Bankruptcy Code and each Debtor's chapter 11 case is pending in the Court. Thus, the conditions set forth in Bankruptcy Rule 1015(b) for joint administration of these cases are satisfied. Various Debtors play a role in other Debtors' capital structures, *e.g.*, as guarantors of obligations of the others. Numerous parties have interests in the cases of multiple Debtors. Many of the motions, hearings, and orders in these chapter 11 cases will affect each and every Debtor entity. Joint administration of these chapter 11 cases will reduce parties' fees and costs by avoiding duplicative filings and objections and make the most efficient use of the Court's valuable resources. Joint administration also will allow the Office of the United States

[14] *See Debtors' Motion for an Order Directing Joint Administration of Chapter 11 Cases*, filed concurrently herewith.

Trustee for the District of Delaware and all parties in interest to monitor these chapter 11 cases with greater ease and efficiency. No party in interest will be prejudiced by the joint administration of these chapter 11 cases.

V. Disclosure Statement and Plan Scheduling Motion.[15]

95. **Relief Requested**. The Debtors seek entry of the Order, (a) scheduling the Confirmation Hearing, (b) establishing the Objection Deadline and approving related procedures, (c) approving the Solicitation Procedures, (d) approving the form and manner of distributing the Notice, and (e) approving the procedures for providing Equity Holders the opportunity to opt out of the voluntary releases set forth in Article VII.F of the Plan, and for certain related relief.

96. In connection with the foregoing, the Debtors request that the Court approve the following schedule of proposed dates:

Event	Date
Start of Solicitation:	July 13, 2015
Voting Record Date:	July 13, 2015
Equity Opt Out Record Date	July 13, 2015
Equity Release Consent Notice Distribution Date	July 17, 2015
Voting Deadline:	August 12, 2015
Opt Out Deadline:	August 12, 2015
Petition Date:	August 13, 2015
Notice Date:	August 17, 2015

[15] *See Motion of Hercules' Offshore, Inc., et al., for Entry of an Order (A) Scheduling a Combined Disclosure Statement Approval and Plan Confirmation Hearing, (B) Establishing a Plan and Disclosure Statement Objection Deadline and Related Procedures, (C) Approving the Solicitation Procedures, (D) Approving the Confirmation Hearing Notice, and (E) Approving Procedures for Equity Holders to Opt Out of Releases*, filed concurrently herewith.

Event	Date
Confirmation Objection Deadline:	September 16, 2015 at 4:00 p.m. (Eastern Time)
Deadline to File Confirmation Brief and Reply to Plan Objection(s)/:	September 21, 2015 at 4:00 p.m. (Eastern Time)
Confirmation Hearing:	September 25, 2015 at 10:00 a.m. (Eastern Time)

97. **The Solicitation Procedures**. The Debtors commenced solicitation of holders of claims regarding the Plan prior to the Petition Date in accordance with the following Solicitation Procedures and the Bankruptcy Code. On July 13, 2015, the Debtors caused their solicitation agent, Prime Clerk LLC (the "Solicitation Agent"), to distribute packages containing the Disclosure Statement, the Plan, and ballots (the "Solicitation Packages") to holders of claims entitled to vote to accept or reject the Plan as of the Voting Record Date. Under the Plan, the only class of claims for each Debtor entitled to vote is Class 3, which consists of holders of the Debtors' Senior Notes. See Plan Art. III.C.

98. The Disclosure Statement and ballots delivered to holders of Class 3 claims instructed such holders to follow the instructions contained in the ballots (and described in the Disclosure Statement). Votes were only solicited from holders that were either Accredited Investors or Qualified Institutional Buyers, and the ballot instructed such holders to complete and submit the ballot to cast a vote to accept or reject the Plan. The ballots also contained an election, and related instructions, that provided holders of Class 3 Claims that voted to reject the Plan the opportunity to opt out of the releases set forth in Article VII.F of the Plan if they so desired. Each holder of a Class 3 claim entitled to vote was explicitly informed in the Disclosure Statement and ballot that such holder needed to submit its ballot such that it is actually received

by the Solicitation Agent on or before the Voting Deadline in order for its vote to be counted and/or its election to opt out of the voluntary release to be valid.

99. Holders of Class 3 claims that were neither an Accredited Investor nor a Qualified Institutional Buyer were instructed not to complete the ballot or submit a vote on the Plan. However, those holders were encouraged to, and provided instructions on how to, complete and return the election form attached to the ballot as Exhibit A thereto if they desired to opt out of the releases set forth in Article VII.F of the Plan.

100. Certain holders of claims and interests (i.e., holders of claims and interests in Classes 1, 2, 4, 5, 6, and 7) were not provided a Solicitation Package because such holders are either: (a), as to Classes 1, 2, 4, 5 and 6 unimpaired under, and conclusively presumed to accept, the Plan under section 1126(f) of the Bankruptcy Code; or (b) as to Class 7, impaired, entitled to receive no distribution on account of such existing HERO Equity Interests under the Plan (despite the distributions to be made in consideration for the releases set forth in the Plan as more fully set forth below), and therefore deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code.

101. The Debtors' procedures and standard assumptions for tabulating ballots include:

Votes Not Counted	– any ballot or master ballot that is illegible or contains insufficient information to permit the identification of the holder of the claim or the interest – any ballot or master ballot that is not actually received by the Solicitation Agent by the Voting Deadline – any unsigned ballot or master ballot – any ballot or master ballot that partially rejects and partially accepts the Plan – any ballot or master ballot not marked to accept or reject the Plan or marked both to accept and reject the Plan – any ballot or master ballot superseded by a later, timely submitted valid ballot – any improperly submitted ballot or master ballot
No Vote Splitting	– holders are required to vote all of their claims within a particular

class either to accept or reject the Plan and are not permitted to split any votes

102. **Equity Release Consent Notice.** In order to provide holders of HERO Equity Interests the opportunity to opt out of the voluntary releases set forth in Article VII.F of the Plan and, in doing so, forego the opportunity to receive a pro rata share of the Shareholder Equity Distribution and the New HERO Warrants (which they are not entitled to under absolute priority principles), on July 17, 2015, the Debtors caused the Solicitation Agent to deliver the "*Notice of (A) Non-Voting Status with Respect to the Debtors' Plan and (B) Election to Opt Out of Voluntary Release of Claims by Holders of HERO Equity Interests*" (the "Equity Release Consent Notice") to holders of HERO Equity Interests (as of the Voting Record Date) in Class 7 under the Plan.[16] The Deadline for holders to return the Equity Release Consent Notice was August 12, 2015 (the "Opt Out Deadline").

103. The Equity Release Consent Notice provides clear instructions regarding how a holder of HERO Equity Interests submits its election in order to opt out of the voluntary releases. Because a holder of HERO Equity Interests that elects not to grant the releases foregoes its opportunity to receive its pro rata share of the Shareholder Equity Distribution and the New HERO Warrants, the Debtors have arranged to record the elections to ensure that holders that opt out of the voluntary releases do not receive a distribution under the Plan. For holders of HERO Equity Interests that are held through DTC, those parties that wish to opt out of the Release must electronically deliver their instruction to opt out through DTC's Automated Tender Offer Program system. This involves instructing DTC (through a nominee if applicable) to move the

[16] Following the distribution date, the Debtors discovered that certain holders of unvested restricted stock awarded under the Debtors' equity incentive program (the "Unvested Holders") had not been sent the Equity Release Consent Notice by their nominee, the third party administrator of the incentive program. On August 7, 2015, the Debtors caused the Solicitation Agent to send the Equity Release Consent Notice to the Unvested Holders by overnight courier. The Debtors (with the consent of the Steering Committee) will agree to a reasonable extension of the Opt Out Deadline upon request for any Unvested Holder that requires additional time to review and complete the Equity Release Consent Notice.

holder's equity position into a segregated CUSIP. When distributions are made to holders who hold their interest from DTC at or after the Effective Date, holders of HERO Equity Interests in that segregated CUSIP will not receive a distribution. As set forth clearly in the Equity Release Consent Notice and the Disclosure Statement, the holders that elected to opt out of the voluntary releases and did not revoke their election prior to the Opt Out Deadline will not have the right to sell or transfer their HERO Equity Interests except, to the extent permitted and applicable requirements are met, in certain other limited circumstances. Holders of HERO Equity Interests that are held directly must return a completed Equity Release Consent Notice to the Solicitation Agent. The Solicitation Agent will then coordinate with HERO's stock transfer agent to ensure that those parties that opt out do not receive any distributions under the Plan.

104. These procedures were necessary to ensure that, consistent with the Plan, holders of HERO Equity Interests that elected to opt out of the releases would not receive distributions under the Plan. Under the circumstances, the procedures employed for distributing, collecting and recording the elections were adequate to provide holders of HERO Equity Interests the opportunity to opt out of the releases set forth in Article VII.F of the Plan and should be approved.

VI. Schedules Waiver and Consolidated List of Creditors Motion.[17]

105. **Relief Requested**. The Debtors seek entry of an order (i) authorizing the Debtors to file (a) a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor and (b) a consolidated list of the Debtors' thirty-five (35) largest unsecured creditors; (ii)

[17] *See Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to File (A) Consolidated List of Creditors and (B) Consolidated List of Debtors' Top Thirty-Five Creditors; (II) Waiving the Requirement to File a List of Equity Security Holders; (III) Extending the Time, and Upon Plan Confirmation, Waiving the Requirement to File Schedules and Statements of Financial Affairs; (IV) Waiving the Requirements to Convene the Section 341(A) Meeting of Creditors; (V) Limiting Notice Required Under Bankruptcy Rule 2002; (VI) Conditionally Waiving (A) the Staffing and Budget Requirements of the U.S. Trustee Fee Guidelines and (B) Any Applicable Requirement to Appoint a Fee Examiner; and (VII) Granting Related Relief*, filed concurrently herewith.

waiving the requirement to file a list of equity security holders; (iii) waiving the requirement, that the Debtors file their Schedules and Statements upon confirmation of the Plan if confirmation occurs on or before November 7, 2015; (iv) waiving the requirement to convene the section 341(a) meeting of creditors if the Plan becomes effective on or before November 7, 2015; (v) limiting notice required under Bankruptcy Rule 2002 to be provided in these cases; (vi) conditionally waiving, to the extent applicable, (a) the budget and staffing requirements of the Large Case Fee Guidelines and (b) any requirement to appoint a fee examiner based on the Debtors' total assets or liabilities; and (vii) granting related relief.

106. **The Debtors' List of Creditors**. The Debtors have thousands of creditors. The Debtors presently maintain computerized lists of the names and addresses of their respective creditors that are entitled to receive notices and other documents in these chapter 11 cases. The lists are maintained without regard for which entity a party may have a relationship with. The Debtors believe that the information as maintained in computer files (or those of their agents) may be utilized efficiently to provide interested parties with notices and other similar documents as contemplated by Local Rule 1007-2 on a consolidated basis. Requiring the Debtors to submit Debtor-specific creditor matrices for each of the Debtors would be an unnecessarily burdensome task and would likely result in duplicate mailings. Accordingly, the Debtors request that the request to maintain separate creditor matrices be waived.

107. Additionally, because the Top 20 Lists of several of the Debtors could overlap, and certain other Debtors may have fewer than twenty identifiable unsecured creditors, the Debtors submit that filing separate Top 20 Lists for each Debtor would be of limited utility. In addition, given the international operations of the Debtors and worldwide location of many of their general unsecured creditors, the exercise of compiling separate Top 20 Lists for each

individual Debtor could consume an excessive amount of the company's limited time and resources, and could constitute a distraction of management's attention otherwise needed on operations through these chapter 11 cases. Further, the Debtors do not believe that any of their unsecured creditors will be prejudiced if the Debtors file a single list of their thirty-five (35) largest unsecured creditors because the Plan contemplates that the Debtors' unsecured creditors (other than the holders of Senior Notes) will be paid in full. Finally, the Debtors believe a single, consolidated list of the company's thirty-five (35) largest unsecured, non-insider creditors will aid the Office of the U.S. Trustee in its efforts to communicate with these creditors.

108. **List of Equity Security Holders.** The Debtors respectfully submit that the requirements to file a list of equity holders should be waived in these cases. As of the Petition Date, HERO common stock was listed for trading on The Nasdaq Global Select Market ("NASDAQ") and approximately 161,639,357 shares of HERO Equity Interests were issued and outstanding. The Debtors submit that preparing a list of HERO's equity security holders with last known addresses and sending notice of all motions and pleadings to such parties would prove extremely expensive and time-consuming and serve little or no beneficial purpose. HERO filed with its petition a list of holders of five percent or more of HERO's outstanding common stock based on information ascertained from filings with the United States Securities and Exchange Commission (the "SEC").

109. Even without a list of HERO's equity security holders, the Debtors will be able to serve a combined notice of commencement of the cases and the confirmation hearing on each of HERO's equity security holders. During the pre-petition solicitation period, the Debtors sent each of HERO's equity security holders the Equity Release Consent Notice, thereby providing HERO's equity security holders with notice of the commencement of solicitation of votes to

accept the Plan, and giving them the opportunity to receive a distribution they are not otherwise entitled to receive. At that time, the Debtors' proposed notice and claims agent obtained a list of registered holders and nominee holders and coordinated with those parties to provide the Equity Release Consent Notice to all of HERO's equity security holders. The Debtors intend to send notice of commencement and the confirmation hearing in the same manner.

110. Further, the equity markets had immediate notice of the execution of the Restructuring Support Agreement, the solicitation of the Plan and Disclosure Statement, and the filing of these chapter 11 cases by the Debtors filing Form 8-Ks with the SEC, and the Debtors' publication of a notice of commencement of the chapter 11 cases on their public website, www.herculesoffshore.com, and the website of the notice and claims agent, http://cases.primeclerk.com/hercules. Similarly, the equity markets will have immediate notice of material events during the chapter 11 cases by HERO's filing Form 8-Ks with the SEC. The Debtors will publish notice of the confirmation hearing in the Wall Street Journal (National Edition).

111. The Debtors other than HERO are all wholly-owned subsidiaries of HERO or another Debtor. The ownership of these entities will be reflected on the corporate ownership statement filed with their voluntary petitions. Accordingly, filing a separate list of equity security holders will serve no beneficial purpose.

112. **Extension and Waiver of Schedules and Statements.** The Court's grant of an extension of time to file the Schedules and Statements through and including November 7, 2015 is necessary and appropriate in light of the circumstances. First, the Debtors have thousands of potential creditors and the operation of the Debtors' international businesses requires the Debtors to maintain voluminous books, records, and complex accounting systems. Accordingly,

completing the Schedules and Statements would require the Debtors and their advisors to dedicate substantial time and resources, and at substantial cost, with little or no benefit to the estate and creditors because the Debtors have proposed a prepackaged, "ride through" Plan that has been accepted overwhelmingly by the only impaired voting class. No party in interest would be prejudiced by the Court granting the Debtors' request for an extension through and including the Deadline. General unsecured creditors, priority creditors and any miscellaneous secured creditors are unimpaired under the Plan.

113. Additionally, in light of the Debtors' substantial, international operations, the Debtors would require an enlargement of the time to prepare the Schedules and Statements. Indeed, the Debtors would expect to be in a position to file the Schedules and Statements at approximately the same time that the Debtors expect to emerge from chapter 11.

114. **Waiver of Section 341(a) Meeting.** The purpose of a Section 341 Meeting is to provide parties in interest with a meaningful opportunity to examine a debtor and obtain important information about the debtor. In these cases, however, the Plan was solicited prior to the Petition Date and has overwhelming support from the Debtors' key stakeholders, as over 99% of holders of Class 3 Senior Notes Claims—the only class entitled to vote on the Plan—have voted to accept the Plan. Further, the holders of General Unsecured Claims are unimpaired under the Plan. Therefore, parties are not likely to receive any benefit from a Section 341 Meeting. The Debtors filed these chapter 11 cases to implement and effectuate the Plan and the Debtors solicited the requisite acceptances of the Plan prior to commencing these chapter 11 cases. The Debtors intend 11 to proceed expeditiously to confirm the Plan and emerge from chapter as quickly as possible. Accordingly, waiver of the Section 341 Meeting is justified under the circumstances.

115. **Limit Notice to Foreign Vendors.** In the ordinary course of the Debtors' global business, the Debtors receive goods and services from both domestic and foreign vendors. While the Debtors have made a good faith effort to compile a consolidated list of their respective creditors, the Debtors do not possess the notice information for certain foreign vendors, and dedicating company resources to researching such notice information would unnecessarily expend the Debtors' resources and distract the Debtors' management during these chapter 11 cases. Here, it is appropriate to limit notices required under Bankruptcy Rule 2002 to those creditors for which the Debtors are able to determine notice addresses after expending reasonable, good faith efforts.

116. **Waiver of U.S. Trustee Fee Guidelines.** The Debtors submit that, under the circumstances of these cases, the budget and staffing requirements of the Large Case Fee Guidelines would be unduly burdensome and would not serve their intended purpose. Indeed, the "watchdog" function in these cases is being effectively performed by the Steering Group, the members of which will hold a majority of the equity of HERO upon emergence. Accordingly, the Debtors seek a limited, conditional waiver of the budget and staffing requirements of the Large Case Fee Guidelines.

117. The Debtors have filed these cases with a prepackaged chapter 11 plan, under which all General Unsecured Claims "ride through" unimpaired. The Debtors intend to emerge from chapter 11 within 45 days of the Petition Date. Additionally, unlike the vast majority of debtors in chapter 11, the Debtors in this case have no secured debt. As a result, the Debtors are not seeking debtor-in-possession financing or the use of cash collateral, and, therefore, have not formulated a DIP or cash collateral budget from which to base a budget under the Large Case Fee Guidelines. For these reasons, formulating a budget and staffing plan would be unduly

burdensome. Moreover, the budget and staffing plan would have very limited or no utility if the cases go according to design. The Debtors are not seeking procedures for interim compensation because, due to the expected brief duration of these cases, the first monthly applications would be filed at around the time the Debtors exit chapter 11, and the first quarterly interim applications would not be due until after final applications are due under the Plan. Therefore, the oversight, forecasting, and predictive functions of the budget and staffing plans would serve no beneficial purpose in these cases.

118. Accordingly, the Debtors submit that a limited waiver of the staffing and budget requirements is appropriate, conditioned on the Plan being confirmed by the Deadline. If the Plan is not confirmed by the Deadline, then the Debtors' professionals will work with the U.S. Trustee to provide appropriate budgets and staffing plans as applicable.

119. In addition, by general order or by practice, certain of the judges in this district require the appointment of a fee examiner or fee auditor when the assets or liabilities of the debtor exceed a certain threshold, typically $100 million. Due to the expected limited duration of these cases, and for the other reasons discussed above, the Debtors respectfully request a limited waiver of any applicable general order requiring appointment of a fee examiner or fee auditor, conditioned on the Plan being confirmed by the Deadline.

