

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the quarterly period ended June 30, 2021**  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 001-38373



**Transocean Ltd.**

(Exact name of registrant as specified in its charter)

**Switzerland**  
(State or other jurisdiction of incorporation or organization)

**98-0599916**  
(I.R.S. Employer Identification No.)

**Turmstrasse 30**  
**Steinhausen, Switzerland**  
(Address of principal executive offices)

**6312**  
(Zip Code)

**+41 (41) 749-0500**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Shares, CHF 0.10 par value	RIG	New York Stock Exchange
0.50% Exchangeable Senior Bonds due 2023	RIG/23	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 27, 2021, 651,139,945 shares were outstanding.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**INDEX TO QUARTERLY REPORT ON FORM 10-Q**  
**QUARTER ENDED JUNE 30, 2021**

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**PART I. FINANCIAL INFORMATION**  
**ITEM I. FINANCIAL STATEMENTS**

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except per share data)  
(Unaudited)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Contract drilling revenues</b>	\$ 656	\$ 930	\$ 1,309	\$ 1,689
<b>Costs and expenses</b>				
Operating and maintenance	434	525	869	1,065
Depreciation and amortization	186	196	373	402
General and administrative	39	45	78	88
	659	766	1,320	1,555
Loss on impairment	—	(429)	—	(597)
Gain (loss) on disposal of assets, net	1	1	(58)	—
<b>Operating loss</b>	<b>(2)</b>	<b>(264)</b>	<b>(69)</b>	<b>(463)</b>
<b>Other income (expense), net</b>				
Interest income	4	4	7	13
Interest expense, net of amounts capitalized	(115)	(153)	(230)	(313)
Gain (loss) on retirement of debt	—	4	51	(53)
Other, net	14	(56)	23	(44)
	(97)	(201)	(149)	(397)
Loss before income tax expense	(99)	(465)	(218)	(860)
Income tax expense (benefit)	4	32	(17)	28
<b>Net loss</b>	<b>(103)</b>	<b>(497)</b>	<b>(201)</b>	<b>(888)</b>
Net income attributable to noncontrolling interest	—	—	1	1
<b>Net loss attributable to controlling interest</b>	<b>\$ (103)</b>	<b>\$ (497)</b>	<b>\$ (202)</b>	<b>\$ (889)</b>
Loss per share, basic and diluted	\$ (0.17)	\$ (0.81)	\$ (0.33)	\$ (1.45)
Weighted average shares, basic and diluted	621	615	619	615

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In millions)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Net loss</b>	\$ (103)	\$ (497)	\$ (201)	\$ (888)
Net income attributable to noncontrolling interest	—	—	1	1
<b>Net loss attributable to controlling interest</b>	(103)	(497)	(202)	(889)
Components of net periodic benefit costs before reclassifications	—	—	(5)	(9)
Components of net periodic benefit costs reclassified to net loss	3	2	4	4
Other comprehensive income (loss) before income taxes	3	2	(1)	(5)
Income taxes related to other comprehensive income (loss)	—	—	—	—
<b>Other comprehensive income (loss)</b>	3	2	(1)	(5)
Other comprehensive income attributable to noncontrolling interest	—	—	—	—
<b>Other comprehensive income (loss) attributable to controlling interest</b>	3	2	(1)	(5)
<b>Total comprehensive loss</b>	(100)	(495)	(202)	(893)
Total comprehensive income attributable to noncontrolling interest	—	—	1	1
<b>Total comprehensive loss attributable to controlling interest</b>	\$ (100)	\$ (495)	\$ (203)	\$ (894)

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions, except share data)  
(Unaudited)

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 988	\$ 1,154
Accounts receivable, net of allowance of \$2 at June 30, 2021 and December 31, 2020	539	583
Materials and supplies, net of allowance of \$145 and \$143 at June 30, 2021 and December 31, 2020, respectively	433	434
Restricted cash and cash equivalents	502	406
Other current assets	156	163
Total current assets	2,618	2,740
Property and equipment	23,054	23,040
Less accumulated depreciation	(5,718)	(5,373)
Property and equipment, net	17,336	17,667
Contract intangible assets	280	393
Deferred income taxes, net	8	9
Other assets	956	995
Total assets	\$ 21,198	\$ 21,804
<b>Liabilities and equity</b>		
Accounts payable	\$ 198	\$ 194
Accrued income taxes	8	28
Debt due within one year	536	505
Other current liabilities	577	659
Total current liabilities	1,319	1,386
Long-term debt	6,991	7,302
Deferred income taxes, net	325	315
Other long-term liabilities	1,251	1,366
Total long-term liabilities	8,567	8,983
<b>Commitments and contingencies</b>		
Shares, CHF 0.10 par value, 891,379,015 authorized, 142,363,647 conditionally authorized, 685,676,165 issued and 634,629,502 outstanding at June 30, 2021, and 824,650,660 authorized, 142,363,647 conditionally authorized, 639,676,165 issued and 615,140,276 outstanding at December 31, 2020		
	62	60
Additional paid-in capital	13,578	13,501
Accumulated deficit	(2,068)	(1,866)
Accumulated other comprehensive loss	(264)	(263)
Total controlling interest shareholders' equity	11,308	11,432
Noncontrolling interest	4	3
Total equity	11,312	11,435
Total liabilities and equity	\$ 21,198	\$ 21,804

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(In millions)  
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	Quantity		Amount	
<b>Shares</b>				
Balance, beginning of period	\$ 60	\$ 60	\$ 60	\$ 59
Issuance of shares	2	—	2	1
Balance, end of period	62	\$ 60	\$ 62	\$ 60
<b>Additional paid-in capital</b>				
Balance, beginning of period	\$ 13,508	\$ 13,431	\$ 13,501	\$ 13,424
Share-based compensation	7	7	14	15
Issuance of shares	64	—	64	(1)
Other, net	(1)	—	(1)	—
Balance, end of period	\$ 13,578	\$ 13,438	\$ 13,578	\$ 13,438
<b>Accumulated deficit</b>				
Balance, beginning of period	\$ (1,965)	\$ (1,691)	\$ (1,866)	\$ (1,297)
Net loss attributable to controlling interest	(103)	(497)	(202)	(889)
Effect of adopting accounting standards update	—	—	—	(2)
Balance, end of period	\$ (2,068)	\$ (2,188)	\$ (2,068)	\$ (2,188)
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period	\$ (267)	\$ (331)	\$ (263)	\$ (324)
Other comprehensive income (loss) attributable to controlling interest	3	2	(1)	(5)
Balance, end of period	\$ (264)	\$ (329)	\$ (264)	\$ (329)
<b>Total controlling interest shareholders' equity</b>				
Balance, beginning of period	\$ 11,336	\$ 11,469	\$ 11,432	\$ 11,862
Total comprehensive loss attributable to controlling interest	(100)	(495)	(203)	(894)
Share-based compensation	7	7	14	15
Issuance of shares	66	—	66	—
Other, net	(1)	—	(1)	(2)
Balance, end of period	\$ 11,308	\$ 10,981	\$ 11,308	\$ 10,981
<b>Noncontrolling interest</b>				
Balance, beginning of period	\$ 4	\$ 6	\$ 3	\$ 5
Total comprehensive income attributable to noncontrolling interest	—	—	1	1
Balance, end of period	\$ 4	\$ 6	\$ 4	\$ 6
<b>Total equity</b>				
Balance, beginning of period	\$ 11,340	\$ 11,475	\$ 11,435	\$ 11,867
Total comprehensive loss	(100)	(495)	(202)	(893)
Share-based compensation	7	7	14	15
Issuance of shares	66	—	66	—
Other, net	(1)	—	(1)	(2)
Balance, end of period	\$ 11,312	\$ 10,987	\$ 11,312	\$ 10,987

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	Six months ended	
	June 30,	
	2021	2020
<b>Cash flows from operating activities</b>		
Net loss	\$ (201)	\$ (888)
Adjustments to reconcile to net cash provided by operating activities:		
Contract intangible asset amortization	113	101
Depreciation and amortization	373	402
Share-based compensation expense	14	15
Loss on impairment	—	597
Loss on impairment of investment in unconsolidated affiliates	—	59
Loss on disposal of assets, net	58	—
(Gain) loss on retirement of debt	(51)	53
Deferred income tax expense	11	30
Other, net	14	32
Changes in deferred revenues, net	(72)	(10)
Changes in deferred costs, net	7	(4)
Changes in other operating assets and liabilities, net	(17)	(348)
Net cash provided by operating activities	249	39
<b>Cash flows from investing activities</b>		
Capital expenditures	(100)	(153)
Proceeds from disposal of assets, net	7	3
Investments in loans to unconsolidated affiliates	(33)	—
Investments in unconsolidated affiliates	—	(6)
Net cash used in investing activities	(126)	(156)
<b>Cash flows from financing activities</b>		
Repayments of debt	(239)	(1,009)
Proceeds from issuance of shares, net of issue costs	66	—
Proceeds from issuance of debt, net of issue costs	—	743
Other, net	(20)	(18)
Net cash used in financing activities	(193)	(284)
Net decrease in unrestricted and restricted cash and cash equivalents	(70)	(401)
Unrestricted and restricted cash and cash equivalents, beginning of period	1,560	2,349
Unrestricted and restricted cash and cash equivalents, end of period	\$ 1,490	\$ 1,948

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 1—BUSINESS**

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Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. Our mobile offshore drilling fleet is considered one of the most versatile fleets in the world. We contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. As of June 30, 2021, we owned or had partial ownership interests in and operated a fleet of 37 mobile offshore drilling units, including 27 ultra-deepwater floaters and 10 harsh environment floaters. As of June 30, 2021, we were constructing two ultra-deepwater drillships.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES**

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**Presentation**—We prepared our accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (“U.S.”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission. Pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the U.S. for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise noted.

Operating results for the three and six months ended June 30, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in our annual report on [Form 10-K filed on March 1, 2021](#).

**Accounting estimates**—To prepare financial statements in accordance with accounting principles generally accepted in the U.S., we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to our income taxes, property and equipment, equity investments, contingencies, allowance for excess materials and supplies, assets held for sale, intangibles, allowance for credit losses, leases, share-based compensation and postemployment benefit plans. We base our estimates and assumptions on historical experience and other factors that we believe are reasonable. Actual results could differ from such estimates.

**Fair value measurements**—We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) significant observable inputs, including unadjusted quoted prices for identical assets or liabilities in active markets (“Level 1”), (2) significant other observable inputs, including direct or indirect market data for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (“Level 2”) and (3) significant unobservable inputs, including those that require considerable judgment for which there is little or no market data (“Level 3”). When a valuation requires multiple input levels, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

**NOTE 3—ACCOUNTING STANDARDS UPDATE**

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*Recently adopted accounting standards*

**Debt with conversion and other options**—Effective January 1, 2021, we early adopted the accounting standards update that simplifies the accounting for convertible instruments, such as our exchangeable debt, by limiting the accounting models that result in separately recognizing embedded conversion features from the host contract. The accounting standards update also enhances information transparency by making targeted improvements to the disclosures for convertible instruments and earnings-per-share guidance. Our adoption did not result in any accounting changes for the 0.50% exchangeable senior bonds due January 2023 (the “0.50% Exchangeable Senior Bonds”) or the 2.50% senior guaranteed exchangeable bonds due January 2027 (the “2.50% Senior Guaranteed Exchangeable Bonds”). Under previous accounting guidance, for the 4.00% Senior Guaranteed Exchangeable Bonds due December 2025 (the “4.00% Senior Guaranteed Exchangeable Bonds”), we would have recorded the debt and exchange features separately and, consequently, we would have recognized in current and future periods greater amortization, as a component of interest expense. See [Note 7—Debt](#).

**NOTE 4—UNCONSOLIDATED AFFILIATES**

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**Equity investments**—We hold noncontrolling equity investments in various unconsolidated companies, including (a) our 33.0 percent ownership interest in Orion Holdings (Cayman) Limited (together with its subsidiary, “Orion”), a Cayman Islands company that, through its wholly owned subsidiary, owns the harsh environment floater *Transocean Norge*, and (b) our interests in certain companies that are involved in researching and developing technology to improve efficiency and reliability and to increase automation, sustainability and safety for drilling and other activities. In the three months ended June 30, 2020, we recognized a loss of \$59 million, which had no tax effect,

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
(Unaudited)

recorded in other, net, associated with the impairment of our investment in Orion upon determination that the carrying amount of our equity method investment exceeded the estimated fair value and that the impairment was other than temporary. We estimated the fair value of our investment using the income method, which required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including applying an assumed discount rate of 12 percent and making assumptions about the future performance of the investment, including future demand and supply for harsh environment floaters, rig utilization, revenue efficiency and dayrates. At June 30, 2021 and December 31, 2020, the aggregate carrying amount of our equity investments was \$139 million and \$138 million, respectively, recorded in other assets, of which the aggregate carrying amount of our equity investment in Orion was \$105 million and \$104 million, respectively.

**Related party transactions**—We engage in certain related party transactions with our unconsolidated affiliates, the most significant of which are under agreements with Orion. We have a management services agreement for the operation, stacking and maintenance of the harsh environment floater *Transocean Norge* and a marketing services agreement for the marketing of the rig. We also leased the rig under a short-term bareboat charter agreement, which expired in June 2021. Prior to the rig's placement into service, we engaged in certain related party transactions with Orion under a shipyard care agreement for the construction of the rig and other matters related to its completion and delivery. In the three and six months ended June 30, 2020, we received an aggregate cash payment of \$26 million and \$31 million, respectively, primarily related to the shipyard care agreement.

Additionally, in June 2021, Orion refinanced its shipyard loans under a financing arrangement for \$100 million, in which we participated at a rate equivalent to our ownership interest in Orion. Borrowings under the financing arrangement are secured by *Transocean Norge*. The financing arrangement, which expires in June 2024, requires interest to be paid on outstanding borrowings at the London Interbank Offered Rate plus a margin of 6.50 percent per annum. In the three months ended June 30, 2021, we made a cash investment in loans of \$33 million, and at June 30, 2021, the outstanding borrowings due to us under the financing arrangement were \$33 million, recorded in other assets.

## NOTE 5—REVENUES

**Overview**—The duration of our performance obligation varies by contract. As of June 30, 2021, the drilling contract with the longest expected remaining duration, excluding unexercised options, extends through February 2028. In the three and six months ended June 30, 2021, we recognized pre-operating costs of \$16 million and \$30 million, respectively. In the three and six months ended June 30, 2020, we recognized pre-operating costs of \$23 million and \$32 million, respectively. At June 30, 2021 and December 31, 2020, the carrying amount of our unrecognized pre-operating costs to obtain contracts was \$10 million and \$20 million, respectively, recorded in other assets.

In June 2020, we entered into a settlement and mutual release agreement with a customer, which provided for the final settlement of disputes related to performance obligations satisfied in prior periods. In connection with the settlement, among other things, our customer agreed to pay us \$185 million in four equal installments through January 15, 2023. In the three and six months ended June 30, 2020, we recognized revenues of \$177 million, representing the discounted value of the future payments, and recorded corresponding accounts receivable, net of imputed interest. At June 30, 2021 and December 31, 2020, the aggregate carrying amount of the related receivable was \$88 million and \$133 million, respectively, net of imputed interest, including \$45 million, recorded in accounts receivable, and \$43 million and \$88 million, respectively, recorded in other assets.

**Disaggregation**—Our contract drilling revenues, disaggregated by asset group and by country in which they were earned, were as follows (in millions):

	Three months ended June 30, 2021				Three months ended June 30, 2020			
	U.S.	Norway	Other	Total	U.S.	Norway	Other	Total
Ultra-deepwater floaters	\$ 273	\$ —	\$ 151	\$ 424	\$ 440	\$ —	\$ 196	\$ 636
Harsh environment floaters	—	222	10	232	—	207	86	293
Midwater floaters	—	—	—	—	—	—	1	1
Total contract drilling revenues	\$ 273	\$ 222	\$ 161	\$ 656	\$ 440	\$ 207	\$ 283	\$ 930

	Six months ended June 30, 2021				Six months ended June 30, 2020			
	U.S.	Norway	Other	Total	U.S.	Norway	Other	Total
Ultra-deepwater floaters	\$ 539	\$ —	\$ 321	\$ 860	\$ 727	\$ —	\$ 437	\$ 1,164
Harsh environment floaters	4	424	21	449	—	414	99	513
Midwater floaters	—	—	—	—	—	—	12	12
Total contract drilling revenues	\$ 543	\$ 424	\$ 342	\$ 1,309	\$ 727	\$ 414	\$ 548	\$ 1,689

**Contract liabilities**—The contract liabilities for our contracts with customers were as follows (in millions):

	June 30, 2021	December 31, 2020
Deferred contract revenues, recorded in other current liabilities	\$ 102	\$ 133
Deferred contract revenues, recorded in other long-term liabilities	282	323
Total contract liabilities	\$ 384	\$ 456

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
(Unaudited)

The changes in contract liabilities were as follows (in millions):

	Six months ended June 30,	
	2021	2020
Total contract liabilities, beginning of period	\$ 456	\$ 529
Decrease due to recognition of revenues for goods and services	(81)	(108)
Increase due to goods and services transferred over time	9	98
Total contract liabilities, end of period	<u>\$ 384</u>	<u>\$ 519</u>

## NOTE 6—DRILLING FLEET

**Construction work in progress**—The changes in our construction work in progress were as follows (in millions):

	Six months ended June 30,	
	2021	2020
Construction work in progress, beginning of period	\$ 828	\$ 753
Capital expenditures		
Newbuild construction program	77	70
Other equipment and construction projects	23	83
Total capital expenditures	100	153
Changes in accrued capital additions	(9)	(31)
Property and equipment placed into service	(18)	(98)
Construction work in progress, end of period	<u>\$ 901</u>	<u>\$ 777</u>

**Impairments of assets held and used**—During the three months ended March 31, 2020, we identified indicators that the carrying amounts of our asset groups may not be recoverable. Such indicators included significant declines in commodity prices and the market value of our stock, a reduction of expected demand for our drilling services as our customers announced reductions of capital investments in response to commodity prices and a reduction of projected dayrates. As a result of our testing, we determined that the carrying amount of our midwater floater asset group was impaired. In the six months ended June 30, 2020, we recognized a loss of \$31 million (\$0.05 per diluted share), which had no tax effect, associated with the impairment of our midwater floater asset group. We measured the fair value of the drilling unit and related assets in this asset group by applying the market approach, using estimates of the exchange price that would be received for the assets in the principal or most advantageous markets for the assets in an orderly transaction between participants as of the measurement date.

Our estimate of fair value required us to use significant other observable inputs, representative of Level 2 fair value measurements, including the marketability of the rig and prices of comparable rigs that may be sold for scrap value.

**Impairments of assets held for sale**—During the six months ended June 30, 2020, we announced our intent to sell or retire, in an environmentally responsible way, the ultra-deepwater floater *GSF Development Driller II*, the harsh environment floaters *Polar Pioneer* and *Songa Dee* and the midwater floaters *Sedco 711*, *Sedco 714* and *Transocean 712*, along with related assets. In the three and six months ended June 30, 2020, we recognized an aggregate loss of \$419 million (\$420 million, or \$0.68 per diluted share, net of tax) and \$556 million (\$0.90 per diluted share), which had no tax effect, respectively, associated with the impairment of these assets, which we determined were impaired at the time we classified the assets as held for sale. We measured the impairment of the drilling units and related assets as the amount by which the carrying amount exceeded the estimated fair value less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including indicative market values for the drilling units and related assets to be sold for scrap value or other purposes.

