

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

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	:	Chapter 11
In re	:	
	:	Case No. 16-10386 (CSS)
PARAGON OFFSHORE PLC, et al.,	:	
	:	Jointly Administered
	:	
Debtors.¹	:	Re: Docket Nos. 16 & 79

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**FINAL ORDER (I) AUTHORIZING THE DEBTORS TO UTILIZE CASH COLLATERAL;
AND (II) GRANTING JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT
FOR THE REVOLVER LENDERS AND COLLATERAL AGENT FOR THE
REVOLVER LENDERS AND TERM LOAN LENDERS AND CORTLAND CAPITAL
MARKET SERVICES L.L.C. AS SUCCESSOR ADMINISTRATIVE AGENT FOR THE TERM
LOAN LENDERS, ADEQUATE PROTECTION PURSUANT TO
SECTIONS 105, 361, 362, 363, AND 507 OF THE BANKRUPTCY CODE**

Upon the motion, dated February 14, 2016 (Docket No. 16) (the “**Motion**”),² of Paragon Offshore Group plc (“**Paragon Parent**”) and its affiliated debtors, as debtors and debtors in possession (collectively, the “**Debtors**”), in the above-captioned cases (the “**Chapter 11 Cases**”), for interim and final orders under Sections 105, 361, 362, 363 and 507 of title 11 of the United States Code (as amended, the “**Bankruptcy Code**”), Rules 2002, 4001, and 9014 of

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Paragon Offshore plc (6017); Paragon Offshore Finance Company (6632); Paragon International Finance Company (8126); Paragon Offshore Holdings US Inc. (1960); Paragon Offshore Drilling LLC (4541); Paragon FDR Holdings Ltd. (4731); Paragon Duchess Ltd.; Paragon Offshore (Luxembourg) S.à r.l. (5897); PGN Offshore Drilling (Malaysia) Sdn. Bhd. (9238); Paragon Offshore (Labuan) Pte. Ltd. (3505); Paragon Holding SCS 2 Ltd. (4108); Paragon Asset Company Ltd. (2832); Paragon Holding SCS 1 Ltd. (4004); Paragon Offshore Leasing (Luxembourg) S.à r.l. (5936); Paragon Drilling Services 7 LLC (7882); Paragon Offshore Leasing (Switzerland) GmbH (0669); Paragon Offshore do Brasil Ltda.; Paragon Asset (ME) Ltd. (8362); Paragon Asset (UK) Ltd.; Paragon Offshore International Ltd. (6103); Paragon Offshore (North Sea) Ltd.; Paragon (Middle East) Limited (0667); Paragon Holding NCS 2 S.à r.l. (5447); Paragon Leonard Jones LLC (8826); Paragon Offshore (Nederland) B.V.; and Paragon Offshore Contracting GmbH (2832). The Debtors’ mailing address is 3151 Briarpark Drive, Suite 700, Houston, Texas 77042.

² All capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Motion.



the Federal Rules of Bankruptcy Procedure (as amended, the “**Bankruptcy Rules**”), and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), seeking:

- (a) authorization for the Debtors, pursuant to Sections 105, 361, 362, 363, and 507 of the Bankruptcy Code, to provide adequate protection to JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Revolver Lenders (as defined below) (in such capacity, the “**Revolver Agent**”), Cortland Capital Market Services LLC (or any successor thereof), in its capacity as the successor administrative agent for the Term Loan Lenders (as defined below) (in such capacity, the “**Term Loan Agent**”), and JPMorgan Chase Bank, N.A. in its capacity as collateral agent for the Revolver Lenders and the Term Loan Lenders (in such capacity, the “**Collateral Agent**” and, together with the Revolver Agent and the Term Loan Agent, the “**Agents**”) under:
 - (1) a Senior Secured Revolving Credit Agreement, dated as of June 17, 2014 (as amended, supplemented or otherwise modified, the “**Revolver Facility**” and, together with all mortgage, security, pledge and guaranty agreements and all other documentation executed by any Debtor in connection with any of the foregoing, each as amended, supplemented or otherwise modified, the “**Revolver Facility Documents**,” and all debts, liabilities and obligations of every kind and nature under the Revolver Facility Documents, including without limitation all rate management and currency protection obligations and cash management obligations, the “**Revolver Facility Obligations**”) among Paragon Offshore plc (“**Paragon**”), Paragon International Finance Company, the lenders and issuing banks party thereto from time to time (collectively, the “**Revolver Lenders**”) and the Revolver Agent, and
 - (2) a Senior Secured Term Loan Agreement, dated as of July 18, 2014 (as amended, supplemented or otherwise modified, the “**Term Loan Facility**” and, together with all mortgage, security, pledge and guaranty agreements and all other documentation executed by any Debtor in connection with any of the foregoing, each as amended, supplemented or otherwise modified, the “**Term Loan Facility Documents**,” and all debts, liabilities and obligations of every kind and nature under the Term Loan Facility Documents, the “**Term Loan Facility Obligations**” and together with the Revolver Facility Obligations, the “**Prepetition Obligations**”) among Paragon, Paragon Offshore Finance Company, the lenders party thereto from time to time (collectively, the “**Term Loan Lenders**” and, together with the Revolver Lenders and the Agents, the “**Prepetition Secured Parties**”) and the Term Loan Agent;

- (b) authorization for the Debtors, pursuant to Sections 105, 361, 362, 363, and 507 of the Bankruptcy Code, to use Cash Collateral (as defined in paragraph 4(k) below) (but excluding the Rig Sale Proceeds (as defined in paragraph 6(a) below)), and directing the Debtors to segregate and account for the Rig Sale Proceeds, as set forth herein, and to use all other Prepetition Collateral;
- (c) upon entry of this final order (the “**Final Order**”), and except to the extent of the Carve Out (as defined in paragraph 9(c) below), the waiver by the Debtors of any right to surcharge against the Prepetition Collateral or the Adequate Protection Collateral (as defined in paragraph 9(b) below) pursuant to Section 506(c) of the Bankruptcy Code or any other applicable principle of equity or law, as identified pursuant to Local Rule 4001-2(a)(i)(C);
- (d) to schedule, pursuant to Bankruptcy Rule 4001, an interim hearing (the “**Interim Hearing**”) on the Motion to be held before this Court to consider entry of an interim order (the “**Interim Order**” and, together with the Final Order, the “**Orders**”) (a) authorizing the Debtors to use the Prepetition Collateral, including Cash Collateral on the terms and conditions set forth in this Interim Order; and (b) granting adequate protection to the Agents;
- (e) authorization for the Debtors to maintain and renew existing letters of credit under, and to the extent permitted by, the Revolver Facility (provided that, no Issuing Bank (as defined in the Revolver Facility) shall have any obligation to extend, renew or otherwise modify any letters of credit, but the obligations of the parties with respect to existing letters of credit shall not be modified by this Final Order), obtain new letters of credit to replace or backstop the existing letters of credit, cash collateralize new letters of credit and perform all acts related thereto;
- (f) to schedule, pursuant to Bankruptcy Rule 4001 and Local Rule 4001-2(c), a final hearing (the “**Final Hearing**”) for this Court to consider entry of the Final Order authorizing the Debtors on a final basis to continue to use the Prepetition Collateral, including Cash Collateral (but excluding the Rig Sale Proceeds) and to segregate and account for the Rig Sale Proceeds and authorizing and approving the relief requested in the Motion to become effective pursuant to the Final Order; and
- (g) waiver of any applicable stay with respect to the effectiveness and enforceability of the Interim Order or this Final Order (including a waiver pursuant to Bankruptcy Rule 6004(h)).

The Interim Hearing having been held by this Court on February 17, 2016; and the Interim Order granting on an interim basis the relief sought in the Motion having been entered by

the Court on February 17, 2016 (Docket No. 79); and notice of the Final Hearing having been given in the manner provided in the Interim Order; and the Final Hearing having been held by this Court on March 9, 2016; and upon the record made by the Debtors at the Interim Hearing and the Final Hearing (including the Declaration of Ari Lefkovits In Support of the Debtors' Chapter 11 Petitions and First Day Relief and the Declaration of James A. Mesterharm In Support of the Debtors' Chapter 11 Petitions and First Day Relief); and this Court having heard and resolved or overruled all objections to the final relief requested in the Motion; and it appearing that the final relief requested in the Motion is in the best interests of the Debtors, their estates and creditors; and after due deliberation and consideration and sufficient cause appearing therefor,

IT IS FOUND, DETERMINED, ORDERED AND ADJUDGED, that:

1. *The Motion.* The Motion is granted on a final basis as set forth herein. Any objection to the Motion to the extent not withdrawn or resolved is hereby overruled.
2. *Jurisdiction.* This Court has core jurisdiction over the Chapter 11 Cases commenced on February 14, 2016 (the "**Petition Date**"), the Motion, and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334, and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated February 29, 2012. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
3. *Notice.* Notice of the Final Hearing on the Motion and the relief requested therein was served in the manner directed in the Interim Order. The notice given by the Debtors of the Motion, the Interim Hearing and the Final Hearing complies with the Interim Order and Bankruptcy Rules 2002, 4001(b) and (d), the Local Rules, and no further notice of the relief sought at the Final Hearing is necessary or required.