VII. Taxes Motion.[18]

120. **Relief Requested**. The Debtors seek authority, but not direction, to pay outstanding Taxes. More specifically, in order to avoid irreparable harm to their estates, the Debtors seek interim authority to pay Taxes that are past due or that will come due within the first 21 days after the Petition Date. The Debtors also seek authority to remit and pay any Taxes,

[18] *See Motion of Hercules Offshore, Inc., et al., for Entry of Interim and Final Orders Authorizing, but not Directing, the Debtors to Pay Certain Taxes*, filed concurrently herewith.

regardless of whether those amounts accrued before the Petition Date, in the ordinary course of business. For the avoidance of doubt, the authority requested pursuant to this Motion would be completely discretionary (but upon consultation with the Steering Group) and without prejudice to the Debtors' rights to contest the amounts of any Taxes on any grounds they deem appropriate.

121. **The Taxes**. In the ordinary course of business, the Debtors (a) incur sales and use, income, property, and other taxes (collectively, the "Taxes") in the operation of their businesses; and (b) pay or remit such Taxes to various taxing and other governmental authorities (collectively, the "Authorities"). The Debtors pay or remit, as the case may be, the Taxes as incurred or monthly, quarterly, semiannually, or annually to the respective Authorities, as required by applicable laws and regulations. As of the Petition Date, the Debtors estimate that approximately $678,000 relating to the prepetition period will become due (i.e., it was not due as of the Petition Date) and owing to the Authorities in the ordinary course of business.

122. **Income Taxes.** As a result of their operations throughout the world, the Debtors incur income tax liabilities in various jurisdictions (collectively, the "Income Taxes"). The Debtors estimate that their prepetition income tax liability is approximately $642,000.[19] The majority of the $642,000 amount is owed to revenue authorities in Kuwait, Saudi Arabia, and Singapore.

123. **Sales Taxes.** In certain states, the Debtors also incur sales taxes (collectively, the "Sales Taxes") due to the purchase or sale of goods or taxable services within those jurisdictions. Sales Taxes are due monthly. The Debtors are seeking authority to pay any Sales Tax amounts that are past due or due within the first 21 days of these chapter 11 cases. If the Debtors do not

[19] This amount has not been paid yet, but is not delinquent—i.e., it is scheduled by the Debtors to be paid in the ordinary course after the Petition Date.

pay the prepetition Sales Taxes to the applicable Authorities when due, these Authorities may assess immediate, irreversible penalties for failure to make a timely payment. Such penalties may be entitled to priority treatment under Bankruptcy Code section 507(a)(8)(G).

124. **Ad Valorem Taxes.** The Authorities also impose Taxes on the Debtors relating to property that the Debtors own for the operation of their businesses ("Ad Valorem Taxes"). The Debtors accrue Ad Valorem Taxes on a monthly basis. As of the Petition Date, the Debtors do not owe any Ad Valorem Taxes. However, the Debtors are seeking authority, upon entry of the Final Order, to pay the Ad Valorem Taxes as and when they become due during these chapter 11 cases. In 2015, the Debtors have accrued approximately $84,000 monthly in Ad Valorem Taxes. The Debtors believe that no Ad Valorem Taxes will become due during the pendency of these cases. If the Debtors do not pay the Ad Valorem Taxes to the applicable Authorities when due, these Authorities will immediately assess substantial, irreversible penalties for failure to make timely payment. In addition, nonpayment of Ad Valorem Taxes when due might allow the applicable Authorities to impose liens on the Debtors' property under Bankruptcy Code section 362(b)(18).

125. **Franchise Taxes.** The Authorities also impose franchise taxes on the Debtors (the "Franchise Taxes"). Franchise Taxes accrue annually, or in some cases, quarterly. As of the Petition Date, the Debtors do not owe any outstanding Franchise Taxes. The Debtors are seeking authority, upon entry of the Final Order, to pay the Franchise Taxes as and when they become due during these chapter 11 cases. The Debtors believe that approximately $36,000 in Franchise Taxes will become due during the pendency of these cases.

126. **Miscellaneous Taxes.** Finally, the Debtors also incur and pay in the ordinary course of operating their businesses certain stamp fees, regulatory assessments, permitting fees,

licensing fees, levies, and other miscellaneous Taxes (collectively, the "Miscellaneous Taxes"). The Debtors believe that the continued payment of the Miscellaneous Taxes, including any such taxes due and owing on account of prepetition Miscellaneous Taxes, are a necessary cost of continuing to operate their businesses. Accordingly, the Debtors request authority to pay any such amounts, including Miscellaneous Taxes that accrued pre-petition, as they come due in the ordinary course of business. The Debtors believe that approximately $90,000 in Miscellaneous Taxes will become due during the pendency of the cases.

VIII. Utilities Motion.[20]

127. **Relief Requested**. The Debtors seek interim and final orders (i) prohibiting the Utility Companies from altering, refusing, or discontinuing services on account of prepetition amounts outstanding or on account of any perceived inadequacy of the Debtors' proposed adequate assurance; (ii) determining that the Utility Companies have been provided with adequate assurance of payment within the meaning of section 366 of the Bankruptcy Code; (iii) approving the Debtors' proposed offer of adequate assurance and procedures governing the Utility Companies' requests for additional or different adequate assurance; and (iv) determining that the Debtors are not required to provide any additional adequate assurance beyond what is proposed by this Motion.

128. **The Utility Providers**. In connection with the operation of their business, the Debtors obtain electricity, natural gas, water, telephone, internet, and/or other similar services (the "Utility Services") from a number of utility companies or their brokers (the "Utility Companies"). The Debtors do not pay for any Utility Services that are provided to their Non-

[20] *See Motion for Hercules Offshore, Inc., et al., for Interim and Final Orders (I) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service; (II) Deeming Utilities Adequately Assured of Future Performance; and (III) Establishing Procedures for Determining Adequate Assurance of Payment,* filed concurrently herewith.

Debtor Subsidiaries, and the Debtors' Non-Debtor Subsidiaries do not pay for any Utility Services provided to the Debtors.

129. Historically, the Debtors have paid all amounts owed to the Utility Companies on a timely basis. Moreover, to the best of their knowledge, there are no defaults or arrearages of any significance with respect to the Debtors' undisputed invoices for Utility Services, other than payment interruptions that may be caused by the commencement of these chapter 11 cases. In the six month period prior to the Petition Date, the Debtors paid an average of approximately $335,923 per month on account of Utility Services on an aggregate basis. The Debtors estimate that their cost for Utility Services during the next thirty days (not including any deposits to be paid) will be approximately $392,500. Currently, the Utility Companies hold no deposits on account of the Debtors' Utility Services.

130. Continuous Utility Services are essential to the Debtors' ongoing operations and the success of the Debtors' chapter 11 cases. The Debtors' operations include, among other things, operating, repairing and restocking their mobile offshore rigs and vessels, which require, among other things, fuel, water, electricity and telecommunications. Additionally, the Debtors must perform corporate and administrative functions in their Houston executive offices, which require electricity, telecommunications and other standard utility services. Should any Utility Company refuse or discontinue service, even for a brief period, the Debtors' business operations could be severely disrupted, and such disruption would jeopardize the Debtors' reorganization efforts. It is essential that the Utility Services continue uninterrupted during the chapter 11 cases.

131. **The Proposed Adequate Assurance**. The Debtors intend to timely pay all postpetition obligations owed to the Utility Companies and the Plan provides for reinstatement of

all such obligations and payment in the ordinary course. The Debtors expect that available funds will be more than sufficient to pay all such obligations. To provide adequate assurance of payment to the Utility Companies, the Debtors submit that an amount equal to one-half of one month's Utility Service payment (calculated as a historical average over the past six months), together with the Debtors' ability to pay for future Utility Services in the ordinary course of business provides sufficient adequate assurance of payment and that no additional deposit, security, or other assurance of payment is or should be required for the Utility Services.

132. Pursuant to the procedures outlined below, the Debtors propose to deposit $167,961.50 (the "Adequate Assurance Deposit") into a newly created, segregated, interest-bearing account (the "Adequate Assurance Account") within 20 days of the Petition Date for the benefit of the Utility Providers, pending further order of the Court. The amount of the Adequate Assurance Deposit equals approximately 50 percent of the Debtors' average monthly cost of the Utility Services during the six month period prior to the Petition Date. The Debtors submit that the creation and maintenance of the Adequate Assurance Account, in conjunction with the Debtors' ability to pay for future utility services in the ordinary course of business (collectively, the "Proposed Adequate Assurance"), constitutes sufficient adequate assurance to the Utility Providers in satisfaction of section 366 of the Bankruptcy Code. If any Utility Company believes additional assurance is required, they may request such assurance pursuant to the procedures set forth below.

133. The amounts of the average monthly billings for Utility Services provided by the Utility Companies are relatively modest in the context of these chapter 11 cases and the Debtors' business, totaling approximately $335,923 per month, and the accrued amounts for the prepetition period are likewise minimal. Moreover, the Plan proposes that all claims will be

reinstated and paid in the ordinary course. Therefore, the Debtors request authority to make payment in full on the next bill issued in the ordinary course by its Utility Companies, including for any "stub" period for services provided during the pre-petition period.

134. The relief requested in the Utilities Motion will ensure that the Debtors' operations will not be disrupted by the termination of vital Utility Services or the requests by the Utility Companies of unnecessarily large deposits that could endanger the Debtors' liquidity. Without the requested relief, any interruption in services by the Utility Companies could bring the Debtors' businesses to an immediate halt. Even if the Utility Companies did not interrupt their services, without the requested relief the Debtors could be forced to address numerous requests by Utility Companies during a critical period in these chapter 11 cases and during a time when their efforts should be more productively focused on developing strategic alternatives to emerge from bankruptcy. At the same time, the relief requested provides the Utility Companies with a fair and orderly procedure for determining requests for additional or different adequate assurance.

IX. Wages and Benefits Motion.[21]

135. **Relief Requested**. The Debtors seek authority (but not direction) (a) to pay the prepetition Payment and Program Obligations, up to the priority expense limit imposed on employee claims under Sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code; (b) to continue paying the Payment and Program Obligations in the ordinary course of business; (c) to continue to offer, honor, and facilitate the Employee Programs in the ordinary course of business during the pendency of the chapter 11 cases; and (d) to reissue checks, wire transfers, automated

[21] *See Motion of Hercules Offshore, Inc., et al., for Interim and Final Orders Authorizing, but not Directing, the Debtors to (I) Pay Prepetition Wages, Salaries and Other Compensation, (II) Pay Prepetition Payroll Taxes and Benefits and Continue Benefit Programs in the Ordinary Course, and (III) Direct Banks to Honor Checks for Payment of Prepetition Employee Payment and Program Obligations,* filed concurrently herewith.

clearing house payments, electronic payments, or other similar methods of payment for such payments where such method of payment has been dishonored postpetition. They also ask the Court to direct all banks to honor the Debtors' prepetition and postpetition checks, wire transfers, automated clearing house payments, electronic payments, or other similar methods of payment for payment of the Payment and Program Obligations.

136. **The Employees**. As of the Petition Date, the Debtors employ or are responsible for funding the payroll obligations for approximately 776 people (the "Employees"). Some of the Employees provide local support in the Debtors' U.S. offices or foreign branch offices, while other Employees are currently deployed on offshore projects. All of the Employees are hired through debtor Hercules Offshore Services, LLC. The Debtors also contract with five independent contractors (the "Independent Contractors") for various services. Some of the Independent Contractors are former Employees of the Debtors. The Non-Debtor Subsidiaries employ approximately 481 foreign employees, but such employees are not covered by this Motion because the Non-Debtor Subsidiaries have not commenced chapter 11 cases.

137. Payroll for Employees is handled through the Debtors' Houston-based payroll system. Some Employees are paid on an hourly, weekly basis (the "Hourly Offshore Employees"); some are paid on an hourly, bi-weekly basis (the "Bi-Weekly Arrears Employees); and the rest are paid on a salaried, bi-weekly basis (the "Salaried Employees"). Hourly Offshore Employees are paid on Fridays for the one-week period concluding on the previous week's rig-specific crew change day. Bi-Weekly Arrears Employees are paid every other Friday for the two-week period concluding on the Saturday of the previous week. Salaried Employees are paid every other Friday for the two-week period concluding on the Saturday after the pay date.

138. In providing benefits to the Employees, the Debtors pay and incur a number of obligations such as compensation, deductions and payroll taxes, incentive programs, equity plans, severance programs, reimbursement expenses, relocation expenses, health benefits, workers' compensation benefits, vacation time, life insurance, accidental death and disability benefits, and other benefits, including employee contributions, claims and administrative fees to benefit providers, which the Debtors have historically provided and funded in the ordinary course of business. The Debtors seek authority to pay Employee compensation-related obligations, including wages, salaries, expense reimbursements, benefit obligations, and related fees, deductions and withholdings, including payroll taxes as provided in the Wages and Benefits Motion.

139. I believe the vast majority of the Employees rely exclusively on their compensation to pay their daily living expenses. Both wages and the benefit programs discussed in further detail in the Wages and Benefits Motion are critical components of the Employees' total compensation package, and if the Debtors are not permitted to honor their outstanding Employee obligations, I believe many Employees will be exposed to significant financial difficulties. Moreover, if the Debtors are unable to satisfy such obligations, Employee morale will be jeopardized at a time when Employee support is critical. Any resulting loss in workforce could significantly hinder the Debtors' efforts to successfully reorganize.

140. The Debtors also have various Employee programs and obligations that are administered or paid through third-party administrators, agents, consultants, or providers. The Debtors seek authority to pay any prepetition fees of these third parties and to continue such payments post-petition in the ordinary course of their business, in order to insure the uninterrupted delivery of payments or other benefits to the Employees.

141. I believe that the relief requested in the Wages and Benefits Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business during these chapter 11 cases without disruption so as to avoid immediate and irreparable harm to Debtors' estates. Accordingly, I respectfully submit that the Wages and Benefits Motion should be approved.

X. Insurance Motion.[22]

142. **Relief Requested.** The Debtors seek authority (but not direction) to make the payments required to continue their Insurance Program, including payment of any pre-petition premiums, deductibles or other obligations under the Policies, and to continue post-petition their practice of paying brokerage fees and premiums to the Brokers and any other broker and agent engaged by the Debtors.

143. **The Insurance Program**. In the ordinary course of their businesses, the Debtors maintain an insurance program (the "Insurance Program") that provides millions of dollars of coverage for, among other things, the Debtors' operations around the globe, their offshore vessels, general liability, property casualty, and directors' and officers' liability (collectively, the "Policies"). As of the Petition Date, the Debtors are current on their premiums and there are no outstanding premiums due that have not been paid.

144. The premiums the Debtors pay to procure and maintain the Insurance Program consist of certain premiums that are fixed at the beginning of the policy year and additional premiums that vary based on circumstances during the year. The Debtors pay approximately $18,492,672 in the aggregate for the fixed component of the premiums. Although the fixed portion of the premiums due on many of the Policies has already been paid in full for the current

[22] *See Motion of Hercules Offshore, Inc., et al., for Authorization to: (1) Continue Pre-Petition Insurance Program and (2) Pay Any Pre-Petition Premiums and Related Obligations*, filed concurrently herewith.

policy year lasting through May 2016, certain other Policies expire on September 30, 2015 and will need to be renewed. For those policies, the Debtors will need to make annual premium payments during the chapter 11 cases, as follows:

Policies	Payment Due	Total Estimated Annual Premium Amount
Workers Compensation Employers Liability	October 1, 2015	$76,000.00
United States Longshoremans & Harbor Works Act	October 1, 2015	$34,000.00

145. Certain of the Debtors other policies are paid in quarterly installments over the course of the policy year rather than in one annual payment. Consequently, the Debtors anticipate that they may be required to make one or more premium installment payments during the chapter 11 cases, including the following:

Policies	Payment Due	Total Installment Amount
Marine Package War Risks Excess Liability ($75M xs $25M) Excess Liability ($100M xs $100M)	October 1, 2015	$2,835,134
General Liability Employee Benefits Liability Automobile Liability	October 1, 2015	$14,412

146. The remaining component of the Insurance Program premiums varies based on the Debtors operations, specifically the utilization of their jackup rigs and liftboats. The amount of this operations-dependent portion is determined, assessed and paid quarterly. For the current policy year, the Debtors expect that the aggregate amount of the variable portion of their policy premiums will total approximately $6,086,000, of which a payment that the Debtors estimate will be in the approximate amount of $938,000 will be due on August 21, 2015.

147. In addition, prior to the Petition Date, the Debtors purchased additional tail coverage for its seven existing Directors & Officers Policies in anticipation of the change in board membership that will occur upon the consummation of the Plan. The tail covers a six year period following entry of an order confirming a plan of reorganization in these chapter 11 cases. The Debtors paid premiums of $1,350,028 in the aggregate for the additional coverage.

148. The Debtors' Insurance Program is managed through two insurance brokers, Lockton Companies and Newman Martin and Buchan LLP (the "Brokers"). The Brokers assist the Debtors in determining the appropriate type and amount of insurance coverage for their business and assets and then negotiate with insurance companies to procure the optimal policies. The Premiums are generally paid to the Brokers who then remit such payments to the Carriers. The Brokers are paid annual fees. For the current policy year, brokerage fees in the amount of $600,000 for Lockton and $425,000 for Newman Martin and Buchman were paid in June 2015.

149. Certain of the Policies provide coverage protecting the Debtors' Non-Debtor Subsidiaries and their assets. Specifically, the Debtors' Marine Package policies cover all of the jackup rig and liftboat vessels owned by both the Debtors and the Non-Debtor Subsidiaries. The Debtors, in the ordinary course of their business, pay the required premiums and accounts for their Non-Debtor Subsidiaries' share of the Marine Package policies' premiums through the creation of intercompany obligations owed to a Debtor by the relevant Non-Debtor Subsidiary. By obtaining the required insurance coverage for the company on a combined basis, the Debtors have been able to realize substantial savings and efficiencies in the cost of their Insurance Program. In the areas that these Policies cover, including (a) hull & machinery claims, (b) vessel pollution claims, (c) personal injury claims, and (d) third-party liability claims, it would not be feasible to separate out the Debtors' operations and other insurance needs from those of their

Non-Debtor Subsidiaries and obtain new separate insurance coverage for the Debtors and the Non-Debtor Subsidiaries, respectively, at a reasonable cost or within a reasonable time frame without exposing the Debtors and their operations to significant risk of disruption and increased expense from any material disruption of the Insurance Program.