**Dispositions**—During the six months ended June 30, 2021, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the harsh environment floater *Leiv Eiriksson* and related assets. In the six months ended June 30, 2021, we received aggregate net cash proceeds of \$4 million and recognized an aggregate net loss of \$60 million (\$0.10 per diluted share), which had no tax effect, associated with the disposal of these assets. In the six months ended June 30, 2020, we completed the sale of the midwater floater *Sedco 714* and related assets, and we received aggregate net cash proceeds of \$2 million associated with the disposal of these assets.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued**  
(Unaudited)

**NOTE 7—DEBT**
**Overview**

**Outstanding debt**—The aggregate principal amounts and aggregate carrying amounts, net of debt-related balances, including unamortized discounts, premiums, issue costs and fair value adjustments of our debt, were as follows (in millions):

	Principal amount		Carrying amount	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
6.375% Senior Notes due December 2021	\$ 38	\$ 38	\$ 38	\$ 38
5.52% Senior Secured Notes due May 2022	66	111	66	111
3.80% Senior Notes due October 2022	27	27	27	27
0.50% Exchangeable Senior Bonds due January 2023	140	463	140	462
5.375% Senior Secured Notes due May 2023	347	364	345	360
5.875% Senior Secured Notes due January 2024	544	585	537	577
7.75% Senior Secured Notes due October 2024	330	360	325	354
6.25% Senior Secured Notes due December 2024	344	375	339	369
6.125% Senior Secured Notes due August 2025	435	468	428	461
7.25% Senior Notes due November 2025	411	411	406	405
4.00% Senior Guaranteed Exchangeable Bonds due December 2025	294	—	261	—
7.50% Senior Notes due January 2026	569	569	565	565
2.50% Senior Guaranteed Exchangeable Bonds due January 2027	238	238	274	277
11.50% Senior Guaranteed Notes due January 2027	687	687	1,113	1,139
6.875% Senior Secured Notes due February 2027	550	550	543	542
8.00% Senior Notes due February 2027	612	612	607	606
7.45% Notes due April 2027	52	52	51	51
8.00% Debentures due April 2027	22	22	22	22
7.00% Notes due June 2028	261	261	265	266
7.50% Notes due April 2031	396	396	394	394
6.80% Senior Notes due March 2038	610	610	605	605
7.35% Senior Notes due December 2041	177	177	176	176
<b>Total debt</b>	<b>7,150</b>	<b>7,376</b>	<b>7,527</b>	<b>7,807</b>
Less debt due within one year				
6.375% Senior Notes due December 2021	38	38	38	38
5.52% Senior Secured Notes due May 2022	66	93	66	92
5.375% Senior Secured Notes due May 2023	63	47	62	46
5.875% Senior Secured Notes due January 2024	83	83	80	80
7.75% Senior Secured Notes due October 2024	60	60	58	58
6.25% Senior Secured Notes due December 2024	62	62	60	60
6.125% Senior Secured Notes due August 2025	66	66	64	64
2.50% Senior Guaranteed Exchangeable Bonds due January 2027	—	—	6	6
11.50% Senior Guaranteed Notes due January 2027	—	—	70	61
6.875% Senior Secured Notes due February 2027	34	—	32	—
<b>Total debt due within one year</b>	<b>472</b>	<b>449</b>	<b>536</b>	<b>505</b>
<b>Total long-term debt</b>	<b>\$ 6,678</b>	<b>\$ 6,927</b>	<b>\$ 6,991</b>	<b>\$ 7,302</b>

**Scheduled maturities**—At June 30, 2021, the principal installments and other installments, representing contractual interest payments of previously restructured debt, were as follows (in millions):

	Principal installments	Other installments	Total
<b>Twelve months ending June 30,</b>			
2022	\$ 472	\$ 76	\$ 548
2023	791	76	867
2024	642	77	719
2025	455	77	532
2026	1,528	78	1,606
Thereafter	3,262	78	3,340
<b>Total installments of debt</b>	<b>\$ 7,150</b>	<b>\$ 462</b>	<b>7,612</b>
Total debt-related balances, net			(85)
<b>Total carrying amount of debt</b>			<b>\$ 7,527</b>

**Interest rate adjustments**—The interest rates for certain of our notes are subject to adjustment from time to time upon a change to the credit rating of our non-credit enhanced senior unsecured long-term debt. As of June 30, 2021, the interest rate in effect for the

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
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6.375% senior notes due December 2021, 3.80% senior notes due October 2022 and the 7.35% senior notes due December 2041 was 8.375 percent, 5.80 percent and 9.35 percent, respectively.

**Credit agreements**

**Secured Credit Facility**—As of June 30, 2021, we have a \$1.3 billion secured revolving credit facility established under a bank credit agreement (as amended from time to time, the “Secured Credit Facility”), which is scheduled to expire on June 22, 2023. The Secured Credit Facility is guaranteed by Transocean Ltd. and certain wholly owned subsidiaries. We may borrow under the Secured Credit Facility at either (1) the reserve adjusted London interbank offered rate plus a margin (the “Secured Credit Facility Margin”), which ranges from 2.625 percent to 3.375 percent based on the credit rating of the Secured Credit Facility, or (2) the base rate specified in the credit agreement plus the Secured Credit Facility Margin, minus one percent per annum. Throughout the term of the Secured Credit Facility, we pay a facility fee on the amount of the underlying commitment which ranges from 0.375 percent to 1.00 percent based on the credit rating of the Secured Credit Facility. At June 30, 2021, based on the credit rating of the Secured Credit Facility on that date, the Secured Credit Facility Margin was 3.375 percent and the facility fee was 0.875 percent. At June 30, 2021, we had no borrowings outstanding, \$23 million of letters of credit issued, and we had \$1.3 billion of available borrowing capacity under the Secured Credit Facility. See [Note 10—Contingencies](#).

**Shipyard financing arrangement**—In June 2021, Transocean Offshore Deepwater Holdings Limited, a Cayman Islands company and our wholly owned indirect subsidiary, entered into credit agreements with Jurong Shipyard Pte Ltd. establishing facilities (the “Shipyard Loans”) to finance the final payments expected to be owed to the shipyard upon delivery of the ultra-deepwater floaters *Deepwater Atlas* and *Deepwater Titan*. The Shipyard Loans will be guaranteed by Transocean Inc. Borrowings under the Shipyard Loan for *Deepwater Atlas* may be secured by, among other security, a lien on the rig. In certain circumstances, borrowings under the Shipyard Loan for *Deepwater Titan* may also be secured by, among other security, a lien on the rig. We will repay the borrowings, together with interest of 4.5 percent per annum, according to the selected installment schedule with a maximum of a six-year period following delivery of the drilling rigs. We will have the right to prepay any outstanding borrowings, in full or in part, without penalty. The Shipyard Loans contain customary events of default and affirmative and negative covenants, including covenants limiting the ability of the subsidiary owners of the drilling rigs from incurring certain types of additional indebtedness or making certain additional commitments or investments. At June 30, 2021, we had no borrowings outstanding under the Shipyard Loans.

**Exchangeable bonds**

**Exchange terms**—At June 30, 2021, the current exchange rates, expressed as the number of Transocean Ltd. shares per \$1,000 note, implied exchange prices per Transocean Ltd. share and shares issuable upon exchange, expressed in millions, for our exchangeable bonds were as follows:

	Exchange rate	Implied exchange price	Shares issuable
0.50% Exchangeable Senior Bonds due January 2023	97.29756	\$ 10.28	13.6
4.00% Senior Guaranteed Exchangeable Bonds due December 2025	190.47620	5.25	56.0
2.50% Senior Guaranteed Exchangeable Bonds due January 2027	162.16260	6.17	38.6

The exchange rates of our exchangeable bonds, identified above, are subject to adjustment upon the occurrence of certain events. The 0.50% Exchangeable Senior Bonds may be exchanged by holders into Transocean Ltd. shares at any time prior to the close of business on the business day immediately preceding the maturity date. The 2.50% Senior Guaranteed Exchangeable Bonds may be exchanged by holders into Transocean Ltd. shares at any time prior to the close of business on the second business day immediately preceding the maturity date or redemption date. The 4.00% Senior Guaranteed Exchangeable Bonds may be exchanged by holders at any time prior to the close of business on the second business day immediately preceding the maturity date and, at our election, such exchange may be settled by delivering cash, Transocean Ltd. shares or a combination of cash and shares.

**Effective interest rates and fair values**—At June 30, 2021, the effective interest rates and estimated fair values of our exchangeable bonds were as follows (in millions, except effective interest rates):

	Effective interest rate	Fair value
0.50% Exchangeable Senior Bonds due January 2023	0.5%	\$ 125
4.00% Senior Guaranteed Exchangeable Bonds due December 2025	6.9%	349
2.50% Senior Guaranteed Exchangeable Bonds due January 2027	0.0%	262

We estimated the fair values of the exchangeable debt instruments, including the exchange features, by employing a binomial lattice model and by using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of our debt and expected volatility of the market price for our shares.

**Related balances**—At June 30, 2021 and December 31, 2020, the premium associated with the original issuance of the 0.50% Exchangeable Senior Bonds had a carrying amount of \$172 million, recorded in equity as a component of additional paid-in capital.

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**Debt issuances**

**Senior guaranteed exchangeable bonds**—On February 26, 2021, we issued \$294 million aggregate principal amount of the 4.00% Senior Guaranteed Exchangeable Bonds and made an aggregate cash payment of \$11 million in private exchanges (the “2021 Private Exchanges”) for \$323 million aggregate principal amount of outstanding 0.50% Exchangeable Senior Bonds.

In the six months ended June 30, 2021, as a result of the 2021 Private Exchanges, we recognized a gain of \$51 million (\$0.08 per diluted share), with no tax effect, associated with the retirement of debt (see “—[Debt retirements](#)”). The 4.00% Senior Guaranteed Exchangeable Bonds are guaranteed by Transocean Ltd. and the same subsidiaries of Transocean Inc. that guarantee the 2.50% Senior Guaranteed Exchangeable Bonds and 11.50% senior guaranteed notes due January 2027. The initial carrying amount of the 4.00% Senior Guaranteed Exchangeable Bonds, measured at the estimated fair value on the date of issuance, was \$260 million. We estimated the fair value of the exchangeable debt instrument, including the exchange feature, by employing a binomial lattice model and by using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of our debt and expected volatility of the market price for our shares.

**Guaranteed senior unsecured notes**—On January 17, 2020, we issued \$750 million aggregate principal amount of 8.00% senior unsecured notes due February 2027 (the “8.00% Senior Notes”), and we received aggregate cash proceeds of \$743 million, net of issue costs. We may redeem all or a portion of the 8.00% Senior Notes on or prior to February 1, 2023 at a price equal to 100 percent of the aggregate principal amount plus a make-whole premium, and subsequently, at specified redemption prices.

**Debt retirements**

During the six months ended June 30, 2021 and 2020, we retired certain notes as a result of redemption, private exchanges and open market repurchases. The aggregate principal amounts, cash payments and recognized gain or loss for such transactions were as follows (in millions):

	Six months ended June 30,					
	2021			2020		
	Exchanged	Repurchased	Total	Redeemed	Repurchased	Total
6.50% Senior Notes due November 2020	\$ —	\$ —	\$ —	\$ —	\$ 8	\$ 8
6.375% Senior Notes due December 2021	—	—	—	—	38	38
3.80% Senior Notes due October 2022	—	—	—	—	8	8
0.50% Exchangeable Senior Bonds due January 2023	323	—	323	—	—	—
5.375% Senior Secured Notes due May 2023	—	1	1	—	22	22
9.00% Senior Notes due July 2023	—	—	—	714	—	714
Aggregate principal amount retired	<u>\$ 323</u>	<u>\$ 1</u>	<u>\$ 324</u>	<u>\$ 714</u>	<u>\$ 76</u>	<u>\$ 790</u>
Aggregate cash payment	\$ 11	\$ 1	\$ 12	\$ 767	\$ 63	\$ 830
Aggregate principal amount of debt issued in exchanges	\$ 294	\$ —	\$ 294	\$ —	\$ —	\$ —
Aggregate net gain (loss)	\$ 51	\$ —	\$ 51	\$ (65)	\$ 12	\$ (53)

**NOTE 8—INCOME TAXES**

**Tax provision and rate**—In the six months ended June 30, 2021 and 2020, our effective tax rate was 7.7 percent and (3.2) percent, respectively, based on loss before income tax expense or benefit. In the six months ended June 30, 2021 and 2020, the effect of various discrete period tax items was a net tax benefit of \$33 million and \$9 million, respectively. In the six months ended June 30, 2021, such discrete items included loss on disposal of assets, gain on retirement of debt and expiration and settlements of various uncertain tax positions. In the six months ended June 30, 2020, such discrete items included the revenues recognized for the settlement of disputes, the loss on impairment of an investment in an unconsolidated affiliate, the carryback of net operating losses in the U.S. as a result of the Coronavirus Aid, Relief, and Economic Security Act, which included the release of valuation allowances previously recorded, as well as settlements and expirations of various uncertain tax positions, gains and losses on currency exchange rates and changes in valuation allowances. In the six months ended June 30, 2021 and 2020, our effective tax rate, excluding discrete items, was (7.8) percent and (12.0) percent, respectively, based on loss before income tax expense.

**Tax returns**—Tax authorities in certain jurisdictions are examining our tax returns and, in some cases, have issued assessments. We intend to defend our tax positions vigorously, although we can provide no assurance as to the outcome. We do not expect the ultimate liability to have a material adverse effect on our condensed consolidated statement of financial position or results of operations, although it could have a material adverse effect on our condensed consolidated statement of cash flows.

**Brazil tax investigations**—In December 2005, the Brazilian tax authorities began issuing tax assessments with respect to our tax returns for the years 2000 through 2004. In May 2014, the Brazilian tax authorities issued an additional tax assessment for the years 2009 and 2010. We filed protests with the Brazilian tax authorities for the assessments and are currently engaged in the appeals process. During the years ended December 31, 2018 and 2019, a portion of the two cases was favorably closed. As of June 30, 2021, the remaining

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aggregate tax assessment, including interest and penalties, was for corporate income tax of BRL 631 million, equivalent to approximately \$127 million, and indirect tax of BRL 108 million, equivalent to \$22 million. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. An unfavorable outcome on these proposed assessments could have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

*Other tax matters*—We conduct operations through our various subsidiaries in countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

### NOTE 9—LOSS PER SHARE

The computations of basic and diluted loss per share were as follows (in millions, except per share data):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<b>Numerator for loss per share, basic and diluted</b>				
Net loss attributable to controlling interest	\$ (103)	\$ (497)	\$ (202)	\$ (889)
<b>Denominator for loss per share, basic and diluted</b>				
Weighted-average shares outstanding	620	614	618	614
Effect of share-based awards	1	1	1	1
Weighted-average shares for per share calculation	621	615	619	615
<b>Loss per share, basic and diluted</b>	<b>\$ (0.17)</b>	<b>\$ (0.81)</b>	<b>\$ (0.33)</b>	<b>\$ (1.45)</b>

In the three and six months ended June 30, 2021, we excluded from the calculation 13.3 million and 12.9 million shares, respectively, issuable pursuant to share-based awards since the effect would have been antidilutive. In the three and six months ended June 30, 2020, we excluded from the calculation 14.8 million and 13.0 million shares, respectively, issuable pursuant to share-based awards since the effect would have been antidilutive. In the three and six months ended June 30, 2021, we excluded from the calculation 108.0 million and 101.0 million shares, respectively, issuable upon exchange of the 0.50% Exchangeable Senior Bonds, the 2.50% Senior Guaranteed Exchangeable Bonds and the 4.00% Senior Guaranteed Exchangeable Bonds since the effect would have been antidilutive. In the three and six months ended June 30, 2020, we excluded from the calculation 84.0 million shares, respectively, issuable upon exchange of the 0.50% Exchangeable Senior Bonds since the effect would have been antidilutive.

### NOTE 10—CONTINGENCIES

#### *Legal proceedings*

**Debt exchange litigation and purported notice of default**—Prior to the consummation of the exchange transactions that we completed in August and September 2020, we completed certain internal reorganization transactions (the “Internal Reorganization”). In September 2020, funds managed by, or affiliated with, Whitebox Advisors LLC (“Whitebox”) as holders of certain series of our notes subject to the exchange offer transactions completed in September 2020 (the “Exchange Offers”), filed a claim (the “Claim”) in the U.S. District Court for the Southern District of New York (the “Court”) related to such certain internal reorganization transactions and the Exchange Offers. Additionally, in September and October 2020, Whitebox and funds managed by, or affiliated with, Pacific Investment Management Company LLC, as debtholders, together with certain other advisors and debtholders, provided purported notices of alleged default with respect to the indentures governing, respectively, the 8.00% Senior Notes and the 7.25% senior notes due November 2025 (the “7.25% Senior Notes”).

On September 23, 2020, we filed an answer to the Claim with the Court and asserted counterclaims seeking a declaratory judgment that, among other matters, the Internal Reorganization did not cause a default under the indenture governing the 8.00% Senior Notes. Concurrently, with our answer and counterclaims, we also submitted a motion for summary judgment seeking an expedited judgment on our request for declaratory judgment. Whitebox subsequently submitted a cross motion for summary judgment seeking dismissal of our counterclaims. On November 30, 2020, while awaiting the Court’s ruling on our motion for summary judgment, we amended certain of our financing documents and implemented certain internal reorganization transactions, which resolved the allegations contained in the purported notices of default. On December 17, 2020, the Court issued its ruling granting our motion for summary judgment and denying the plaintiff’s cross motion for summary judgment, holding, among other matters, that the allegations contained in the purported notice of default did not constitute a default under the indenture governing the 8.00% Senior Notes. Whitebox has appealed the Court’s ruling.

The facts alleged in the purported notice of default under the 8.00% Senior Notes were the same as the facts underlying the Claim and the purported notice of default under the 7.25% Senior Notes. Accordingly, following the amendment and internal reorganization

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transactions on November 30, 2020, and the subsequent ruling from the Court granting our motion for summary judgment, we do not expect the liability, if any, resulting from these matters to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

**Asbestos litigation**—In 2004, several of our subsidiaries were named, along with numerous other unaffiliated defendants, in complaints filed in the Circuit Courts of the State of Mississippi, and in 2014, a group of similar complaints were filed in Louisiana. The plaintiffs, former employees of some of the defendants, generally allege that the defendants used or manufactured asbestos-containing drilling mud additives for use in connection with drilling operations, claiming negligence, products liability, strict liability and claims allowed under the Jones Act and general maritime law. The plaintiffs generally seek awards of unspecified compensatory and punitive damages, but the court-appointed special master has ruled that a Jones Act employer defendant, such as us, cannot be sued for punitive damages. One of our subsidiaries was named in additional complaints filed in Illinois and Missouri, where the plaintiffs similarly allege that the defendants manufactured asbestos-containing products or used asbestos-containing drilling mud additives in connection with land-based drilling operations. As of June 30, 2021, nine plaintiffs have claims pending in Louisiana and 16 plaintiffs have claims pending in Illinois and Missouri, in which we have or may have an interest. We intend to defend these lawsuits vigorously, although we can provide no assurance as to the outcome. We historically have maintained broad liability insurance, although we are not certain whether insurance will cover the liabilities, if any, arising out of these claims. Based on our evaluation of the exposure to date, we do not expect the liability, if any, resulting from these claims to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries has been named as a defendant, along with numerous other companies, in lawsuits arising out of the subsidiary's manufacture and sale of heat exchangers, and involvement in the construction and refurbishment of major industrial complexes alleging bodily injury or personal injury as a result of exposure to asbestos. As of June 30, 2021, the subsidiary was a defendant in approximately 281 lawsuits with a corresponding number of plaintiffs. For many of these lawsuits, we have not been provided sufficient information from the plaintiffs to determine whether all or some of the plaintiffs have claims against the subsidiary, the basis of any such claims, or the nature of their alleged injuries. The operating assets of the subsidiary were sold in 1989. In September 2018, the subsidiary and certain insurers agreed to a settlement of outstanding disputes that provided the subsidiary with cash and an annuity. Together with a coverage-in-place agreement with certain insurers and additional coverage issued by other insurers, we believe the subsidiary has sufficient resources to respond to both the current lawsuits as well as future lawsuits of a similar nature. While we cannot predict or provide assurance as to the outcome of these matters, we do not expect the ultimate liability, if any, resulting from these claims to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

**Other matters**—We are involved in various tax matters, various regulatory matters, and a number of claims and lawsuits, asserted and unasserted, all of which have arisen in the ordinary course of our business. We do not expect the liability, if any, resulting from these other matters to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending, threatened, or possible litigation or liability. We can provide no assurance that our beliefs or expectations as to the outcome or effect of any tax, regulatory, lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

***Environmental matters***

We have certain potential liabilities under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state acts regulating cleanup of hazardous substances at various waste disposal sites, including those described below. CERCLA is intended to expedite the remediation of hazardous substances without regard to fault. Potentially responsible parties ("PRPs") for each site include present and former owners and operators of, transporters to and generators of the substances at the site. It is difficult to quantify the potential cost of environmental matters and remediation obligations. Liability is strict and can be joint and several.