4. *Debtors' Stipulations.* Without prejudice to the rights of any other party (but subject to the limitations thereon contained in paragraphs 21 and 22 below) the Debtors admit, stipulate, and agree that:

The Revolver Facility

- (a) as of the Petition Date, Paragon, Paragon International Finance Company and the guarantors of the Revolver Facility Obligations (collectively, the “**Revolver Obligors**”) were indebted and liable to the Revolver Lenders, without defense, counterclaim or offset of any kind, for all of the Revolver Facility Obligations, made by the Revolver Lenders in the aggregate principal amount of not less than \$708,500,000.00 under the Revolver Facility and not less than \$87,161,527.83 in face amount of undrawn Letters of Credit (as defined in the Revolver Facility), plus accrued and unpaid interest, indemnification obligations, obligations arising under the Rate Management and Currency Protection Obligations and Specified Cash Management Obligations, if any (each as defined in the Revolver Facility), and fees and expenses (including, without limitation, the reasonable fees and expenses of the Revolver Agent’s attorneys and financial advisors) and other obligations incurred in connection therewith, in each case in accordance with the terms of the Revolver Facility Documents; the Revolver Facility Obligations are unconditionally and irrevocably guaranteed by the Revolver Obligors (other than Paragon and Paragon International Finance Company) pursuant to the Guaranty and Collateral Agreement (the “**Security Agreement**” and, together with the Revolver Facility Documents and the Term Loan Facility Documents, the “**Credit Documents**”), dated as of July 18, 2014, in favor of the Collateral Agent;
- (b) the Revolver Facility Obligations constitute the legal, valid and binding obligation of the Revolver Obligors, enforceable in accordance with their terms (except as subject to the stay of enforcement arising under Section 362 of the Bankruptcy Code);
- (c) (i) no portion of the Revolver Facility Obligations and no amounts paid at any time to the Revolver Agent or the Revolver Lenders in respect of the Revolver Facility Obligations, the Revolver Facility Documents, and the transactions contemplated thereby is subject to contest, attack, objection, recoupment, defense, setoff, counterclaim, avoidance, recharacterization, reclassification, reduction, disallowance, recovery or subordination or other challenge pursuant to the Bankruptcy Code or applicable nonbankruptcy law, and (ii) the Debtors do not have any claims, counterclaims, causes of action, defenses or setoff rights related to the Revolver Facility Obligations or the Revolver Facility Documents, whether arising on or prior to the date hereof, under the Bankruptcy Code

or applicable nonbankruptcy law against the Revolver Agent, the Revolver Lenders, and their respective affiliates, subsidiaries, agents, officers, directors, employees, attorneys and advisors;

- (d) the Master Intercompany Subordination Agreement (Revolving Credit Agreement) dated as of July 18, 2014, among the Debtors party thereto, the Revolver Agent and the other parties from time to time party thereto (the “**Revolver ISA**”) is binding and enforceable in accordance with its terms;

The Term Loan Agreement

- (e) as of the Petition Date, Paragon Offshore Finance Company and the guarantors of the Term Loan Facility Obligations (collectively, the “**Term Loan Obligors**”) were indebted and liable to the Term Loan Lenders, without defense, counterclaim or offset of any kind, for all of the Term Loan Facility Obligations, made by the Term Loan Lenders in the aggregate principal amount of not less than \$641,875,000.00 under the Term Loan Facility, plus accrued and unpaid interest, indemnification obligations, obligations arising under the Rate Management and Currency Protection Obligations and Specified Cash Management Obligations, if any (each as defined in the Term Loan Facility), and fees and expenses (including, without limitation, the reasonable fees and expenses of the Term Loan Agent’s attorneys and financial advisors) and other obligations incurred in connection therewith, in each case in accordance with the terms of the Term Loan Facility Documents; the Term Loan Facility Obligations are unconditionally and irrevocably guaranteed by the Term Loan Obligors (other than Paragon Offshore Finance Company) pursuant to the Security Agreement;
- (f) the Term Loan Facility Obligations constitute the legal, valid and binding obligation of the Term Loan Obligors, enforceable in accordance with their terms (except as subject to the stay of enforcement arising under Section 362 of the Bankruptcy Code);
- (g) (i) no portion of the Term Loan Facility Obligations and no amounts paid at any time to the Term Loan Agent or the Term Loan Lenders in respect of the Term Loan Facility Obligations, the Term Loan Facility Documents, and the transactions contemplated thereby is subject to contest, attack, objection, recoupment, defense, setoff, counterclaim, avoidance, recharacterization, reclassification, reduction, disallowance, recovery or subordination or other challenge pursuant to the Bankruptcy Code or applicable nonbankruptcy law, and (ii) the Debtors do not have any claims, counterclaims, causes of action, defenses or setoff rights related to the Term Loan Facility Obligations or the Term Loan Facility Documents, whether arising on or prior to the date hereof, under the Bankruptcy Code or applicable nonbankruptcy law against the Term Loan

Agent, the Term Loan Lenders, and their respective affiliates, subsidiaries, agents, officers, directors, employees, attorneys and advisors;

- (h) Intercompany Subordination Agreement (Term Loan Agreement) dated as of July 18, 2014, among the Debtors party thereto, the Term Loan Agent and the other parties from time to time party thereto (the “**Term ISA**”) is binding and enforceable in accordance with its terms;

The Collateral

- (i) the liens and security interests granted by the Revolver Obligors and the Term Loan Obligors under the Security Agreement to the Collateral Agent to secure the Revolver Facility Obligations and the Term Loan Facility Obligations for the benefit of the Collateral Agent and the Prepetition Secured Parties pursuant to and in connection with the Revolver Facility Documents and the Term Loan Facility Documents are valid, binding, perfected, enforceable, first priority liens and security interests (subject to liens permitted under the Credit Documents) on the rigs (the “**Rigs**”), drilling contracts and certain other personal property of the Revolver Obligors and Term Loan Obligors constituting “Collateral” as defined in the Security Agreement (all such “Collateral,” including the Cash Collateral (as defined below) and the setoff rights described in the Revolver Facility Documents and the Term Loan Facility Documents or arising by operation of law, are collectively referred to herein as the “**Prepetition Collateral**”), are subject in each case to permitted exceptions under the Revolver Facility Documents and the Term Loan Facility Documents, and are not subject to objection, defense, contest, avoidance, recharacterization, reclassification, reduction or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law by any person or entity;
- (j) the liens and security interests granted by the Revolver Obligors and the Term Loan Obligors under the First Preferred Fleet Mortgages (the “**Rig Mortgages**”) to the Collateral Agent to secure the Revolver Facility Obligations and the Term Loan Facility Obligations for the benefit of the Collateral Agent and the Prepetition Secured Parties pursuant to and in connection with the Revolver Facility Documents and the Term Loan Facility Documents are valid, binding, perfected, enforceable, first priority liens and security interests (subject to liens permitted under the Credit Documents) on the Rigs; and
- (k) all of the Debtors’ cash (1) constituting proceeds or products of Prepetition Collateral; or (2) subject to the Prepetition Secured Parties’ rights of setoff, if any, collectively, constitutes cash collateral (the “**Cash Collateral**”), and all of the Debtors’ cash not constituting Prepetition Collateral, proceeds or products of Prepetition Collateral or subject to such rights of setoff is not Cash Collateral.

The Unencumbered Cash

- (l) As of the Petition Date, the Debtors assert that approximately \$332 million of cash held in a Goldman Sachs account ending in 3774 (the “**Goldman Account**”) and approximately \$11.5 million in cash held in a Bank of America account ending in 9069 is unencumbered, and each of the Prepetition Secured Parties reserves all rights with respect to the Debtors’ assertion. The Goldman Account shall not be subject to any lien or superpriority administrative expense claim under section 507(b) of the Bankruptcy Code other than the 507(b) Claims (as defined below) and the Adequate Protection Liens (as defined below) provided hereunder and the Debtors shall provide notice to the Agents no later than five (5) Business Days prior to any single disbursement from the Goldman Account in excess of \$5 million.