150. It is essential to the continued operation of the Debtors' business and reorganization that the Insurance Program be maintained on an ongoing and uninterrupted basis.

XI. Motion to Assume Restructuring Support Agreement.[23]

151. **Relief Requested.** The Debtors seek authority pursuant to sections 105(a), 363(b)(2) and 365(a) of the Bankruptcy Code to (i) assume the Restructuring Support Agreement, and (ii) pay and reimburse the Steering Group Fees and Expenses in accordance with the terms of the Restructuring Support Agreement.

152. **Assumption of the Restructuring Support Agreement**. The Debtors have determined, in the exercise of their business judgment, that it is critical to the execution of the Plan to assume the Restructuring Support Agreement as expeditiously as possible. The Restructuring Support Agreement, among other things, provides that an overwhelming majority of the holders of Senior Notes — the only impaired class of claims entitled to vote on the Plan — will, subject to the terms and conditions of the Restructuring Support Agreement, support the Plan (having voted for it) and by not challenging any aspect of it during the pendency of the chapter 11 cases. The Restructuring Support Agreement contains a number of critical agreements that benefit the Debtors and the holders of the Senior Notes to facilitate the chapter 11 cases. Thus, the relief that is sought through this Motion with respect to the Restructuring Support Agreement will allow the Company to expeditiously confirm the pre-packaged Plan and

[23] *See Motion of Hercules Offshore, Inc., et al., for Authorization to (I) Assume Restructuring Support Agreement and (II) Pay and Reimburse Related Fees and Expenses*, filed concurrently herewith, and for which the Debtors seek expedited consideration approximately seven days after the Petition Date.

to implement the restructuring contemplated thereby. Indeed, without the Restructuring Support Agreement and the support of the Steering Group Members, it would be far more expensive, difficult and time-consuming — and potentially impossible — for the Debtors to reorganize successfully.

153. The Debtors believe that the restructuring transactions contemplated in the Restructuring Support Agreement and to be implemented through the Plan represent the best possible alternative under the circumstances. Importantly, however, in the unlikely event that a better alternative to the proposed restructuring transactions were to present itself, the Restructuring Support Agreement provides that the Debtors may terminate the Restructuring Support Agreement in the proper exercise of their fiduciary duties.

154. Given the significance of the support of the Steering Group Members to confirmation of the Plan, the Debtors have determined that obtaining Court approval to assume the Restructuring Support Agreement is in their best interests and in the best interests of their estates. Each constituency of the Debtors' stakeholders benefits from the terms of the Restructuring Support Agreement. The Restructuring Support Agreement is a product of arm's length-good faith negotiations among the Debtors and the Steering Group. Furthermore, the signing of the Restructuring Support Agreement was undertaken only after careful consideration by the Debtors' management and board of directors in consultation with their financial and legal advisors, following lengthy exploration of various alternative restructuring strategies both in court and out of court. The Debtors believe that, in light of all of the facts and circumstances of these chapter 11 cases, the terms of the Restructuring Support Agreement are fair, reasonable and appropriate. Moreover, they are integral to assuring that the Debtors can maximize the value of their estates for all of their stakeholders.

155. **Payment of the Transaction Expenses is Fair and Reasonable**. The Debtors believe that the provisions of the Restructuring Support Agreement providing for the reimbursement of the Steering Group Fees and Expenses are fair and reasonable and should be satisfied in accordance with the terms and conditions of the Restructuring Support Agreement. The commitments of the Steering Group Members under the Restructuring Support Agreement have been, and will be, of direct benefit to the Debtors, their estates and the future success of the chapter 11 cases. The foregoing parties have been integrally involved in the negotiation and formulation of the proposed Plan and its key terms and, absent their support, it would be extremely difficult (if not impossible) for the Debtors to successfully reorganize. These reimbursement provisions are designed to compensate the Steering Group for its expenses in negotiating the various agreements and arrangements outlined in the Plan, along with the financial risk they are undertaking to aid the Debtors in their restructuring efforts. The Debtors believe that the reimbursement of the Steering Group Fees and Expenses under the Restructuring Support Agreement is consistent with "market" practice and standard in similar agreements and reflects an exercise of their sound business judgment.

156. Moreover, because all creditors of the Debtors other than holders of Senior Notes are being paid in the ordinary course of business during the pendency of these chapter 11 cases and are unimpaired under the Plan, payment of the Steering Group Fees and Expenses as they come due does not prejudice the Debtors' other creditors. In addition, as a result of the work by the Steering Group and its professionals, the Debtors were able to negotiate a return for the Debtors' equity holders despite the fact that the total enterprise value of the Debtors is more than $500 million less than the value of the claims against the Debtors' estates. Accordingly all

parties and stakeholders of the Debtors benefit from the existence and assumption by the Debtors of the RSA and it represents a proper exercise of the Debtors' business judgment.

XII. Motion to Assume Exit Financing Commitment Letter and Approve Subscription Procedures for First Lien Exit Facility.[24]

157. **Relief Requested.** The Debtors seek entry of an order (i) authorizing the Debtors to (a) assume the Commitment Letter pursuant to Bankruptcy Code section 365(a); (b) pay the Put Option Premium, the Commitment Expenses and the Agent Fees, pursuant to the terms and conditions of the Commitment Letter, and (c) provide the Indemnification of the Indemnified Parties, pursuant to the terms and conditions of the Commitment Letter, all as provided for more fully in the Commitment Letter; and (ii) (a) approving the Subscription Procedures for the Subscription Process for Other Pre-Petition Noteholders to participate in the proposed First Lien Exit Facility and (b) authorizing the Debtors to conduct the Subscription Process in accordance with the Subscription Procedures.

158. **Assumption of the Commitment Letter and Payment of Fees and Expenses.** On July 13, 2015, as contemplated by the Restructuring Support Agreement, HERO entered into the Commitment Letter with the Commitment Parties. In the Commitment Letter, the Commitment Parties agreed to backstop the entire $450,000,000 of the First Lien Exit Facility, subject to implementation of the Subscription Process. Following emergence, HERO plans to utilize the proceeds of the First Lien Exit Facility (a) to finance the remaining installment payment on the *Hercules Highlander* in the aggregate approximate amount of $200 million and related expenses, costs and charges related to the construction and purchase of the *Hercules*

[24] On or shortly after the Petition Date, the Debtors intend to file, and will seek expedited consideration of, the *Motion Of Hercules Offshore, Inc., et al., For An Order (I) Authorizing (A) Assumption Of Exit Financing Commitment Letter, (B) Payment Of Related Fees And Expenses, And (C) Indemnification Of Commitment Parties And (II) (A) Approving Subscription Procedures For Other Pre-Petition Noteholders To Participate In The Proposed First Lien Exit Facility And (B) Authorizing The Subscription Process With Respect To The Other Pre-Petition Noteholders.*

Highlander and (b) to provide Hercules with working capital to finance payments under the Plan and for its post-emergence operations and for other general corporate purposes. Commitment Letter, Ex. A at 2. The First Lien Exit Facility will mature on the date which is $4^1/_2$ years after the Closing Date and will be secured by first lien priority liens on substantially all of the assets of the Debtors and the Non-Debtor Subsidiaries that guarantee the indebtedness under the First Lien Exit Facility. The Debtors agreed to the terms of the First Lien Exit Facility after consulting with their advisors on the possibility of an out-of-court financing and after reaching a determination that the amount and pricing of the First Lien Exit Facility represented a reasonable exercise of the Debtors' business judgment.

159. Put Option Premium. In consideration for the agreement to provide the Commitment, HERO has agreed to pay the Commitment Parties a put option premium equal to 2.00% of the principal amount of the First Lien Exit Facility (the "Put Option Premium"). Commitment Letter § 3, Ex. A. at 3. A portion of the Put Option Premium equal to 1.00% of the amount of the First Lien Exit Facility (the "Initial Put Option Premium") was paid to the Commitment Parties upon execution of the Commitment Letter.[25] *Id.* The remaining portion of the Put Option Premium (the "Remaining Put Option Premium") is payable upon consummation of the Plan. *Id*. Additionally, in the event of and upon the Debtors' execution of an alternative financing transaction without the prior written consent of the Commitment Parties required under the Commitment Letter (an "Alternative Transaction"), HERO has agreed to pay the Remaining Put Option Premium to the Commitment Parties. Commitment Letter § 8. In light of the amount of the First Lien Exit Facility and the percentage of the Put Option Premium of the amount thereof, the Debtors believe the Put Option Premium is well within the range of similar

[25] The Debtors are not seeking authority from this Court to make that portion of the Put Option Premium that has already been paid.

premiums or commitment fees, if not lower than such range. The Put Option Premium was a necessary condition for the Commitment Parties to enter into the Commitment Letter. Absent the Put Option Premium, the Debtors would have been unlikely to obtain the financing commitments required for successful consummation of the Plan.

160. Expenses. HERO has also agreed to pay (i) all out-of-pocket expenses of the Commitment Parties in connection with the First Lien Exit Facility and the transactions contemplated thereby and for enforcement costs and documentary taxes associated with the Commitment Letter or the First Lien Exit Facility and the transactions contemplated thereby (including, but not limited to, the reasonable fees, disbursements and other charges of Akin Gump Strauss Hauer & Feld LLP, as lead counsel, and Blackstone Advisory Partners, L.P., as financial advisor, and of any special and local counsel reasonably necessary) (the "Commitment Party Expenses") and (ii) all reasonable out-of-pocket expenses of any administrative agent and/or collateral agent for the First Lien Exit Facility (the "Agent") in connection with the First Lien Exit Facility and the transactions contemplated thereby and for enforcement costs and documentary taxes associated with the Commitment Letter or the First Lien Exit Facility and the transactions contemplated thereby (including, but not limited to, the reasonable fees, disbursements and other charges of one law firm and any special and local counsel reasonably necessary) (the "Agent Expenses" and, together with the Commitment Party Expenses, the "Commitment Expenses"). Commitment Letter §5. The Commitment Expenses are payable by HERO regardless of whether the First Lien Exit Facility is consummated. *Id*. Payment of the Commitment Expenses is a condition the Commitment Parties' commitments and agreements under the Commitment Letter. Commitment Letter § 4. The Commitment Expenses, specifically, will compensate the Commitment Parties for their actual costs incurred in

connection with their obligations under the Commitment Letter and participating in the negotiation of the Plan and the Commitment Letter. The Commitment Expenses were the result of arm's length negotiations between the Debtors and the Commitment Parties and are reasonable, appropriate and customary in financing transactions such as this, both in and out of chapter 11.

161. Agent Fees. HERO has also agreed to pay an arranger and administrative fee to the Agent in connection with the First Lien Exit Facility (the "Agent Fees"). Commitment Letter § 5. The Agent Fees will compensate the Agent for certain services, including (i) negotiating the credit agreement on behalf of the Agent, (ii) working with the Debtors and the Other Pre-Petition Noteholders as part of the Subscription Procedures, and (iii) working with any Pre-Petition Noteholders by way of participation, assignment and fronting (as applicable) for such Pre-Petition Noteholders that cannot be signatories to the First Lien Exit Facility. In addition, the Agent Fees will compensate the Agent for its post-closing administration of the First Lien Exit Facility. The agreement of the Debtors to pay the Agent Fees is a condition to the Commitment Parties' commitments and agreements under the Commitment Letter. Commitment Letter § 4. The Debtors will provide additional details with respect to the Agent Fees prior to any hearing on their approval.

162. Indemnities. As set forth more fully in the Commitment Letter, the Debtors have also agreed to indemnify, hold harmless and defend (the "Indemnification") the Commitment Parties, the Agent and each of their respective affiliates and their respective directors, officers, employees, attorneys, advisors, agents and other representatives (each an "Indemnified Person") from and against any losses, claims, damages and liabilities arising out of or in connection with (i) the Commitment Letter, (ii) the First Lien Exit Facility, or (iii) the transactions contemplated

by the Commitment Letter or the First Lien Exit Facility. Commitment Letter § 5. The Indemnification does not apply to losses, claims, damages, liabilities or related expenses to the extent they are found by a final, nonappealable judgment of a court of competent jurisdiction to arise from (a) the willful misconduct or gross negligence of such Indemnified Person or (b) the material breach by such Indemnified Person of its obligations under this Commitment Letter or any of the First Lien Exit Facility documents. *Id.* The Indemnification was the result of arm's length negotiations between the Debtors and the Commitment Parties and is reasonable, appropriate and customary in financing transactions such as this, both in and out of chapter 11.

163. **Approval of Subscription Procedures.** Pursuant to the Commitment Letter, the Restructuring Support Agreement, and the Plan, the Commitment Parties and the Debtors have agreed to provide Other Pre-Petition Noteholders (meaning holders of Pre-Petition Notes that are not Commitment Parties and meet certain eligibility requirements) with the opportunity to participate, on a pro rata basis, in the First Lien Exit Facility during the period from the Petition Date through the date of the hearing on confirmation of the Plan pursuant to procedures acceptable to the Required Commitment Parties subject to certain limitations. Accordingly, to fulfill their obligations under the Commitment Letter, the Restructuring Support Agreement and the Plan, the Debtors have arranged to provide Other Pre-Petition Noteholders with the opportunity to subscribe for their pro rata portion of the First Lien Exit Facility pursuant to the Subscription Procedures.

164. The Debtors believe that the Notice that will be distributed in connection with the Subscription Process, when taken together with the Plan, the Disclosure Statement and the Debtors' public filings, will provide Other Pre-Petition Noteholders with adequate information for all purposes relating to the Subscription Process, including for purposes of making an

informed decision as to such Other Pre-Petition Noteholders' participation in the First Lien Exit Facility. The Subscription Procedures and the Notice are designed to afford all interested Other Pre-Petition Noteholders entitled to participate in the First Lien Exit Facility a fair and reasonable opportunity to participate in the Subscription Process, and to inform such Other Pre-Petition Noteholders as to the appropriate procedures for such participation. The Debtors submit that Subscription Procedures and the Notice are reasonable and comparable to procedures and forms that have been approved in similar contexts. Additionally, approving the Debtors' use of Prime Clerk as Information Agent, therefore, will save the Debtors' estates resources and promote efficiency. Prime Clerk has experience serving as information agent and/or solicitation agent in other complex chapter 11 cases and is already serving as the Debtors' voting and claims agent.

165. In view of the short timeline that may be interposed between the commencement of these chapter 11 cases and confirmation of the Plan, the Debtors seek to commence the Subscription Process as soon as reasonably practicable to ensure that the First Lien Exit Facility can be closed in a timely manner. As explained in more detail below, the Debtors intend to provide Other Pre-Petition Noteholders a period of 20 days from the commencement of the Subscription Process to review the subscription materials and determine whether to participate in the First Lien Exit Facility. The First Lien Exit Facility is a critical element of the Plan, and the financing commitment under the Commitment Letter expires if the First Lien Exit Facility does not close on or prior to November 7, 2015. The Debtors and the Non-Debtor Subsidiaries have operations in a significant number of countries and, therefore, closing of the First Lien Exit Facility could become extremely time-consuming. Accordingly, the Debtors believe that it is in the best interests of their estates to commence the Subscription Process as soon as possible.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 13, 2015

Respectfully submitted,

Troy L. Carson
Senior Vice President and Chief Financial Officer
Hercules Offshore, Inc., *et al.*

EXHIBIT A

THIS RESTRUCTURING SUPPORT AGREEMENT IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF VOTES WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR, AS APPLICABLE, PROVISIONS OF THE BANKRUPTCY CODE.

RESTRUCTURING SUPPORT AGREEMENT

by and among

HERCULES OFFSHORE, INC. AND ITS DOMESTIC SUBSIDIARIES

and

THE UNDERSIGNED CREDITOR PARTIES

dated as of June 17, 2015

RESTRUCTURING SUPPORT AGREEMENT

This RESTRUCTURING SUPPORT AGREEMENT (as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof and including all exhibits annexed hereto which are incorporated by reference herein, this "RSA" or this "Agreement"), dated as of June 17, 2015, is entered into by and among (x) Hercules Offshore, Inc., a Delaware corporation ("HERO" or the "Company"), and each of the undersigned direct and indirect U.S. subsidiaries of the Company (the "Debtor Subsidiaries," and together with the Company, the "Debtors") and (y) each of the undersigned supporting noteholders, severally and not jointly (each a "Steering Group Member" and collectively, the "Steering Group"). Each of the Debtors and the Steering Group Members is referred to herein individually as a "Party", and collectively as the "Parties".

WHEREAS, HERO and its majority-owned subsidiaries provide shallow-water drilling and marine services to the oil and natural gas exploration and production industry globally through its domestic offshore, international offshore and international liftboats segments;

WHEREAS, the Debtors are obligors under certain senior notes in the aggregate outstanding principal amount of $1.2 billion (collectively, the "Senior Notes"), described generally as follows:

Issuance	**Principal Balance at March 31, 2015**
8.75% Senior Notes, due July 2021 (the "8.75% Senior Notes")	$400.0 million
7.5% Senior Notes, due October 2021 (the "7.50% Senior Notes")	$300.0 million
6.75% Senior Notes, due April 2022 (the "6.75% Senior Notes")	$300.0 million
10.25% Senior Notes, due April 2019 (the "10.25% Senior Notes")	$200.0 million

WHEREAS, the Debtors are also obligors under certain other notes in the aggregate outstanding principal amount of $10.9 million, at March 31, 2015, described generally as follows: (a) $7.4 million of outstanding 3.375% Convertible Senior Notes, due June 2038 (the "Convertible Notes") and (b) $3.5 million of 7.375% Senior Notes, due April 2018 (the "Legacy Notes" and together with the Convertible Notes, the "Historical Notes");

WHEREAS, the Debtors and the Steering Group Members have negotiated, in good faith and at arms' length, a transaction that will effectuate a financial restructuring of the Debtors' capital structure and financial obligations, on the terms and conditions set forth in the Term Sheet (each as defined below) (the "Restructuring") that is to be implemented in voluntary cases commenced by the Debtors under Chapter 11 of the United States Bankruptcy Code, 11

U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), before the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), on a consensual basis pursuant to a joint chapter 11 plan of reorganization to be confirmed under Chapter 11 of the Bankruptcy Code, the terms and conditions of which will be on the terms described in the term sheet which is attached hereto as **Exhibit A** (including any annexes and schedules attached thereto, the "Term Sheet"), and, if not specified in the Term Sheet, that is otherwise in form and substance reasonably satisfactory to the Steering Group (the "Plan");

WHEREAS, the Parties intend to implement the Restructuring through a "pre-packaged" or "pre-negotiated" plan of reorganization, as the case may be, and in connection therewith, the Debtors have agreed, subject to the terms and conditions of this Agreement, (i) to prepare a disclosure statement containing "adequate information" (as that term is used in the Bankruptcy Code) with respect to the Plan and the Term Sheet and otherwise in form and substance reasonably satisfactory to the Steering Group (the "Disclosure Statement"), (ii) in the case of a pre-packaged plan of reorganization (such plan, in form and substance reasonably satisfactory to the Steering Group, the "Pre-Pack Plan"), to solicit acceptances of the Pre-Pack Plan from the holders of Senior Notes in accordance with applicable non-bankruptcy law, as permitted under sections 1125(g) and 1126(b) of the Bankruptcy Code, or, in the case of a pre-negotiated plan of reorganization (such plan, in form and substance reasonably satisfactory to the Steering Group, the "Pre-Negotiated Plan"), to obtain approval of the Disclosure Statement by the Bankruptcy Court and thereafter to solicit acceptances of the Pre-Negotiated Plan from the holders of Senior Notes in accordance with orders of the Bankruptcy Court, (iii) to prepare and file, in any case(s) filed under Chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"), the Plan and the Disclosure Statement; and (iv) to use commercially reasonable efforts to have the Plan confirmed by the Bankruptcy Court and consummated thereafter;

WHEREAS, the Steering Group, who collectively hold more than 66 2/3% of the outstanding principal balance of the Senior Notes, have agreed, subject to the receipt of a Disclosure Statement, to vote in favor of and not oppose, the Restructuring and the Plan on the terms and subject to the conditions set forth herein; and

WHEREAS, the Parties desire to express to each other their mutual support and commitment in respect of the Restructuring and the Plan pursuant to a Pre-Pack Plan or Pre-Negotiated Plan on the terms and conditions contained in this RSA and the attached Term Sheet.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

1. Incorporation of Term Sheet and Definitions; Interpretation.

The Term Sheet is expressly incorporated herein by reference and is made part of this Agreement. All references herein to "this Agreement", "this RSA" or "herein" shall include the Term Sheet. The general terms and conditions of the Restructuring, as supplemented by the terms and conditions of this Agreement, are set forth in the Term Sheet. In the event the terms

and conditions as set forth in the Term Sheet and this Agreement are inconsistent, the terms and conditions as set forth in this Agreement shall govern. Capitalized terms used and not defined in this Agreement shall have the meaning ascribed to them in the Term Sheet.