One of our subsidiaries was named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. We and other PRPs agreed, under a participation agreement with the U.S. Environmental Protection Agency (the "EPA") and the U.S. Department of Justice, to settle our potential liabilities by remediating the site. The remedial action for the site was completed in 2006. Our share of the ongoing operating and maintenance costs has been insignificant, and we do not expect any additional potential liabilities to be material. Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. Nevertheless, based on available information, we do not expect the ultimate liability, if any, resulting from all environmental matters and known potential legal claims that are likely to be asserted, to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

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**NOTE 11—EQUITY**

**Share issuance**—On June 14, 2021, we entered into an equity distribution agreement with a sales agent for the offer and sale of our shares, with up to a maximum aggregate net offering price of \$400 million, pursuant to an at-the-market equity offering (the “ATM Program”). We intend to use the net proceeds from the ATM Program for general corporate purposes, which may include, among other things the repayment or refinancing of indebtedness and the funding of working capital, capital expenditures, investments and additional balance sheet liquidity. In the three months ended June 30, 2021, we received aggregate cash proceeds of \$66 million, net of issue costs, for the aggregate sale of 15.2 million shares under the ATM Program. See [Note 13—Subsequent Events](#).

**NOTE 12—FINANCIAL INSTRUMENTS**

**Overview**—The carrying amounts and fair values of our financial instruments were as follows (in millions):

	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 988	\$ 988	\$ 1,154	\$ 1,154
Restricted cash and cash equivalents	502	502	406	406
Long-term loans receivable from unconsolidated affiliates	35	31	2	2
Total debt	7,527	6,586	7,807	4,820

**Cash and cash equivalents**—Our cash and cash equivalents are primarily invested in demand deposits, short-term time deposits and money market funds. The carrying amount of our cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of the instruments.

**Restricted cash and cash equivalents**—Our restricted cash and cash equivalents, which are subject to restrictions due to collateral requirements, legislation, regulation or court order, are primarily invested in demand deposits and money market funds. The carrying amount of our restricted cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of the instruments.

**Long-term loans receivable from unconsolidated affiliates**—The carrying amount of our long-term loans receivable from unconsolidated affiliates, recorded in other assets, represents the principal amount of the cash investment. We measured the estimated fair value of our long-term loans receivable from unconsolidated affiliates using significant unobservable inputs, representative of a Level 3 fair value measurement, including the terms and credit spreads for the instruments.

**Total debt**—The carrying amount of our total debt represents the principal amount, net of unamortized discounts, premiums, issue costs and fair value adjustments along with contractual interest payments of previously restructured debt. The carrying amount and fair value of our total debt includes amounts related to certain exchangeable debt instruments (see [Note 7—Debt](#)). We measured the estimated fair value of our total debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments.

**NOTE 13—SUBSEQUENT EVENT**

**Share issuance**—Subsequent to June 30, 2021, we received aggregate cash proceeds of \$77 million, net of issue costs, for the aggregate sale of 16.5 million shares under the ATM Program.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING INFORMATION

The statements included in this quarterly report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the United States ("U.S.") Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Forward-looking statements in this quarterly report include, but are not limited to, statements about the following subjects:

- the effect, impact, potential duration, the rate of any economic recovery or other implications of the outbreak of a novel strain of coronavirus ("COVID-19"), including virus variants, and disputes and actions with respect to production levels by, among or between major oil and gas producing countries and any expectations we may have with respect thereto;
- our results of operations, our revenue efficiency and other performance indicators; optimization of rig-based spending and our cash flow from operations;
- the offshore drilling market, including the effects of variations in commodity prices, supply and demand, utilization rates, dayrates, customer drilling programs, stacking and reactivation of rigs, effects of new rigs on the market, the impact of changes to regulations in jurisdictions in which we operate and changes in the global economy or market outlook for the various geographies in which we operate or for our classes of rigs;
- customer drilling contracts, including contract backlog, force majeure provisions, contract awards, commencements, extensions, terminations, renegotiations, contract option exercises, contract revenues, early termination payments, indemnity provisions and rig mobilizations;
- liquidity, including availability under our bank credit agreement, and adequacy of cash flows for our obligations;
- debt levels, including impacts of the current financial and economic downturn, interest rates, credit ratings and our evaluation or decisions with respect to any potential liability management transactions or other strategic alternatives intended to prudently manage our liquidity, debt maturities and other aspects of our capital structure and any litigation, alleged defaults and discussions with creditors related thereto;
- newbuild, upgrade, shipyard and other capital projects, including completion, relinquishment or abandonment, delivery and commencement of operation dates, expected downtime and lost revenues, the level of expected capital expenditures and the timing and cost of completing capital projects;
- the cost and timing of acquisitions and the proceeds and timing of dispositions;
- tax matters, including our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues in the tax jurisdictions in which we operate or have a taxable presence;
- legal and regulatory matters, including results and effects of current or potential legal proceedings and governmental audits and assessments, outcomes and effects of internal and governmental investigations, customs and environmental matters;
- insurance matters, including adequacy of insurance, renewal of insurance, insurance proceeds and cash investments of our wholly owned captive insurance company;
- effects of accounting changes and adoption of accounting policies; and
- investment in recruitment, retention and personnel development initiatives, the timing of, and other matters concerning, severance payments and benefit payments.

Forward-looking statements in this quarterly report are identifiable by use of the following words and other similar expressions:

- anticipates    ■ budgets    ■ estimates    ■ forecasts    ■ may    ■ plans    ■ projects    ■ should
- believes    ■ could    ■ expects    ■ intends    ■ might    ■ predicts    ■ scheduled

Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to:

- those described under "Item 1A. Risk Factors" included in Part I of our annual report on [Form 10-K for the year ended December 31, 2020](#);
- the effects of public health threats, pandemics and epidemics, such as the outbreak of COVID-19, and the adverse impact thereof on our business, financial condition and results of operations, including, but not limited to, our growth, operating costs, supply chain, labor availability, logistical capabilities, customer demand for our services and industry demand generally, our liquidity, the price of our securities and trading markets with respect thereto, our ability to access capital markets, and the global economy and financial markets generally;
- the effects of actions by, or disputes among or between, members of the Organization of Petroleum Exporting Countries and other oil and natural gas producing countries with respect to production levels or other matters related to the prices of oil and natural gas;
- the adequacy of and access to our sources of liquidity;
- our inability to renew drilling contracts at comparable, or improved, dayrates and to obtain drilling contracts for our rigs that do not have contracts;
- operational performance;
- the cancellation of drilling contracts currently included in our reported contract backlog;
- losses on impairment of long-lived assets;
- shipyard, construction and other delays;
- the results of meetings of our shareholders;
- changes in political, social and economic conditions;
- the effect and results of litigation, regulatory matters, settlements, audits, assessments and contingencies; and
- other factors discussed in this quarterly report and in our other filings with the U.S. Securities and Exchange Commission ("SEC"), which are available free of charge on the SEC website at [www.sec.gov](http://www.sec.gov).

The foregoing risks and uncertainties are beyond our ability to control, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We expressly disclaim any obligations or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or beliefs with regard to the statement or any change in events, conditions or circumstances on which any forward-looking statement is based, except as required by law.

## BUSINESS

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Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. As of July 27, 2021, we owned or had partial ownership interests in and operated 37 mobile offshore drilling units, including 27 ultra-deepwater floaters and 10 harsh environment floaters. As of July 27, 2021, we were constructing two ultra-deepwater drillships.

We provide contract drilling services in a single, global operating segment, which involves contracting our mobile offshore drilling fleet, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding regions of the offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services. Our drilling fleet is one of the most versatile fleets in the world, consisting of drillships and semisubmersible floaters used in support of offshore drilling activities and offshore support services on a worldwide basis.

Our contract drilling services operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Although rigs can be moved from one region to another, the cost of moving rigs and the availability of rig-moving vessels may cause the supply and demand balance to fluctuate somewhat between regions. Still, significant variations between regions do not tend to persist long term because of rig mobility. Our fleet operates in a single, global market for the provision of contract drilling services. The location of our rigs and the allocation of resources to operate, build or upgrade our rigs are determined by the activities and needs of our customers.

## SIGNIFICANT EVENTS

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**Share issuance**—On June 14, 2021, we entered into an equity distribution agreement with a sales agent for the offer and sale of our shares, with up to an aggregate net offering price of \$400 million, pursuant to an at-the-market equity offering (the “ATM Program”). In June and July 2021, we received aggregate cash proceeds of \$143 million, net of issue costs, for the aggregate sale of 31.7 million shares under the ATM Program. See “—Liquidity and Capital Resources—[Sources and uses of liquidity.](#)”

**Shipyard financing arrangement**—In June 2021, Transocean Offshore Deepwater Holdings Limited, a Cayman Islands company and our wholly owned indirect subsidiary, entered into credit agreements with Jurong Shipyard Pte Ltd. establishing facilities (the “Shipyard Loans”) to finance the final payments expected to be owed to the shipyard upon delivery of the ultra-deepwater floaters *Deepwater Atlas* and *Deepwater Titan*. See “—[Liquidity and Capital Resources.](#)”

**Debt exchanges**—On February 26, 2021, we completed privately negotiated transactions to exchange \$323 million aggregate principal amount of outstanding 0.50% exchangeable senior bonds due January 2023 (the “0.50% Exchangeable Senior Bonds”) for \$294 million aggregate principal amount of the 4.00% senior guaranteed exchangeable bonds due December 2025 (the “4.00% Senior Guaranteed Exchangeable Bonds”), together with an aggregate cash payment of \$11 million. In the six months ended June 30, 2021, we recognized a gain of \$51 million associated with the retirement of exchanged debt. See “—Liquidity and Capital Resources—[Sources and uses of liquidity.](#)”

**Dispositions**—During the six months ended June 30, 2021, we completed the sale of one harsh environment floater, along with related assets, for which we received \$4 million aggregate net cash proceeds and recognized an aggregate net loss of \$60 million associated with the disposal of these assets. See “—[Operating Results.](#)”

## OUTLOOK

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**Drilling market**—Over the last several months we have observed a steady improvement in the outlook for the global economic recovery and for oil and natural gas fundamentals and pricing. This improved outlook is supported by the delivery of effective vaccines, the deployment of economic stimulus packages, and the improving economic activities associated with a more confident stance on defeating the pandemic. We remain cautiously optimistic about the recovery of the global economy, even in the context of emerging COVID variants, and can see the path to pre-pandemic levels of activity. We expect that demand for hydrocarbons may return to or exceed pre-pandemic levels within the next year or two.

As a result, many of our customers are now shifting their focus to increase exploration and production activities, and many previously delayed projects are again active. Offshore drilling activity is increasing in almost every ultra-deepwater market, and due to attrition of the global offshore fleet over the last several years, there are significantly fewer available drilling units and, particularly, an increasing scarcity of the highest specification drilling units as customers look to secure the best equipment for their projects. In the North Sea harsh environment market, an accelerated level of recovery is anticipated in 2022 through 2023 as the effect of Norway tax incentive programs is realized by our customers.

Considerable uncertainty remains about the speed of the global economic recovery and the associated demand for and supply of hydrocarbons, particularly with respect to prospective actions of the Organization of the Petroleum Exporting Countries. We believe that the rapid decline in production activities due to the ongoing pandemic, combined with the lack of investment in exploration and production activities over the past several years will precipitate substantial supply constraints that are not easily reversed without significant new investment in drilling.

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With deepwater and harsh environment fields offering increasingly competitive returns, combined with their relatively low carbon intensity of production, we expect a significant portion of required spending in fossil fuel development will be for deepwater and harsh environment projects. The restructuring and subsequent consolidation of many of our competitors plus the accelerated retirement of units seen over the past several months and projected through the remainder of this year, should facilitate higher utilization of active assets and more efficient allocation of capital amongst restructured drilling contractors. In summary, our improving market dynamics combined with increasing demand for deepwater and harsh environment drilling have the potential to provide a materially better business environment for offshore drillers that weathered the effects of the pandemic and now move towards a more favorable outlook for 2022 and beyond.

**Fleet status**—We refer to the availability of our rigs in terms of the uncommitted fleet rate. The uncommitted fleet rate is defined as the number of uncommitted days divided by the total number of rig calendar days in the measurement period, expressed as a percentage. An uncommitted day is defined as a calendar day during which a rig is idle or stacked, is not contracted to a customer and is not committed to a shipyard. The uncommitted fleet rates exclude the effect of priced options. As of July 21, 2021, the uncommitted fleet rates for the remainder of 2021 and each of the four years in the period ending December 31, 2025 were as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b>Uncommitted fleet rate</b>					
Ultra-deepwater floaters	49 %	66 %	76 %	83 %	83 %
Harsh environment floaters	45 %	42 %	76 %	98 %	100 %

## PERFORMANCE AND OTHER KEY INDICATORS

**Contract backlog**—Contract backlog is defined as the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization, contract preparation, other incentive provisions or reimbursement revenues, which are not expected to be significant to our contract drilling revenues. The contract backlog represents the maximum contract drilling revenues that can be earned considering the contractual operating dayrate in effect during the firm contract period. The contract backlog for our fleet was as follows:

	<u>July 21, 2021</u>	<u>April 28, 2021</u>	<u>February 12, 2021</u>
<b>Contract backlog</b>			
		(In millions)	
Ultra-deepwater floaters	\$ 5,706	\$ 5,638	\$ 5,911
Harsh environment floaters	1,639	1,765	1,931
Total contract backlog	\$ 7,345	\$ 7,403	\$ 7,842

We believe our industry-leading contract backlog sets us apart from the competition. Our contract backlog includes only firm commitments, which are represented by signed drilling contracts or, in some cases, by other definitive agreements awaiting contract execution. Our contract backlog includes amounts associated with our contracted newbuild unit that is currently under construction but excludes amounts related to the conditional agreement we have for our second newbuild unit under construction. The contractual operating dayrate may be higher than the actual dayrate we ultimately receive or an alternative contractual dayrate, such as a waiting on weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances. The contractual operating dayrate may also be higher than the actual dayrate we ultimately receive because of a number of factors, including rig downtime or suspension of operations. In certain contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period of time.

The COVID-19 pandemic and volatility in oil prices could have significant adverse consequences for the financial condition of our customers. This could result in contract cancellations, early terminations, customers seeking price reductions or more favorable economic terms, a reduced ability to ultimately collect receivables, or entry into lower dayrate contracts or having to idle, stack or retire more of our rigs.

**Average daily revenue**—Average daily revenue is defined as contract drilling revenues, excluding revenues for contract terminations, reimbursements and contract intangible amortization, earned per operating day. An operating day is defined as a calendar day during which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations. The average daily revenue for our fleet was as follows:

	<u>Three months ended</u>		
	<u>June 30, 2021</u>	<u>March 31, 2021</u>	<u>June 30, 2020</u>
<b>Average daily revenue</b>			
Ultra-deepwater floaters	\$ 363,500	\$ 371,600	\$ 296,500
Harsh environment floaters	\$ 379,900	\$ 377,800	\$ 331,900
Midwater floaters	\$ —	\$ —	\$ 99,400
Total fleet average daily revenue	\$ 369,400	\$ 373,700	\$ 307,800

Our average daily revenue fluctuates relative to market conditions and our revenue efficiency. The average daily revenue may be affected by revenues for lump sum bonuses or demobilization fees received from our customers. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as midwater floaters are typically contracted at lower dayrates compared to ultra-deepwater floaters and harsh environment floaters. We no longer operate midwater floaters. We include newbuilds in the calculation

when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal or classification as held for sale, unless we continue to operate rigs subsequent to sale, in which case we remove the rigs at the time of completion or novation of the contract.

**Revenue efficiency**—Revenue efficiency is defined as actual contract drilling revenues, excluding revenues for contract terminations and reimbursements, for the measurement period divided by the maximum revenue calculated for the measurement period, expressed as a percentage. Maximum revenue is defined as the greatest amount of contract drilling revenues the drilling unit could earn for the measurement period, excluding revenues for incentive provisions, reimbursements and contract terminations. The revenue efficiency rates for our fleet were as follows:

	Three months ended		
	June 30, 2021	March 31, 2021	June 30, 2020
<b>Revenue efficiency</b>			
Ultra-deepwater floaters	98 %	97 %	98 %
Harsh environment floaters	98 %	98 %	97 %
Midwater floaters	— %	— %	79 %
Total fleet average revenue efficiency	98 %	97 %	97 %

Revenue efficiency measures our ability to ultimately convert our contractual opportunities into revenues. Our revenue efficiency rate varies due to revenues earned under alternative contractual dayrates, such as a waiting on weather rate, repair rate, standby rate, force majeure rate or zero rate, that may apply under certain circumstances. Our revenue efficiency rate is also affected by incentive performance bonuses or penalties. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We exclude rigs that are not operating under contract, such as those that are stacked.

**Rig utilization**—Rig utilization is defined as the total number of operating days divided by the total number of rig calendar days in the measurement period, expressed as a percentage. The rig utilization rates for our fleet were as follows:

	Three months ended		
	June 30, 2021	March 31, 2021	June 30, 2020
<b>Rig utilization</b>			
Ultra-deepwater floaters	48 %	48 %	61 %
Harsh environment floaters	73 %	65 %	80 %
Midwater floaters	— %	— %	25 %
Total fleet average rig utilization	55 %	53 %	66 %

Our rig utilization rate declines as a result of idle and stacked rigs and during shipyard and mobilization periods to the extent these rigs are not earning revenues. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal or classification as held for sale. Accordingly, our rig utilization can increase when idle or stacked units are removed from our drilling fleet.

## OPERATING RESULTS

### Three months ended June 30, 2021 compared to the three months ended June 30, 2020

The following is an analysis of our operating results. See “—[Performance and Other Key Indicators](#)” for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Three months ended June 30,		Change	% Change
	2021	2020		
	(In millions, except day amounts and percentages)			
Operating days	1,849	2,401	(552)	(23)%
Average daily revenue	\$ 369,400	\$ 307,800	\$ 61,600	20 %
Revenue efficiency	98 %	97 %		
Rig utilization	55 %	66 %		
Contract drilling revenues	\$ 656	\$ 930	\$ (274)	(29)%
Operating and maintenance expense	(434)	(525)	91	17 %
Depreciation and amortization expense	(186)	(196)	10	5 %
General and administrative expense	(39)	(45)	6	13 %
Loss on impairment	—	(429)	429	nm
Gain on disposal of assets, net	1	1	—	nm
Operating loss	(2)	(264)	262	99 %
Other income (expense), net				
Interest income	4	4	—	nm
Interest expense, net of amounts capitalized	(115)	(153)	38	25 %
Gain on retirement of debt	—	4	(4)	nm
Other, net	14	(56)	70	nm
Loss before income tax expense	(99)	(465)	366	79 %
Income tax expense	(4)	(32)	28	88 %
Net loss	\$ (103)	\$ (497)	\$ 394	79 %

“nm” means not meaningful.