5. *Findings Regarding the Use of Cash Collateral and Prepetition Collateral.*

- (a) Good cause has been shown for the entry of this Final Order.
- (b) The Debtors need to continue to use the Prepetition Collateral, to, among other things, conduct their business operations, generate revenue and preserve the going concern value of the Debtors.
- (c) The terms of the use of the Prepetition Collateral pursuant to the Orders are fair and reasonable, reflect the Debtors’ exercise of prudent business judgment consistent with their fiduciary duties and constitute reasonably equivalent value and fair consideration. The use of the Prepetition Collateral in accordance with the Orders is in the best interest of the Debtors’ estates.
- (d) The terms of the use of the Prepetition Collateral pursuant to the Orders have been the subject of extensive negotiations conducted in good faith and at arm’s length among the Debtors, the Collateral Agent, the Revolver Agent and the Term Agent, and, pursuant to Sections 105, 361 and 363 of the Bankruptcy Code the Collateral Agent, the Revolver Agent and the Term Agent, on behalf of all of the Prepetition Secured Parties, are hereby found to be entities that have acted in “good faith” in connection with the negotiation and entry of the Orders, and each (including all of the Prepetition Secured Parties) is entitled to the protection provided under Section 363(m) of the Bankruptcy Code.

6. *Authorization of Use of Cash Collateral and Prepetition Collateral.*

- (a) The Debtors are hereby authorized to continue to use the Prepetition Collateral, including Cash Collateral (other than the cash proceeds from the sale of rig M822 (the “**Rig Sale Proceeds**”)), through and including the Termination Date (as defined in paragraph 11 below) for the purposes

set forth in the Budget (as defined below), including (i) conducting their operations and generating revenue in the Chapter 11 Cases, subject to the terms hereof; (ii) other general corporate purposes; (iii) the satisfaction of the costs and expenses of administering the Chapter 11 Cases, including payment of any prepetition obligations that are necessary to preserve the value of the estates, as further described in each of the Debtors' first day motions; and (iv) adequate protection payments to the Agents and the Prepetition Secured Parties, as provided herein. All post-petition distributions and transfers by a Debtor to any other Debtor (each, a "**Debtor Transferee**") shall (i) constitute an allowed administrative expense under Sections 503(b)(1) and 507(a)(2) of the Bankruptcy Code against such Debtor Transferee in the aggregate amount of such distribution or transfer, which administrative expense claim against such Debtor Transferee shall be junior in all respects to the 507(b) Claims (as defined in paragraph 9(a)) against such Debtor Transferee and (ii) be subject to the terms and conditions of the Revolver ISA and the Term ISA.

- (b) Attached as Exhibit A hereto and incorporated by reference herein is the 13-week budget (which has been approved by the Term Loan Agent and the Revolver Agent) setting forth the Debtors' projected receipts and disbursements for such period (the "**Budget**"). The Debtors' use of Cash Collateral shall be consistent with the types of expenses set forth in the Budget. The Prepetition Secured Parties shall have no obligation with respect to the Debtors' use of the Cash Collateral, and shall not be obligated to ensure or monitor the Debtors' compliance with the Budget or to pay (directly or indirectly from the Cash Collateral) any expenses incurred or authorized to be incurred pursuant to the Budget. Any and all Cash Collateral shall be used by the Debtors in accordance with the Orders and the Budget. The consent of the Agents to the Budget shall not be construed as consent to the use of any Cash Collateral after the Termination Date (other than with respect to the Carve Out), regardless of whether the aggregate funds shown on the Budget have been expended.
- (c) The Debtors shall fully comply with the accounting of Cash Collateral required by Section 363(c)(4) of the Bankruptcy Code. The Debtors are directed to segregate Rig Sale Proceeds and are not authorized to use them absent consent of the Agents and as further ordered by the Court.

7. *Consent and Indemnification of the Collateral Agent.* The Revolver Agent, the Collateral Agent, and the Term Loan Agent, on behalf of the Prepetition Secured Parties, consent to the Debtors' use of the Prepetition Collateral, in accordance with and subject to the terms and conditions contained in this Final Order. The Debtors agree to indemnify and hold the Collateral Agent harmless from and against any liabilities, losses, claims, damages, penalties, judgments,

costs or expenses that the Collateral Agent may suffer or incur for any actions taken in connection with the entry of this Final Order or any relief granted herein; provided, however, that the Debtors shall not indemnify and hold the Collateral Agent harmless to the extent that any such actions are the result of gross negligence, bad faith or willful misconduct on the part of the Collateral Agent.

8. *Entitlement to Adequate Protection.* The Agents and the Prepetition Secured Parties are entitled, pursuant to Sections 361, 363(c)(2) and 363(e) of the Bankruptcy Code, to adequate protection of their interests in the Prepetition Collateral, including the Cash Collateral, in an amount equal to the aggregate diminution or other decline in value, if any, of the applicable Agent's or Prepetition Secured Party's interest in the Prepetition Collateral (including the Cash Collateral) from and after the Petition Date resulting from the use, sale, or lease by the Debtors of the Prepetition Collateral and the imposition of the automatic stay pursuant to Section 362 of the Bankruptcy Code (such diminution in value, the "**Adequate Protection Obligations**" or the "**Diminution**"). Notwithstanding anything to the contrary herein, the Agents and the Prepetition Secured Parties are not receiving any adequate protection of their interests in the Prepetition Collateral pursuant to the Orders in an amount over and above the amount equal to the Diminution.

9. *Adequate Protection Claims and Liens.*

As adequate protection, the Prepetition Secured Parties are hereby granted the following claims, liens, rights and benefits:

- (a) Section 507(b) Claim. The Adequate Protection Obligations due to the Prepetition Secured Parties shall constitute joint and several superpriority claims in the amount of the Diminution, if any, against the Debtors as provided in Section 507(b) of the Bankruptcy Code, with priority in payment over any and all unsecured claims and administrative expense claims against the Debtors, now existing or hereafter arising, of the kinds

specified or ordered pursuant to any provision of the Bankruptcy Code, including without limitation, Sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 726, 1113 or 1114, and shall at all times be senior to the rights of the Debtors and any successor trustee or any creditor in the Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code (the “**507(b) Claim**”), subject and subordinate only to the Carve Out (as defined in paragraph 9(c) below).

(b) Adequate Protection Liens. As security for the Adequate Protection Obligations, effective as of the Petition Date and perfected without the necessity of the execution by the Debtors (or recordation or other filing) of security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or the possession or control by the Agents of any Adequate Protection Collateral (as defined below), the following security interests and liens are hereby granted to the Agents for the benefit of the Prepetition Secured Parties for and to the extent of the Diminution, if any (all property identified in clauses (1), (2), (3) and (4) below being collectively referred to as the “**Adequate Protection Collateral**”), subject only to the Carve Out (as defined in paragraph (c) below) (all such liens and security interests, the “**Adequate Protection Liens**”):

(1) First Priority on Unencumbered Property. Pursuant to Sections 361(2) and 363(c)(2) of the Bankruptcy Code, a valid, binding, continuing, enforceable, fully-perfected, non-voidable first priority replacement lien on, and security interest in, all of the Debtors’ rights in tangible and intangible assets, including without limitation, all prepetition and post-petition property of the Debtors’ estates, and all products and proceeds thereof, whether existing on or as of the Petition Date or thereafter acquired, that is not subject to (x) valid, perfected, non-avoidable and enforceable liens in existence on or as of the Petition Date or (y) valid and unavoidable liens in existence as of the Petition Date that are perfected after the Petition Date as permitted by Section 546(b) of the Bankruptcy Code (collectively, the “**Unencumbered Property**”), including without limitation, accounts receivable, other rights to payment, cash, inventory, general intangibles, contracts, servicing rights, servicing receivables, securities, chattel paper, owned real estate, real property leaseholds, fixtures, machinery, equipment, deposit accounts, patents, copyrights, trademarks, trade names, rights under license agreements and other intellectual property, claims and causes of action (including those arising under Section 549 of the Bankruptcy Code), and the proceeds of all of the foregoing, provided that the Unencumbered Property shall not include any actions under sections 544, 545, 547, 548 and 550 of the Bankruptcy Code (collectively, the “**Avoidance Actions**”) and shall include the proceeds or property recovered, unencumbered or

otherwise, from successful Avoidance Actions, whether by judgment, settlement or otherwise (“**Avoidance Proceeds**”);