In this RSA, unless the context otherwise requires:

a. words importing the singular also include the plural, and references to one gender include all genders;

b. the headings in this RSA are inserted for convenience only and do not affect the construction of this RSA and shall not be taken into consideration in its interpretation;

c. the words "hereof," "herein" and "hereunder" and words of similar import when used in this RSA shall refer to this RSA as a whole and not to any particular provision of this RSA;

d. the words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation." The word "or" is not exclusive;

e. all financial statement accounting terms not defined in this RSA shall have the meanings determined by United States generally accepted accounting principles as in effect on the date of this RSA;

f. references to any governmental entity or any governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body, in any jurisdiction shall include any successor to such entity.

2. Effectiveness; Entire Agreement.

a. This Agreement shall become effective as to the Company and each individual Steering Group Member upon the execution and delivery of counterpart signature pages to this Agreement by and among (i) the Steering Group Members that together own and hold with the power to vote Senior Note claims equal to at least 66 2/3% of the aggregate principal outstanding under the Senior Notes, as reflected on Schedule 2 hereto, and (ii) the Company (such date, the "RSA Effective Date").

b. Without limiting the rights and remedies of any Party arising from a breach of this RSA prior to its valid termination, if this RSA is validly terminated in accordance with its terms, then this RSA shall be null and void and have no further legal effect and none of the Parties shall have any liability or obligation arising under or in connection with this RSA.

c. Each of the exhibits attached hereto is expressly incorporated herein and made a part of the RSA, and all references to this RSA shall include the exhibits. In the event of any inconsistency between this RSA (without reference to the

exhibits) and the exhibits, this RSA (without reference to the exhibits) shall govern.

d. With the exception of non-disclosure and confidentiality agreements among the Parties, this RSA (including the Term Sheet) constitute the entire agreement of the Parties with respect to the subject matter hereof and supersede all prior agreements (oral and written) and all other prior negotiations.

3. Mutual Covenants of All Parties.

For so long as this RSA has not been validly terminated in its entirety in accordance with its terms, and subject to the terms and conditions of this Agreement, the Parties agree severally and not jointly (in the case of any Steering Group Member, so long as it remains the legal owner, beneficial owner and/or investment advisor or manager of or with power and/or authority to bind any Senior Notes claims (provided that any transfer of Senior Notes claims is made in accordance with Section 9 herein)) to use reasonable best efforts to complete the Restructuring through the Plan within the timeframe contemplated by this Agreement and on terms and conditions consistent with those set forth herein. For so long as this RSA has not been validly terminated in accordance with its terms, each Party hereby agrees and covenants severally (but not jointly) to:

a. cooperate with each other in good faith and coordinate their activities in connection with (i) the implementation of the Restructuring and (ii) confirmation and consummation of the Plan, in each case as soon as reasonably practicable;

b. use reasonable best efforts and work in good faith to negotiate definitive documents implementing, achieving and relating to the Restructuring, including, but not limited to, (i) the Disclosure Statement, the Plan, the order of the Bankruptcy Court confirming the Plan (such order, in form and substance reasonably satisfactory to the Steering Group, the "Confirmation Order"), the plan supplement and its exhibits, solicitation procedures, the First Lien Exit Facility and related loan documents, the new management incentive plan, the organizational and governance documents (including, without limitation, the organizational and governance documents for the reorganized Company), and the warrants; and (ii) such other related plan documents and ancillary agreements required to implement the Restructuring, the Plan and Disclosure Statement, each of which are more specifically described in the Term Sheet and shall contain terms and conditions consistent in all respects with the Term Sheet and, if not specified in the Term Sheet, otherwise in form and substance reasonably satisfactory to the Steering Group and the Debtors (collectively, such documents, in form and substance reasonably satisfactory to the Steering Group, the "Definitive Documents"); and (ii) execute (to the extent they are a party thereto) the Definitive Documents and otherwise support and seek to effect the actions and transactions contemplated thereby, in each case as soon as reasonably practicable;

c. use their reasonable best efforts to negotiate and execute all Definitive Documents reasonably necessary or otherwise required (A) to commence solicitation, in the case of a Pre-Packaged Case (as defined in the Term Sheet), for the Pre-Pack Plan as promptly as possible following the RSA Effective Date and, in any case, no later than July 8, 2015 (the "Solicitation Documents Outside Completion Date"); or (B) to commence a Pre-Negotiated Case (as defined in the Term Sheet), if applicable, no later than July 8, 2015;

d. take such action as may be reasonably necessary to carry out the purposes and intent of this Agreement;

e. not take any action that is inconsistent with, or is intended to frustrate, delay or impede the timely approval and confirmation of the Plan and consummation of the transactions described in the Term Sheet and the Plan;

f. to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the transactions contemplated herein, negotiate in good faith appropriate additional or alternative provisions to address any such impediment;

g. comply with all of its obligations under this RSA and the exhibits annexed hereto (which exhibits are incorporated herein by reference) unless compliance is waived in writing by each of the other Parties; and

h. support and use reasonable best efforts to (A) complete the Restructuring and all transactions contemplated under this Agreement, including, without limitation, those described in the Term Sheet (and the Plan) as soon as reasonably practicable, and in any event, not later than in accordance with the deadlines specified in the milestones set forth in Schedule 1 to the Term Sheet (collectively, as the same may be modified in accordance with the terms of this Agreement, the "Milestones"), (B) take any and all reasonably necessary actions in furtherance of the Restructuring and the transactions contemplated under this Agreement, including, without limitation, as set forth in the Term Sheet (and once filed, the Plan), and (C) obtain (solely as it relates to such Party) any and all required regulatory and/or third party approvals necessary to consummate the Restructuring.

4. Additional Covenants of the Steering Group Members.

For so long as this RSA has not been validly terminated in its entirety in accordance with its terms, each Steering Group Member (solely on its own behalf and not on behalf of any other holder of Senior Note claims) hereto agrees and covenants severally (but not jointly), so long as it remains the legal owner, beneficial owner and/or investment advisor or manager of or with power and/or authority to bind any Senior Notes claims (provided that any transfer of Senior Notes claims is made in accordance with Section 9 herein), to:

a. not, directly or indirectly, (i) object to, delay, impede, or take any other action to interfere with the acceptance, implementation, confirmation or

consummation of the Restructuring and the Plan; (ii) seek, solicit, support, encourage, or vote any Claims for, or consent to any restructuring or reorganization for any of the Debtors that is inconsistent with the Term Sheet and the Plan in any respect; (iii) commence or support any action filed by any party in interest to appoint a trustee, conservator, receiver, or examiner for the Debtors, or to dismiss the Chapter 11 Cases, or to convert the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code; (iv) commence or support any action or proceeding to shorten or terminate the period during which only the Debtors may propose and/or seek confirmation of a plan of reorganization; or (v) otherwise support any plan or sale process that is inconsistent with the RSA;

b. (i) not instruct an agent or indenture trustee for any of the Senior Notes to take any action that is inconsistent with the terms and conditions of this RSA, including, without limitation, the declaration of an event of default, or acceleration of the Senior Notes arising from, relating to, or in connection with the execution of this Agreement and (ii) at the request of the Company, waive or agree to forbear from exercising any right to take any action in respect of any default or acceleration that may occur automatically without action of any party as a result of the operation of the indentures governing the Senior Notes;

c. (i) if the Debtors seek approval or ratification of the Disclosure Statement, the solicitation and the solicitation procedures (such procedures, in form and substance satisfactory to the Steering Group (the "Solicitation Procedures"), or any of the Definitive Documents, for any reason, from the Bankruptcy Court or any regulatory authority, not to object to such approval or ratification, (ii) neither oppose nor object to the Disclosure Statement, the solicitation and the Solicitation Procedures, or any of the Definitive Documents, (iii) neither join in nor support any objection to the Disclosure Statement, the solicitation and the Solicitation Procedures, any of the Definitive Documents, or the Plan, or (iv) otherwise commence any proceeding to oppose or alter any of the terms of the Plan or any other document filed by Debtors (to the extent such document is in form and substance reasonably satisfactory to the Steering Group) in connection with the confirmation and consummation of the Plan;

d. (i) vote, and cause its controlled affiliates and funds, as appropriate, to vote each of its Senior Note claims and, as applicable, any other voting claims against the Debtors, to accept the Plan by delivering its duly executed and completed ballot accepting the Plan on a timely basis following the commencement of the solicitation and its actual receipt of the Disclosure Statement and related solicitation materials that meet the requirements of the Bankruptcy Code, including (A) in the case of a Pre-Negotiated Plan, Bankruptcy Code section 1125, and (B) in the case of a Pre-Pack Plan, Bankruptcy Code sections 1125 and 1126; and (ii) to the extent such election is available, not elect on its ballot to preserve claims, if any, that each Steering

Group Member may own or control that may be affected by any releases expressly contemplated by the Plan; and

e. not change or withdraw (or cause to be changed or withdrawn) such vote.

5. Additional Covenants of the Debtors.

For so long as this RSA has not been validly terminated in its entirety in accordance with its terms, the Debtors agree and covenant to:

a. use reasonable best efforts to obtain approval by the Bankruptcy Court of the Disclosure Statement and the Solicitation Procedures and entry of the Confirmation Order;

b. take no action that is materially inconsistent with this Agreement, the Term Sheet, or the Plan, or that would potentially delay approval or ratification, as applicable, of the Disclosure Statement, the solicitation and Solicitation Procedures, or confirmation and consummation of the Plan;

c. not directly or indirectly (A) join in or support any alternative plan or transaction other than the Plan; or (B) take any action to alter, delay, or impede the approval or ratification, as applicable, of the Disclosure Statement, the solicitation and Solicitation Procedures, and confirmation and consummation of the Plan; and

d. object to any motion to approve or confirm, as applicable, any other plan of reorganization, sale transaction, or any motions related thereto, to the extent that the terms of any such motions, documents, or other agreements are inconsistent with this RSA or the Term Sheet and such inconsistencies were not approved in writing by the Steering Group;

e. pay the reasonable and documented fees and expenses of Akin Gump Strauss Hauer & Feld LLP and Blackstone Advisory Partners L.P. incurred in accordance with the applicable fee letters, as incurred by the Steering Group until the earlier of (x) the termination of this Agreement in accordance with the terms hereof and in accordance with the terms of such letters and (y) the effective date of the Plan.

6. Preservation of Participation Rights. For the avoidance of doubt, nothing in this RSA shall limit any rights of any Party, subject to applicable law, the Plan, and the Term Sheet, to (a) appear and participate as a party in interest in any contested matter to be adjudicated in the Chapter 11 Cases; (b) initiate, prosecute, appear, or participate as a party in interest in any adversary proceeding in the Bankruptcy Cases, so long as, in the case of each of (a) or (b), such appearance, initiation, prosecution or participation and the positions advocated in connection therewith are not materially inconsistent with this RSA, the Plan or the Term Sheet; (c) object to any motion to approve or confirm, as applicable, any other plan of reorganization, sale transaction, or any motions related thereto, to the extent that the terms of any such motions, documents, or other agreements are materially inconsistent with this RSA, the Plan or the Term Sheet and such inconsistencies were not approved in writing by each other Party; (d) file a copy of this RSA (including all exhibits hereto) or a description of the matters herein with the

Bankruptcy Court or as required under applicable non-bankruptcy law, so long as the consent of all Parties to this Agreement (which consent will not unreasonably be withheld) has been obtained prior to such filing; (e) appear as a party in interest in the Chapter 11 Cases for the purpose of contesting whether any matter or fact is or results in a breach of, or is materially inconsistent with, this Agreement; and (f) as applicable, file a proof of claim, if required.

7. Mutual Representations and Warranties of All Parties. Each Party represents and warrants to each of the other Parties that, as of the date hereof:

a. it has all requisite power and authority to enter into this RSA and to carry out the transactions contemplated by, and perform its obligations under, this RSA;

b. the execution and delivery of this RSA and the performance of its obligations hereunder have been duly authorized by all necessary action on its part; and

c. this RSA constitutes the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

8. Additional Representations and Warranties by the Steering Group Members. Each Steering Group Member (solely on its own behalf and not on behalf of any other Steering Group Member) represents and warrants to the best of its knowledge, as of the date hereof that:

a. Holdings by Steering Group. As of the date hereof, with respect to the Senior Note claims held by such Steering Group Member as set forth on Schedule 2 hereto, such Steering Group Member (A) either (i) is the sole beneficial owner of the principal amount of such Senior Note claims, or (ii) has sole investment or voting discretion with respect to the principal amount of such Senior Note claims as set forth herein and has the power and authority to bind the beneficial owners of such Senior Note claims to the terms of the RSA, and (B) has full power and authority to act on behalf of, vote, and consent to matters concerning such Senior Note claims and to dispose of, exchange, assign, and transfer such Senior Note claims, including the power and authority to execute and deliver the RSA and to perform its obligations thereunder, in each case, subject to any ordinary course financing arrangements a Steering Group Member may have with respect to such Senior Note claims.

b. No Transfers. As of the date hereof, with respect to the Senior Note claims held by such Steering Group Member as set forth on Schedule 2 hereto, such Steering Group Member has made no assignment, sale, participation, grant, conveyance, pledge, or other transfer of, and has not entered into any other agreement to assign, sell, use, participate, grant, convey, pledge, or otherwise transfer, in whole in or part, any portion of its right, title, or interests in any such Senior Note claims that are subject to the RSA that conflict with the

representations and warranties of such Steering Group Member therein or would render such Steering Group Member otherwise unable to comply with the RSA and perform its obligations thereunder (other than pledges, transfers or security interests that such Steering Group Member may have created (y) in favor of a prime broker under and in accordance with its prime brokerage agreement with such prime broker or (z) in favor of a financing counterparty under in accordance with any ordinary course financing arrangements).

c. Sufficiency of Information Received. Such Steering Group Member has reviewed, or has had the opportunity to review, with the assistance of professional and legal advisors of its choosing, all information it deems necessary and appropriate for such Steering Group Member to evaluate the financial risks inherent in the Restructuring and accept the terms of the Plan as set forth in the Term Sheet.

9. Transfer Restrictions. No Steering Group Member shall (i) sell, use, pledge, assign, transfer, permit the participation in, or otherwise dispose of any ownership (including any beneficial ownership) in the Senior Notes set forth on Schedule 2 hereto in whole or in part (other than pledges, transfers or security interests that such Steering Group Member may have created (y) in favor of a prime broker under and in accordance with its prime brokerage agreement with such prime broker or (z) in favor of a financing counterparty under in accordance with any ordinary course financing arrangements); or (ii) grant any proxies, deposit any of such Steering Group Member's interests in a Senior Note set forth on Schedule 2 hereto into a voting trust, or enter into a voting agreement with respect to any such interest (collectively, the actions described in clauses (i) and (ii), a "Transfer"), unless it satisfies the following requirement (a transferee that satisfies such requirements, a "Permitted Transferee," and such Transfer, a "Permitted Transfer"): The intended transferee executes and delivers to counsel to the Company and counsel to the Steering Group on the terms set forth below an executed form of the transfer agreement in a form attached to the RSA (a "Transfer Agreement") before such Transfer is effective (it being understood that any Transfer shall not be effective until notification of such Transfer and a copy of the executed Transfer Agreement is received by counsel to the Company and counsel to the Steering Group, in each case, on the terms set forth herein).

Notwithstanding anything to the contrary herein, (i) the foregoing provisions shall not preclude any Steering Group Member from transferring Senior Notes and claims to affiliates of such Steering Group Member (each, a "Creditor Affiliate"), which Creditor Affiliate shall be automatically bound by the RSA upon the transfer of such Senior Notes and claims, (ii) a Qualified Marketmaker[1] that acquires any of the Senior Notes and claims with the purpose and intent of acting as a Qualified Marketmaker for such Senior Notes and claims, shall not be required to execute and deliver to counsel a Transfer Agreement or otherwise agree to be bound by the terms and conditions set forth in this RSA if such Qualified Marketmaker transfers such Claims (by purchase, sale, assignment, participation, or otherwise) to a Steering Group Member

[1] As used herein, the term "Qualified Marketmaker" means an entity that (a) holds itself out to the public or the applicable private markets as standing ready in the ordinary course of business to purchase from customers and sell to customers Claims of the Debtors (or enter with customers into long and short positions in Claims against the Debtors), in its capacity as a dealer or market maker in claims against the Debtors and (b) is, in fact, regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt).

or Permitted Transferee (including, for the avoidance of doubt, the requirement that such transferee execute a Transfer Agreement) and the transfer otherwise is a Permitted Transfer, and (iii) to the extent any Party, who has signed the RSA, is acting in its capacity as a Qualified Marketmaker, it may Transfer any ownership interests in the Senior Notes that it acquires from a holder that has not signed the RSA to a transferee that has not signed the RSA at the time of such Transfer without the requirement that such transferee be or become a signatory to the RSA.