**Contract drilling revenues**—Contract drilling revenues decreased for the three months ended June 30, 2021, compared to the three months ended June 30, 2020, primarily due to the following: (a) approximately \$200 million resulting from the settlement of disputes and payments for early termination of a contract in the three months ended June 30, 2020 with no comparable activity in the current-year period, (b) approximately \$65 million resulting from rigs that were cold stacked, (c) approximately \$25 million resulting from rigs sold, (d) approximately \$10 million resulting from higher idle or out of service days for the active fleet and (e) approximately \$5 million due to lower customer reimbursables related to COVID-19. These decreases were partially offset by the following increases: (a) approximately \$20 million resulting from an increased average daily revenue and (b) approximately \$5 million resulting from higher revenue efficiency.

**Costs and expenses**—Operating and maintenance costs and expenses decreased for the three months ended June 30, 2021, compared to the three months ended June 30, 2020, primarily due to the following: (a) approximately \$40 million resulting from rigs that were cold stacked, (b) approximately \$30 million of litigation and settlement costs recognized in the prior-year period, (c) approximately \$25 million resulting from rigs sold, (d) approximately \$20 million resulting from reduced onshore personnel costs, including severance and (e) approximately \$15 million resulting from reduced offshore personnel and related costs associated with our mitigation efforts of the COVID-19 pandemic. These decreases were partially offset by the following increases: (a) approximately \$20 million resulting from shipyard and maintenance costs driven by current in-service and out-of-service activities and (b) approximately \$20 million resulting from unfavorable exchange rates.

Depreciation and amortization expense decreased for the three months ended June 30, 2021, compared to the three months ended June 30, 2020, primarily due to \$5 million resulting from rigs sold or classified as held for sale and \$5 million resulting from assets that had reached the end of their useful lives or had been retired.

**Loss on impairment**—In the three months ended June 30, 2020, we recognized a loss on impairment of assets, including an aggregate net loss of \$419 million associated with assets that we determined were impaired at the time we classified them as held for sale.

**Other income and expense**—Interest expense, net of amounts capitalized, decreased in the three months ended June 30, 2021, compared to the three months ended June 30, 2020, primarily due to the following: (a) \$26 million resulting from our debt restructuring in August and September 2020 and (b) approximately \$16 million resulting from debt repaid as scheduled or retired early in our open market repurchases, redemption and cash tender offers subsequent to January 1, 2020, partially offset by a net increase of (c) \$4 million resulting from private debt exchanges completed in February 2021.

Other income, net, increased in the three months ended June 30, 2021, compared to the three months ended June 30, 2020, primarily due to (a) a loss of \$59 million recognized in the prior-year period associated with the impairment of our equity investment in Orion Holdings (Cayman) Ltd. (“Orion”) and (b) increased income of \$11 million related to our dual-activity patent resulting from a settlement.

**Income tax expense**—In the three months ended June 30, 2021 and 2020, our effective tax rate was (4.6) percent and (6.8) percent, respectively, based on loss before income tax expense. In the three months ended June 30, 2021 and 2020, the effect of various discrete period tax items was a net tax benefit of \$6 million and a net tax expense of \$11 million, respectively.

In the three months ended June 30, 2021, such discrete items included expiration and settlements of various uncertain tax positions. In the three months ended June 30, 2020, such discrete items included revenues recognized for the settlement of disputes, loss on impairment of investment in an unconsolidated affiliate, certain return to provision adjustments, withholding tax accruals, gains and losses on currency exchange rates and changes to valuation allowances. In the three months ended June 30, 2021 and 2020, our effective tax rate, excluding discrete items, was (10.2) percent and (15.0) percent, respectively, based on loss before income tax expense.

Due to our operating activities and organizational structure, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the effective tax rate calculation for the three months ended June 30, 2021, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola and India. Conversely, the countries in which we incurred the most significant income taxes during this period that were based on income before income tax include the U.S., Switzerland, Norway and Brazil. Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract.

**Six months ended June 30, 2021 compared to the six months ended June 30, 2020**

The following is an analysis of our operating results. See “—[Performance and Other Key Indicators](#)” for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	<u>Six months ended June 30,</u>		<u>Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
	(In millions, except day amounts and percentages)			
Operating days	3,622	4,820	(1,198)	(25)%
Average daily revenue	\$ 371,500	\$ 311,300	\$ 60,200	19 %
Revenue efficiency	98 %	96 %		
Rig utilization	54 %	63 %		
Contract drilling revenues	\$ 1,309	\$ 1,689	\$ (380)	(22)%
Operating and maintenance expense	(869)	(1,065)	196	18 %
Depreciation and amortization expense	(373)	(402)	29	7 %
General and administrative expense	(78)	(88)	10	11 %
Loss on impairment	—	(597)	597	nm
Loss on disposal of assets, net	(58)	—	(58)	nm
Operating loss	(69)	(463)	394	85 %
Other income (expense), net				
Interest income	7	13	(6)	(46)%
Interest expense, net of amounts capitalized	(230)	(313)	83	27 %
Gain (loss) on retirement of debt	51	(53)	104	nm
Other, net	23	(44)	67	nm
Loss before income tax (expense) benefit	(218)	(860)	642	75 %
Income tax (expense) benefit	17	(28)	45	nm
Net loss	\$ (201)	\$ (888)	\$ 687	77 %

“nm” means not meaningful.

**Contract drilling revenues**—Contract drilling revenues decreased for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, primarily due to the following: (a) approximately \$200 million resulting from the settlement of disputes and payments for early termination of a contract in the six months ended June 30, 2020 with no comparable activity in the current-year period, (b) approximately \$100 million resulting from rigs that were idle or in shipyard in the six months ended June 31, 2021, (c) approximately \$105 million resulting from rigs that were cold stacked, (d) approximately \$55 million resulting from rigs sold and (e) approximately \$10 million resulting from lower customer reimbursables unrelated to COVID-19. These decreases were partially offset by the following increases: (a) approximately \$50 million resulting from an increased average daily revenue, (b) approximately \$25 million resulting from higher revenue efficiency, (c) approximately \$10 million resulting from higher reimbursement revenues related to COVID-19 and (d) approximately \$5 million in early termination revenues recognized in the current-year period.

**Costs and expenses**—Operating and maintenance costs and expenses decreased for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, primarily due to the following: (a) approximately \$100 million resulting from rigs that were cold stacked, (b) approximately \$55 million resulting from rigs sold, (c) approximately \$30 million resulting from litigation and settlement costs

in the prior-year period, (d) approximately \$20 million resulting from reduced activities of the active fleet, (e) approximately \$20 million resulting from onshore personnel costs, including severance and (f) approximately \$10 million reduced reimbursable costs unrelated to COVID-19. These decreases were partially offset by the following increases: (a) approximately \$25 million resulting from unfavorable exchange rates and (b) approximately \$10 million resulting from shipyard and maintenance costs driven by current in-service and out-of-service activities.

Depreciation and amortization expense decreased for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, primarily due to \$19 million resulting from rigs sold or classified as held for sale and \$9 million resulting from assets that had reached the end of their useful lives or had been retired.

General and administrative costs and expenses decreased for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, primarily due to (a) \$6 million of reduced personnel costs, including severance, (b) \$4 million of reduced costs for information systems and technology and (c) \$2 million of reduced office rent expense, partially offset by (d) \$3 million of increased insurance costs.

**Loss on impairment and disposal of assets**—In the six months ended June 30, 2020, we recognized a loss on the impairment of assets, including an aggregate net loss of \$556 million associated with assets that we determined were impaired at the time we classified them as held for sale, a loss of \$31 million associated with the impairment of our midwater floater asset group and a loss of \$10 million associated with the impairment of other assets.

In the six months ended June 30, 2021, we recognized a loss of \$60 million associated with the sale of a harsh environment floater and related assets.

**Other income and expense**—Interest expense, net of amounts capitalized, decreased in the six months ended June 30, 2021, compared to the six months ended June 30, 2020, primarily due to the following: (a) \$52 million resulting from our debt restructuring in August and September 2020 and (b) approximately \$42 million resulting from debt repaid as scheduled or retired early in our open market repurchases, redemption and cash tender offers subsequent to January 1, 2020, partially offset by a net increase of (c) \$6 million resulting from private debt exchanges completed in February 2021.

In the six months ended June 30, 2021, we recognized an aggregate net gain of \$51 million associated with the retirement of \$323 million aggregate principal amount of the 0.50% Exchangeable Senior Bonds as a result of privately negotiated exchange transactions. In the six months ended June 30, 2020, we recognized an aggregate loss of \$65 million associated with the full redemption of the 9.00% senior notes due July 2023, partially offset by an aggregate net gain of \$12 million resulting from the retirement of \$76 million aggregate principal amount of our debt securities repurchased in the open market.

Other income, net, increased in the six months ended June 30, 2021, compared to the six months ended June 30, 2020, primarily due to (a) a loss of \$59 million recognized in the prior-year period associated with the impairment of our equity investment in Orion, (b) increased income of \$11 million related to our dual-activity patent resulting from a settlement and (c) increased income of \$7 million related to the non-service components of net periodic benefit income, partially offset by (d) decreased income of \$12 million related to our investment in Orion.

**Income tax expense**—In the six months ended June 30, 2021 and 2020, our effective tax rate was 7.7 percent and (3.2) percent, respectively, based on loss before income tax expense or benefit. In the six months ended June 30, 2021 and 2020, the effect of various discrete period tax items was a net tax benefit of \$33 million and \$9 million, respectively. In the six months ended June 30, 2021, such discrete items included loss on disposal of assets, gain on retirement of debt and expiration and settlements of various uncertain tax positions. In the six months ended June 30, 2020, such discrete items included revenues recognized for the settlement of disputes, loss on impairment of investment in an unconsolidated affiliate, carryback of net operating losses in the U.S. as a result of the Coronavirus Aid, Relief, and Economic Security Act, which included the release of valuation allowances previously recorded, as well as settlements and expirations of various uncertain tax positions, gains and losses on currency exchange rates and changes to valuation allowances. In the six months ended June 30, 2021 and 2020, our effective tax rate, excluding discrete items, was (7.8) percent and (12.0) percent, respectively, based on loss before income tax expense. In the six months ended June 30, 2021 compared to the six months ended June 30, 2020, our effective tax rate increased primarily due to changes in the relative blend of income from operations in certain jurisdictions.

Due to our operating activities and organizational structure, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the effective tax rate calculation for the six months ended June 30, 2021, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola and India. Conversely, the countries in which we incurred the most significant income taxes during this period that were based on income before income tax include the U.S., Switzerland, Norway and Brazil. Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and uses of cash

At June 30, 2021, we had \$1.0 billion in unrestricted cash and cash equivalents and \$502 million in restricted cash and cash equivalents. In the six months ended June 30, 2021, our primary sources of cash were net cash provided by our operating activities, and our primary uses of cash were repayments of debt and capital expenditures.

	Six months ended June 30,		Change
	2021	2020 (In millions)	
<b>Cash flows from operating activities</b>			
Net loss	\$ (201)	\$ (888)	\$ 687
Non-cash items, net	532	1,289	(757)
Changes in operating assets and liabilities, net	(82)	(362)	280
	<u>\$ 249</u>	<u>\$ 39</u>	<u>\$ 210</u>

Net cash provided by operating activities increased primarily due to (a) reduced payments to suppliers for in-service and out-of-service costs, (b) cash payment of \$125 million released from restricted cash to satisfy our remaining obligations under the Plaintiff Steering Committee settlement agreement in June 2020 with no comparable activity in the current-year period and (c) reduced cash interest payments, partially offset by (d) reduced collections from customers.

	Six months ended June 30,		Change
	2021	2020 (In millions)	
<b>Cash flows from investing activities</b>			
Capital expenditures	\$ (100)	\$ (153)	\$ 53
Proceeds from disposal of assets, net	7	3	4
Investments in loans to unconsolidated affiliates	(33)	—	(33)
Investments in unconsolidated affiliates	—	(6)	6
	<u>\$ (126)</u>	<u>\$ (156)</u>	<u>\$ 30</u>

Net cash used in investing activities decreased primarily due to (a) reduced capital expenditures unrelated to our two newbuilds under construction, partially offset by (d) investments in loans to Orion.

	Six months ended June 30,		Change
	2021	2020 (In millions)	
<b>Cash flows from financing activities</b>			
Repayments of debt	\$ (239)	\$ (1,009)	\$ 770
Proceeds from issuance of shares, net of issue costs	66	—	66
Proceeds from issuance of debt, net of issue costs	—	743	(743)
Other, net	(20)	(18)	(2)
	<u>\$ (193)</u>	<u>\$ (284)</u>	<u>\$ 91</u>

Net cash used in financing activities decreased primarily due to (a) reduced cash used to repay debt, primarily as a result of the redemption of \$714 million aggregate principal amount of the 9.00% senior notes due July 2023 in the six months ended June 30, 2020 and (b) aggregate net cash proceeds from the issuance of shares under the ATM Program in the current-year period, partially offset by (c) net cash proceeds from the issuance of the 8.00% senior unsecured notes due February 2027 (“8.00% Senior Notes”) in the prior-year period.

### Sources and uses of liquidity

**Overview**—We expect to use existing unrestricted cash balances, internally generated cash flows, borrowings under the Secured Credit Facility, proceeds from the disposal of assets or proceeds from the issuance of additional debt or equity to fulfill anticipated obligations, which may include capital expenditures, working capital and other operational requirements, scheduled debt maturities or other payments. We may consider establishing additional financing arrangements with banks or other capital providers or issuing shares from our authorized share capital. Subject to market conditions and other factors, we may be required to provide collateral for any future financing arrangements. We continue to evaluate additional potential liability management transactions in connection with our ongoing efforts to prudently manage our capital structure and improve our liquidity. In each case subject to then existing market conditions and our expected liquidity needs, among other factors, we may continue to use existing unrestricted cash balances, internally generated cash flows and proceeds from asset sales to pursue liability management transactions, including among others, purchasing or exchanging one or more existing series of our debt securities in the open market, in privately negotiated transactions, through tender offers or through exchange offers. Any future purchases, exchanges or other transactions may be on the same terms or on terms that are more or less favorable to holders than the terms of any prior transaction, including the exchange transactions completed in the year ended December 31, 2020 and in February 2021. We can provide no assurance as to which, if any, of these alternatives, or combinations thereof, we may choose to pursue in the future, if at all, or as to the timing with respect to any future transactions.

The ongoing effect of the COVID-19 pandemic, including the impact of virus variants, and the volatility in oil prices could have significant adverse consequences for general economic, financial and business conditions, as well as for our business and financial position and the business and financial position of our customers and suppliers and may, among other things, impact our ability to generate cash flows from operations, access the capital markets on acceptable terms or at all, and affect our future need or ability to borrow under our Secured Credit Facility. In addition to our potential sources of funding, the effects of such global events may impact our liquidity or need to alter our allocation or sources of capital, implement further cost reduction measures and change our financial strategy. Although the COVID-19 pandemic and the volatility in oil prices could have a broad range of effects on our sources and uses of liquidity, the ultimate effect thereon, if any, will depend on future developments, which cannot be predicted at this time.

Our internally generated cash flows are directly related to our business and the market sectors in which we operate. We have generated positive cash flows from operating activities over recent years and, although we cannot provide assurances, we currently expect that such cash flows will continue to be positive over the next year. However, among other factors, if the drilling market deteriorates, or if we experience poor operating results, or if we incur expenses to, for example, reactivate, stack or otherwise assure the marketability of our fleet, cash flows from operations may be reduced or negative.

Our ability and willingness to access the debt and equity markets is a function of a variety of factors, including, among others, general economic conditions, industry conditions, market conditions and market perceptions of us and our industry and credit rating agencies' views of our debt. The rating of the majority of our long-term debt ("Debt Rating") is below investment grade. The Debt Rating is causing us to experience increased fees and interest rates under our Secured Credit Facility and agreements governing certain of our senior notes. Future downgrades may further restrict our ability to access the debt market for sources of capital and may negatively impact the cost of such capital at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. An economic downturn like the one we are currently experiencing could have an impact on the lenders participating in our credit facilities or on our customers, causing them to fail to meet their obligations to us.

**Secured Credit Facility**—We have a \$1.3 billion secured revolving credit facility established under a bank credit agreement (as amended from time to time, the "Secured Credit Facility"), which is scheduled to expire on June 22, 2023. The Secured Credit Facility is guaranteed by Transocean Ltd. and certain subsidiaries. The Secured Credit Facility is secured by, among other things, a lien on the ultra-deepwater floaters *Deepwater Asgard*, *Deepwater Corcovado*, *Deepwater Invictus*, *Deepwater Mykonos*, *Deepwater Orion*, *Deepwater Skyros*, *Development Driller III*, *Dhirubhai Deepwater KG2* and *Discoverer Inspiration* and the harsh environment floaters *Transocean Barents* and *Transocean Spitsbergen*. The maximum borrowing capacity will be reduced to \$1.0 billion if, and so long as, our leverage ratio, measured as the aggregate principal amount of debt outstanding to earnings before interest, taxes, depreciation and amortization, exceeds 10.00 to 1.00. The Secured Credit Facility contains covenants that, among other things, include maintenance of certain guarantee and collateral coverage ratios, a maximum debt to capitalization ratio of 0.60 to 1.00 and minimum liquidity of \$500 million. The Secured Credit Facility also restricts the ability of Transocean Ltd. and certain of our subsidiaries to, among other things, merge, consolidate or otherwise make changes to the corporate structure, incur liens, incur additional indebtedness, enter into transactions with affiliates and pay dividends and other distributions. In order to borrow under the Secured Credit Facility, we must, at the time of the borrowing request, not be in default under the Secured Credit Facility and make certain representations and warranties, including with respect to compliance with laws and solvency, to the lenders. Repayment of borrowings under the Secured Credit Facility are subject to acceleration upon the occurrence of an event of default. Under the agreements governing certain of our debt and finance lease, we are also subject to various covenants, including restrictions on creating liens, engaging in sale/leaseback transactions and engaging in certain merger, consolidation or reorganization transactions. A default under our public debt indentures, the agreements governing our senior secured notes, our finance lease contract or any other debt owed to unaffiliated entities that exceeds \$125 million could trigger a default under the Secured Credit Facility and, if not waived by the lenders, could cause us to lose access to the Secured Credit Facility. At July 27, 2021, we had no borrowings outstanding, \$23 million of letters of credit issued, and we had \$1.3 billion of available borrowing capacity under the Secured Credit Facility.

**Shipyard financing arrangement**—In June 2021, we and Jurong Shipyard Pte Ltd. entered into the Shipyard Loans to finance the final payments expected to be owed to the shipyard upon delivery of the ultra-deepwater floaters *Deepwater Atlas* and *Deepwater Titan*. We expect to borrow approximately \$370 million upon delivery of *Deepwater Atlas* in December 2021, and we expect to borrow approximately \$90 million upon delivery of *Deepwater Titan* in the three months ending June 30, 2022. The Shipyard Loans will be guaranteed by Transocean Inc. Borrowings under the Shipyard Loan for *Deepwater Atlas* are expected to be secured by, among other security, a lien on the rig. In certain circumstances, the maximum aggregate borrowing capacity under the Shipyard Loan for *Deepwater Titan* may be increased to approximately \$440 million, and such Shipyard Loan may become secured by, among other security, a lien on the rig. We will repay the borrowings, together with interest of 4.5 percent per annum, according to the selected installment schedule with a maximum of a six-year period following delivery of the drilling rigs. We will have the right to prepay any outstanding borrowings, in full or in part, without penalty. The Shipyard Loans contain customary events of default and affirmative and negative covenants, including covenants limiting the ability of the subsidiary owners of the drilling rigs from incurring certain types of additional indebtedness or making certain additional commitments or investments. At July 27, 2021, we had no borrowings outstanding under the Shipyard Loans.