- (2) Liens Junior to Certain Existing Liens. Pursuant to Sections 361(2) and 363(c)(2) of the Bankruptcy Code, a valid, binding, continuing, enforceable, fully-perfected non-voidable junior priority replacement lien on, and security interest in, all tangible and intangible assets, including without limitation, all prepetition and post-petition property of the Debtors’ estates, and all products and proceeds thereof, whether now existing or hereafter acquired (other than the property described in clause (1) or (3) of this paragraph 9(b)), that is subject to (x) valid, perfected and unavoidable liens in existence as of the Petition Date or (y) valid and unavoidable liens in existence as of the Petition Date that are perfected after the Petition Date as permitted by Section 546(b) of the Bankruptcy Code, which valid, perfected and unavoidable liens are senior in priority to the security interests and liens in favor of the Collateral Agent;
 - (3) Liens Senior to Certain Existing Liens. Pursuant to Sections 361(2) and 363(c)(2) of the Bankruptcy Code, a valid, binding, continuing, enforceable, fully-perfected non-voidable priming lien on, and security interest in, all tangible and intangible assets, including without limitation, all prepetition and post-petition property of the Debtors’ estates, and all products and proceeds thereof, whether now existing or hereafter acquired; provided that such liens and security interests shall not prime (x) any valid, perfected and unavoidable liens and security interests in existence as of the Petition Date that are held by or granted to any person other than the Collateral Agent or (y) valid and unavoidable liens and security interests in existence as of the Petition Date that are perfected after the Petition Date as permitted by Section 546(b) of the Bankruptcy Code and that are held by or granted to any person other than the Collateral Agent;
 - (4) Status of The Adequate Protection Liens. The Adequate Protection Liens shall not be (i) subject or subordinate to (A) any lien or security interest that is avoided and preserved for the benefit of the Debtors and their estates under Section 551 of the Bankruptcy Code or (B) any lien or security interest arising after the Petition Date, subject to the Carve Out, or (ii) except as otherwise set forth in clauses (1), (2) and (3) of this paragraph 9(b) subordinated to or made pari passu with any other lien or security interest under Sections 363 or 364 of the Bankruptcy Code or otherwise.
- (c) For purposes hereof, the “**Carve Out**” shall mean the following: (i) all statutory fees required to be paid by the Debtors to the Clerk of the

Bankruptcy Court and to the Office of the U.S. Trustee in such amounts as agreed to by the U.S. Trustee or as determined by order of the Court under section 1930(a) of title 28 of the United States Code (irrespective of whether the Carve Out Notice (as defined below in this paragraph) has been delivered); (ii) the reasonable fees and expenses up to \$50,000 incurred by a trustee appointed in the Debtors' cases under section 726(b) of the Bankruptcy Code (irrespective of whether the Carve Out Notice has been delivered); (iii) all accrued and unpaid reasonable fees, disbursements, costs, and expenses (the "**Professional Fees**") incurred by professionals or professional firms retained by the Debtors or their estates pursuant to sections 327, 328, or 363 of the Bankruptcy Code (collectively, the "**Professionals**"), which Professional Fees (x) are allowed by this Court at any time and (y) were incurred (regardless of when invoiced or applied for) at any time before or on the first business day following delivery by the Revolver Agent or the Term Loan Agent to counsel to the Debtors and the U.S. Trustee of a written notice (the "**Carve Out Notice**"), which notice may be delivered at any time following the occurrence of the Termination Date or a Termination Event (as defined in paragraph 11 below), stating that the Termination Date has occurred or a Termination Event has occurred; and (iv) the Professional Fees allowed by this Court or another court of competent jurisdiction in an aggregate amount not exceeding \$3 million, which Professional Fees are incurred by the Professionals after the first business day following delivery by the Revolver Agent or the Term Loan Agent of the Carve Out Notice in accordance with the immediately preceding clause (iii); provided that: (x) the Carve Out shall not be available to pay any Professional Fees incurred by any party, including the Debtors or any Professionals engaged thereby, in connection with the initiation or prosecution of any claims, causes of action, adversary proceedings or other litigation against any of the Agents or Prepetition Secured Parties; (y) so long as a Carve Out Notice has not been delivered, the Carve Out shall not be reduced by the payment of Professional Fees allowed at any time by this Court and payable under sections 328, 330 and 331 of the Bankruptcy Code; and (z) without prejudice to the rights of the Professionals or the Debtors to contest any such objection, nothing in this Final Order shall be construed to impair the ability of any party to object to any fees, expenses, reimbursements, or compensation sought by any such Professionals. For the avoidance of doubt, nothing in this Order shall or shall be construed to limit the payment following the delivery of a Carve Out Notice of any of the statutory, Professional Fees or other fees covered by this Carve Out, from cash that is not Cash Collateral. Notwithstanding anything to the contrary herein, payment following the delivery of a Carve Out Notice of any of the statutory, Professional Fees or other fees covered by this Carve Out shall be paid (and shall be deemed to have been satisfied) first, from unencumbered assets or cash that is not Cash Collateral and second, if

there are no remaining unencumbered assets or cash that is not Cash Collateral, from Cash Collateral.

10. *Additional Adequate Protection.* As additional adequate protection to the Prepetition Secured Parties:

- (a) Payments to the Revolver Agent and Revolver Lenders: The Debtors are authorized and directed to pay to the Revolver Agent for the ratable benefit of the Revolver Lenders on the last business day of each calendar month after the entry of the Interim Order, all accrued and unpaid pre or post-petition interest, fees and costs due and payable under the Revolver Facility, including, without limitation, interest on Loans, breakage costs and accrued fees owing to the Revolver Agent (with all payments of interest to be without prejudice to the rights of the Revolver Agent and Revolver Lenders to assert a claim for payment of additional interest at any other rates in accordance with the Revolver Facility).
- (b) Payments to the Term Loan Agent and Term Loan Lenders: The Debtors are authorized and directed to pay to the Term Loan Agent for the ratable benefit of the Term Loan Lenders on the last business day of each calendar month after the entry of the Interim Order, all accrued and unpaid pre or post-petition interest, fees and costs due and payable under the Term Loan Facility, including, without limitation, interest on Loans, breakage costs and accrued fees owing to the Term Loan Agent (with all payments of interest to be without prejudice to the rights of the Term Loan Agent and Term Loan Lenders to assert a claim for payment of additional interest at any other rates in accordance with the Term Loan Facility).
- (c) Fees and Expenses: The Debtors are authorized and directed to pay, in accordance with this paragraph, within two business days following fifteen (15) days after delivery of an invoice describing in summary detail (redacted for privilege and work product) reasonable and documented fees, costs and expenses in accordance with the Revolver Facility and Term Loan Facility, including those incurred or accrued either prior to or after the Petition Date by (i) the Revolver Agent and (ii) the Term Loan Agent, including without limitation, for each of the Revolver Agent and the Term Loan Agent, respectively, the reasonable fees and documented expenses of one legal counsel, one additional local Delaware counsel and one financial advisory firm, and one other advisor for the Term Loan Agent. The Debtors are also authorized to pay up to \$800,000 of reasonable and documented prepetition fees, costs and expenses of the Ad Hoc Term Lenders. None of the fees, costs, expenses or other amounts payable pursuant to this paragraph shall be subject to separate approval by this Court (but this Court shall resolve any dispute as to the reasonableness of any such fees, costs and expenses), and no recipient of any such payment shall be required to file any interim or final fee application with

respect thereto; provided that the Debtors shall submit copies of the Agents' and the Ad Hoc Term Lenders' respective legal counsels' and financial advisors' invoices to the U.S. Trustee, and the Debtors and the U.S. Trustee shall have ten (10) days following their receipt of such invoices to object to the reasonableness of the fees and expenses included in any such invoice. The invoices for such invoiced fees shall include the number of hours billed (except for financial advisors compensated on other than an hourly basis) and a reasonably detailed description of services provided and the expenses incurred by the applicable professional; provided, however, that any such invoice may be redacted to protect privileged, confidential or proprietary information. If any such objection is not resolved within ten (10) days after such objection is interposed, a hearing with respect thereto shall be conducted at a regularly-scheduled omnibus hearing in the Chapter 11 Cases, provided that the Debtors shall pay any undisputed portion of such fees, costs and expenses on the first Thursday following fifteen (15) days after the initial presentment to the Debtors of such invoice.