This RSA shall in no way be construed to preclude Steering Group Member or any of its affiliates from acquiring additional Senior Notes or any other claim against or equity interest in the Company; provided, however, that (i) if any Steering Group Member acquires additional or transferred Senior Notes, as applicable, after the RSA Effective Date, such Steering Group Member shall promptly notify the other Parties of such acquisition including the amount of such acquisition and (ii) such acquired Senior Notes, as the case may be, shall automatically and immediately upon acquisition by a Steering Group Member, as applicable, be deemed subject to the terms of this RSA (regardless of when or whether notice of such acquisition is given to in accordance herewith).

Any Transfer made in violation of this provision shall be void ab initio. Any Steering Group Member that effectuates a Permitted Transfer to a Permitted Transferee shall have no liability under this RSA arising from or related to the failure of the Permitted Transferee to comply with the terms of this RSA.

10. Termination of Obligations.

(a) This Agreement shall terminate and all of the obligations of the Parties shall be of no further force or effect in the event that and upon the occurrence of any of the following events: (i) occurrence of the effective date of the confirmed Plan, (ii) an order denying confirmation of the Plan is entered, (iii) an order confirming the Plan is reversed or vacated, (iv) any court of competent jurisdiction has entered an order declaring this Agreement to be unenforceable, (v) the Parties mutually agree to such termination in writing, or (vi) this Agreement is terminated pursuant to paragraph (b), (c) or (d) of this Section 10.

(b) The Company may, in its discretion, terminate this Agreement by written notice to counsel for the Steering Group, upon the occurrence of any of the following events:

(i) a determination by the board of directors of HERO (the "Board"), in good faith, based on the advice of its outside counsel, that proceeding with the Restructuring and pursuit of confirmation and consummation of the Plan would be inconsistent with the Board's fiduciary obligations under applicable law;

(ii) a breach by any Steering Group Member of its material obligations hereunder, which breach is not cured within twenty days after the giving of written notice by HERO of such breach to such Steering Group Member; provided, however, that if the Company has not provided such written notice of breach to (a) other Steering Group Members that hold in the aggregate at least 33 1/3% of the Senior Notes and (b) counsel to the Steering Group, the Company may only terminate this Agreement pursuant to this Section 10(b)(ii) following such

twenty day notice period, if such breach or breaches have not been cured, solely as to the Steering Group Member then in breach;

provided, that upon a termination of this Agreement by the Debtors pursuant to section 10(b), (x) all obligations of each Steering Group Member hereunder shall immediately terminate without further action or notice by such Steering Group Member, and (y) the Company (and its directors, officers, employees, advisors, subsidiaries, and representatives) shall not have or incur any liability under this Agreement or otherwise on account of such termination.

(c) This Agreement may be terminated by the Steering Group (acting through members holding at least 66 2/3% of the aggregate amount of the Senior Notes held by all members of the Steering Group) upon the occurrence of any of the following events (it being understood that the following termination events are intended solely for the benefit of the Steering Group) (the "Lender Termination Events"):

(i) filing by the Debtors of a plan of reorganization (or disclosure statement related thereto) in the Chapter 11 Cases that is not in form and substance reasonably satisfactory to the Steering Group;

(ii) after filing of the Plan, any amendment or modification to the Plan, or the filing of any pleading by any of the Debtors that seeks to amend or modify the Plan, which amendment, modification or filing is not in form and substance reasonably satisfactory to the Steering Group;

(iii) a breach by the Debtors of their material obligations hereunder, which breach is not cured within twenty days after the giving of written notice by counsel for the Steering Group (acting on behalf of the Steering Group) of such breach;

(iv) the failure of the Debtors to comply with the Milestones within the periods specified therein, unless otherwise agreed in writing with Steering Group Members holding at least 66 2/3% of the aggregate amount of the Senior Notes held by all members of the Steering Group and the Debtors; it being understood that if a Milestone ends on a weekend or holiday on which the Bankruptcy Court is not open and holding hearings, such Milestone shall be automatically extended to the next business day on which the Bankruptcy Court is open and holding hearings;

(v) any of the Chapter 11 Cases shall have been dismissed or converted to cases under Chapter 7 of the Bankruptcy Code; or

(vi) (a) in a Pre-Packaged Case, the appointment of an official committee of unsecured creditors or (b) in either a Pre-Packaged Case or a Pre-Negotiated Case, the appointment of an official committee of equity security holders.

(d) The Debtors or the Steering Group (by written notice executed by counsel at the direction of the Steering Group) may terminate this Agreement by written notice to the Parties in the event that the Bankruptcy Court or other governmental authority shall have issued any order, injunction or other decree or take any other action, which restrains, enjoins or

otherwise prohibits the implementation of the Restructuring and/or the Plan substantially on the terms and conditions set forth in this Agreement.

(e) This Agreement shall terminate solely as to any Steering Group Member on the date on which such Steering Group Member has transferred all (but not less than all) of its Senior Notes claims in accordance with Section 9 of this Agreement.

(f) If this Agreement is terminated pursuant to this Section, all further obligations of the Parties hereunder shall be terminated and without further liability, *provided* that each Party shall have all rights and remedies available to it under applicable law (for all matters unrelated to this Agreement). Upon a termination of this Agreement in accordance with this Section, no Party hereto shall have any continuing liability or obligation to any other Party hereto and the provisions of this Agreement shall have no further force or effect; *provided* that no such termination shall relieve any party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination.

11. Reserved.

12. Specific Performance. It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this RSA by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief (without the posting of any bond and without proof of actual damages) as a remedy of any such breach, including an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder. The Parties to the RSA expressly consent to entry of orders by the Bankruptcy Court to enforce the RSA.

13. Counterparts. This RSA and any amendments, waivers, consents, or supplements hereto or in connection herewith may be executed in multiple counterparts (including by means of telecopied or electronically transmitted signature pages), all of which taken together shall constitute one and the same RSA.

14. No Solicitation and Acknowledgements. Each Party acknowledges that (a) no securities of the Company are being offered or sold hereby and this Agreement neither constitutes an offer to sell nor a solicitation of an offer to buy any securities of the Company and (b) that this Agreement is not, and shall not be deemed to be, a solicitation of a vote for the acceptance of the Plan pursuant to section 1125 of the Bankruptcy Code. The acceptance of votes from holders of claims and interests, as applicable, will not be solicited until such holders have received the Disclosure Statement and related solicitation materials that meet the requirements of the Bankruptcy Code, including (i) in the case of a Pre-Negotiated Plan, Bankruptcy Code section 1125, and (ii) in the case of a Pre-Pack Plan, Bankruptcy Code sections 1125 and 1126.

15. Confidentiality. Other than as may be required by applicable law and regulation or by any governmental or regulatory authority, no Party shall issue any press release, make any filing with the Securities and Exchange Commission (other than required under applicable securities law and regulation as reasonably determined in good faith by outside counsel to the Debtors) or make any other public announcement regarding this RSA without the consent of the

other Parties, and each Party shall coordinate with the other Parties regarding any public statements made, including any communications with the press, public filings or filings with the Securities and Exchange Commission, with respect to this RSA; for the avoidance of doubt, each Party shall have the right, without any obligation to any other Party, to decline to comment to the press with respect to this RSA. For the avoidance of doubt and notwithstanding the generality of the foregoing, under no circumstances may any Party make any public disclosure of any kind that would disclose (i) the holdings of Senior Notes of any Steering Group Member or (ii) the identity of any Steering Group Member without the prior written consent of such Steering Group Member.

16. **Time is of the Essence**. The Parties acknowledge and agree that time is of the essence, and that they must each use best efforts to effectuate and consummate the Restructuring as soon as reasonably practicable.

17. **Governing Law; Consent to Jurisdiction**.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAW PROVISION WHICH WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

By its execution and delivery of this Agreement, each of the Parties hereto irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit, or proceeding, shall be brought, to the extent possible, in either the United States District Court for the Southern District of New York or any New York State Court sitting in New York City or following the Petition Date, the Bankruptcy Court (the "Chosen Courts"). By execution and delivery of this Agreement, each of the Parties irrevocably accepts and submits itself to the exclusive jurisdiction of the Chosen Courts, generally and unconditionally, with respect to any such action, suit, or proceeding, and waives any objection it may have to venue or the convenience of the forum.

18. **Independent Analysis**. Each Party hereby confirms that it has made its own decision to execute this RSA based upon its own independent assessment of documents and information available to it, as it has deemed appropriate.

19. **Third-Party Beneficiaries.**

Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties hereto and no other person or entity shall be a third party beneficiary hereof.

20. **Notices**. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, by email or overnight courier.

(a) If to the **Steering Group**, to:

Michael S. Stamer

Arik Preis
Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
Bank of America Tower
New York, New York 10036
mstamer@akingump.com
apreis@akingump.com

(b) If to **Debtors**, to:

Beau M. Thompson
Senior Vice President, General Counsel and Secretary
Hercules Offshore, Inc.
9 Greenway Plaza, Suite 2200
Houston, Texas 77046
bthompson@herculesoffshore.com

W*ith a copy to:*

Emanuel C. Grillo
Luke Weedon
BakerBotts L.L.P.
30 Rockefeller Plaza
New York, New York 10112
emanuel.grillo@bakerbotts.com
luke.weedon@bakerbotts.com

21. **Severability**. Whenever possible, each provision of this RSA shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this RSA is held to be prohibited by or invalid under applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this RSA. In the event that any part of this RSA is declared by any court or other judicial or administrative body to be null, void or unenforceable, said provision survives to the extent it is not so declared, and all of the other provisions of this RSA remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this RSA was executed or last amended.

22. **Mutual Drafting**. This RSA is the result of the Parties' joint efforts, and each of them and their respective counsel have reviewed this RSA and each provision hereof has been subject to the mutual consultation, negotiation, and agreement of the Parties, and the language used in this RSA shall be deemed to be the language chosen by the Parties to express their mutual intent, and therefore there shall be no construction against either Party based on any presumption of that Party's involvement in the drafting thereof.

23. **Headings**. The headings used in this RSA are for convenience of reference only and do not constitute a part of this RSA and shall not be deemed to limit, characterize, or in any way affect any provision of this RSA, and all provisions of this RSA shall be enforced and construed as if no headings had been used in this RSA.

24. **Amendments.** Notwithstanding anything to the contrary contained herein, (1) any decisions to be made, or consents or approvals to be given, by the Steering Group pursuant to the terms of, or otherwise with respect to, this Agreement shall require the consent of Steering Group Members holding at least 66 2/3% of the aggregate principal amount of the Senior Notes held by all members of the Steering Group, and (2) the RSA may not be modified, amended, or supplemented, nor shall any provision or requirement hereof be waived, without the prior written agreement signed by both (a) the Company and (b) Steering Group Members holding at least 66 2/3% of the aggregate principal amount of the Senior Notes then held by all members of the Steering Group; provided, however, that notwithstanding the foregoing, any modifications, amendments, or supplements or waivers to the RSA, including any exhibits hereto (including any provision in the Term Sheet), to (i) Exhibit A to the Term Sheet, (ii) Exhibit B to the Term Sheet, (iii) the sub-provision entitled "April 2019 Notes, July 2021 Notes, October 2021 Notes, April 2022 Notes, Legacy Notes and Convertible Notes" in the provision entitled "Treatment of Claims and Interests" in the Term Sheet, (iv) the sub-provision entitled "Hero Equity Interests" in the provision entitled "Treatment of Claims and Interests" in the Term Sheet, (v) the sub-provision entitled "Board of Directors" in the provision entitled "Other Implementation Provisions" in the Term Sheet, (vi) any documentation with regard to (i) through (v) above, (vii) any change to this Section 24, and (viii) any proposed modification, amendment or supplement to, or waiver of, any provision of the RSA that would, or would reasonably be expected to, materially and adversely affect any Steering Group Member in a manner that is disproportionate to any other Steering Group Member or the Steering Group Members as a whole, may not be made without the prior written consent of the Company and each member of the Steering Group (or, in the case of "subsection (viii)", by such Steering Group Member that would be so affected).

25. **Several, Not Joint, Claims.** The agreements, representations, warranties, and obligations of the Parties under this RSA are, in all respects, several and not joint.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, this RSA has been duly executed as of the date first above written.

HERCULES OFFSHORE, INC.

By: _____
Name: John Rynd
Title: Chief Executive Officer and President

CLIFFS DRILLING COMPANY

By: _____
Name: Troy Carson
Title: Vice President

CLIFFS DRILLING TRINIDAD LLC

By: _____
Name: Troy Carson
Title: Vice President

FDT LLC

By: _____
Name: Troy Carson
Title: Vice President

FDT HOLDINGS LLC

By: _____
Name: Troy Carson
Title: Vice President

HERCULES DRILLING COMPANY LLC

By: _____
Name: Troy Carson
Title: Vice President

HERCULES LIFTBOAT COMPANY LLC

By: _____
Name: Troy Carson
Title: Vice President

HERCULES OFFSHORE SERVICES LLC

By: _____
Name: Troy Carson
Title: Vice President

HERCULES OFFSHORE LIFTBOAT COMPANY LLC

By: _____
Name: Troy Carson
Title: Vice President

HERO HOLDINGS, INC.

By: _____
Name: Troy Carson
Title: Vice President

SD DRILLING LLC

By: _____
Name: Troy Carson
Title: Vice President

THE ONSHORE DRILLING COMPANY

By: _____
Name: Troy Carson
Title: Vice President

THE OFFSHORE DRILLING COMPANY

By: _____
Name: Troy Carson
Title: Vice President

TODCO AMERICAS, INC.

By: _____
Name: Troy Carson
Title: Vice President

TODCO INTERNATIONAL, INC.

By: _____
Name: Troy Carson
Title: Vice President

BLACKWELL PARTNERS, LLC - SERIES A
By: Bowery Investment Management, LLC, its Manager

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNITY FUND, L.P.
By: Bowery Opportunity Management, LLC, its General Partner

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNITY FUND, Ltd.

By: _____
Name: Vladimir Jelisavcic
Title: Director

P BOWERY, LTD.
By: Bowery Investment Management, LLC, its Investment Adviser

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNISTIC CREDIT, L.P.
By: Bowery GP, LLC, its General Partner

By: _____
Name: Vladimir Jelisavcic
Title: Manager

CVI CVF II LUX SECURITIES TRADING S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVIC LUX SECURITIES TRADING S.A R.L

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVIC II LUX SECURITIES TRADING S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVI AA LUX SECURITIES S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVI CHVF LUX SECURITIES S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name:
Title: DAVID CHENE
MANAGING DIRECTOR

CARVAL GCF LUX SECURITIES S.A.R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name:
Title: DAVID CHENE
MANAGING DIRECTOR

CENTERBRIDGE CREDIT PARTNERS, L.P.
By: Centerbridge Credit Partners General Partner, L.P., its general partner
By: Centerbridge Credit GP Investors, L.L.C., its general partner

By: _____ SMV
Name: Susanne V. Clark
Title: Authorized Signatory

CENTERBRIDGE CREDIT PARTNERS MASTER, L.P.
By: Centerbridge Credit Partners Offshore General Partner, L.P., its general partner
By: Centerbridge Credit Offshore GP Investors, L.L.C.

By: _____ SMV
Name: Susanne V. Clark
Title: Authorized Signatory

CREDIT SUISSE SECURITIES (USA) LLC

By: _____

Name: Christopher S. Campbell

Title: Director

FRANKLIN ADVISERS, INC., AS INVESTMENT MANAGER ON BEHALF OF CERTAIN FUNDS AND ACCOUNTS

By: _____

Name: Edward Parks

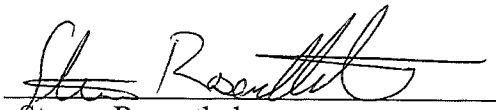
Title: EVP

LOOMIS, SAYLES & COMPANY, L.P., AS INVESTMENT MANAGER, ON BEHALF OF ONE OR MORE DISCRETIONARY ACCOUNTS HOLDING THE NOTES

By: Loomis, Sayles & Company, Incorporated
its General Partner

By: _____
Name: Thomas H. Day
Title: Assistant General Counsel

NOMURA CORPORATE RESEARCH & ASSET MANAGEMENT INC., AS INVESTMENT ADVISOR, ON BEHALF OF CERTAIN FUNDS AND MANAGED ACCOUNTS

By: 

Name: Steven Rosenthal

Title Executive Director

QUANTUM PARTNERS LP

By: QP GP LLC, its General Partner

By: _____
Name: THOMAS L. O'GRADY
Title: Attorney-in-Fact

Each of the entities listed on Schedule 1, severally and not jointly

By: T. ROWE PRICE ASSOCIATES, INC.
As investment adviser to the funds and accounts set forth in Schedule 1 holding Notes of Company

By: Rodney M. Rayburn

Name: Rodney M. Rayburn

Title: Vice President

Third Avenue Trust, on behalf of Third Avenue Focused Credit Fund

By: _____
Name: W. James Hall
Title: General Counsel

WESTERN ASSET MANAGEMENT COMPANY, AS INVESTMENT MANAGER AND AGENT ON BEHALF OF CERTAIN OF ITS CLIENTS

By: C. A. R.

Name: C. A. Ruy. de Perez

Title: Secretary

T. Rowe Price Associates, Inc.
Schedule 1

FUND/ACCOUNT LEGAL NAME

T. ROWE PRICE CREDIT OPPORTUNITIES FUND, INC.
T. ROWE PRICE FIXED INCOME TRUST
T. ROWE PRICE FUNDS SERIES II SICAV- CREDIT OPPORTUNITIES FUND
T. ROWE PRICE FUNDS SICAV- GLOBAL HIGH YIELD BOND FUND
T. ROWE PRICE HIGH YIELD FUND, INC.
T. ROWE PRICE HIGH YIELD MULTI-SECTOR ACCOUNT PORTFOLIO
T. ROWE PRICE INSTITUTIONAL CREDIT OPPORTUNITIES FUND
T. ROWE PRICE INSTITUTIONAL HIGH YIELD FUND
T. ROWE PRICE SMALL-CAP VALUE FUND, INC.
T. ROWE PRICE U.S. HIGH YIELD TRUST
T. ROWE PRICE U.S. SMALL-CAP VALUE EQUITY TRUST
THE NEW AMERICA HIGH INCOME FUND, INC.
JOHN HANCOCK FUNDS II – SPECTRUM INCOME FUND
PENN SERIES FUNDS, INC. – PENN SERIES HIGH YIELD BOND FUND

SCHEDULE 2

STEERING GROUP MEMBER HOLDINGS OF SENIOR NOTES CLAIMS

[CONFIDENTIAL/TO BE REDACTED]

Steering Group Member Holdings of Senior Notes Claims

[CONFIDENTIAL/TO BE REDACTED]

Exhibit A

Term Sheet

THIS TERM SHEET IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OF HERCULES OFFSHORE, INC. OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. NOTHING CONTAINED IN THIS TERM SHEET IS AN ADMISSION OF FACT OR LIABILITY OR SHALL BE DEEMED BINDING ON ANY OF THE DEBTORS OR THE STEERING GROUP.