**Share issuance**—On June 14, 2021, we entered into an equity distribution agreement with a sales agent for the offer and sale of our shares, with up to an aggregate net offering price of \$400 million, pursuant to the ATM Program. We intend to use the net proceeds from the sale of our shares under the ATM Program for general corporate purposes, which may include, among other things the repayment

or refinancing of indebtedness and the funding of working capital, capital expenditures, investments and additional balance sheet liquidity. In June 2021, we received aggregate cash proceeds of \$66 million, net of issue costs, for the aggregate sale of 15.2 million shares under the ATM Program. In July 2021, we received aggregate cash proceeds of \$77 million, net of issue costs, for the aggregate sale of 16.5 million shares under the ATM Program.

**Debt exchanges**—On February 26, 2021, we issued \$294 million aggregate principal amount of the 4.00% Senior Guaranteed Exchangeable Bonds and made an aggregate cash payment of \$11 million in privately negotiated exchange transactions for \$323 million aggregate principal amount of outstanding 0.50% Exchangeable Senior Bonds. The 4.00% Senior Guaranteed Exchangeable Bonds are guaranteed by Transocean Ltd. and the same subsidiaries of Transocean Inc. that guarantee the 2.50% senior guaranteed exchangeable bonds due January 2027 (the “2.50% Senior Guaranteed Exchangeable Bonds”) and the 11.50% senior guaranteed notes due January 2027 (the “11.50% Senior Guaranteed Notes”). The indenture that governs the 4.00% Senior Guaranteed Exchangeable Bonds also requires such bonds to be repurchased upon the occurrence of certain fundamental changes and events, at specified prices depending on the particular fundamental change or event, which include changes and events related to certain (i) change of control events applicable to Transocean Ltd. or Transocean Inc., (ii) the failure of our shares to be listed or quoted on a national securities exchange and (iii) specified tax matters. The 4.00% Senior Guaranteed Exchangeable Bonds may be exchanged at any time prior to the close of business on the second business day immediately preceding the maturity date at a current exchange rate of 190.4762 Transocean Ltd. shares per \$1,000 note, which implies an exchange price of \$5.25 per share, subject to adjustment upon the occurrence of certain events, and any such exchange may be settled in cash, Transocean Ltd. shares or a combination of cash and Transocean Ltd. shares, at our election.

On August 14, 2020, we issued \$238 million aggregate principal amount of 2.50% Senior Guaranteed Exchangeable Bonds in privately negotiated exchange transactions for \$397 million aggregate principal amount of the 0.50% Exchangeable Senior Bonds. The 2.50% Senior Guaranteed Exchangeable Bonds are fully and unconditionally guaranteed by Transocean Ltd. and certain wholly owned indirect subsidiaries of Transocean Inc. We may redeem all or a portion of the 2.50% Senior Guaranteed Exchangeable Bonds (i) on or after August 14, 2022, if certain conditions related to the price of our shares have been satisfied, at a price equal to 100 percent of the aggregate principal amount and (ii) on or after August 14, 2023, at specified redemption prices. The indenture that governs the 2.50% Senior Guaranteed Exchangeable Bonds contains covenants that, among other things, limit our ability to incur certain liens on our drilling units without equally and ratably securing the notes, engage in certain sale and lease back transactions covering any of our drilling units, allow our subsidiaries to incur certain additional debt, and consolidate, merge or enter into a scheme of arrangement qualifying as an amalgamation. The indenture that governs the 2.50% Senior Guaranteed Exchangeable Bonds also requires such bonds to be repurchased upon the occurrence of certain fundamental changes and events, at specified prices depending on the particular fundamental change or event, which include changes and events related to certain (i) change of control events applicable to Transocean Ltd. or Transocean Inc., (ii) the failure of our shares to be listed or quoted on a national securities exchange and (iii) specified tax matters. The 2.50% Senior Guaranteed Exchangeable Bonds may be exchanged at any time prior to the close of business on the second business day immediately preceding the maturity date or the redemption date at a current exchange rate of 162.1626 Transocean Ltd. shares per \$1,000 note, which implies an exchange price of \$6.17 per share, subject to adjustment upon the occurrence of certain events.

On September 11, 2020, we issued \$687 million aggregate principal amount of the 11.50% Senior Guaranteed Notes in exchange offer transactions, pursuant to an exchange offer memorandum, dated August 10, 2020, as supplemented, for an aggregate principal amount of \$1.5 billion of several series of our existing debt securities that were validly tendered and accepted for purchase. The 11.50% Senior Guaranteed Notes are fully and unconditionally guaranteed by Transocean Ltd. and certain wholly owned indirect subsidiaries of Transocean Inc. We may redeem all or a portion of the 11.50% Senior Guaranteed Notes prior to July 30, 2023 at a price equal to 100 percent of the aggregate principal amount plus a make-whole premium, and subsequently, at specified redemption prices. We may also use the net cash proceeds of certain equity offerings by Transocean Ltd. to redeem, on one or more occasions prior to July 30, 2023, up to a maximum of 40 percent of the original aggregate principal amount of the 11.50% Senior Guaranteed Notes, subject to certain adjustments, at a redemption price equal to 111.50 percent of the aggregate principal amount. The indenture that governs the 11.50% Senior Guaranteed Notes contains covenants that, among other things, limit our ability to incur certain liens on our drilling units without equally and ratably securing the notes, engage in certain sale and lease back transactions covering any of our drilling units, allow our subsidiaries to incur certain additional debt, make certain internal transfers of our drilling units and consolidate, merge or enter into a scheme of arrangement qualifying as an amalgamation.

**Early debt retirement**—On February 18, 2020, we made an aggregate cash payment of \$767 million, including the make-whole premium, to redeem in full our outstanding 9.00% Senior Notes. On November 9, 2020, we completed the cash tender offers to purchase certain debt securities, and as a result, we made an aggregate cash payment of \$222 million to settle the validly tendered notes. In the year ended December 31, 2020, we also made an aggregate cash payment of \$110 million to repurchase in the open market \$147 million aggregate principal amount of our debt securities.

**Debt issuances**—On January 17, 2020, we issued \$750 million aggregate principal amount of our 8.00% Senior Notes, and we received aggregate cash proceeds of \$743 million, net of issue costs. We may redeem all or a portion of the 8.00% Senior Notes on or prior to February 1, 2023 at a price equal to 100 percent of the aggregate principal amount plus a make-whole premium, and subsequently, at specified redemption prices.

**Litigation settlements**—On May 29, 2015, together with the Plaintiff Steering Committee, we filed a settlement agreement in which we agreed to deposit \$212 million into an escrow account established to be allocated to two classes of plaintiffs in exchange for a

release from all claims against us for damages related to the Macondo well incident. On February 15, 2017, the U.S. District Court for the Eastern District of Louisiana (the “MDL Court”) entered a final order and judgment approving our settlement agreement, pursuant to which we made the required cash deposits into escrow accounts established for settlement. In the year ended December 31, 2020, the MDL Court released \$125 million from the escrow account to satisfy our remaining obligations under the settlement agreement.

**Equity investments**—In the year ended December 31, 2020, we made an aggregate cash investment of \$19 million in noncontrolling ownership interests in certain unconsolidated affiliates. Our most significant equity investment is a 33.0 percent ownership interest in Orion, the company that, through its wholly owned subsidiary, owns the harsh environment floater *Transocean Norge*. In the three months ended June 30, 2021, we agreed to participate in a financing arrangement for Orion at a rate equivalent to our ownership interest in Orion and made a cash investment of \$33 million in the loan facility. We also hold equity investments in certain companies that are involved in researching and developing technology to improve efficiency and reliability and to increase automation, sustainability and safety in drilling and other activities.

**Share repurchase program**—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. At June 30, 2021, the authorization remaining under the share repurchase program was for the repurchase of up to CHF 3.2 billion, equivalent to approximately \$3.5 billion, of our outstanding shares. We intend to fund any repurchases using available cash balances and cash from operating activities. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. We may decide, based on our ongoing capital requirements, the price of our shares, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt rating considerations and other factors, that we should retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes. Decisions regarding the amount, if any, and timing of any share repurchases will be made from time to time based on these factors. Any repurchased shares under the share repurchase program would be held by us for cancellation by the shareholders at a future general meeting of shareholders.

**Contractual obligations**—As of June 30, 2021, with exception to the following, there have been no material changes to the contractual obligations as previously disclosed in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on [Form 10-K for the year ended December 31, 2020](#):

	Total	Twelve months ending June 30,			Thereafter
		2022	2023 - 2024 (in millions)	2025 - 2026	
Debt	\$ 7,612	\$ 548	\$ 1,586	\$ 2,138	\$ 3,340
Interest on debt	2,603	410	711	517	965
Total	\$ 10,215	\$ 958	\$ 2,297	\$ 2,655	\$ 4,305

**Other commercial commitments**—As of June 30, 2021, there have been no material changes to the commercial commitments as previously disclosed in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on [Form 10-K for the year ended December 31, 2020](#).

**Drilling fleet**

**Expansion**—From time to time, we review possible acquisitions of businesses and drilling rigs and may make significant future capital commitments for such purposes. We may also consider investments related to major rig upgrades, new rig construction, or the acquisition of a rig under construction. We may commit to such investment without first obtaining customer contracts. Any acquisition, upgrade or new rig construction could involve the payment by us of a substantial amount of cash or the issuance of a substantial number of additional shares or other securities. Our failure to secure drilling contracts for rigs under construction could have an adverse effect on our results of operations or cash flows.

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The historical and projected capital expenditures, capitalized interest and other cash or non-cash capital additions for our ongoing major construction projects were as follows:

	Total costs through December 31, 2020	Total costs for the six months ended June 30, 2021	Expected costs for the six months ending December 31, 2021	For the years ending December 31,		Total estimated costs at completion
				2022	2023	
	(In millions)					
Deepwater Atlas (a)	\$ 369	\$ 24	\$ 513	\$ 156	\$ 38	\$ 1,100
Deepwater Titan (b)	412	53	84	612	24	1,185
Total	\$ 781	\$ 77	\$ 597	\$ 768	\$ 62	\$ 2,285

- (a) *Deepwater Atlas* is an ultra-deepwater drillship under construction at the Jurong Shipyard Pte Ltd. in Singapore. We currently expect that the shipyard will be ready to deliver *Deepwater Atlas* in the fourth quarter of 2021, and upon delivery, we expect to borrow approximately \$370 million under the Shipyard Loan to finance the final installment to the shipyard (see “—[Sources and uses of liquidity](#)”).

The rig has received an agreement for drilling services, subject to a final investment decision by the customer and its partners. If the conditions are satisfied, the newbuild unit could be expected to commence operations under the drilling contract in the second half of 2022. The projected capital additions include estimates for one 20,000 pounds per square inch blowout preventer and other equipment required by the customer, some of which will be delivered and commissioned in the year ending December 31, 2023, subsequent to placing the rig in service. We will only commit to these incremental capital expenditures with the backing of a firm commitment by the customer.

- (b) *Deepwater Titan* is an ultra-deepwater drillship under construction at the Jurong Shipyard Pte Ltd. in Singapore. We currently expect that the shipyard will be ready to deliver *Deepwater Titan* in the second quarter of 2022, and upon delivery, we expect to borrow approximately \$90 million under the Shipyard Loan to finance the final installment to the shipyard (see “—[Sources and uses of liquidity](#)”). The rig is expected to commence operations under its drilling contract in the first half of 2023. The projected capital additions include estimates for an upgrade for two 20,000 pounds per square inch blowout preventers and other equipment required by our customer.

The ultimate amount of our capital expenditures is partly dependent upon financial market conditions, the actual level of operational and contracting activity, the costs associated with the current regulatory environment and customer requested capital improvements and equipment for which the customer agrees to reimburse us. As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange rates, shipyard labor conditions, availability of suppliers to recertify equipment and the market demand for components and resources required for drilling unit construction. We intend to fund the cash requirements relating to our capital expenditures not financed under the Shipyard Loans by using available cash balances, cash generated from operations and asset sales, borrowings under our Secured Credit Facility and financing arrangements with banks or other capital providers. Economic conditions and other factors could impact the availability of these sources of funding. See “—[Sources and uses of liquidity](#).”

**Dispositions**—From time to time, we may also review the possible disposition of certain drilling assets. Considering market conditions, we have committed to plans to sell certain lower-specification drilling units for scrap value. During the six months ended June 30, 2021, we completed the sale of one harsh environment floater and related assets, and we received net cash proceeds of \$4 million. During the year ended December 31, 2020, we completed the sale of one ultra-deepwater floater, three harsh environment floaters and three midwater floaters, along with related assets, and we received aggregate net cash proceeds of \$20 million. We continue to evaluate the drilling units in our fleet and may identify additional lower-specification drilling units to be sold for scrap value.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements. This discussion should be read in conjunction with disclosures included in the notes to our condensed consolidated financial statements related to estimates, contingencies and other accounting policies. We disclose our significant accounting policies in [Note 2](#) to our condensed consolidated financial statements in this quarterly report on Form 10-Q and in [Note 2](#) to our consolidated financial statements in our annual report on [Form 10-K for the year ended December 31, 2020](#). For a discussion of the new accounting standards updates that have had or are expected to have an effect on our condensed consolidated financial statements, see Notes to Condensed Consolidated Financial Statements—[Note 3](#)—Accounting Standards Update in this quarterly report on Form 10-Q. For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our annual report on [Form 10-K for the year ended December 31, 2020](#). As of June 30, 2021, there have been no material changes to the types of judgments, assumptions and estimates upon which our critical accounting policies and estimates are based.

## **OTHER MATTERS**

### **Regulatory matters**

We occasionally receive inquiries from governmental regulatory agencies regarding our operations around the world, including inquiries with respect to various tax, environmental, regulatory and compliance matters. To the extent appropriate under the circumstances,

we investigate such matters, respond to such inquiries and cooperate with the regulatory agencies. See Notes to Condensed Consolidated Financial Statements—[Note 10—Contingencies](#).

**Tax matters**

We conduct operations through our various subsidiaries in countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our condensed consolidated financial position, results of operations or cash flows. We file federal and local tax returns in several jurisdictions throughout the world. Tax authorities in certain jurisdictions are examining our tax returns and, in some cases, have issued assessments. We intend to defend our tax positions vigorously, although we can provide no assurance as to the outcome. We do not expect the ultimate liability to have a material adverse effect on our condensed consolidated financial position or results of operations, although it could have a material adverse effect on our condensed consolidated cash flows. See Notes to Condensed Consolidated Financial Statements—[Note 8—Income Taxes](#).

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Overview**—We are exposed to interest rate risk, primarily associated with our long-term debt, including current maturities. Additionally, we are exposed to currency exchange rate risk related to our international operations. For a complete discussion of our interest rate risk and currency exchange rate risk, see “Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our annual report on [Form 10-K for the year ended December 31, 2020](#).

**Interest rate risk**—The following table presents the scheduled installment amounts and related weighted-average interest rates of our long-term debt instruments by contractual maturity date. The expected maturity amounts, presented below, include both principal and other installments, representing the contractual interest payments resulting from previously restructured debt. The following table presents information as of June 30, 2021 for the 12-month periods ending June 30 (in millions, except interest rate percentages):

	Scheduled Maturity Date					Thereafter	Total	Fair value
	2022	2023	2024	2025	2026			
<b>Debt</b>								
Fixed rate (USD)	\$ 548	\$ 867	\$ 719	\$ 532	\$ 1,606	\$ 3,340	\$ 7,612	\$ 6,586
Average interest rate	5.59 %	4.65 %	5.65 %	5.97 %	6.29 %	5.43 %		

At June 30, 2021 and December 31, 2020, the fair value of our outstanding debt was \$6.6 billion and \$4.8 billion, respectively. During the six months ended June 30, 2021, the fair value of our debt increased by \$1.8 billion due to the following: (a) an increase of \$1.8 billion due to changes in the market prices for our outstanding debt, (b) a net increase of \$188 million due to the issuance of the 4.00% senior guaranteed exchangeable bonds due December 2025 in private exchanges for the 0.50% exchangeable senior bonds due January 2023, partially offset by (c) a decrease of \$199 million due to repayments of debt at scheduled maturities.

**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure controls and procedures**—Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the United States (the “U.S.”) Securities Exchange Act of 1934 is (1) accumulated and communicated to our management, including our Chief Executive Officer, who is our principal executive officer, and our Chief Financial Officer, who is our principal financial officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms. Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2021.

**Internal control over financial reporting**—There were no changes to our internal control over financial reporting during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” “we,” “us,” or “our”) has certain actions, claims and other matters pending as discussed and reported in “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies” and “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Regulatory matters” in our annual report on [Form 10-K for the year ended December 31, 2020](#). We are also involved in various tax matters as described in “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 10—Income Taxes” and in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Tax matters” in our annual

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report on [Form 10-K for the year ended December 31, 2020](#). All such actions, claims, tax and other matters are incorporated herein by reference.

As of June 30, 2021, we were involved in a number of other lawsuits, regulatory matters, disputes and claims, asserted and unasserted, all of which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, to have a material adverse effect on our consolidated financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the matters referred to above or of any such other pending, threatened or possible litigation or legal proceedings. We can provide no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or claim or dispute will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

In addition to the legal proceedings described above, we may from time to time identify other matters that we monitor through our compliance program or in response to events arising generally within our industry and in the markets where we do business. We evaluate matters on a case by case basis, investigate allegations in accordance with our policies and cooperate with applicable governmental authorities. Through the process of monitoring and proactive investigation, we strive to ensure no violation of our policies, Code of Integrity or law has, or will, occur; however, we can provide no assurance as to the outcome of these matters.

### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors as previously disclosed in "Part I. Item 1A. Risk Factors" in our annual report on [Form 10-K for the year ended December 31, 2020](#).

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) (b)
April 2021	418	\$ 3.18	—	\$ 3,506
May 2021	—	—	—	3,506
June 2021	—	—	—	3,506
Total	418	\$ 3.18	—	\$ 3,506

- (a) Shares purchased in April 2021 were withheld by us through a broker arrangement in satisfaction of withholding taxes due upon the vesting of restricted share units granted under our long-term incentive plan.
- (b) In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase for cancellation any amount of our shares for an aggregate purchase price of up to CHF 3.5 billion. At June 30, 2021, the authorization remaining under the share repurchase program was for the repurchase of our outstanding shares for an aggregate cost of up to CHF 3.2 billion, equivalent to \$3.5 billion. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. See "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—[Sources and uses of liquidity](#)."

### ITEM 6. EXHIBITS

- (a) Exhibits

The following exhibits are filed in connection with this quarterly report on Form 10-Q:

NUMBER	DESCRIPTION	LOCATION
1.1	Equity Distribution Agreement, dated as of June 14, 2021, by and between Transocean Ltd. and Jefferies LLC	<a href="#">Exhibit 1.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on June 15, 2021.</a>
3.1	Articles of Association of Transocean Ltd.	<a href="#">Exhibit 3.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on June 1, 2021</a>
3.2	Organizational Regulations of Transocean Ltd., adopted April 7, 2021	<a href="#">Exhibit 3.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on April 7, 2021</a>
10.1	Amended and Restated Transocean Ltd. 2015 Long-Term Incentive Plan	<a href="#">Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on June 1, 2021</a>
10.2	Shipyards Credit Agreement for <i>Deepwater Atlas</i> , dated as of June 5, 2021, by and between Jurong Shipyards Pte Ltd and Transocean Offshore Deepwater Holdings Limited,	<a href="#">Filed herewith</a>
10.3	Shipyards Credit Agreement for <i>Deepwater Titan</i> , dated as of June 5, 2021, by and between Jurong Shipyards Pte Ltd and Transocean Offshore Deepwater Holdings Limited,	<a href="#">Filed herewith</a>

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NUMBER	DESCRIPTION	LOCATION
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002	<a href="#">Filed herewith</a>
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002	<a href="#">Filed herewith</a>
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	<a href="#">Furnished herewith</a>
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	<a href="#">Furnished herewith</a>
101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language: (i) our condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020; (ii) our condensed consolidated statements of operations for the three and six months ended June 30, 2021 and 2020; (iii) our condensed consolidated statements of comprehensive loss for the three and six months ended June 30, 2021 and 2020; (iv) our condensed consolidated statements of equity for the three and six months ended June 30, 2021 and 2020; (v) our condensed consolidated statements of cash flows for the six months ended June 30, 2021 and 2020; and (vi) the notes to condensed consolidated financial statements	Filed herewith
104	The cover page from our quarterly report on Form 10-Q for the quarterly period ended June 30, 2021, formatted in Inline Extensible Business Reporting Language	Filed herewith

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on August 3, 2021.