- (d) Other Covenants: The Debtors shall maintain their cash management arrangements in a manner consistent with that described in the final order granting the Motion of Debtors for Entry of (I) Interim and Final Authority to (A) Continue Existing Cash Management System, (B) Maintain Business Forms and Existing Bank Accounts, and (C) Continue Intercompany Arrangements; (II) Waiver of the Requirements of Section 345(b) of The Bankruptcy Code Pursuant to Sections 105(a), 345(b), 363(b)(1), and 363(c)(1) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004; and (III) Granting Related Relief (the "**Cash Management Order**"), entered or to be entered substantially contemporaneously herewith. The Debtors shall not use, sell or lease any material assets outside the ordinary course of business, or seek authority of this Court to do any of the foregoing, without prior consultation with the Agents at least five (5) business days prior to the date on which the Debtors seek the authority of this Court for such use, sale or lease. The Debtors shall comply with the covenants contained in Revolver Facility and the Term Loan Facility, including without limitation as set forth in Sections 6.2, 6.5, 6.6, 6.10 and 6.11 of each of the Revolver Facility and the Term Loan Facility, regarding the maintenance and insurance of the Prepetition Collateral and the Adequate Protection Collateral.
- (e) Reporting: The Debtors shall comply with the reporting requirements set forth in Revolver Facility and the Term Loan Facility, including without limitation Section 6.6 of each of the Revolver Facility and the Term Loan Facility, and shall provide the following additional reporting to the Agents:
- (1) On Friday of each calendar week, commencing on Friday, February 26, 2016, a variance report (a "**Variance Report**")

comparing, on a line item basis, actual results for the previous individual week and cumulative weeks to the amounts set forth in the Budget for such previous week and since the last approved Budget. Each material variance shall be accompanied by a qualitative explanation. Each Variance Report shall include an accounting of the amount of unencumbered cash as of the end of the previous week.

- (2) No later than Friday of the fourth week covered by the then existing Budget, an updated 13-week Budget, which updated Budget shall be in form and substance satisfactory to the Term Loan Agent and the Revolver Agent (and which should be filed with the court); provided, however, that if the Term Loan Agent and the Revolver Agent do not agree to an updated Budget, the Budget shall be the then existing Budget or such Budget as may be approved by the Court.
- (3) No later than 20 days after the end of each calendar month, commencing with March 2016, a copy of the unaudited consolidated and consolidating balance sheet of the Debtors as at the end of such month and the related statements of income and cash flows for such month and the portion of the fiscal year through the end of such month.
- (4) A monthly report of capital expenditures (beginning with the year-to-date period ended February 2016) for the Debtors to be provided as soon as available, but in any event within one (1) month and ten (10) business days after the last day of each month;
- (5) A weekly fleet status report on all drilling rigs, including:
 - a. Details of any contracts the Company is currently in the process of bidding for and/or expected to be committed; and
 - b. Details on any indications or notices provided by the Company's customers for potential early contract terminations, which may impact the existing backlog.
- (f) Access to Records: In addition to, and without limiting, whatever rights to access the Prepetition Secured Parties have under their respective Credit Documents, upon reasonable notice, at reasonable times during normal business hours, the Debtors shall permit representatives, agents and employees of the Agents (i) to have access to and inspect the Debtors' properties, (ii) to examine the Debtors' books and records, and (iii) to discuss (no less than once per calendar month) the Debtors' affairs, finances, and condition with the Debtors' officers and financial advisors,

including the status of any pending tax settlements or other contingent liabilities).

- (g) Equal Adequate Protection: The adequate protection claims, liens, rights and benefits granted to or for the benefit of any of the Revolver Lenders, the Revolver Agent, the Term Loan Lenders or Term Agent shall in no event be less than the adequate protection claims, liens, rights and benefits granted to or for the benefit of any of the foregoing parties.

11. *Termination*. The Debtors' right to use the Cash Collateral pursuant to the Orders shall terminate (the date of any such termination, the "**Termination Date**") without further notice or court proceeding on the earlier to occur of (i) October 1, 2016 and (ii) the occurrence of any of the events set forth in clauses (a) through (i) below (unless waived by the Agents) (the events set forth in clauses (a) through (i) below are collectively referred to herein as the "**Termination Events**");

- (a) Failure of the Debtors to make any payment under the Orders to the Agents or Prepetition Secured Parties within three (3) business days after such payment becomes due (other than payments required pursuant to paragraph 10(a) or paragraph 10(b) of this Final Order, which payments shall be made as required therein);
- (b) Other than with respect to clauses (a), (d), and (f) of this paragraph 11, failure of the Debtors to: (i) comply with any material provision of the Orders; or (ii) comply with any other covenant or agreement specified in the Orders (other than those described in clause (a) above) in any material respect and such failure to comply with any such other covenant or agreement shall continue unremedied for five (5) business days following notice by the Agents of such failure;
- (c) The Debtors shall create, incur or suffer to exist any post-petition liens or security interests other than: (i) those granted pursuant to the Orders; (ii) carriers', maritime, mechanics', operator's, warehousemen's, repairmen's or other similar liens arising in the ordinary course of business; (iii) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation; (iv) deposits to secure the payment of any post-petition statutory obligations, performance bonds and other obligations of a like nature incurred in the ordinary course of business; and (v) any other junior liens or security interests that the Debtors are permitted to incur under the Credit Documents;

- (d) An order shall be entered reversing, amending, supplementing, staying, vacating or otherwise modifying the Orders without the consent of the Agents;
- (e) The Debtors shall create, incur or suffer any other claim which is pari passu with or senior to the 507(b) Claim;
- (f) The Court shall have entered an order dismissing any of the Chapter 11 Cases;
- (g) The Court shall have entered an order converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code;
- (h) The Court shall have entered an order appointing a chapter 11 trustee, responsible officer, or any examiner with enlarged powers relating to the operation of the businesses in the Chapter 11 Cases, unless consented to in writing by the Agents; provided that nothing herein shall preclude any party from seeking to appoint an examiner;
- (i) Beginning with the four-week period ending with the fourth week of the period covered by the initial Budget, and thereafter measured each week on a cumulative basis from the period covered by the initial Budget through the measured period, permit (a) the difference between the amount set forth in the Budget for Total Receipts (as described in the Budget) for such cumulative period and the actual Total Receipts for such cumulative period (the “**Receipt Variance**”) to exceed \$80,000,000, (b) the difference between actual Total Disbursements (as described in the Budget) for such cumulative period and the amount set forth in the Budget for Total Disbursements for such cumulative period (the “**Disbursement Variance**”) to exceed \$80,000,000, (c) the Receipt Variance plus the Disbursement Variance to exceed \$80,000,000, or (d) the amount as of the Petition Date of the “Total Debtor Cash Balance” to decrease by an amount in excess of \$90,000,000; provided that the Debtors retain the right to cure, within five (5) business days after the occurrence of a Termination Event under this clause (i), any such Termination Event by contributing cash from a non-Debtor to a Debtor in an amount sufficient such that the Termination Event would not have occurred had such cash been included to fully offset the applicable deficiency and all such contributed cash shall be used prior to the further use of Cash Collateral.
- (j) A filing by any Debtor of any motion, pleading, application or adversary proceeding challenging the validity, enforceability, perfection or priority of the liens securing the Revolver Facility Obligations or the Term Loan Facility Obligations or asserting any other cause of action against and/or with respect to the Revolver Facility Obligations, the Term Loan Facility Obligations or the Prepetition Collateral securing such obligations (or if

the Debtors support any such motion, pleading, application or adversary proceeding commenced by any third party).

12. *Remedies upon the Termination Date.* The Debtors shall promptly provide notice to the Agents (with a copy to counsel for the U.S. Trustee) of the occurrence of any Termination Event. Upon the occurrence of the Termination Date, (a) the Adequate Protection Obligations, if any, shall become due and payable and (b) the Agents and each of the Prepetition Secured Parties, upon five (5) business days written notice to the counsel to the Debtors and the U.S. Trustee, may (i) setoff amounts in any account of the Debtors maintained with the Agents or such Prepetition Secured Parties, respectively, to the extent necessary for payment of the Adequate Protection Obligations and (ii) exercise the rights and remedies available under the Credit Documents, the Orders or applicable law, including without limitation, foreclosing upon and selling all or a portion of the Prepetition Collateral or Adequate Protection Collateral in order to collect the Adequate Protection Obligations. The automatic stay under Section 362 of the Bankruptcy Code is hereby deemed modified and vacated to the extent necessary to permit such actions. Any delay or failure of a Prepetition Secured Party to exercise rights under any Credit Documents or the Orders shall not constitute a waiver of their respective rights hereunder, thereunder or otherwise, unless any such waiver is pursuant to a written instrument executed in accordance with the terms of the applicable Credit Documents. The Agents shall be entitled to apply the payments or proceeds of the Prepetition Collateral and the Adequate Protection Collateral in accordance with the provisions of the Credit Documents and in no event shall any of the Prepetition Secured Parties be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the Prepetition Collateral, the Adequate Protection Collateral or otherwise. The occurrence of the Termination Date, a Termination Event or anything herein shall not affect the validity, priority or enforceability of any and all of the rights,

remedies, benefits and protections provided to the Prepetition Secured Parties under the Orders, which rights, remedies, benefits and protections shall survive the Termination Date.