HERCULES OFFSHORE, INC., ET AL.
CHAPTER 11 PLAN TERM SHEET

This non-binding term sheet (the "Term Sheet") describes the material terms of a proposed "prepackaged" or "pre-negotiated" chapter 11 plan of reorganization for Hercules Offshore, Inc. ("Hero" and, as reorganized, "Reorganized Hero") and certain of its subsidiaries (collectively, the "Company"). This Term Sheet does not constitute a contractual commitment of any party but merely represents the proposed terms for a restructuring of the Company's capital structure and is subject in all respects to the negotiation, execution and delivery of definitive documentation, including entry into an acceptable restructuring support agreement (the "RSA") between the Company and the members of the steering group of holders of April 2019 Notes, July 2021 Notes, October 2021 Notes and April 2022 Notes (each as defined below) (the "Steering Group"). This Term Sheet does not include a description of all the relevant terms and conditions of the restructuring contemplated herein.

This Term Sheet shall not constitute an offer to buy, sell or exchange for any of the securities or instruments described herein. It also shall not constitute a solicitation of the same. Further, nothing herein constitutes a commitment to exchange any debt, lend funds to any of the Debtors, vote in a certain way or otherwise negotiate or engage in the transactions contemplated herein.

This Term Sheet is proffered in the nature of a settlement proposal in furtherance of settlement discussions and is intended to be entitled to the protections of Rule 408 of the Federal Rules of Evidence and all other applicable statutes or doctrines protecting the use or disclosure of confidential information and information exchanged in the context of settlement discussions.

SUMMARY OF PRINCIPAL TERMS AND CONDITIONS

Transaction Overview

Debtors:	Hercules Offshore, Inc. (DE); Cliffs Drilling Company (DE); Cliffs Drilling Trinidad L.L.C. (DE); FDT LLC (DE); FDT Holdings LLC (DE); Hercules Drilling Company LLC (DE); Hercules Liftboat Company LLC (DE); Hercules Offshore Services LLC (DE); Hercules Offshore Liftboat Company LLC (DE); Hero Holdings, Inc. (DE); SD Drilling LLC (DE); THE Offshore Drilling Company (DE); THE Onshore Drilling Company (DE); TODCO Americas, Inc. (DE); TODCO International, Inc. (DE); (collectively, the

"Debtors").

Non-Debtors:	TODCO Trinidad Ltd. (CI); Cliffs Drilling (Barbados) Holdings SRL; Cliffs Drilling (Barbados) SRL; Cliffs Drilling Trinidad Offshore Limited (TD); Hercules Offshore Holdings, Ltd. (CI); Hercules International Holdings, Ltd. (CI); Hercules Discovery Ltd. (CI); Hercules Offshore Middle East Ltd. (CI); Hercules Offshore Arabia Ltd. (CI); Hercules Oilfield Services Ltd. (CI); Hercules International Offshore, Ltd. (CI); Hercules Offshore (Nigeria) Limited (NI); Hercules North Sea, Ltd. (CI); Hercules International Management Company Ltd.; Hercules International Drilling Ltd. (CI); Hercules Offshore Labuan Corporation (MLY); Hercules Tanjung Asia Sdn Bhd (MLY); Hercules Britannia Holdings Limited (UK); Hercules British Offshore Limited (UK); Hercules Offshore UK Limited (UK); Hercules Offshore de Mexico S de R L de CV (MX); Discovery Offshore Sarl (LX); Discovery Offshore (Gibraltar) Limited; Discovery North Sea Ltd. (UK); Discovery Offshore Services Ltd. (CI); Hercules Offshore International LLC (DE); and Hercules North Sea Driller Limited (UK); (collectively, the "Non-Debtors").
Implementation of Restructuring:	The proposed restructuring (the "Restructuring") will be implemented through either pre-packaged chapter 11 bankruptcy cases (collectively, the "Pre-Packaged Case") or pre-arranged chapter 11 bankruptcy cases (collectively, the "Pre-Negotiated Case") of the Debtors (the "Chapter 11 Cases") commenced on August 22, 2015 (in the case of a Pre-Packaged Case) or July 8, 2015 (in the case of a Pre-Negotiated Case), as applicable (the "Petition Date"). It is the intention of the parties to work towards implementation of the Restructuring through a Pre-Packaged Case, but to the extent that such a Pre-Packaged Case is not feasible (as reasonably determined by the parties), the parties will seek to effectuate the Restructuring through a Pre-Negotiated Case. To that end, the parties will take the following steps on the filing timeline: 1. No later than June 17, 2015, the parties will agree on the material terms and conditions contained in this Term Sheet. To memorialize that agreement, the Steering Group and the Company shall enter into the RSA incorporating this Term Sheet, documenting each side's support for both the Pre-Pack Plan and the Pre-Negotiated Plan (as set forth below)

by no later than June 17, 2015. The parties have commenced documentation of the actual Restructuring documents, and the Debtors have withdrawn any efforts in connection with raising financing from any third parties, either through the process being currently run by Deutsche Bank, or otherwise, pending final negotiations on the RSA.

2. No later than July 8, 2015, without having commenced any Chapter 11 Cases, the Debtors will commence solicitation of votes on the pre-packaged chapter 11 plan of reorganization (the "Pre-Pack Plan").

3. Assuming that the Debtors are successful in obtaining the requisite votes for the Pre-Pack Plan, the Debtors will commence the Pre-Packaged Case no later than August 22, 2015, and seek the approval of the Bankruptcy Court (as defined below) for a confirmation hearing no later than October 22, 2015.

4. If the parties agree prior to July 8, 2015 that it is not reasonably feasible to seek confirmation of a Pre-Pack Plan through a Pre-Packaged Case, the Debtors will file for chapter 11 through a Pre-Negotiated Case no later than July 8, 2015 with a plan of reorganization for a Pre-Negotiated Case (the "Pre-Negotiated Plan") and disclosure statement on that date.

The plan of reorganization implementing the Restructuring contemplated by this Term Sheet (either the Pre-Pack Plan, or the Pre-Negotiated Plan, the "Plan") and the disclosure statement describing the Plan (the "Disclosure Statement") shall be in all material respects consistent with the terms set forth herein and on any exhibits attached hereto, and shall be in form and substance reasonably acceptable to the Debtors and the Steering Group.

Current Capital Structure:

Credit Facility: No amounts are drawn under that certain Credit Agreement, dated as of April 3, 2012, by and between Hero, on the one hand, and Deutsche Bank AG New York Branch, as successor Administrative Agent and Collateral Agent and the other agents and lenders that are parties thereto, on the other hand (as amended from time to time, the "Credit Facility"). The obligations under the Credit Facility are jointly and severally guaranteed by substantially all of Hero's domestic subsidiaries (the "Guarantors").

Legacy Notes: $3.508 million in principal plus all other amounts outstanding under the 7.375% Senior Notes due March 1, 2018 issued pursuant to that certain Indenture dated as of April 14, 1998, the First Supplemental Indenture dated as of February 14, 2002, and that certain Second Supplemental Indenture, dated as of March 13, 2002 (collectively, the "Legacy Notes Indenture") between R&B Falcon Corporation, as issuer, and The Bank of New York, as trustee (the "Legacy Notes"; the holder(s) of such Legacy Notes, the "Legacy Noteholder(s)").

April 2019 Notes: $200 million in principal plus all other amounts outstanding under the 10.250% Senior Notes due April 1, 2019 issued pursuant to that certain Indenture dated April 3, 2012 (the "April 2019 Notes Indenture") between Hero, as issuer, and U.S. Bank National Association, as trustee (the "April 2019 Notes,"; all holders of such April 2019 Notes, the "April 2019 Noteholders"). The April 2019 Notes are jointly and severally guaranteed by the Guarantors.

July 2021 Notes: $400 million in principal plus all other amounts outstanding under the 8.75% Senior Notes due July 15, 2021 issued pursuant to that certain Indenture dated July 8, 2013 (the "July 2021 Notes Indenture") between Hero, as issuer, and U.S. Bank National Association, as trustee (the "July 2021 Notes,"; all holders of such July 2021 Notes, the "July 2021 Noteholders"). The July 2021 Notes are jointly and severally guaranteed by the Guarantors.

October 2021 Notes: $300 million in principal plus all other amounts outstanding under the 7.50% Senior Notes due October 1, 2021 issued pursuant to that certain Indenture dated October 1, 2013 (the "October 2021 Notes Indenture") between Hero, as issuer, and U.S. Bank National Association, as trustee (the "October 2021 Notes,"; all holders of such October 2021 Notes, the "October 2021 Noteholders"). The October 2021 Notes are jointly and severally guaranteed by the Guarantors.

April 2022 Notes: $300 million in principal plus all other amounts outstanding under the 6.75% Senior Notes due April 1, 2022 issued pursuant to that certain Indenture dated as of March 26, 2014 (the "April 2022 Notes Indenture")

	between Hero, as issuer, and U.S. Bank National Association, as trustee (the "April 2022 Notes,"; all holders of such April 2022 Notes, the "April 2022 Noteholders"). The April 2022 Notes are jointly and severally guaranteed by the Guarantors. *Convertible Notes*: $7.027 million in principal plus all other amounts outstanding under the 3.375% Convertible Senior Notes due 2038 issued pursuant to that certain Indenture (the "Convertible Notes Indenture") dated June 3, 2008 between Hero, as issuer, and The Bank of New York Trust Company, as indenture trustee (the "Convertible Notes"; all holders of such 3.375% Convertible Notes, the "Convertible Noteholders"). *Other General Unsecured*: In addition to the above, the Debtors have trade and other general unsecured ordinary course obligations other than the Legacy Notes, the April 2019 Notes, the July 2021 Notes, the October 2021 Notes, the April 2022 Notes and the Convertible Notes which they believe as of the solicitation date will not exceed $40 million (collectively, the "Trade Claims"). *Common Equity*: Interests in shares of common stock of Hero (the "Hero Equity Interests"), of which 161,424,250 shares were outstanding as of April 24, 2015 (the "Common Stock"). *Intercompany Interests*: All other equity interests in the Company (the "Intercompany Interests").
Treatment of Claims and Interests	For the avoidance of doubt, the Debtors and the Steering Group shall agree upon the value and the treatment of the claims in each of the following classes.
Administrative Expense Claims (including 503(b)(9) Claims):	Payable in full in cash (i) on the date such amounts become due and owing in the ordinary course of business; (ii) on the effective date of the Plan (the "Effective Date"); or (iii) on such other terms as agreed between the Debtors, the Steering Group and the holder thereof. Unclassified – Non-Voting
Priority Tax Claims:	Payable in deferred cash payments over a period not longer than five (5) years after the Petition Date or on such other terms as agreed between the Debtors, the Steering Group

	and the holder thereof. Unclassified – Non-Voting
Other Priority Claims:	Payable in full in cash on the Effective Date or on such other terms as agreed between the Debtors, the Steering Group and the holder thereof. Unimpaired – Deemed to Accept
Other Secured Claims:	On the Effective Date, all allowed secured claims ("Other Secured Claims") shall receive one of the following as agreed upon by the Debtors and the Steering Group: (i) payment in full in cash; (ii) delivery of collateral securing any such claim and payment of any interest requested under section 506(b) of the Bankruptcy Code, or (iii) treatment on such other terms as agreed between the Debtors, the Steering Group and the holder thereof. Unimpaired - Deemed to Accept.
Credit Facility:	On or before the Petition Date, the Debtors shall have repaid the Credit Facility or cash collateralized the amount outstanding under the Credit Facility with cash on hand, and the Credit Facility shall be terminated and cancelled.
April 2019 Notes, July 2021 Notes, October 2021 Notes, April 2022 Notes, Legacy Notes and Convertible Notes:	On the Effective Date, all of the April 2019 Notes, July 2021 Notes, October 2021 Notes, April 2022 Notes, Legacy Notes and Convertible Notes shall be cancelled, and each such noteholder that is an accredited investor or QIB shall receive, on account of its allowed claim (inclusive of accrued and unpaid interest) in respect of such April 2019 Notes, July 2021 Notes, October 2021 Notes, April 2022 Notes, Legacy Notes and Convertible Notes (collectively, the "Senior Notes") as applicable, such noteholder's *pro rata* share of 96.9% on a fully diluted basis (subject only to the Management Incentive Plan (as defined below)) of the newly authorized and issued common shares of Reorganized Hero (the "New Common Stock") outstanding as of the Effective Date. Any such noteholder that is not an accredited investor or QIB shall receive, on account of its allowed claim in respect of such Senior Notes, a distribution in cash in an amount equal to the value of the distribution as if such holder was a holder of a Senior Notes. For the avoidance of doubt, each holder of Senior Notes

	shall also be given the opportunity to participate, on a pro rata basis, in the new First Lien Exit Facility. This opportunity is not technically a distribution under the Plan. Impaired – Entitled to Vote
General Unsecured Claims:	Each holder of a general unsecured claim shall receive, on account of its allowed unsecured claim (each, a "General Unsecured Claim"), payment in the ordinary course of the Company's business or such other treatment as may be agreed upon (with the consent of the Steering Group) or as may be required to allow such General Unsecured Claims to "ride through" the Chapter 11 Cases. Unimpaired – Deemed to Accept
Intercompany Claims:	All intercompany claims between and among Hero and its direct and indirect subsidiary Debtors shall be reinstated by Hero consistent with its existing business practices. Unimpaired – Deemed to Accept
Intercompany Interests:	On the Effective Date, all Intercompany Interests shall remain in place for purposes of convenience. Unimpaired – Deemed to Accept
Hero Equity Interests:	On the Effective Date, all existing Hero Equity Interests will be cancelled and holders of allowed Hero Equity Interests shall receive their pro rata share of: (A) 3.1% of the New Common Stock on a fully diluted basis (subject only to the Management Incentive Plan); and (B) the Warrants on the terms set forth in Exhibit B attached hereto. For the avoidance of doubt, the Plan and the Disclosure Statement will clarify that the class of holders of Hero Equity Interests is not entitled to a distribution under the Bankruptcy Code, and is therefore not entitled to vote. Impaired – Deemed to Reject

Exit Financing Facilities

First Lien Exit Facility:	On the Effective Date, Reorganized Hero, as Borrower, and the reorganized Debtors and substantially all of the Non-Debtors (to the extent permitted by applicable law), as Guarantors, shall enter into a new senior secured term loan facility on the terms set forth in Exhibit A attached hereto.[1]

Release and Related Provisions:

Exculpations:	To the fullest extent permitted by applicable law, the Plan shall include customary exculpation provisions in favor of (a) the Debtors, (b) the members of the Steering Group and (c) each of the Debtors' and the Steering Group members' respective current and former officers and directors, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents and other representatives, with respect to any liability relating to the Company or the Chapter 11 Cases arising prior to the Effective Date.
Releases:	To the fullest extent permitted by applicable law, the Plan shall include a full mutual release from liability in favor of the Debtors, the members of the Steering Group, and all of the Debtors' and the Steering Group members' respective current and former officers and directors, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents and other representatives, from any claims and causes of action related to or in connection with the Company and its subsidiaries, arising on or prior to the Effective Date (collectively, the "***Releases***"); *provided, however,* that no party shall be released from any claim or cause of action that was a result of such party's gross negligence, willful misconduct, or bad faith, as determined by a final order of a court of competent jurisdiction.
Director and Officer Indemnification:	Any obligations of the Debtors pursuant to their organizational documents to indemnify current and former officers, directors, agents, and/or employees (i) shall not be discharged or impaired by confirmation of the Plan and (ii) shall be deemed and treated as executory contracts to be assumed by the Debtors under the Plan.

[1] The First Lien Exit Facility will be bank debt.

	Director and officer insurance will continue in place for the directors and officers of all of the Debtors during these chapter 11 cases on existing terms. After the Effective Date, the reorganized Debtors shall not terminate or otherwise reduce the coverage under any director and officer insurance policies (including any "tail policy") then in effect. Directors and officers shall be indemnified by the reorganized Debtors to the extent of such insurance.
Discharge:	A full and complete discharge shall be provided in the Plan.
Injunction:	Ordinary and customary injunction provisions shall be included in the Plan.
Other Implementation Provisions	
Corporate Structure; Vesting of Assets; Business Plan	After consummation of the Restructuring, all of the assets of the Debtors shall be owned by the reorganized Debtors and their wholly owned subsidiaries. The Steering Group may, at its option, review and analyze the proposed tax and corporate structure of the reorganized Debtors for tax and corporate efficiencies as part of the Restructuring and the Plan will contain such provisions reasonably acceptable to the Steering Group to ensure such tax and corporate efficiencies. The Debtors shall work with the Steering Group to structure the Restructuring and the transactions contemplated herein to the extent practicable in a tax-efficient and cost-effective manner for the reorganized Debtors, as determined by the Steering Group. The proposed tax structure for the reorganized Debtors shall be finalized prior to the Petition Date. The Debtors' management shall work with the members of the Steering Group (and its advisors) that remain subject to a nondisclosure agreement to determine and finalize the Company's long term business plan, which shall be finalized prior to the Petition Date. After the Petition Date, to the extent requested by the Steering Group, the Debtors' management team and operational advisors will host weekly calls with the members of the Steering Group that are subject to a nondisclosure agreement and/or their advisors to provide updates with regard to the business and any developments. From the date of execution of the RSA (as defined and

	further described herein) through consummation of any Plan, the Company shall inform the advisors of the Steering Group (that remain under a nondisclosure agreement) prior to entry into any new material contracts and use reasonable best efforts to consult with, and obtain the approval of the majority of the Steering Group members restricted under a nondisclosure agreement with the Company prior to entry into any new material contracts, but in all events will inform the Steering Group and their respective advisors at the time of or shortly after entry into any new material contracts.
Board of Directors:	The Board of Directors of Reorganized Hero (the "New Board") shall consist of seven members. The members of the New Board shall consist of the CEO (which shall be John Rynd) and six members designated by the Steering Group, one of whom will be the chair and an independent director (the "Independent Director").
Management Incentive Plan:	The Plan shall provide for a management incentive plan (the "Management Incentive Plan") to be implemented after the Effective Date that provides some combination of cash, options, and/or other equity-based compensation to the management of the reorganized Debtors of up to an amount of the common equity of Reorganized Hero to be agreed, which shall dilute all of the equity otherwise contemplated to be issued pursuant to this Term Sheet. The terms of the Management Incentive Plan shall be agreed by the Company and the Steering Group prior to the confirmation date of the Plan.
Executory Contracts and Unexpired Leases:	In either a Pre-Packaged Case or a Pre-Negotiated Case, the Debtors will assume all executory contracts and unexpired leases.
Causes of Action:	The Debtors will waive any and all potential causes of action under chapter 5 of the Bankruptcy Code and under similar state laws (the "Avoidance Actions") under a Pre-Packaged Plan and will retain all Avoidance Actions under a Pre-Negotiated Plan only to the extent that all pre-petition general unsecured claims are not paid in full.
Certain Closing and Other Conditions To the Restructuring:	The Restructuring shall be subject to the satisfaction of conditions precedent customary for transactions of this type and the satisfaction of such other conditions precedent agreed upon by the Steering Group and the Debtors, including but not limited to, the following:

(a) The definitive documentation relating to the Restructuring (including, for the avoidance of doubt, the terms and conditions of any financing(s)) shall be agreed to by the Debtors and the Steering Group.[2]

(b) The Debtors shall have provided the Steering Group (and its advisors) with full and complete access to the Debtors and their management on reasonable notice, including without limitation, access to all information, agreements, projections, memoranda, and documents reasonably requested by the advisors to the Steering Group. For the avoidance of doubt, the Steering Group's advisors will be provided with electronic copies of any and all documents or agreements within the possession of the Debtors, as reasonably requested by the Steering Group's advisors, in sufficient time to analyze the Restructuring and prior to the execution of the RSA by the members of the Steering Group.