TRANSOCEAN LTD.

By:     /s/ Mark L. Mey    

Mark L. Mey  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

By:     /s/ David Tonnel    

David Tonnel  
Senior Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

Execution Version

Dated 5 June 2021

**JURONG SHIPYARD PTE LTD**  
as Lender

and

**TRANSOCEAN OFFSHORE DEEPWATER HOLDINGS LIMITED**  
as Owner

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**CREDIT AGREEMENT**  
in respect of the sale and purchase of  
one new build drillship bearing hull number 11-1116

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**THIS AGREEMENT** is made on 5 June 2021

**BETWEEN**

- (1) **JURONG SHIPYARD PTE LTD**, a corporation organised under the laws of Singapore and having its registered office at 80 Tuas South Boulevard, Singapore 637051 (the **Lender**); and
- (2) **TRANSOCEAN OFFSHORE DEEPWATER HOLDINGS LIMITED**, a Cayman Islands exempted company having its registered office at 36c Dr. Roy's Drive, 4<sup>th</sup> Floor, P.O. Box 10342, George Town, Grand Cayman, Cayman Islands (the **Owner**).

**BACKGROUND**

- (A) By a contract dated 27 February 2014 made between the Lender as builder and the Owner as buyer (as the same was amended and supplemented pursuant to an addendum no. 1 dated 13 December 2014, an addendum no. 2 dated 2 June 2015, a supplementary agreement to addendum no.2 dated 24 December 2015, an addendum no. 3 dated 27 April 2016, an addendum no. 4 dated 9 October 2017, an addendum no. 5 dated 24 October 2018, an addendum no. 6 dated 26 August 2019, an addendum no. 7 dated the same date as this Agreement (**Addendum No. 7**) and an addendum no. 8 dated the same date as this Agreement and as the same may be further amended, supplemented, and/or novated from time to time (the **Construction Contract**), the Builder agreed to design, engineer, build, launch, equip, complete, commission and sell, and the Owner agreed to purchase, one drillship as further described therein bearing the Lender's hull number 11-1116 (the **Vessel**).
- (B) Pursuant to Addendum No. 7, the Lender has agreed to provide a loan to the Owner in an amount equal to the Loan to finance payment of (i) the whole or part of the Amount Payable at Delivery upon the terms set out in this Agreement and (ii) if it becomes payable under the Construction Contract, the LD Rebate.
- (C) Payment of the Contract Price by the Owner to the Builder under the Construction Contract is subject to the Lender advancing a loan in the amount equal to the Delivery Loan, which availability is conditioned upon the Owner complying with the conditions precedent to drawdown set out in Clause 3.
- (D) As at the date of this Agreement, the Amount Payable on Delivery (inclusive of the remaining balance of the Contract Price) is US\$ 421,517,863.93. Upon Delivery the Amount Payable on Delivery is to be recorded in the Protocol of Delivery and Acceptance referred to in Article VIII of the Construction Contract, or in another jointly signed statement of the Builder and the Owner.

**IT IS AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

- 1.1 In this Agreement, including the recitals, the following expressions shall have the following meanings:

**Affiliate** has the meaning given to it in the Construction Contract.

**Amount Payable at Delivery** has the meaning given to it in Addendum No. 7.

**Approved Flag State** means the Republic of the Marshall Islands, the Republic of Liberia, the Republic of Vanuatu, the Bahamas, Panama, Malta, Denmark or such other jurisdiction as the Lender may approve at the request of the Owner, such approval not to be unreasonably withheld, conditioned or delayed.

**Banking Day** means any day (other than Saturday and Sunday) on which banks in each of Singapore, Houston, London and New York are open for the transaction of normal banking business.

**Bankruptcy Remote Criteria** has the meaning given to it in Clause 3.2(c).

**BOE** means BOE Exploration & Production LLC.

**BOE Contract** means the conditional agreement with BOE for drilling services previously disclosed in Transocean's Fleet Status Reports to be performed by the Vessel related to the Shenandoah project in the U.S. Gulf of Mexico, provided BOE makes a positive final investment decision for the project.

**Builder** means Jurong Shipyard Pte Ltd.

**Change of Control** means that:

- (a) in respect of the Guarantor, Transocean and any of their respective Affiliates (in aggregate) cease to own and control directly or indirectly 50.1% of the issued share capital of the Guarantor; or
- (b) in respect of the Owner, the Guarantor ceases directly or indirectly to own 50.1% of the issued share capital of the Owner (other than the Lender's Share).

**Classification Society** means DNV GL.

**Contract Earnings Assignment** has the meaning given to it in Clause 15.2.

**Contract Price** means the purchase price of the Vessel payable by the Owner under the Construction Contract.

**Credit Period** means the period commencing on the date the Delivery Loan is advanced to the Owner pursuant to Clause 2 of this Agreement (being the Delivery Date) and ending on the date on which the Loan and all other amounts outstanding under the Finance Documents have been repaid in full.

**Deepwater Titan** means the drillship with the Builder's hull number 11-1117 (to be named "DEEPWATER TITAN") being constructed by the Builder for the Owner under the Titan Contract.

**Delivery** means the delivery of the Vessel by the Builder to the Owner pursuant to the Construction Contract.

**Delivery Date** means the date on which the Delivery occurs.

**Dollars** and **US\$** mean the lawful currency for the time being of the United States of America.

**Employment Contract** means any firm drilling contract, charter or other contract of employment for the Vessel which is entered into by the Owner or an Internal Charterer, relates solely to the Vessel (and not to multiple vessels in the Transocean Group fleet) and which is for any duration, except an Internal Charter or a Long Term Charter.

**Environmental Approval** means any permit, licence, approval, ruling, exemption or other authorisation required under applicable Environmental Laws.

**Environmental Claim** means:

- (a) any claim by, or directive from, any applicable governmental, judicial or other regulatory

authority alleging breach of, or non-compliance with, any Environmental Laws or Environmental Approvals or otherwise howsoever relating to or arising out of an Environmental Incident; or

- (b) any claim by any other person howsoever relating to or arising out of an Environmental Incident,

(and, in each such case, **claim** shall mean a claim for damages, clean-up costs, compliance, remedial action or otherwise).

**Environmental Incident** means:

- (a) any release, discharge, disposal or emission of Material of Environmental Concern from the Vessel; or
- (b) any incident in which Material of Environmental Concern is released, discharged, disposed of, or emitted by or from a vessel other than the Vessel and which involves collision between the Vessel and such other vessel, or some other incident of navigation or operation, in either case where the Vessel or the Owner, any Manager or any operator of the Vessel is actually or allegedly at fault or otherwise liable (in whole or in part); or
- (c) any incident in which Material of Environmental Concern is released, discharged, disposed of, or emitted by or from a vessel other than the Vessel and where the Vessel is arrested or attached or may reasonably be expected to be liable to be arrested or attached as a result and/or where the Owner, any Manager or any operator of the Vessel is actually or allegedly at fault or otherwise liable.

**Environmental Laws** means all national and international laws, ordinances, rules, regulations, rules of common law, conventions and agreements pertaining to pollution or protection of human health or the environment.

**Event of Default** means any of the events or circumstances specified as such in Clause 14.1.

**External Manager** means any company, other than an Internal Manager, appointed by the Owner from time to time as a technical, commercial or operational manager of the Vessel with the prior approval of the Lender, such consent not to be unreasonably withheld, conditioned or delayed.

**Finance Documents** means this Agreement, the Security Documents and any other documents mutually designated as such by the Lender and the Owner.

**Financial Indebtedness** means any indebtedness in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

**Flag State** means such state or territory (being an Approved Flag State) in which the Owner's ownership title of the Vessel is from time to time registered.

**GAAP** means generally accepted accounting principles in the U.S.

**Guarantee** means the guarantee of the Owner's obligations under this Agreement to be issued by the Guarantor in favour of the Lender in the agreed form.

**Guarantor** means Transocean Inc., a Cayman Islands exempted company with its registered address at 36c Dr. Roy's Drive, Bermuda House, 4<sup>th</sup> Floor, P.O. Box 10342, George Town, Grand Cayman, Cayman Islands, or (in the circumstances set out in Clause 16.1) another member of the Transocean Group.

**Guarantor Group** means the Guarantor and its subsidiaries.

**Insurances** means all policies and contracts of insurance (including all entries of the Vessel in a protection and indemnity association and a war risks association) which are from time to time taken out or entered into in respect of the Vessel and all benefits of such policies and contracts, including all claims of whatsoever nature and return of premiums in respect of the Vessel.

**Interest Period** means each period for calculation of interest in respect of the Loan determined in accordance with Clause 6.

**Interest Rate** means the annual rate of interest which is determined by the Lender in accordance with Clause 6.2.

**Internal Charter** means any charter or other contract of employment for the Vessel made between members of the Guarantor Group.

**Internal Charterer** means any member of the Guarantor Group which charters (or agrees to charter) the Vessel from the Owner or another member of the Guarantor Group.

**Internal Manager** means any Transocean Manager or any member of the Guarantor Group appointed by the Owner from time to time as a supervisor of the Lender's works or as a technical, commercial or operational manager of the Vessel.

**ISM Code** means The International Management Code for the Safe Operation of Ships and for Pollution Prevention as adopted by the International Maritime Organisation as Resolutions A.741(18) and A.913(22) (as amended, supplemented or replaced from time to time).

**ISPS Code** means The International Ship and Port Facility Security Code as adopted by the International Maritime Organisation (as amended, supplemented or replaced from time to time).

**LD Rebate** means any amount of up to US\$41,160,000 to be paid by the Owner to the Lender under or in accordance with paragraph (d)(i) of Article III.1 (DELAYED DELIVERY) of the Construction Contract by way of reimbursement of liquidated damages for delay if those liquidated damages are waived under that provision.

**Legal Reservations** means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for, or indemnify a person against, non-payment of UK stamp duty may be void and defences of set-off or counterclaim; and
- (c) similar principles, rights and defences under the laws of any Relevant Jurisdiction.

**Lender's Parent** means Sembcorp Marine Ltd, a corporation organised under the laws of Singapore, having its registered office at 80 Tuas South Boulevard, Singapore 637051.

**Lender's Share** means, in relation to the Owner, the special class of stock or membership interests (as applicable) in the Owner (as the case may be) issued to the Lender's Share Holder for nominal consideration.

**Lender's Share Holder** means the Lender or any Affiliate nominated by it to the Owner at least five (5) Banking Days prior to Delivery.

**Limitation Acts** means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

**Loan** means the sum to be advanced by the Lender to the Owner under this Agreement or, following any partial repayment or prepayment thereof, the principal amount thereof from time to time outstanding under this Agreement.

**Long Term Charter** means any drilling contract, charter or other contract of employment for the Vessel which is entered into by the Owner or an Internal Charterer with a third-party operator/customer which (i) is not subject to a final investment decision or other condition to be fulfilled by the customer/operator prior to an obligation of the Owner or such Internal Charterer to provide the Vessel to perform services under such contract, (ii) relates solely to the Vessel (and not to multiple vessels in the Transocean Group fleet) and (iii) excluding any options to extend, requires the use of the Vessel for an initial firm period of at least 4 years in duration.

**Major Casualty** means, any casualty to the Vessel or incident involving the Vessel (other than a Total Loss) in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds US\$25,000,000 (or the equivalent in any other currency).

**Management Agreement (External Manager)** means any technical, commercial and operational management agreement between the Owner and an External Manager in relation to the technical management and operation of the Vessel.

**Management Agreement (Internal Manager)** means any technical, commercial and operational management agreement between the Owner and an Internal Manager in relation to the supervision of works by the Lender or the technical management and operation of the Vessel.

**Manager** means any Internal Manager or any External Manager, as the case may be.

**Manager's Undertaking** means an undertaking to be executed by each Manager in the agreed

form.

**Material Adverse Effect** means a material adverse effect on:

- (a) the business, operations, property or financial condition of the Obligors as a whole to a level that adversely impacts the ability of the Obligors as a whole to perform their payment obligations under the Finance Documents; or
- (b) the validity or enforceability of, or the effectiveness or ranking of any Security Interest granted or purporting to be granted pursuant to, any of the Security Documents (excluding any invalidity, unenforceability, ineffectiveness or failure to have a ranking that existed on the date such Security Interest was taken) or the rights or remedies of the Lender under any of the Finance Documents.

**Material of Environmental Concern** means and includes chemicals, pollutants, contaminants, waste, toxic or hazardous substances, oil, petroleum and oil and petroleum products and any other polluting substances, the release, discharge, disposal or emission of which into the environment is regulated, prohibited or penalised by or pursuant to any Environmental Law.

**Mortgage** means the first preferred mortgage over the Vessel to be granted by the Owner in favour of the Lender in the agreed form.

**Notice of Assignment** means the notice of assignment of Insurances to be executed by the Owner pursuant to the Security Assignment.

**Obligors** means the Owner and the Guarantor.

**Payment Date** means the date falling 3 months after the Delivery Date and each of the dates falling at consecutive 3 monthly intervals thereafter as specified in the relevant Part of Schedule 1 in relation to the applicable Payment Instalment Plan.

**Payment Instalment Plans** means the alternative payment instalment plans available to the Owner under this Agreement, being:

- (a) the payment instalment plan set out in Part 1 of Schedule 1 (**Payment Instalment Plan No. 1**);
- (b) the payment instalment plan set out in Part 2 of Schedule 1 (**Payment Instalment Plan No. 2**);
- (c) the payment instalment plan set out in Part 3 of Schedule 1 (**Payment Instalment Plan No. 3**); and
- (d) the payment instalment plan set out in Part 4 of Schedule 1 (**Payment Instalment Plan No. 4**),

one of which is to apply at any given time as determined in accordance with Clause 4.

**Permitted Financial Indebtedness** means:

- (a) any Financial Indebtedness incurred, subsisting or guaranteed:
  - (i) pursuant to the Finance Documents; or
  - (ii) in the ordinary course of business, consistent with past practice of other subsidiaries of the Transocean Group, or in connection with the ownership, marketing, operation, maintenance or stacking of the Vessel, including the

purchase and maintenance at any time of equipment, inventory, spare parts or other assets for the Vessel;

- (b) unless and until the Owner ceases to be the buyer of Deepwater Titan (during construction) or, having taken delivery of Deepwater Titan, ceases to be the registered owner of Deepwater Titan at any time thereafter, any Financial Indebtedness incurred, subsisting or guaranteed:
  - (i) pursuant to the Titan Credit Agreement or any of the other Finance Documents as defined therein; or
  - (ii) in the ordinary course of business, consistent with past practice of other subsidiaries of the Transocean Group, or in connection with the ownership, marketing, operation, maintenance or stacking of Deepwater Titan, including the purchase and maintenance at any time of equipment, inventory, spare parts or other assets for Deepwater Titan; and
- (c) any Financial Indebtedness (other than covered in (a) above) which, in aggregate, does not exceed US\$10,000,000 (or the equivalent in any currently) at any relevant time.

**Permitted Jurisdiction** means any of Switzerland, England and Wales, Scotland, Luxembourg, Ireland, Hungary, the Marshall Islands, the Cayman Islands, Denmark, the Netherlands or the United States (or any State thereof, including the District of Columbia).

**Permitted Security Interest** means:

- (a) any liens arising on the Vessel by virtue of the works undertaken on the Vessel by the Builder (or any of its sub-contractors) under or pursuant to the Construction Contract or otherwise in connection with the construction, testing and outfitting of the Vessel or the lay-up and warm-stacking of the Vessel at the Shipyard;
- (b) the Security Interests created by the Finance Documents;
- (c) liens on the Vessel for master's disbursements, crew's wages or salvage and any ship repairer's or outfitter's possessory liens in respect of the Vessel for work carried out on the Vessel for an amount not exceeding US\$10,000,000 (or the equivalent in any other currency);
- (d) any lien on the Vessel arising in the ordinary course of owning, trading, operating, chartering, crewing, drydocking, maintaining, repairing, or providing equipment, supplies and bunkers to, the Vessel, in respect of obligations which are not more than 90 days overdue or which are being contested in good faith by appropriate proceedings (and for the payment of which adequate reserves have been provided);
- (e) Security Interests arising by operation of law in respect of Taxes which are not overdue for payment or which are being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;
- (f) any Security Interests arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Owner in the ordinary course of trading and operation and the supplier's standard and usual terms and not as a result of any default of omission by the Owner; and
- (g) liens (other than a registered mortgage on the Vessel) not otherwise permitted by the preceding paragraphs which secure the obligations of the Owner and which do not in aggregate exceed US\$10,000,000.

**Quiet Enjoyment Agreement** means a quiet enjoyment agreement executed by the Lender pursuant to Clause 15.1.

**Relevant Jurisdiction** means, in relation to the Owner:

- (a) its jurisdiction of incorporation;
- (b) any jurisdiction where any asset owned and secured by it pursuant to a Security Document is situated;
- (c) any jurisdiction where it primarily conducts its business; and
- (d) any jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

**Repayment Instalments** has the meaning given to it in Clause 4.1.

**Requisition Compensation** means all moneys or other compensation payable to the Owner by reason of requisition for title or other compulsory acquisition of the Vessel otherwise than by requisition for hire.

**Scheduled Delivery Date** has the meaning given to it in Clause 4.2.

**Security Assignment** means the first priority assignment by way of security of the Insurances and all Requisition Compensation of the Vessel to be granted by the Owner in favour of the Lender in the agreed form.

**Security Documents** means:

- (a) the Guarantee;
- (b) the Mortgage;
- (c) the Security Assignment;
- (d) any Contract Earnings Assignment; and
- (e) any and every other document from time to time executed as security for, or to establish a subordination or priorities arrangement in relation to, all or any of the obligations of any person to the Lender under any of the Finance Documents (except the Quiet Enjoyment Agreement).

**Security Interest** means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust arrangement or security interest or other encumbrance of any kind securing any obligation of any person or having the effect of conferring security or any type of preferential arrangement (including, without limitation, title transfer and/or retention arrangements having a similar effect).

**Tax** or **Taxes** means any tax, levy, impost, duty or other charge, fee, deduction or withholding of a similar nature (including any penalty or interest payable in connection with the failure to pay, or delay in paying, any of these).

**Tax Deduction** means a deduction or withholding for, or on account of, Tax from a payment under a Finance Document.

**Titan Contract** means the contract made between the Lender as builder and Transocean Offshore Deepwater Holdings Limited as buyer dated 27 February 2014 (as subsequently amended and

supplemented) for the construction and delivery of the drillship bearing the Builder's Hull No.11-1117.

**Titan Credit Agreement** means the credit agreement dated the same date as this Agreement made between the Lender and the Owner in relation to the financing of Deepwater Titan.

**Total Loss** means, in relation to the Vessel after Delivery:

- (a) the actual, constructive, compromised, agreed, arranged or other total loss of the Vessel; or
- (b) the requisition for title or compulsory acquisition of the Vessel by a government entity unless the Vessel is returned to the full control of the Owner within thirty (30) days; or
- (c) the hijacking, theft, condemnation, capture, seizure, arrest or detention of the Vessel unless the Vessel is returned to the full control of the Owner within one hundred twenty (120) days.