13. *Limitation on Charging Expenses against Collateral.* Except to the extent of the Carve Out, no expenses of administration of the Chapter 11 Cases or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Collateral Agent's liens on either the Prepetition Collateral or the Adequate Protection Collateral, the Agents or the Prepetition Secured Parties pursuant to Sections 105(a) or 506(c) of the Bankruptcy Code or any similar principle of law or equity, without the prior written consent of the affected party, and no such consent shall be implied from any other action, inaction, or acquiescence by any of the Agents or the Prepetition Secured Parties.

14. *Payments Free and Clear.* Any and all payments or proceeds remitted to the Agents on behalf of the Prepetition Secured Parties or directly to any Prepetition Secured Party pursuant to the provisions of this Final Order or any subsequent order of this Court shall be non-refundable and irrevocable (subject to paragraphs 16 and 21 of this Final Order) and received free and clear of, and not be subject to, any contest, attack, rejection, recoupment, reduction, defense, counterclaim, offset, subordination, recharacterization, avoidance, charge, assessment or other liability, or other claim, cause of action or other challenge of any nature under the Bankruptcy Code, under applicable non-bankruptcy law or otherwise, including without limitation, any such claim or charge arising out of or based on, directly or indirectly, sections 506(c) (whether asserted or assessed by, through or on behalf of the Debtors) or 552(b) of the Bankruptcy Code.

15. *Section 552(b) of the Bankruptcy Code.* The Agents and the other Prepetition Secured Parties shall be entitled to all of the rights and benefits of Section 552(b) of the Bankruptcy Code, and the “equities of the case” exception under Section 552(b) of the Bankruptcy Code shall not apply to the Agents and the Prepetition Secured Parties.

16. *All Parties’ Reservation of Rights.* All parties reserve their rights to argue that, to the extent that any cash payment of interest, fees and expenses as adequate protection to the Prepetition Secured Parties is not allowed under Section 506(b) of the Bankruptcy Code and not allowed on any other basis (including, without limitation, on account of the Debtors’ use of Prepetition Collateral or under a plan), such payments should be recharacterized and applied as payments of principal owed under the applicable Credit Documents; provided that the Prepetition Secured Parties reserve their rights to assert defenses to any such arguments and to otherwise oppose any such recharacterization or application.

17. *Reservation of Rights of the Agents and Prepetition Secured Parties.* Notwithstanding any other provision hereof, the grant of adequate protection to the Prepetition Secured Parties pursuant hereto is without prejudice to the right of the Agents and the Prepetition Secured Parties to seek modification of the grant of adequate protection provided hereby so as to provide different or additional adequate protection, and without prejudice to the right of the Debtors or any other party in interest to contest any such modification. Nothing herein shall be deemed to waive, modify or otherwise impair the respective rights of the Agents or the Prepetition Secured Parties under the Credit Documents or under equity or law, and the Agents and the Prepetition Secured Parties expressly reserve all of their respective rights and remedies whether now existing or hereafter arising under the Credit Documents and/or equity or law in

connection with all Termination Events and Defaults and Events of Default (as defined in the respective Credit Documents, and whether arising prior to or after the Petition Date).

18. *Debtors' Reservation of Rights.* Subject to the Prepetition Secured Parties' rights granted pursuant to paragraph 12 of this Final Order, the entry of this Final Order and the grant of adequate protection to the Prepetition Secured Parties and the Agents pursuant to the terms hereof shall be without prejudice to the rights of the Debtors to, following the occurrence of the Termination Date, seek authority to use Cash Collateral and the Prepetition Collateral without the consent of the Prepetition Secured Parties and the Agents, and the Prepetition Secured Parties and the Agents reserve all of their respective rights with respect to contesting any such motion or request by the Debtors or any other person; provided that the Debtors may not utilize Cash Collateral to seek such authority.

19. *Perfection of Adequate Protection Liens.*

- (a) The Collateral Agent is hereby authorized, but not required, to file or record financing statements, intellectual property filings, mortgages, notices of lien or similar instruments in any jurisdiction in order to validate and perfect the liens and security interests granted to them pursuant to the Orders. Whether or not the Collateral Agent shall, in its sole discretion, choose to file such financing statements, intellectual property filings, mortgages, notices of lien or similar instruments, such liens and security interests were deemed valid, perfected, allowed, enforceable, non-avoidable and not subject to challenge, dispute or subordination as of the date of entry of the Interim Order and shall continue to be deemed valid, perfected, allowed, enforceable, non-avoidable and not subject to challenge, dispute or subordination. If the Collateral Agent determines to file any financing statements, notice of liens or similar instruments, the Debtors will cooperate and assist in any such filings as reasonably requested by the Collateral Agent, and the automatic stay shall be modified to allow such filings.
- (b) A certified copy of the Interim Order or this Final Order may, in the discretion of the Collateral Agent be filed with or recorded in filing or recording offices in addition to or in lieu of such financing statements, mortgages, notices of lien or similar instruments, and all filing offices are hereby authorized to accept such certified copy of the Interim Order or this Final Order for filing and recording; provided that the Debtors shall

reimburse the Collateral Agent or its respective designees for the payment of any stamp, intangibles, recording or similar tax.

- (c) Any provision of any lease or other license, contract or other agreement that requires (i) the consent or approval of one or more landlords or other parties or (ii) the payment of any fees or obligations to any governmental entity in order for any Debtor to pledge, grant, sell, assign, or otherwise transfer any such leasehold interest, or the proceeds thereof, or other Collateral related thereto, is hereby deemed to be inconsistent with the applicable provisions of the Bankruptcy Code. Any such provision shall have no force and effect with respect to the granting of Adequate Protection Liens on such leasehold interest or the proceeds of any assignment and/or sale thereof by any Debtor in accordance with the terms of the Credit Documents or the Orders.

20. *Preservation of Rights Granted Under the Orders.*

- (a) Except as expressly provided in the Orders, no claim or lien having a priority senior to or pari passu with those granted by the Orders to the Agents and Prepetition Secured Parties shall be granted or allowed, and the Adequate Protection Liens shall not be subject or junior to any lien or security interest that is avoided and preserved for the benefit of the Debtors' estates under Section 551 of the Bankruptcy Code or, subordinated to or made pari passu with any other lien or security interest, whether under Section 364(d) of the Bankruptcy Code or otherwise.
- (b) Notwithstanding any order dismissing any of the Chapter 11 Cases under Section 1112 of the Bankruptcy Code or otherwise entered at any time, (x) the 507(b) Claims, the other administrative claims granted pursuant to the Orders and the Adequate Protection Liens shall continue in full force and effect and shall maintain their priorities as provided in the Orders until all Adequate Protection Obligations shall have been paid and satisfied in full in cash (and such 507(b) Claims, the other administrative claims granted pursuant to the Orders and the Adequate Protection Liens shall, notwithstanding such dismissal, remain binding on all parties in interest); and (y) this Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing the claims, liens and security interests referred to in clause (x) above.
- (c) If any or all of the provisions of the Orders are hereafter reversed, modified, vacated or stayed, such reversal, stay, modification or vacatur shall not affect: (i) the validity, priority or enforceability of any Adequate Protection Obligations incurred prior to the actual receipt of written notice by the Agents of the effective date of such reversal, stay, modification or vacatur; or (ii) the validity, priority or enforceability of the Adequate Protection Liens. Notwithstanding any such reversal, stay, modification or vacatur, any use of the Prepetition Collateral or any Adequate Protection

Obligations incurred by the Debtors hereunder, as the case may be, prior to the actual receipt of written notice by the Agents of the effective date of such reversal, stay, modification or vacatur shall be governed in all respects by the original provisions of the Orders, and the Prepetition Secured Parties shall be entitled to all of the rights, remedies, privileges and benefits granted in Section 363(m) of the Bankruptcy Code with respect to all uses of the Prepetition Collateral and all Adequate Protection Obligations.