(c) The Restructuring transactions shall be structured in the most tax efficient manner as reasonably determined by the Debtors with the consent of the Steering Group which consent shall not unreasonably be withheld, and all accounting treatment and other tax matters shall be resolved by the Debtors with the consent of the Steering Group.

(d) Entry of an order of the Bankruptcy Court confirming the Plan on terms consistent with this Term Sheet and otherwise reasonably acceptable to the Debtors and the Steering Group.

(e) All requisite governmental authorities and third parties shall have approved or consented to the Restructuring, to the extent required, and all applicable appeal periods shall have expired.

(f) The Debtors shall have publicly filed a document "cleansing" all of the members of the Steering Group of any and all material non-public information shared with the members of the Steering Group (i) on the date of the execution of the RSA and (ii) prior to (a) in the case of the Pre-Packaged Case, the date of solicitation of votes with regard thereto, and (b) in the case of the Pre-Negotiated Case, the Petition Date, and such document shall be in form and substance reasonably satisfactory to the Steering Group

[2] The Debtors will obtain ratings for the new debt prior to or at the time of closing.

and its advisors and consistent with the existing non-disclosure agreements. The Debtors shall also have publicly filed a document "cleansing" all of the members of the Steering Group of any and all material non-public information shared with the members of the Steering Group prior to the Effective Date (i.e. with regard to any material non-public information shared with the members of the Steering Group during the chapter 11 cases), and such document shall be in form and substance satisfactory to the Steering Group and their advisors. For the avoidance of doubt, and in addition to the above, the Debtors shall comply with all requirements for "cleansing" under any non-disclosure agreements executed with the members of the Steering Group.

(g) The timing of the Effective Date of the Plan shall be as agreed upon by the Debtors and the Steering Group.

(h) From and after the date hereof, the Debtors shall not have commenced an insolvency (or similar) proceeding in any foreign jurisdiction without the consent of the Steering Group.

(i) Since the date of entry into the RSA, there shall not have been a Material Adverse Change. For purposes of this Term Sheet, "Material Adverse Change" means (a) any fact, event, change, effect, development, circumstance or occurrence that, individually or together with any other fact, event, change, effect, development, circumstance or occurrence, has had or could reasonably be expected to have a material and adverse effect on the condition (financial or otherwise), business, assets, liabilities or results of operations of Hero and its subsidiaries taken as a whole, or (b) anything that could reasonably be expected to prevent, materially delay or materially restrict or impair Hero and its subsidiaries party to the RSA from consummating the transactions contemplated in this Term Sheet, the Plan and the RSA, provided that the following shall not constitute a Material Adverse Change and shall not be taken into account in determining whether or not there has been, or could reasonably be expected to be, a Material Adverse Change: (i) any change after June 17, 2015 in any Law or GAAP, or any interpretation thereof; (ii) any change after June 17, 2015 in currency, exchange or interest rates or the financial or securities markets generally; (iii) any change to the extent resulting from the announcement or pendency of the transactions contemplated by the RSA or this Term

Sheet; and (iv) any change resulting from actions of the Company expressly required to be taken pursuant to the RSA or this Term Sheet; except in the cases of (i) and (ii) to the extent such change or Event is disproportionately adverse with respect to the Company when compared to other companies in the industry in which the Company operates. For the avoidance of doubt and notwithstanding the above, it shall be a Material Adverse Change if there occurs any of the following: (i) any adverse development with respect to the contract with Maersk Oil UK Limited with respect to the Highlander; (ii) any adverse development with respect to any other material contract (or contracts), including (x) the contract with a subsidiary of Eni S.p.A. with respect to the Hercules 260 and (y) the contracts with Saudi Aramco with respect to the Hercules 261 and Hercules 262, that could, individually or in the aggregate, reasonably be expected to result in a reduction in revenue backlog of more than $90 million for the Company, provided that any such reduction in revenue backlog attributable to a contract with a customer shall be netted against any additional revenue attributable to extension, amendment or renegotiation of an existing contract or execution of a new contract with such customer and/or any of such customer's affiliates within three (3) days of the occurrence of the reduction; or (iii) the termination, replacement, resignation, or other change in the identity, of the CEO of the Company. For the avoidance of doubt, the preceding clause (ii) assumes that no Material Adverse Change has occurred as a result of the announced modifications to the Saudi Aramco contracts publicly disclosed on June 1, 2015.

(j) The Debtors shall own the assets related to the Highlander, including the contracts related thereto, in the same entities that presently own such assets so long as those entities have engaged, and continue to engage, in no other business than the ownership of such assets and have not incurred, and continue not to incur, any other obligations other than those directly related to the ownership of such other assets. The Debtors will ensure that the First Lien Exit Facility shall be secured by both the equity in such entity, as well as the assets owned by such entity.

(k) All of the Steering Group's reasonable and documented professional fees (including those of Blackstone Advisory Partners, L.P. and Akin Gump Strauss Hauer & Feld, LLP) and out-of-pocket expenses incurred in connection with the

	Restructuring in accordance with the engagement letters for each firm including, without limitation, those fees and expenses incurred during the Chapter 11 Cases, shall have been paid by the Debtors on a regular (monthly) basis, and shall be paid in full as a condition to the Effective Date. If necessary, the Debtors will file a motion to assume such agreements on the Petition Date of any Pre-Negotiated Case.
Steering Group Support:	As set forth above, the members of the Steering Group shall execute an RSA on or prior to June 17, 2015, in form and substance satisfactory to the Steering Group and the Debtors. The RSA will state that subject to the receipt of a Disclosure Statement that meets the requirements of Bankruptcy Code section 1125, the Steering Group and each of their affiliates holding claims against, or interests in, the Debtors shall vote in favor of, and shall not object to the confirmation and consummation of, the Plan.
Fees and Expenses:	The reasonable professional fees and expenses of legal counsel and financial advisors to the Steering Group (including Akin Gump Strauss Hauer & Feld, LLP. and Blackstone Advisory Partners L.P.) incurred prior to the Petition Date and thereafter shall be paid by the Debtors on the terms of and pursuant to such firms' engagement letter agreements entered into with the Debtors (or such other agreements).
Reservation of Rights:	Nothing herein shall be deemed an admission of any kind. If the Restructuring is not consummated for any reason, the Debtors and the Steering Group fully reserve any and all of their respective rights.
Disclaimer of Duties:	Notwithstanding anything to the contrary herein, nothing in this Term Sheet shall require the Debtors or the Steering Group to take any action or to refrain from taking any action, to the extent required to comply with its or their obligations under applicable law, including the Bankruptcy Code.
Governing Law and Forum; Venue for Filing:	The governing law for all applicable documentation shall be New York law. The Debtors shall file for chapter 11 in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").
Definitive Documentation/Court Filings, etc.:	The Debtors and the Steering Group shall negotiate in good faith the definitive documentation concerning the

Restructuring that is consistent with the terms described in this Term Sheet. Any and all documentation necessary to effectuate the Restructuring or that is contemplated by the Plan shall be in form and substance consistent with this Term Sheet and otherwise reasonably satisfactory to the Debtors and the Steering Group. For the avoidance of doubt, such documentation that shall be required to be in form and substance reasonably satisfactory to the Steering Group shall include all motions and other filings with the Bankruptcy Court (or that are included as part of the solicitation of the Pre-Pack Plan and the Pre-Packaged Case) necessary to obtain Bankruptcy Court approval of any item in the Chapter 11 Cases, including any proposed and final orders with respect thereto (including, without limitation, the order confirming the Plan (the "Confirmation Order")).

In addition, from the date hereof through the consummation of the Plan of the Chapter 11 Cases, the Debtors shall not file any motions (i.e., other than those related to the Plan and Disclosure Statement), with the Bankruptcy Court without the consent of the Steering Group which consent shall not unreasonably be withheld.

Restructuring Timeline: It is anticipated that the Restructuring described herein will take place in accordance with the timeline set forth in Schedule 1 to this Term Sheet.[3]

[3] The documents referred to on Schedule 1 shall all be in form and substance satisfactory to the Steering Group and the Debtors.

Schedule 1
Restructuring Timeline

Option A *Pre-Packaged Case*	**Option B** *Pre-Negotiated Case*
1. **July 8, 2015**: Commence solicitation of pre-packaged chapter 11 plan of reorganization. 2. **August 22, 2015**: File chapter 11. 3. **October 22, 2015**: Confirmation Hearing to approve chapter 11 plan. 4. **November 7, 2015**: Exit Chapter 11.	1. **July 8, 2015**: File Chapter 11 Petition, including Plan of Reorganization and Disclosure Statement. 2. **September 7, 2015**: Hearing to approve Disclosure Statement. 3. **November 7, 2015**: Confirmation Hearing to approve chapter 11 plan. 4. **November 22, 2015**: Exit Chapter 11.

List of Exhibits

A. **Exhibit A**: Terms of First Lien Exit Facility

B. **Exhibit B**: Terms of Warrants

HERCULES OFFSHORE, INC.
PLAN TERM SHEET EXHIBIT A
Terms of First Lien Exit Facility

Description:	First Lien Exit Facility
Borrower:	Reorganized Hero
Guarantors:	The obligations under the First Lien Exit Facility shall be unconditionally guaranteed, on a joint and several basis (to the extent permitted by applicable law), by all of the reorganized Debtors and substantially all of the Non-Debtors[4] and any future direct and indirect wholly-owned subsidiaries of the Debtors except where prohibited by law.
Administrative Agent:	TBD jointly by the Company and the Steering Group
Principal Amount:	Aggregate commitment amount of $450 million
Maturity:	4.5 years after the Effective Date.
Interest (amount and date of payment(s)) and OID:	The First Lien Exit Facility will bear interest at LIBOR plus 9.50% per annum (paid quarterly) with a LIBOR floor of 1.00%. Interest on the First Lien Exit Facility will be payable in cash. The First Lien Exit Facility will be issued at a price equal to 97.00% of the principal amount of the First Lien Exit Facility.
Collateral:	The obligations under the First Lien Exit Facility shall be secured by first priority liens (subject only to permitted liens to be determined) on substantially all of the assets of the Borrower and the Guarantors, including without limitation, the Highlander and all contracts related to the Highlander.

[4] The following entities will not be Guarantors: Cliffs Drilling (Barbados) Holdings SRL; Cliffs Drilling (Barbados) SRL; Cliffs Drilling Trinidad Offshore Limited; Cliffs Drilling Trinidad, LLC; Hercules Offshore de Mexico, S. de RL de CV; and Hercules Discovery Ltd. Documentation of the First Lien Exit Facility will include covenants that restrict additional assets acquired and liabilities incurred for these six entities and representations and warranties regarding such entities' assets, liabilities and operations.

Optional Prepayment:	NC – 3 (MW at T+50); 103 - 4
Financial Covenants:	Financial Covenants to consist of, among other things, (a) minimum liquidity at all times of: • $100 million through June 2016 • $75 million through December 2016 • $50 million through June 2017 • $25 million thereafter (b) maximum first lien secured leverage of (defined as gross first lien debt divided by EBITDA): • 6.0x annualized EBITDA for the q/e March 31, 2017 • 5.0x annualized EBITDA for the q/e June 30, 2017 • 4.0x annualized EBITDA for the q/e September 30, 2017 • 3.5x LTM EBITDA thereafter
Reps, Warranties, Covenants, Mandatory Prepayments and Events of Default:	It is anticipated that these provisions will be customary for similarly situated first lien debt obligations for companies exiting chapter 11 with the amount of leverage and projected EBITDA of the reorganized Debtors; *provided that* there shall be carve-outs under the lien and indebtedness covenants to permit, among other things, the issuance of letters of credit in the aggregate amount of up to $25 million.
Use of Proceeds:	The First Lien Exit Facility will be used to, among other things, (a) finance the remaining payments on the Highlander, (b) pay for any and all exit-related costs and any and all transaction fees and expenses, including payment on account of claims, as part of the chapter 11 plan, and (c) provide the Reorganized Debtors with working capital for their post-emergence operations.
Other Material Terms and Conditions:	(1) The Steering Group shall provide a commitment to fund 100% of the First Lien

	Exit Facility no later than July 1, 2015. To the extent that notwithstanding such commitment, the Debtors choose to obtain the financing from a third party (or third parties) with the consent of the Steering Group, the terms and conditions of (and the documentation with regard to) such financing shall be in all respects in form and substance satisfactory to the Steering Group. (2) As part of the Plan, participation in/syndication of the First Lien Exit Facility shall be made available to all holders of the Senior Notes during the time from the Petition Date through the hearing on confirmation of the Plan (in a Pre-Packaged Case) or from the hearing on the Disclosure Statement through the hearing on confirmation of the Plan (in a Pre-Negotiated Case).[5] (3) The Steering Group shall receive a put option premium equal to 2% of the principal amount of the First Lien Exit Facility, ratably based on their commitments to fund the First Lien Exit Facility, with a 1% of that premium payable at the time that a commitment is provided and the remaining 1% of that premium payable upon consummation of the Plan; provided that, if the Company obtains a commitment for an alternative First Lien Exit Facility within 30 days of June 1, 2015, which the Company may only obtain with the consent of the Steering Group, the put option premium shall be deemed a backstop payable to the parties that provided such commitment and shall be capped at 1.5%, with the remaining .5% premium payable at the time a commitment is executed with the alternative financing provider.
Change of Control:	Upon the occurrence of a change of control in Reorganized Hero, after the Effective Date, but prior to the maturity of the First Lien Exit Facility, the lenders under the First Lien Exit Facility shall have the option to require

[5] The record date for eligibility to participate shall be decided by the Steering Group.

Reorganized Hero to repay the First Lien Exit Facility at a cash price equal to 101% of the outstanding principal amount of the First Lien Exit Facility.

HERCULES OFFSHORE, INC.
PLAN TERM SHEET EXHIBIT B
Terms of Warrants

Warrants:	The warrants (the "Warrants") shall entitle holders, on a pro rata basis, to purchase up to 20.00% of the New Common Stock (subject to dilution from, among other things, the Management Incentive Plan) at a per share price based upon a $1.55 billion total enterprise value of Reorganized Hero.
Exercise of Warrants:	The Warrants are exercisable at any time until the Warrant Expiration Date for a per share price based upon a $1.55 billion total enterprise value. Any Warrants not exercised by the Warrant Expiration Date shall automatically expire.
Warrant Expiration Date:	The Warrant Expiration Date will be six years from the Effective Date subject to the earlier expiration upon the occurrence of certain extraordinary events.
Voting and Change of Control Rights:	Holders of the Warrants will not be entitled to any voting rights of holders of New Common Stock until, and then only to the extent, they have validly exercised their Warrants. In connection with a change in control in Reorganized Hero prior to the Warrant Expiration Date, holders of Warrants shall be given reasonable advance written notice of such change of control such that they may exercise their Warrants and participate in such change of control transaction (as applicable) as holders of New Common Stock.
Anti-Dilution Provisions:	The Warrants will contain provisions for the adjustment of the exercise price and shares of New Common Stock issuable upon exercise following organic dilutive events such as splits, combinations, stock dividends and similar organic dilutive events involving the Reorganized Hero's New Common Stock. There will be no anti-dilution adjustment for the Warrants upon post-exit issuance of New Common Stock at a value below the exercise price for the Warrants.

Documentation:	The Warrants shall be governed by a Warrant agreement between Reorganized Hero and the warrant agent (as selected by the Steering Group), in form and substance satisfactory to the Steering Group, the Debtors and Reorganized Hero.
Transferability:	The Warrants shall be transferrable subject to applicable securities laws and the terms of the Warrant Agreement.
Additional Provisions:	For avoidance of doubt, the equity strike price of the Warrants shall be calculated at emergence based on the equity value required to equal the stipulated TEV ($1.55 billion, as set forth above), the capital structure ($450 million of debt), and the pro forma excess cash figure at emergence. The pro forma excess cash figure will be calculated to take into account an adjustment for the estimated $50 million of minimum cash needed to operate the business and $200 million in connection with the Highlander. The Warrants shall have limited numerical anti-dilution protection only (e.g., no adjustment to the strike price or number of shares as a result of the issuance of capital stock by Reorganized Hero at a price below the warrant strike price).

Exhibit B

Transfer Agreement

JOINDER

The undersigned ("Transferee") hereby acknowledges that it has read and understands the Restructuring Support Agreement, dated as of June 16, 2015 (the "Agreement"), by and among (x) Hercules Offshore, Inc., a Delaware corporation, and each of its direct and indirect U.S. subsidiaries party thereto, (y) [TRANSFEROR'S NAME] ("Transferor") and (z) certain other senior noteholders party thereto, and (i) agrees to be bound by the terms and conditions of the Agreement to the extent Transferor was thereby bound, (ii) hereby makes all representations and warranties made therein by all other Steering Group Members (as defined in the Agreement), and (iii) shall be deemed a Steering Group Member under the terms of the Agreement. The Transferee is acquiring Senior Notes claims from Transferor in the amounts set forth on Schedule 1 hereof. All notices and other communications given or made pursuant to the Agreement shall be sent to the Transferee at the address set forth in the Transferee's signature below.