**Transocean** means Transocean Ltd.

**Transocean Captive** means Ranger Insurance Limited, the captive insurer maintained by Transocean.

**Transocean Group** means Transocean and its subsidiaries.

**Transocean Manager** means Transocean or any of its Affiliates appointed by the Owner from time to time as a supervisor of the Lender's works or as a technical, commercial or operational manager of the Vessel.

**Year 1** means the 12 month period commencing on the Delivery Date.

**Year 2** means the 12 month period commencing on the first anniversary of the Delivery Date.

**Year 3** means the 12 month period commencing on the second anniversary of the Delivery Date.

**Year 4** means the 12 month period commencing on the third anniversary of the Delivery Date.

**Year 5** means the 12 month period commencing on the fourth anniversary of the Delivery Date.

**Year 6** means the 12 month period commencing on the fifth anniversary of the Delivery Date.

1.2 In this Agreement:

- (a) unless the context otherwise requires, words in the singular include the plural and vice versa;
- (b) references to any document include that document as varied, novated, supplemented, extended or replaced from time to time;
- (c) references to any enactment include re-enactments, amendments and extensions of that enactment;
- (d) references to any person (including a Party) include that person's successors and permitted assigns;
- (e) references to a **subsidiary** means, with respect to any person, any corporation, association, trust, limited liability company, partnership, joint venture or other business

association or person (i) with respect to which such person possesses, directly or indirectly, the power to direct or cause the direction of its affairs or management or (ii) in which such person owns or controls (directly or indirectly) a majority of such person's stock or other equity interests;

- (f) clause headings are for convenience of reference only and are not to be taken into account in construction;
- (g) unless otherwise specified, references to Clauses, the recitals and Schedules are respectively to Clauses of and the recitals and Schedules to this Agreement;
- (h) any words following the terms **including, include, in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms;
- (i) references to a Security Document being **in the agreed form** are to a document in the form which is previously agreed by or on behalf of the Owner and the Lender and appended for identification to Nikhil Datta (nid@wrco.co.uk)'s email to John Forrester (john.forrester@hfw.com) dated 5 June 2021 and timed 15:48 London time;
- (j) references to a period of one or more **months** shall mean a period beginning in one calendar month and ending in the relevant calendar month on the day numerically corresponding to the day of the calendar month in which that period started, provided that (i) if that period started on the last day in a calendar month, or if there is no such numerically corresponding day, that period shall end on the last Banking Day in the relevant calendar month and (ii) if such numerically corresponding day is not a Banking Day, that period shall end on the next following Banking Day in the same calendar month, or if there is no such Banking Day, that period shall end on the preceding Banking Day (and **month** and **monthly** shall be construed accordingly); and
- (k) an Event of Default is **continuing** if it has not been remedied or waived.

## 2. **LOAN**

- 2.1 Subject to the terms and conditions of this Agreement, the Loan shall be made available in up to two separate amounts, being a loan to pay the Amount Payable at Delivery (the **Delivery Loan**) and an amount, if required, to pay the LD Rebate (the **LD Rebate Loan**).
- 2.2 The amount of the Delivery Loan to be advanced shall be:
  - (a) the Amount Payable at Delivery less US\$50,000,000 if Payment Instalment Plan No. 1 applies during Year 1; or
  - (b) the Amount Payable at Delivery if Payment Instalment Plan No. 3 applies during Year 1.

The Payment Instalment Plan applicable during Year 1 shall be determined in accordance with Clause 4.2.

- 2.3 The amount of the LD Rebate Loan to be advanced shall be the amount of the LD Rebate.
- 2.4 Subject to satisfaction of the conditions precedent in Clause 3, the Delivery Loan shall be deemed advanced by the Lender in its capacity as lender to the Owner, at the time of Delivery, and automatically deemed to be paid to the Lender, in its capacity as builder, and applied by the Lender in its capacity as builder towards payment of the Amount Payable at Delivery in accordance with Addendum No. 7. Such deemed payment shall constitute the advance of the Delivery Loan and the

Owner shall at that time become indebted to the Lender, as principal and direct obligor, in an amount equal to the Delivery Loan.

- 2.5 Subject only to the Delivery Loan having been drawn, and provided Hull No.11-1117 is delivered on or before 15 May 2022, the LD Rebate Loan shall automatically be drawn in the amount of the LD Rebate and paid by the Lender to the Builder on the delivery date of Hull No.11-1117 under the Titan Contract. Such payment shall constitute the advance of the LD Rebate Loan and the Owner shall at that time become indebted to the Lender, as principal and direct obligor, in an amount equal to the LD Rebate Loan.

### 3. **CONDITIONS PRECEDENT**

- 3.1 Provided that the representations and warranties contained in Clause 9 are true and correct at the time of Delivery and no Event of Default has occurred at that time, the Lender shall be obliged to advance the Delivery Loan upon satisfaction of the following conditions precedent:

- (a) receipt by the Lender of a written request from the Owner that the Delivery Loan be advanced and applied in accordance with Clause 2 on the Delivery Date; and
- (b) receipt by the Lender of the documents and evidence described in Clause 3.2.

- 3.2 The documents and evidence referred to in Clause 3.1(b) are as follows:

- (a) A certified copy of the articles of incorporation and by-laws or other equivalent constitutional documents of each Obligor.
- (b) A copy of a certificate of good standing or equivalent issued by the Cayman Islands General Registry in respect of each Obligor.
- (c) A written certificate from the Owner that the Owner has effected the following restrictions:
  - (i) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents shall provide for the issuance of, and the Lender's Share Holder shall be entitled to possess, at least one share (being the Lender's Share) until payment in full of the Loan;
  - (ii) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents prohibit the company filing bankruptcy, dissolution, liquidation, consent to an involuntary bankruptcy, receivership or liquidation, or similar corporate action without approval of the Lender's Share Holder unless the Loan has been paid in full;
  - (iii) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents state the company can only file bankruptcy, consent to an involuntary bankruptcy or take similar action with the approval of the Lender's Share Holder unless the Loan has been paid in full;
  - (iv) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents require it to contain that the Owner shall do each of the following until the payment in full of the Loan or the Lender's Share Holder approves otherwise:
    - (A) maintain books and records separate from those of any other person or entity;
    - (B) maintain its accounts separate from those of any other person or entity
    - (C) not commingle assets with those of any other person or entity;

- (D) conduct its business in its own name only;
  - (E) maintain separate financial books and records;
  - (F) either pay its own liabilities out of its own funds, or reimburse and properly account for funds advanced by any other person to pay the liabilities of the Owner;
  - (G) observe all corporate, partnership or LLC formalities and other formalities required by its organisational documents and law;
  - (H) other than share subscriptions, capital contributions and intercompany advances made in the ordinary course of business, maintain an arms-length relationship with the Guarantor Group;
  - (I) pay the salaries of its own employees(if any) and fairly allocate any personnel expenses shared with any other person;
  - (J) other than in the ordinary course of business or Permitted Financial Indebtedness, not guarantee or become obligated for the Financial Indebtedness of any other entity;
  - (K) other than in the ordinary course of business and for fair consideration, not acquire securities of its partners, members, or shareholders;
  - (L) allocate fairly and reasonably any overhead for office space shared with any other person;
  - (M) use separate stationery, invoices and cheques to any other person;
  - (N) not pledge the Vessel other than pursuant to a Permitted Security Interest or make any loans or advances to any entity which are not properly accounted for by the Owner;
  - (O) hold itself out as a separate entity;
  - (P) correct any known misunderstanding regarding its separate identity; and
  - (Q) maintain adequate liquidity which the board of the Owner determines (in its sole discretion) is prudent in light of its contemplated business operations; and
- (v) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents prohibit (save as otherwise permitted pursuant to this Agreement):
- (A) any merger or reorganisation of the Owner (with or without another entity);
  - (B) the sale of the Vessel (or any portion or interest therein); and
  - (C) the grant of any direct Security Interest in or over the Vessel or any of the shares in the Owner,

in each case without the approval of the Lender's Share Holder unless the Loan has been repaid in full or (in the case of sub-paragraph (B) above) the proceeds of such sale shall satisfy all obligations owed to Lender under this Agreement; and

- (vi) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents prohibit such documents from being amended in any way which would breach any of the criteria set out in paragraphs (i) to (v) of this Clause 3.2(c) (the **Bankruptcy Remote Criteria**) without the consent of the Lender's Share Holder unless the Loan has been paid in full.
- (d) A copy of a share certificate or, if uncertificated, a copy of the share ledger noting that the Lender's Share has been issued to, and registered in the name of, the Lender's Share Holder.
- (e) A copy of a resolution of the directors of each Obligor, certified as true by a director or officer of that Obligor, authorising the entry of that Obligor into the Finance Documents to which it is a party and evidencing approval of the transactions contemplated therein.
- (f) A copy of a certificate in respect of each Obligor, signed by a director or officer of that Obligor, stating:
  - (i) the names of its officers, directors and shareholder(s); and
  - (ii) that no licences, authorisations, approvals or consents are required by it in connection with the execution, delivery, performance, validity and enforceability of the Finance Documents to which it is (or is to become) a party or, if any such licences, authorisations, approvals or consents are required by it, attaching certified copies of them.
- (g) The original of any power of attorney issued by each Obligor in favour of any person or persons executing any Finance Documents on its behalf, duly notarised and, in the case of the Owner (if required by the Flag State in connection with registration of the Mortgage), legalised or apostilled.
- (h) Originals of the following documents:
  - (i) this Agreement executed by the Owner;
  - (ii) the Guarantee executed by the Guarantor;
  - (iii) the Mortgage executed by the Owner;
  - (iv) the Security Assignment executed by the Owner; and
  - (v) the Notice of Assignment executed by the Owner.
- (i) If Payment Instalment Plan No. 1 is applicable during Year 1, evidence that the balance of the Purchase Price not funded by the Delivery Loan has been paid or will be paid in full to the Builder on Delivery;
- (j) Evidence that the Vessel's ownership title is registered or is capable of immediate registration in the sole name of the Owner under the laws and flag of the Flag State free from all Security Interests except for Permitted Security Interests.
- (k) Evidence that the Mortgage has been registered or is capable of immediate registration with first priority against the Vessel at the appropriate ship registry of the Flag State.
- (l) If any Manager has been appointed on or before the Delivery Date:
  - (i) in relation to an External Manager only, a certified copy of the Management Agreement (External Manager) to which it is a party; and

- (ii) a copy of a Manager's Undertaking from each such Manager appointed.
- (m) Confirmation from the agents in England nominated by:
  - (i) the Obligors in the Finance Documents; and
  - (ii) (if applicable) any relevant Manager in its Manager's Undertaking,for the acceptance of service of process that they consent to such nomination.

#### 4. REPAYMENT

- 4.1 Subject to Clause 5, the Loan shall be repaid in the amounts (the **Repayment Instalments**) and on the dates specified in the relevant Part of Schedule 1 in relation to the applicable Payment Instalment Plan determined in accordance with the following provisions of this Clause 4.
- 4.2 The Payment Instalment Plan applicable during Year 1 shall be determined as follows:
  - (a) Payment Instalment Plan No. 1 shall apply during the whole of Year 1 if, on or before the date falling 30 days prior to the scheduled date for Delivery under the Contract (the **Scheduled Delivery Date**), the Owner or an Internal Charterer has secured a BOE Contract or any other Employment Contract of a similar or longer duration for the Vessel, similar or greater day rate and similar commencement of operations window.
  - (b) Payment Instalment Plan No. 3 shall apply during the whole of Year 1 if, on or before the date falling 30 days prior to the Scheduled Delivery Date, the Owner or an Internal Charterer has not secured a BOE Contract or any other Employment Contract of a similar or longer duration for the Vessel, similar or greater day rate and similar commencement of operations window.
- 4.3 If Payment Instalment Plan No. 1 applies during the whole of Year 1, the Loan shall be repaid in Year 2 to Year 5 as follows:
  - (a) Payment Instalment Plan No. 1 shall apply during the whole of Year 2.
  - (b) Payment Instalment Plan No. 1 shall apply during the whole of Year 3, Year 4 and Year 5 if, on or before the date falling 30 days before the end of Year 2, the Owner or an Internal Charterer has secured an Employment Contract for the Vessel for the whole or any part of Year 3.
  - (c) Payment Instalment Plan No. 2 shall apply during the whole of Year 3, Year 4 and Year 5 if, on or before the date falling 30 days before the end of Year 2, the Owner or an Internal Charterer has not secured an Employment Contract for the Vessel for the whole or any part of Year 3.
- 4.4 If Payment Instalment Plan No. 3 applies during the whole of Year 1, the Loan shall be repaid in Year 2 to Year 5 (and Year 6, if applicable) as follows:
  - (a) Payment Instalment Plan No. 3 shall apply during the whole of Year 2 if, on or before the date falling 30 days before the end of Year 1, the Owner or an Internal Charterer has secured an Employment Contract for the Vessel for the whole or any part of Year 2.
  - (b) Payment Instalment Plan No. 4 shall apply during the whole of Year 2 if, on or before the date falling 30 days before the end of Year 1, the Owner or an Internal Charterer has not secured an Employment Contract for the Vessel for the whole or any part of Year 2.

- (c) If Payment Instalment Plan No. 3 applies during the whole of Year 2, the Loan shall be repaid in Year 3, Year 4 and Year 5 in accordance with Payment Instalment Plan No. 3.
- (d) If Payment Instalment Plan No. 4 applies during the whole of Year 2, the Loan shall be repaid in Year 3, Year 4, Year 5 and Year 6 in accordance with Payment Instalment Plan No. 4.

4.5 The Owner undertakes that it will promptly provide to the Lender at all relevant times for the purposes of this Clause 4:

- (a) in respect of any BOE Contract or other Employment Contract secured for the Vessel: the name of the customer, the expected firm duration of the contract, the expected date of commencement of drilling operations and the expected day rate under normal conditions of operation (in each case, to the extent not previously disclosed by Transocean in Fleet Status Reports or other public filings, and subject to prior receipt of such confidentiality undertakings as Transocean and/or the customer may reasonably require) or, as the case may be,
- (b) confirmation that no Employment Contract has been secured at any relevant time.

## 5. PREPAYMENT

5.1 The Owner shall have the right to prepay the Loan without penalty in full or in part on any Banking Day provided it gives the Lender prior notice in writing. Any partial prepayment of the Loan shall be applied towards the discharge of the remaining Repayment Instalments in inverse order of maturity

5.2 If the Vessel becomes a Total Loss after Delivery, the Owner shall prepay the Loan in full on the date which is the earlier of (a) the date falling 180 days after the date of the Total Loss and (b) the date upon which the insurance proceeds in respect of the Vessel are received by the Lender pursuant to the relevant Security Documents, unless the Vessel was not insured at the time of the Total Loss in accordance with the Security Documents or an insurer has refused to meet or has disputed the claim for the Total Loss, in which case the Owner shall prepay the Loan within five (5) Banking Days of receipt of a demand from the Lender for prepayment of that amount.

5.3 For the purpose of this Agreement, a Total Loss shall be deemed to have occurred:

- (a) in the case of an actual total loss of the Vessel on the actual date and at the time the Vessel was lost or, if such date is not known, on the date on which the Vessel was last reported;
- (b) in the case of a constructive total loss of the Vessel, upon the date and at the time notice of abandonment of the Vessel is given to the insurers of the Vessel for the time being (provided a claim for total loss is admitted by such insurers) or, if such insurers do not forthwith admit such a claim, at the date and at the time at which either a total loss is subsequently admitted by the insurers or a total loss is subsequently adjudged by a competent court of law or arbitration tribunal to have occurred;
- (c) in the case of a compromised or arranged total loss, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the insurers of the Vessel;
- (d) in the case of compulsory acquisition, on the date upon which the relevant requisition of title or other compulsory acquisition occurs; and
- (e) in the case of hijacking, theft, condemnation, seizure, arrest or detention of the Vessel which deprives the Owner of the use of the Vessel for more than 120 days, upon the expiry

of the period of 120 days after the date upon which the relevant hijacking, theft, condemnation, seizure, arrest or detention occurred.

- 5.4 If the Vessel is sold, or title to the Vessel is otherwise transferred or disposed of, by the Owner at any time after Delivery (other than to a member of the Transocean Group in accordance with Clause 17.3) but before the Loan has been repaid in full, the Owner shall prepay the Loan in full on or before completion of that sale, transfer or other disposal.
- 5.5 If the Owner or an Internal Charterer enters into a Long Term Charter, the Owner shall prepay the Loan in full on or before the date falling 90 days after the date of commencement of commercial operations under that Long Term Charter. For the purposes of this Clause, "**commencement of commercial operations**" shall mean the earlier of:
- (a) the date when the Vessel reaches the first well location under that Long Term Charter; or
  - (b) the date when the Vessel reaches any other location specified under that Long Term Charter upon the arrival at which payment of a day rate is to commence.
- 5.6 If a Change of Control occurs without the Lender's prior approval, the Lender may demand in writing that the Owner prepay the Loan, in which case the Owner shall prepay the Loan in full on or before the date falling five (5) Banking Days from the date of receipt of such demand.
- 5.7 Each prepayment of the Loan must be made together with all accrued interest on the amount prepaid and all other sums payable in respect of that amount under the provisions of this Agreement and, in the case of prepayment of the whole of the Loan, shall be accompanied by payment of any and all other sums payable under the Finance Documents.
- 5.8 No part of the Loan which is repaid or prepaid by the Owner may be redrawn.
- 5.9 The share certificate or membership certificate referred to in Clauses 3.2(d) above and 10.5 below shall terminate and/or be redeemed and, together with the Bankruptcy Remote Criteria, will be of no further force or effect upon payment in full of the Loan.
6. **INTEREST**
- 6.1 The Owner shall pay interest on the Loan at the Interest Rate applicable to it in arrears on the last day of each Interest Period.
- 6.2 Subject to Clause 6.4, the Interest Rate applicable to the Loan for each Interest Period will be the annual rate of four and a half percent (4.5% p.a.).
- 6.3 The following shall apply in determining the duration of an Interest Period:
- (a) the first Interest Period shall commence on the Delivery Date and each subsequent Interest Period shall commence on the last day of the immediately preceding Interest Period;
  - (b) (subject to paragraphs (c) and (d) below), each Interest Period shall be of a duration of 3 months;
  - (c) if an Interest Period would otherwise end on a day which is not a Banking Day, that Interest Period will instead end on the next Banking Day in that calendar month (if there is one) or the preceding Banking Day (if there is not); and
  - (d) no Interest Period shall extend beyond the final Payment Date.
- 6.4 If the Owner fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment

(both before and after judgment) at a rate which is 2% higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted part of the Loan. Any interest accruing under this Clause 6.4 shall be immediately payable by the Owner on demand by the Lender. If unpaid, any such interest will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

6.5 Interest shall accrue from day to day and shall be calculated on the basis of a 360 day year and the actual number of days elapsed.

## 7. INDEMNITIES

7.1 The Owner shall promptly pay all stamp duty, registration and other similar taxes payable on or by reference to any Finance Document (always excluding taxes arising as a result of any assignment, transfer, sub-participation or equivalent arrangement under Clause 17.5) and shall indemnify the Lender on the Lender's written demand against any and all claims, expenses, liabilities and losses resulting from any failure or delay by the Owner to pay any such duty or tax.

7.2 The Owner shall pay to the Lender on demand, and the Owner shall indemnify the Lender against, any losses, expenses or liabilities whether actual or contingent suffered or incurred by the Lender in connection with or as a result of:

(a) any default in payment by the Owner of any sum due under the Finance Documents on its due date; or

(b) the occurrence or continuance of an Event of Default

however always excluding losses, expenses and liabilities arising under funding arrangements with third parties.