- (d) Subject to paragraphs 16 and 21 of this Final Order, the adequate protection payments made pursuant to the Orders shall not be subject to counterclaim, setoff, subordination, recharacterization, defense or avoidance in the Chapter 11 Cases or any subsequent chapter 7 cases (other than a defense that the payment has actually been made).
- (e) Except as expressly provided in the Orders, the Adequate Protection Obligations, the 507(b) Claims and the Adequate Protection Liens and all other rights and remedies of the Agents and the Prepetition Secured Parties granted by the provisions of the Orders shall survive, and shall not be modified, impaired or discharged by (i) the entry of an order converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, dismissing any of the Chapter 11 Cases or by any other act or omission, or (ii) the entry of an order confirming a plan of reorganization in any of the Chapter 11 Cases and, pursuant to Section 1141(d)(4) of the Bankruptcy Code, the Debtors have waived any discharge as to any remaining Adequate Protection Obligations. The terms and provisions of the Orders shall continue in the Chapter 11 Cases, in any successor cases if the Chapter 11 Cases cease to be jointly administered, or in any superseding chapter 7 cases under the Bankruptcy Code, and the Adequate Protection Liens, the 507(b) Claims, the other administrative claims granted pursuant to the Orders, and all other rights and remedies of the Agents and the Prepetition Secured Parties granted by the provisions of the Orders shall continue in full force and effect until all Adequate Protection Obligations are indefeasibly paid in full in cash.

21. *Effect of Stipulations on Third Parties.* As a result of the Debtors' review of the Credit Documents and the facts related thereto, the Debtors have admitted, stipulated and agreed to various matters as set forth in paragraph 4 above and the stipulations and admissions contained in this Final Order, including without limitation, in paragraph 4 of this Final Order, shall be binding upon the Debtors and any successor thereto in all circumstances. The stipulations and admissions contained in this Final Order, including without limitation, in

paragraph 4 of this Final Order, shall be binding upon all parties in interest, including any chapter 7 or chapter 11 trustee appointed or elected for any of the Debtors (a “Trustee”), unless (a) any party in interest (including any Trustee), in each case, with requisite standing, has duly filed an adversary proceeding or contested matter, as required under the Bankruptcy Rules (subject in either case to the limitations contained herein, including without limitation, in paragraph 22), challenging the validity, enforceability, priority or extent of the Prepetition Obligations or the liens on the Prepetition Collateral securing the Prepetition Obligations or otherwise asserting or prosecuting any avoidance action or any other claims, counterclaims or causes of action, objections, contests or defenses (collectively, the “Claims and Defenses”) against any of the Agents or the Prepetition Secured Parties or their respective agents, affiliates, subsidiaries, directors, officers, representatives, attorneys or advisors in connection with any matter related to the Prepetition Obligations or the Prepetition Collateral by no later than the date that is (i) seventy-five days from the Petition Date and (ii) any such later date agreed to in writing by the respective Agent or Prepetition Secured Party in its sole and absolute discretion or as ordered by the Court on any motion by a party in interest seeking to extend such time period (such time period, the “Challenge Period”) and (b) an order is entered by a court of competent jurisdiction and becomes final and non-appealable in favor of the plaintiff sustaining any such challenge or claim in any such duly filed adversary proceeding or contested matter; provided that, as to the Debtors, all such Claims and Defenses are hereby irrevocably waived and relinquished as of the Petition Date. If no such adversary proceeding or contested matter is timely filed prior to the expiration of the Challenge Period, without further order of this Court: (x) the Prepetition Obligations shall constitute allowed claims, not subject to counterclaim, setoff, subordination, recharacterization, defense or avoidance, for all purposes in the Chapter 11

Cases and any subsequent chapter 7 case; (y) the Collateral Agent's liens on the Prepetition Collateral shall be deemed to have been, as of the Petition Date, and to be, legal, valid, binding, perfected and of the priority specified in paragraph 4, not subject to defense, counterclaim, recharacterization, subordination or avoidance; and (z) the Prepetition Obligations, the Collateral Agent's liens on the Prepetition Collateral and the respective Prepetition Secured Parties (and their respective agents, affiliates, subsidiaries, directors, officers, representatives, attorneys or advisors) shall not be subject to any other or further challenge by any party in interest, and any such party in interest shall be enjoined from seeking to exercise the rights of the Debtors' estates, including without limitation, any successor thereto (including, without limitation, any estate representative or a Trustee, whether such Trustee is appointed or elected prior to or following the expiration of the Challenge Period). If any such adversary proceeding or contested matter is timely filed prior to the expiration of the Challenge Period, the stipulations and admissions contained in this Final Order, including without limitation, in paragraph 4 of this Final Order, shall nonetheless remain binding and preclusive (as provided in the second sentence of this paragraph) on any other person, including any Trustee, except as to any such findings and admissions that were expressly and successfully challenged in such adversary proceeding or contested matter. Nothing in this Final Order vests or confers on any person, including a Trustee, standing or authority to pursue any cause of action belonging to the Debtors or their estates. In the event that there is a timely successful challenge brought pursuant to this paragraph 21, the Court shall retain jurisdiction to fashion an appropriate remedy.

22. *Limitation on Use of Collateral.* The Debtors shall use the proceeds of the Prepetition Collateral solely as provided in the Orders. Notwithstanding anything herein or in any other order of this Court to the contrary, no Prepetition Collateral or the Carve Out may be

used to: (a) object, contest or raise any defense to, the validity, perfection, priority, extent or enforceability of any amount due under the Credit Documents, or the liens or claims granted under the Orders or the Credit Documents; (b) assert any Claims and Defenses against any of the Agents or the Prepetition Secured Parties or their respective agents, affiliates, subsidiaries, directors, officers, representatives, attorneys or advisors, (c) seek to modify any of the rights granted to the Agents and the Prepetition Secured Parties under the Orders, or (d) pay any amount on account of any claims arising prior to the Petition Date unless such payments are approved by an order of this Court or another court of competent jurisdiction.

23. *Maintenance of Letters of Credit.* Following entry of this Final Order, the Debtors shall be authorized, but not directed, to (i) maintain and renew letters of credit issued or deemed issued under the Revolver Facility on an uninterrupted basis, in accordance with the same practices and procedures as were in effect prior to the Petition Date and subject to the terms and conditions of the Revolver Facility, and to take all actions reasonably appropriate with respect thereto (provided that any Issuing Bank shall have no obligation to extend, renew or otherwise modify any letters of credit, but the obligations of the parties with respect to existing letters of credit shall not be modified by this Final Order), and (ii) obtain new letters of credit to replace or backstop such existing letters of credit and to cash collateralize such new letters of credit, and to take all actions reasonably appropriate with respect thereto. If any existing letter of credit under the Revolver Facility is renewed and then is subsequently drawn, any Reimbursement Obligation that is not paid by the Debtors shall constitute joint and several allowed administrative expense priority claims against the Debtors as provided in Sections 503(b) and 507(a)(2) of the Bankruptcy Code.

24. *Binding Effect; Successors and Assigns.* The provisions of the Orders, including all findings in the Orders, shall be binding upon all parties in interest in the Chapter 11 Cases, including without limitation, the Agents and the Prepetition Secured Parties, the Debtors and their respective successors and assigns (including any Trustee hereinafter appointed or elected for the estate of any Debtor, an examiner appointed pursuant to Section 1104 of the Bankruptcy Code, or any other fiduciary appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors) and shall inure to the benefit of the Agents, the Prepetition Secured Parties and the Debtors and their respective successors and assigns, provided that, except to the extent expressly set forth in this Final Order, the Agents and the Prepetition Secured Parties shall have no obligation to permit the use of the Prepetition Collateral, including Cash Collateral, or extend any financing to any Trustee or similar responsible person appointed for the estate of any Debtor. For all adequate protection and stay relief purposes throughout the Chapter 11 Cases, the Prepetition Secured Parties shall be deemed to have requested relief from the automatic stay and adequate protection as of the Petition Date. For the avoidance of doubt, such request will survive termination of this Final Order.

25. *Limitation of Liability.* In permitting the use of the Prepetition Collateral or in exercising any rights or remedies as and when permitted pursuant to this Final Order, the Agents and the Prepetition Secured Parties shall not be deemed to be in control of the operations of the Debtors or to be acting as a “responsible person” or “owner or operator” with respect to the operation or management of the Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq. as amended, or any similar federal or state statute). Furthermore, nothing in the Orders shall in any way be construed or interpreted to impose or allow the imposition upon

the Agents or the Prepetition Secured Parties of any liability for any claims arising from the prepetition or post-petition activities of any of the Debtors and their respective affiliates (as defined in Section 101(2) of the Bankruptcy Code).

26. *Effectiveness.* This Final Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon entry hereof, and there shall be no stay of execution of effectiveness of this Final Order. To the extent that any finding of fact shall be determined to be a conclusion of law it shall be so deemed and vice versa.