Date Executed: _____

[TRANSFEREE]

By: _____
Name:
Title:

Address: _____
_____
_____

Attn: _____
Fax: _____
Email: _____

AMENDMENT TO THE RESTRUCTURING SUPPORT AGREEMENT

This Amendment (this "Amendment"), dated as of June 29, 2015, is made by Hercules Offshore, Inc., a Delaware corporation (the "Company"), each of the Steering Group Members that is a party hereto, and York Capital Management Global Advisors, LLC o/b/o certain funds and/or accounts managed and/or advised by it and/or its affiliates ("York").

WHEREAS, the Company and the Steering Group Members are parties to that certain Restructuring Support Agreement, dated June 17, 2015 (as amended, modified or supplemented from time to time, the "RSA" or the "Agreement");

WHEREAS, Section 24 of the RSA provides, among other things, that the RSA may be amended with the written consent of both (i) the Company and (ii) Steering Group Members holding at least 66 2/3% of the aggregate principal amount of the Senior Notes then held by all members of the Steering Group;

WHEREAS, the parties desire to amend the RSA in order to add York as a party to the Agreement and as a Steering Group Member; and

WHEREAS, capitalized terms used and not otherwise defined herein have the meanings set forth in the RSA.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and in the RSA and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. York shall be deemed a Steering Group Member under the terms of the RSA. York agrees to be bound by the terms and conditions of the RSA and hereby makes all representations and warranties made therein by all other Steering Group Members. All notices and other communications given or made pursuant to the RSA shall be sent to York at the address set forth in York's signature below. For the avoidance of doubt, notwithstanding the foregoing, it is understood and agreed that certain Steering Group Members may not be parties to the commitment to backstop the First Lien Exit Facility contemplated in Exhibit A to the Term Sheet.

2. Schedule 2 of the RSA is hereby amended and replaced by Annex I to this Amendment.

3. This Amendment and the RSA, together, contain the complete agreement among the Company and the Steering Group Members and supersede any prior understandings, agreements, letters of intent or representations by or among such parties, written or oral, to the extent they relate to the subject matter hereof. Except as specifically amended hereby, the RSA, as amended hereby, shall remain in full force and effect.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, this Amendment has been duly executed to be effective as of the date first written above.

HERCULES OFFSHORE, INC.

By: _____
Name: John Rynd
Title: Chief Executive Officer and President

YORK CAPITAL MANAGEMENT GLOBAL ADVISORS, LLC O/B/O CERTAIN FUNDS AND/OR ACCOUNTS MANAGED AND/OR ADVISED BY IT AND/OR ITS AFFILIATES

By: _____
Name: Richard P. Swanson
Title: General Counsel

Address for notices: 767 Fifth Avenue, 17th Floor, New York, NY 10153

ANNEX I

[Schedule 2: Steering Group Member Holdings of Senior Notes Claims]

Execution Version

SECOND AMENDMENT TO THE RESTRUCTURING SUPPORT AGREEMENT

This Second Amendment (this "Amendment"), dated as of July 8, 2015, is made by Hercules Offshore, Inc., a Delaware corporation (the "Company") and each of the Steering Group Members that is a party hereto.

WHEREAS, the Company and the Steering Group Members are parties to that certain Restructuring Support Agreement, dated June 17, 2015, as amended as of June 29, 2015 (as amended, modified or supplemented from time to time, the "RSA" or the "Agreement");

WHEREAS, Section 24 of the RSA provides, among other things, that the RSA may be amended with the written consent of both (i) the Company and (ii) Steering Group Members holding at least 66 2/3% of the aggregate principal amount of the Senior Notes then held by all members of the Steering Group;

WHEREAS, the parties desire to amend the RSA in order to extend the timeline for commencing a Pre-Packaged Case or Pre-Negotiated Case; and

WHEREAS, capitalized terms used and not otherwise defined herein have the meanings set forth in the RSA.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and in the RSA and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Sections 3(c)(A) and 3(c)(B) of the RSA are hereby amended such that references to July 8, 2015 therein are changed to July 10, 2015.

2. Paragraphs 2 and 4 of the "Implementation of Restructuring" subsection of the Term Sheet attached as Exhibit A to the RSA are hereby amended such that references to July 8, 2015 therein are changed to July 10, 2015.

3. Schedule 1 to the Term Sheet entitled "Restructuring Timeline" is hereby amended such that, under Option A and Option B therein, references to July 8, 2015 are changed to July 10, 2015.

4. Exhibit A to the Term Sheet entitled "Terms of First Lien Exit Facility" is hereby amended such that, in paragraph (1) of the subsection "Other Material Terms and Conditions" therein, the reference to July 1, 2015 is changed to July 10, 2015.

5. This Amendment and the RSA, together, contain the complete agreement among the Company and the Steering Group Members and supersede any prior understandings, agreements, letters of intent or representations by or among such parties, written or oral, to the extent they relate to the subject matter hereof. Except as specifically amended hereby, the RSA, as amended hereby, shall remain in full force and effect.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, this Amendment has been duly executed to be effective as of the date first written above.

HERCULES OFFSHORE, INC.

By: _____
Name: John Rynd
Title: Chief Executive Officer and President

BLACKWELL PARTNERS, LLC - SERIES A
By: Bowery Investment Management, LLC, its Manager

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNITY FUND, L.P.
By: Bowery Opportunity Management, LLC, its General Partner

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNITY FUND, Ltd.

By: _____
Name: Vladimir Jelisavcic
Title: Director

P BOWERY, LTD.
By: Bowery Investment Management, LLC, its Investment Adviser

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNISTIC CREDIT, L.P.
By: Bowery GP, LLC, its General Partner

By: _____
Name: Vladimir Jelisavcic
Title: Manager

CVI CVF II LUX SECURITIES TRADING S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVIC LUX SECURITIES TRADING S.A R.L

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVIC II LUX SECURITIES TRADING S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVI AA LUX SECURITIES S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVI CHVF LUX SECURITIES S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name:
Title: DAVID CHENE
MANAGING DIRECTOR

CARVAL GCF LUX SECURITIES S.A.R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name:
Title: DAVID CHENE
MANAGING DIRECTOR

CENTERBRIDGE CREDIT PARTNERS, L.P.
By: Centerbridge Credit Partners General Partner, L.P., its general partner
By: Centerbridge Credit GP Investors, L.L.C., its general partner

By: _____ SMV
Name: Susanne V. Clark
Title: Authorized Signatory

CENTERBRIDGE CREDIT PARTNERS MASTER, L.P.
By: Centerbridge Credit Partners Offshore General Partner, L.P., its general partner
By: Centerbridge Credit Offshore GP Investors, L.L.C.

By: _____ SMV
Name: Susanne V. Clark
Title: Authorized Signatory

CREDIT SUISSE SECURITIES (USA) LLC

By: _____

Name: Christopher S. Campbell

Title: Director

FRANKLIN ADVISERS, INC., AS INVESTMENT MANAGER ON BEHALF OF CERTAIN FUNDS AND ACCOUNTS

By: _____

Name: Edward Parks

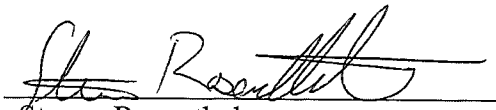
Title: EVP

LOOMIS, SAYLES & COMPANY, L.P., AS INVESTMENT MANAGER, ON BEHALF OF ONE OR MORE DISCRETIONARY ACCOUNTS HOLDING THE NOTES

By: Loomis, Sayles & Company, Incorporated
its General Partner

By: _____
Name: Thomas H. Day
Title: Assistant General Counsel

NOMURA CORPORATE RESEARCH & ASSET MANAGEMENT INC., AS INVESTMENT ADVISOR, ON BEHALF OF CERTAIN FUNDS AND MANAGED ACCOUNTS

By: 

Name: Steven Rosenthal

Title Executive Director

QUANTUM PARTNERS LP

By: QP GP LLC, its General Partner

By: _____
Name: THOMAS L. O'GRADY
Title: Attorney-in-Fact

Each of the entities listed on Schedule 1, severally and not jointly

By: T. ROWE PRICE ASSOCIATES, INC.
As investment adviser to the funds and accounts set forth in Schedule 1 holding Notes of Company

By: Rodney M. Rayburn

Name: Rodney M. Rayburn

Title: Vice President

Third Avenue Trust, on behalf of Third Avenue Focused Credit Fund

By: _____
Name: W. James Hall
Title: General Counsel

WESTERN ASSET MANAGEMENT COMPANY, AS INVESTMENT MANAGER AND AGENT ON BEHALF OF CERTAIN OF ITS CLIENTS

By: C. A. R.

Name: C. A. Ruy. de Perez

Title: Secretary

YORK CAPITAL MANAGEMENT GLOBAL ADVISORS, LLC O/B/O CERTAIN FUNDS AND/OR ACCOUNTS MANAGED AND/OR ADVISED BY IT AND/OR ITS AFFILIATES

By: _____
Name: Richard P. Swanson
Title: General Counsel

Address for notices: 767 Fifth Avenue, 17th Floor, New York, NY 10153

T. Rowe Price Associates, Inc.
Schedule 1

FUND/ACCOUNT LEGAL NAME

T. ROWE PRICE CREDIT OPPORTUNITIES FUND, INC.
T. ROWE PRICE FIXED INCOME TRUST
T. ROWE PRICE FUNDS SERIES II SICAV- CREDIT OPPORTUNITIES FUND
T. ROWE PRICE FUNDS SICAV- GLOBAL HIGH YIELD BOND FUND
T. ROWE PRICE HIGH YIELD FUND, INC.
T. ROWE PRICE HIGH YIELD MULTI-SECTOR ACCOUNT PORTFOLIO
T. ROWE PRICE INSTITUTIONAL CREDIT OPPORTUNITIES FUND
T. ROWE PRICE INSTITUTIONAL HIGH YIELD FUND
T. ROWE PRICE SMALL-CAP VALUE FUND, INC.
T. ROWE PRICE U.S. HIGH YIELD TRUST
T. ROWE PRICE U.S. SMALL-CAP VALUE EQUITY TRUST
THE NEW AMERICA HIGH INCOME FUND, INC.
JOHN HANCOCK FUNDS II – SPECTRUM INCOME FUND
PENN SERIES FUNDS, INC. – PENN SERIES HIGH YIELD BOND FUND

Execution Version

THIRD AMENDMENT TO THE RESTRUCTURING SUPPORT AGREEMENT

This Third Amendment (this "Amendment"), dated as of July 10, 2015, is made by Hercules Offshore, Inc., a Delaware corporation (the "Company") and each of the Steering Group Members that is a party hereto.

WHEREAS, the Company and the Steering Group Members are parties to that certain Restructuring Support Agreement, dated June 17, 2015, as amended as of June 29, 2015, and as further amended as of July 8, 2015 (as amended, modified or supplemented from time to time, the "RSA" or the "Agreement");

WHEREAS, Section 24 of the RSA provides, among other things, that the RSA may be amended with the written consent of both (i) the Company and (ii) Steering Group Members holding at least 66 2/3% of the aggregate principal amount of the Senior Notes then held by all members of the Steering Group;

WHEREAS, the parties desire to amend the RSA in order to extend the timeline for commencing a Pre-Packaged Case or Pre-Negotiated Case and to amend the description of the New Board; and

WHEREAS, capitalized terms used and not otherwise defined herein have the meanings set forth in the RSA.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and in the RSA and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Sections 3(c)(A) and 3(c)(B) of the RSA are hereby amended such that references to July 10, 2015 therein are changed to July 13, 2015.

2. Paragraphs 2 and 4 of the "Implementation of Restructuring" subsection of the Term Sheet attached as Exhibit A to the RSA are hereby amended such that references to July 10, 2015 therein are changed to July 13, 2015.

3. Schedule 1 to the Term Sheet entitled "Restructuring Timeline" is hereby amended such that, under Option A and Option B therein, references to July 10, 2015 are changed to July 13, 2015.

4. Exhibit A to the Term Sheet entitled "Terms of First Lien Exit Facility" is hereby amended such that, in paragraph (1) of the subsection "Other Material Terms and Conditions" therein, the reference to July 10, 2015 is changed to July 13, 2015.

5. The "Board of Directors" subsection of the Term Sheet attached as Exhibit A to the RSA is hereby amended and restated as follows: "The Board of Directors of Reorganized Hero (the "New Board") shall consist of seven members. The members of the New Board shall consist of the CEO (which shall be John Rynd) and six members designated by the Steering Group, one of whom will be the chair and an independent director (as defined by NASDAQ) (the "Independent Director")."

6. This Amendment and the RSA, together, contain the complete agreement among the Company and the Steering Group Members and supersede any prior understandings, agreements, letters of intent or representations by or among such parties, written or oral, to the extent they relate to the subject matter hereof. Except as specifically amended hereby, the RSA, as amended hereby, shall remain in full force and effect.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, this Amendment has been duly executed to be effective as of the date first written above.

HERCULES OFFSHORE, INC.

By: _____

Name: Beau Thompson

Title: Senior Vice President, General Counsel and Secretary

BLACKWELL PARTNERS, LLC - SERIES A
By: Bowery Investment Management, LLC, its Manager

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNITY FUND, L.P.
By: Bowery Opportunity Management, LLC, its General Partner

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNITY FUND, Ltd.

By: _____
Name: Vladimir Jelisavcic
Title: Director

P BOWERY, LTD.
By: Bowery Investment Management, LLC, its Investment Adviser

By: _____
Name: Vladimir Jelisavcic
Title: Manager

BOWERY OPPORTUNISTIC CREDIT, L.P.
By: Bowery GP, LLC, its General Partner

By: _____
Name: Vladimir Jelisavcic
Title: Manager

CVI CVF II LUX SECURITIES TRADING S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVIC LUX SECURITIES TRADING S.A R.L

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVIC II LUX SECURITIES TRADING S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVI AA LUX SECURITIES S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name: DAVID CHENE
Title: MANAGING DIRECTOR

CVI CHVF LUX SECURITIES S.A R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name:
Title: DAVID CHENE
MANAGING DIRECTOR

CARVAL GCF LUX SECURITIES S.A.R.L.

By: _____ by Carval Investors, LLC its attorney-in-fact
Name:
Title: DAVID CHENE
MANAGING DIRECTOR

CENTERBRIDGE CREDIT PARTNERS, L.P.
By: Centerbridge Credit Partners General Partner, L.P., its general partner
By: Centerbridge Credit GP Investors, L.L.C., its general partner

By: _____ SMV
Name: Susanne V. Clark
Title: Authorized Signatory

CENTERBRIDGE CREDIT PARTNERS MASTER, L.P.
By: Centerbridge Credit Partners Offshore General Partner, L.P., its general partner
By: Centerbridge Credit Offshore GP Investors, L.L.C.

By: _____ SMV
Name: Susanne V. Clark
Title: Authorized Signatory

CREDIT SUISSE SECURITIES (USA) LLC

By: _____
Name: Christopher S. Campbell
Title: Director

FRANKLIN ADVISERS, INC., AS INVESTMENT MANAGER ON BEHALF OF CERTAIN FUNDS AND ACCOUNTS

By: _____

Name: Edward Parks

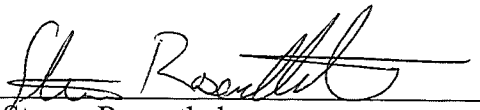
Title: EVP

LOOMIS, SAYLES & COMPANY, L.P., AS INVESTMENT MANAGER, ON BEHALF OF ONE OR MORE DISCRETIONARY ACCOUNTS HOLDING THE NOTES

By: Loomis, Sayles & Company, Incorporated
its General Partner

By: _____
Name: Thomas H. Day
Title: Assistant General Counsel

NOMURA CORPORATE RESEARCH & ASSET MANAGEMENT INC., AS INVESTMENT ADVISOR, ON BEHALF OF CERTAIN FUNDS AND MANAGED ACCOUNTS

By: 

Name: Steven Rosenthal

Title Executive Director

QUANTUM PARTNERS LP

By: QP GP LLC, its General Partner

By: _____
Name: THOMAS L. O'GRADY
Title: Attorney-in-Fact

Each of the entities listed on Schedule 1, severally and not jointly

By: T. ROWE PRICE ASSOCIATES, INC.
As investment adviser to the funds and accounts set forth in Schedule 1 holding Notes of Company

By: Rodney M. Rayburn

Name: Rodney M. Rayburn

Title: Vice President

Third Avenue Trust, on behalf of Third Avenue Focused Credit Fund

By: _____
Name: W. James Hall
Title: General Counsel

WESTERN ASSET MANAGEMENT COMPANY, AS INVESTMENT MANAGER AND AGENT ON BEHALF OF CERTAIN OF ITS CLIENTS

By: C. A. R.

Name: C. A. Ruy. de Perez

Title: Secretary

YORK CAPITAL MANAGEMENT GLOBAL ADVISORS, LLC O/B/O CERTAIN FUNDS AND/OR ACCOUNTS MANAGED AND/OR ADVISED BY IT AND/OR ITS AFFILIATES

By: _____
Name: Richard P. Swanson
Title: General Counsel

Address for notices: 767 Fifth Avenue, 17th Floor, New York, NY 10153

T. Rowe Price Associates, Inc.
Schedule 1

FUND/ACCOUNT LEGAL NAME

T. ROWE PRICE CREDIT OPPORTUNITIES FUND, INC.
T. ROWE PRICE FIXED INCOME TRUST
T. ROWE PRICE FUNDS SERIES II SICAV- CREDIT OPPORTUNITIES FUND
T. ROWE PRICE FUNDS SICAV- GLOBAL HIGH YIELD BOND FUND
T. ROWE PRICE HIGH YIELD FUND, INC.
T. ROWE PRICE HIGH YIELD MULTI-SECTOR ACCOUNT PORTFOLIO
T. ROWE PRICE INSTITUTIONAL CREDIT OPPORTUNITIES FUND
T. ROWE PRICE INSTITUTIONAL HIGH YIELD FUND
T. ROWE PRICE SMALL-CAP VALUE FUND, INC.
T. ROWE PRICE U.S. HIGH YIELD TRUST
T. ROWE PRICE U.S. SMALL-CAP VALUE EQUITY TRUST
THE NEW AMERICA HIGH INCOME FUND, INC.
JOHN HANCOCK FUNDS II – SPECTRUM INCOME FUND
PENN SERIES FUNDS, INC. – PENN SERIES HIGH YIELD BOND FUND

EXHIBIT B

Hercules Offshore, Inc. - Subsidiaries as of 30 June 2015