27. *Proofs of Claim.* Neither the Revolver Agent, the Term Loan Agent nor the Prepetition Secured Parties will be required to file proofs of claim in any of the Chapter 11 Cases or successor cases, and the Debtors' stipulations in paragraph 4 herein shall be deemed to constitute a timely filed proof of claim. Any order entered by this Court in relation to the establishment of a bar date for any claim (including without limitation, administrative claims) in any of the Chapter 11 Cases or successor cases shall not apply to the Revolver Agent, the Term Loan Agent or the Prepetition Secured Parties with respect to the Prepetition Obligations. Notwithstanding the foregoing, each of the Revolver Agent and the Term Loan Agent, on behalf of itself and the applicable Prepetition Secured Parties, is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a single master proof of claim in respect of the Revolver Facility Obligations or the Term Loan Facility Obligations, as applicable, (each such proof of claim is referred to herein as a "**Master Proof of Claim**") against each of the Debtors. Upon the filing of a Master Proof of Claim against each of the Debtors, the applicable Agent and each applicable Prepetition Secured Party, and each of their respective successors and assigns, shall be deemed to have filed a proof of claim in the amount set forth opposite its name therein in respect of its claims against each of the Debtors of

any type or nature whatsoever with respect to the Revolver Loan Facility Documents or the Term Loan Facility Documents, as applicable, and the claim of each Prepetition Secured Party (and each of its respective successors and assigns) named in a Master Proof of Claim shall be treated as if such entity had filed a separate proof of claim in each of these Cases. The Agents shall not be required in a Master Proof of Claim to identify whether any Prepetition Secured Party acquired its claim from another party and the identity of any such party or to amend a Master Proof of Claim to reflect a change in the holders of the claims set forth therein or a reallocation among such holders of the claims asserted therein resulting from the transfer of all or any portion of such claims. The Agents shall not be required to file with a Master Proof of Claim any instruments, agreements or other documents evidencing the obligations owing by each of the Debtors to the Prepetition Secured Parties, which instruments, agreements or other documents will be provided upon written request to counsel to the Agents. Any proof of claim filed by the Revolver Agent or the Term Loan Agent shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Secured Parties.

28. *PSA.* Upon the occurrence of the Effective Date (as defined in that certain Plan Support Agreement (including all exhibits thereto), dated as of February 12, 2016, by and among the Debtors and certain plan support parties, as may be amended, restated, or otherwise modified in accordance with its terms (the “PSA”)) and subject to the terms and conditions thereof and so long as it remains in full force and effect with respect to the Revolver Lenders party thereto, any claims of the Revolver Agent and the Revolver Lenders for Adequate Protection in accordance with this Final Order shall be treated as part of the Revolving Credit Agreement Claims (as defined in the PSA), and the Revolver Agent and the Revolver Lenders shall not be entitled to any amounts over and above the treatment provided for such Revolving Credit Agreement

Claims under the PSA and the Paragon Plan (as defined in the PSA); provided that the Revolver Agent and Revolver Lenders' rights, remedies and privileges with respect to Adequate Protection shall not be deemed modified or otherwise limited in any other circumstance; provided, further that nothing in this paragraph 28 or in this Final Order shall impact or otherwise affect the Adequate Protection Obligations, 507(b) Claim or Adequate Protection Liens granted pursuant to this Final Order to or for the benefit of the Term Loan Agent or the Term Loan Lenders.

29. *Surety Bond Program.* Notwithstanding anything herein to the contrary, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, the rights of any surety under or in respect of any letter of credit or cash collateral provided to any surety pursuant to indemnity and related agreements, all of which rights are expressly reserved.

30. *Jurisdiction.* This Court shall retain jurisdiction to enforce the terms of this Final Order and to adjudicate any and all matters arising from or related to the interpretation or implementation of this Final Order.

31. *Controlling Effect of Final Order; the Interim Order.* To the extent any provision of this Final Order conflicts or is inconsistent with any provision of the Motion, or any order entered by the Court approving the Cash Management Motion, the provisions of this Final Order shall control to the extent of such conflict. Except as specifically amended, supplemented or otherwise modified by this Final Order, all provisions of the Interim Order shall remain in full force and effect and are hereby ratified by this Final Order. In the event of any inconsistency between the provisions of this Final Order and the Interim Order, the provisions of this Final Order shall govern.

Date: March 8, 2016
Wilmington, Delaware



THE HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

(Budget)

Paragon Offshore plc, et al.
Weekly Cash Flow Forecast
(\$000s)

Week Week Ending	Fcst 1 02/19/16	Fcst 2 02/26/16	Fcst 3 03/04/16	Fcst 4 03/11/16	Fcst 5 03/18/16	Fcst 6 03/25/16	Fcst 7 04/01/16	Fcst 8 04/08/16	Fcst 9 04/15/16	Fcst 10 04/22/16	Fcst 11 04/29/16	Fcst 12 05/06/16	Fcst 13 05/13/16	TOTAL 13 Week
Total Receipts	5,563	14,745	10,991	37,729	6,056	4,621	15,000	33,986	22,799	6,161	14,568	24,182	24,922	221,324
Total Operating Disbursements	(4,912)	(7,326)	(7,940)	(3,855)	(4,889)	(3,944)	(7,417)	(6,830)	(5,441)	(6,617)	(5,985)	(6,029)	(4,803)	(75,989)
Total Capital Expenditures	(288)	(522)	(2,309)	(1,121)	(1,422)	(1,147)	(2,157)	(3,918)	(3,122)	(3,796)	(3,434)	(1,664)	(1,325)	(26,225)
Total Payroll & Benefits	-	-	(5,068)	-	(14)	-	(10,136)	-	(14)	-	(9,546)	-	-	(24,778)
Total Other	(624)	(1,368)	(2,072)	(1,071)	(1,122)	(613)	(1,303)	(1,673)	(1,673)	(1,139)	(4,484)	(1,122)	(1,516)	(19,780)
Total I/C Disbursements to Non Debtor Entities	(668)	(1,509)	(5,834)	(944)	(2,435)	(966)	(8,934)	(2,716)	(19,243)	(2,631)	(7,893)	(1,775)	(2,681)	(58,229)
Total Disbursements	(6,492)	(10,725)	(23,223)	(6,991)	(9,881)	(6,670)	(29,948)	(15,137)	(29,492)	(14,183)	(31,343)	(10,590)	(10,325)	(205,000)
Net Operating Cash Flow	(929)	4,020	(12,232)	30,738	(3,825)	(2,049)	(14,948)	18,849	(6,693)	(8,021)	(16,775)	13,592	14,596	16,324
Deposits														
Utility Deposits	(250)	-	-	-	-	-	-	-	-	-	-	-	-	(250)
Total Deposits	(250)	-	-	-	-	-	-	-	-	-	-	-	-	(250)
Total Debt Service	-	-	(10,267)	-	-	-	(3,942)	-	-	-	(3,820)	-	-	(18,028)
Total Professional Fees	-	-	-	-	-	(1,395)	-	(1,190)	-	-	(2,590)	(1,780)	-	(6,955)
Total Non-Operating Disbursements	(250)	-	(10,267)	-	-	(1,395)	(3,942)	(1,190)	-	-	(6,410)	(1,780)	-	(25,233)
Net Cash Flow	(1,179)	4,020	(22,499)	30,738	(3,825)	(3,444)	(18,889)	17,659	(6,693)	(8,021)	(23,184)	11,812	14,596	(8,909)
Debtor Beginning Cash Balance - Encumbered	78,339	77,159	81,179	58,680	89,418	85,593	82,149	63,260	80,919	74,226	66,205	43,021	54,833	78,339
Net Cash Flow	(1,179)	4,020	(22,499)	30,738	(3,825)	(3,444)	(18,889)	17,659	(6,693)	(8,021)	(23,184)	11,812	14,596	(8,909)
Debtor Ending Cash Balance - Encumbered	77,159	81,179	58,680	89,418	85,593	82,149	63,260	80,919	74,226	66,205	43,021	54,833	69,430	69,430
Debtor Cash Balance - Unencumbered	343,576	343,576	343,576	343,576	343,576	343,576	343,576	343,576	343,576	343,576	343,576	343,576	343,576	343,576
Total Debtor Cash Balance	420,735	424,755	402,256	432,994	429,169	425,725	406,836	424,495	417,802	409,781	386,596	398,409	413,005	413,005
Non Debtor Ending Cash Balance	348,823	348,099	345,754	352,112	356,596	356,015	352,571	357,981	359,322	358,270	354,968	360,999	359,643	359,643
Total Debtor & Non Debtor Ending Cash Balance	769,558	772,854	748,010	785,106	785,764	781,739	759,407	782,476	777,124	768,051	741,564	759,408	772,648	772,648