7.3 If any sum due from the Owner under the Finance Documents (a **Sum**), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the **First Currency**) in which that Sum is payable into another currency (the **Second Currency**) for the purpose of making or filing a claim or proof against the Owner or obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings, the Owner shall as an independent obligation, within 3 Banking Days of demand, indemnify the Lender against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (a) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (b) the rate or rates of exchange available to the Lender at the time of its receipt of that Sum.

7.4 The indemnities contained in the Finance Documents shall continue in full force and effect after the full and final discharge of all amounts outstanding under this Agreement with respect to matters arising prior to that discharge.

7.5 The indemnities contained in Clauses 7.1 and 7.2 shall not apply to the extent that the relevant claims, expenses, liabilities or losses result from the Lender's gross negligence, default, fraud or wilful misconduct.

## 8. PAYMENTS

8.1 All payments to be made by the Owner under the Finance Documents shall be made without set-off or counterclaim free and clear of, and without deduction for or on account of, any present or future taxes, unless the Owner is compelled by law to make payment subject to any such tax.

8.2 If the Owner is compelled by law to make any tax deduction from any payment due under any of the Finance Documents, the Owner will:

- (a) promptly notify the Lender upon becoming aware of that requirement;
- (b) pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises;
- (c) pay the Lender such additional amount as is necessary to ensure that the Lender receives a net amount equal to the full amount which it would have received had that tax deduction not been required to be made; and
- (d) as soon as reasonably practicable after making the relevant tax deduction, deliver to the Lender a copy of the receipt from the relevant taxation authority evidencing that the tax had been paid to that authority.

8.3 All amounts to be paid by the Owner to the Lender under the Finance Documents shall be paid in Dollars, by telegraphic transfer, free of all transfer charges, to such account of the Lender as it may from notify to the Owner by at least 5 Banking Days' prior notice.

8.4 Any payment under any Finance Document which is due to be made on a day which is not a Banking Day shall be made on the next Banking Day in the same calendar month (if there is one), or the immediately preceding Banking Day (if there is not).

## 9. REPRESENTATIONS AND WARRANTIES

9.1 The Owner represents and warrants to the Lender that the following matters are true at the date of this Agreement:

- (a) each Obligor is duly incorporated under the laws of its jurisdiction of incorporation and is in good standing;
- (b) subject to the Legal Reservations, when executed and delivered, this Agreement and each of the Security Documents will be validly authorised, and the obligations expressed as being assumed by each Obligor under this Agreement and the Security Documents will constitute valid, legal and binding obligations of the relevant Obligor enforceable against it in accordance with their terms;
- (c) neither the execution of any Finance Document by any Obligor nor the performance or observance by any Obligor of any of its obligations under the Finance Documents will violate or conflict with, or result in any breach of, its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any law, statute, regulation, indenture, mortgage, trust deed, agreement or other instrument, arrangement, obligation or duty by which that Obligor is bound or cause any limitation on any of the powers whatsoever of that Obligor, howsoever imposed, or on the right or ability of the directors of that Obligor to exercise such powers, to be exceeded;
- (d) the Owner is not in default in any material respect under any law, statute, regulation, or material indenture, mortgage, trust deed, agreement or other material instrument, arrangement, obligation or material duty by which it is bound;
- (e) after Delivery, there will exist no direct Security Interest on the Vessel save for Permitted Security Interests.

9.2 The representations and warranties contained in Clause 9.1 shall be deemed to be repeated by the Owner on the Delivery Date and on each day thereafter during the Credit Period with reference to the circumstances existing on such date, as if made on such date.

## 10. GENERAL UNDERTAKINGS

10.1 The Owner shall at all times during the Credit Period:

- (a) maintain its corporate existence as an exempted company with limited liability duly organised, validly existing and in good standing under the laws of the Cayman Islands (or as a limited liability company duly organised, validly existing and in good standing under the laws of its jurisdiction of incorporation) and shall not, without the prior consent of the Lender, change its jurisdiction of incorporation, domicile or tax residence other than for the purpose of a redomiciliation in a Permitted Jurisdiction (provided that such redomiciliation shall only be permitted without the Lender's consent if the Bankruptcy Remote Criteria continue to be satisfied in all respects following its completion);
- (b) obtain and maintain all licences, authorisations, approvals and consents, and do all other acts and things, which may from time to time be necessary or desirable for the continued due performance of its obligations under the Finance Documents or which may be required for the validity, enforceability or admissibility in evidence of such Finance Documents; and
- (c) comply in all material respects with all laws and regulations to which it may be subject where failure to do so would have a Material Adverse Effect.

10.2 The Owner shall not, without the prior consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed with respect to the matters referred to in paragraphs (b)(i) to (b)(iv) inclusive below only), from the date of this Agreement until payment in full of the Loan:

- (a) incur any Financial Indebtedness or guarantee the Financial Indebtedness of any person, other than Permitted Financial Indebtedness; or
- (b) other than in the ordinary course of business of acquiring, owning, maintaining, marketing and operating the Vessel or Deepwater Titan or as otherwise permitted or contemplated by this Agreement (whether in respect of Permitted Financial Indebtedness, Permitted Security Interests or otherwise):
  - (i) assume, guarantee or endorse, or otherwise become or remain liable for, any obligation of any other person;
  - (ii) make any loans or advances to, or any investments in, any person;
  - (iii) incur any capital expenditure or make any investments other than in the Vessel or Deepwater Titan; or
  - (iv) form or acquire any subsidiary;

provided always that, for the purpose of Clause 10.2(b), the references to Deepwater Titan shall only apply as long as the Owner remains as buyer of Deepwater Titan (during construction) or, having taken delivery of Deepwater Titan, as long as the Owner remains the registered owner of Deepwater Titan.

10.3 The Owner shall not, at any time during the Credit Period:

- (a) either create or permit to exist any Security Interest over or in respect of the Vessel or any share in the Vessel or any other property which is the subject of a Security Interest in favour of the Lender under the Finance Documents (in each case other than a Permitted Security Interest or pursuant to Permitted Financial Indebtedness);
- (b) enter into any form of merger or demerger unless either:
  - (i) (in the case of a merger) the Owner continues in existence; or

- (ii) (in the case of a merger or demerger) the person (if other than the Owner) formed by such merger or demerger expressly assumes the performance of the Owner's covenants and obligations under this Agreement and the Security Documents and the Bankruptcy Remote Criteria are satisfied in respect of that person (including, without limitation, by the delivery to the Lender's Share Holder of the share certificate or membership certificate in that person); or
- (c) conduct any business other than in connection with its purchase and subsequent ownership, maintenance, marketing, chartering and operating of the Vessel or Deepwater Titan,

provided always that, for the purposes of Clause 10.3(c), the references to Deepwater Titan shall only apply as long as the Owner remains as buyer of Deepwater Titan (during construction) or, having taken delivery of Deepwater Titan, as long as the Owner remains the registered owner of Deepwater Titan.

- 10.4 The Owner shall from Delivery Date until the payment in full of the Loan, comply with the Bankruptcy Remote Criteria in all material respects.
- 10.5 The Owner shall, promptly upon demand, and at its own expense (except in connection with any assignment or transfer pursuant to Clause 17.5), sign, perfect, do, procure, execute and register all such further assurances, documents, acts and things as the Lender may reasonably require for the purpose of more effectually accomplishing or perfecting the transaction or security contemplated by the Finance Documents. The Owner shall promptly at Delivery, deliver to the Lender's Share Holder the share certificate or membership certificate referred to in Clause 3.2(d) above.
- 10.6 The Owner shall, as soon as reasonably practicable following Delivery, deliver to the Lender originals of the documents referred to in Clauses 3.2(f) and 3.2(l)(ii).

#### 11. UNDERTAKINGS - INSURANCE

11.1 The Owner undertakes to the Lender to comply with the undertakings contained in this Clause 11 at all times from the date of Delivery until the end of the Credit Period.

11.2 In this Clause 11:

- (a) **excess risks** means the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies of a vessel as a result of the value at which the vessel is assessed for the purpose of such claims exceeding its insured value;
- (b) **excess war risk P&I cover** means cover for claims only in excess of amounts recoverable under the usual war risk cover including (without limitation) hull and machinery, crew and protection and indemnity risks;
- (c) **hull cover** means insurance cover against the risks specified in Clause 11.3(a)(i);
- (d) **P&I risks** means the usual risks (including for oil pollution, excess war risk P&I cover and freight, demurrage and defence cover) covered by commercial market insurers that customarily write P&I risks, such as by way of example, Lloyds and other London market insurers, or a protection and indemnity association which is a member of the International Group of Protection and Indemnity Associations, including the proportion not otherwise recoverable in case of collision under the terms of the hull cover.

11.3 The Owner undertakes at all times from Delivery until the end of the Credit Period:

- (a) to insure (including through the Transocean Captive) the Vessel at all times against:
- (i) fire and usual marine risks (including excess risks) and war risks (including war protection and indemnity risks, terrorism and piracy risks and risks of blocking and trapping);
  - (ii) P&I risks; and
  - (iii) such other risks for which insurance would be maintained by a prudent owner for a drilling rig of a similar type, size, age, trading pattern and flag as the Vessel,

and otherwise in accordance with the provisions of the Finance Documents;

- (b) to effect such insurances in such amounts in Dollars and upon such terms as shall from time to time be approved in writing by the Lender, but in any event for not less than:
- (i) in the case of hull cover, on an agreed value basis for an amount equal to 120% of the amount of the Loan;
  - (ii) in the case of P&I risks, in at least such amount as is customary market practice in respect of the type and operating location of the Vessel; and
  - (iii) in the case of any other risks as specified in Clause 11.3(a)(iii) above in at least such amount as is customary market practice in respect of the type and operating location of the Vessel

provided however that the insurance placed with the Transocean Captive shall not exceed US\$50,000,000 of cover for each set of risks set out in Clauses 11.3(a)(i) and 11.3(a)(ii) above and shall otherwise be in accordance with Transocean's standard insurance practices across rigs under their ownership and operation, provided however the limitation of US\$50,000,000 shall not apply to U.S. Gulf of Mexico Named Windstorm coverage;

- (c) to effect, maintain and renew the Insurances through internationally recognized marine insurance brokers such as but not limited to Aon, Lockton, McGriff, JLT or Marsh (the **approved insurance brokers**) and with reputable independent insurance companies and/or underwriters (including mutual insurance schemes and/or captive insurance schemes) in Europe, North America, the Far East and other established insurance markets including Transocean Captive, war risks and protection and indemnity associations and, if so required by the Lender (but without, as between the Lender and the Owner, liability on the part of the Lender for premiums or calls), with the Lender named as co assured;
- (d) to notify the Lender, at least 3 days before the relevant policies or contracts expire, of the relevant brokers and/or insurance companies, underwriters, war risks and protection and indemnity associations through and with whom the Insurances are to be renewed and of the terms and conditions of renewal;
- (e) punctually to pay all premiums, calls, contributions or other sums in respect of the Insurances and, upon reasonable request, to produce copies of all relevant receipts to the Lender;
- (f) if applicable, to arrange for the execution of such guarantees as may from time to time be required by any protection and indemnity or war risks association for, or for the continuance of, the Vessel's entry;
- (g) to procure that Notice of Assignment to the Lender signed by the Owner is duly endorsed upon all slips, cover notes, policies, certificates of entry or other instruments of insurance

issued or to be issued in connection with the Insurances, together with a loss payable clause, in each case in the form required by the Security Assignment;

- (h) to procure that all such instruments of insurance referred to in Clause 11.3(g) above as are effected through the approved insurance brokers shall be deposited with the approved insurance brokers, and that such brokers shall furnish the Lender with pro forma copies and a letter or letters of undertaking in such form as the Lender may reasonably require having regard to the then current market practice;
- (i) to procure that the protection and indemnity and/or war risks associations in which the Vessel is entered shall furnish the Lender with a copy of the certificate of entry for the Vessel and a letter or letters of undertaking in its standard form together with a copy of each certificate of financial responsibility for pollution by oil or other substances issued by such protection and indemnity and/or war risks associations in relation to the Vessel;
- (j) without prejudice to the generality of Clauses 11.3(h) and Clause 11.3(i) above, if any of the Insurances form part of a fleet cover, to procure that the approved insurance brokers and (as the case may be) insurers and/or associations so approved shall undertake to the Lender that they shall neither:
  - (i) set off against any claim in respect of the Vessel, any premiums or calls due in respect of any other vessel or in respect of other insurances; nor
  - (ii) cancel any of the Insurances by reason of non-payment of premiums or calls due in respect of any other vessel or in respect of other insurances without providing fourteen (14) days' notice in writing;
- (k) to comply in all material respects with all the requirements from time to time applicable to the Insurances, and not to make, do, consent or agree to any act or omission which would or might render any such instrument of insurance invalid, void, voidable or unenforceable or subject to any material exclusion, qualification, variation or suspension or which would render any sum payable under them repayable in whole or in part;
- (l) not to employ the Vessel, or suffer the Vessel to be employed, otherwise than in conformity with the terms of the said instruments of insurance (including any express or implied warranties they contain), unless the insurers have consented otherwise and any additional requirements of the insurers have been satisfied;
- (m) to apply all such sums receivable in respect of the Insurances as are paid to the Owner in accordance with the Finance Documents for the purpose of making good the loss in respect of which they are paid and, in the case of hull cover, in fully repairing all damage in respect of which those sums have been received;
- (n) not to alter any of the terms of any of the instruments of insurance referred to in Clause 11.3(g) above if, as a result of such alteration, they will cease to comply with the requirements of this Clause 11;
- (o) not without the prior consent of the Lender to settle, compromise or abandon any claim under the Insurances in respect of the Vessel for a Total Loss or a Major Casualty, such consent not to be unreasonable withheld, conditioned or delayed;
- (p) to do all things necessary and provide the Lender with all relevant documents, evidence and information as the Lender may require to enable the Lender to collect or recover any moneys in respect of the Insurances which are payable to the Lender pursuant to the Finance Documents;

- (q) to provide the Lender, promptly after receipt of a written request from the Lender, with such documents as the Lender may reasonably require to satisfy itself that the Owner is in compliance with its material obligations under this Clause 11.3; and
- (r) to provide the Lender, at the time of the relevant communication, with copies of all communications of a material nature between the Owner and the approved insurance brokers or (as the case may be) approved associations relating to:
  - (i) any breach of a material condition of the Insurances of the Vessel; or
  - (ii) the early termination or the suspension of any Insurances.

11.4 The Owner agrees and undertakes that:

- (a) on and from the Delivery Date, the Lender may effect and maintain a mortgagee's interest insurance policy and a mortgagee's interest additional perils (pollution) policy in respect of the Vessel in an amount equal to 110% of the amount of the Loan outstanding from time to time and otherwise on such terms and conditions and placed through such brokers and with such insurers and underwriters as the Lender may require; and
- (b) it will reimburse the Lender on demand for all premiums and other amounts incurred by the Lender in effecting and maintaining such mortgagee's interest insurance policy and a mortgagee's interest additional perils (pollution) policy up to a maximum amount of 0.02% of the insured amount per year.

## 12. UNDERTAKINGS - OPERATION AND MAINTENANCE

12.1 The Owner undertakes at all times from Delivery until the end of the Credit Period:

- (a) to keep the Vessel registered under the laws and flag of the Flag State and not to do or suffer to be done anything by which that registration may be forfeited or imperilled;
- (b) unless the Loan is prepaid in full in accordance with Clause 5.4 upon the completion of that sale, not to sell or agree to sell the Vessel or any share in the Vessel without the prior consent of the Lender;
- (c) not, without the prior consent of the Lender (which consent shall not be unreasonably withheld, conditioned or delayed), enter into a Management Agreement (External Manager) which would have a Material Adverse Effect;
- (d) not, without the prior consent of the Lender (which consent shall not be unreasonably withheld, conditioned or delayed), to amend any Management Agreement (External Management) if and to the extent that such amendment would have a Material Adverse Effect;
- (e) to procure that any Manager executes and delivers to the Lender a Manager's Undertaking;
- (f) not to let or employ the Vessel on demise charter to anyone other than a member of the Guarantor Group or the Transocean Group if it would have a Material Adverse Effect;
- (g) subject always to the terms of any drilling contract, charter or other contract of employment then in effect in respect of the Vessel, to procure that the Lender or any representative of the Lender is permitted to board the Vessel at all reasonable times for the purpose of inspecting her condition or satisfying itself as to proposed or executed repairs (without interfering with the Vessel's operations), and to afford all proper facilities for such inspections;

- (h) promptly to furnish the Lender, when so reasonably required by it in writing, with a copy of the classification certificate issued by the Classification Society for the Vessel, all such information regarding the Vessel, her position and engagements, particulars of all towages and salvages and all such other material information as shall be or ought to be supplied to the insurers of the Vessel;
- (i) to notify the Lender promptly upon its becoming aware of:
  - (i) any accident to the Vessel or incident which is or is reasonably likely to be a Major Casualty; or
  - (ii) any occurrence resulting in the Vessel becoming or being reasonably likely to become a Total Loss; or
  - (iii) any hijacking or theft of the Vessel; or
  - (iv) any requirement or recommendation made by any insurer or the Classification Society, or by any competent authority, in respect of the Vessel which is not complied with within any time limit imposed by that insurer, Classification Society or authority; or
  - (v) any arrest of the Vessel, or the exercise or purported exercise of any lien on the Vessel or any requisition of the Vessel for hire; or
  - (vi) any non-scheduled dry-docking of the Vessel; or
  - (vii) any material non-compliance with the ISM Code or the ISPS Code in connection with the Vessel;
- (j) promptly to pay and discharge or secure all debts, damages and liabilities whatsoever which the Owner shall have been called upon to pay, discharge or secure and which have given, or may give, rise to maritime or possessory liens on or claims enforceable against the Vessel (in each case other than a Permitted Security Interest), and in the event of arrest of the Vessel pursuant to legal process, or in the event of her detention in exercise or purported exercise of any such lien, to procure the release of the Vessel from such arrest or detention promptly upon receiving notice of the same by providing bail or otherwise as the circumstances may require;
- (k) to display in the chart room and in the master's cabin of the Vessel a framed notice of the Mortgage in plain type, reading as follows (or in such other form as the Lender may reasonably require having regard to the laws of the Flag State if the Flag State is changed from the Republic of the Marshall Islands):

#### **NOTICE OF MORTGAGE**

This Vessel is subject to a First Preferred Mortgage in favour of [INSERT NAME OF LENDER] pursuant to the laws of the Republic of the Marshall Islands. Under the terms of the said Mortgage neither the Owner, nor any charterer, nor the Master of this Vessel nor any other person has any right, power or authority to create, incur or permit to be imposed upon this Vessel any lien whatsoever other than for crew's wages and salvage;

- (l) to comply with and satisfy all pertinent requirements and formalities to perfect and maintain the Mortgage as a legal, valid and enforceable first ranking mortgage over the Vessel and, promptly upon written demand from the Lender, to provide evidence to the Lender's satisfaction (acting reasonably) demonstrating its compliance with the provisions of this Clause 12.1(l);

- (m) to procure that the Vessel is kept in a state of repair so as to maintain its class with the Classification Society and so as to comply in all material respects with the provisions of all laws and other regulations from time to time applicable to drilling units registered in the Flag State;
- (n) not to employ the Vessel, or suffer her employment:
  - (i) in any trade or business which is forbidden by the law of the Flag State or of any country in which the Vessel may operate;
  - (ii) in carrying illicit or prohibited goods, or in any manner whatsoever which may render her liable to condemnation in a prize court or to destruction, seizure or confiscation; or
  - (iii) in the event of hostilities in any part of the world (whether war be declared or not), in carrying any contraband goods, nor to enter or operate in any zone which is declared a war zone by the Vessel's war risks insurers unless the Owner has effected, at its own expense, such special insurance cover as the Lender may reasonably require;
- (o) not without the prior consent of the Lender to put or suffer the Vessel to be put into the possession of any person (other than the Lender or its Affiliates or subcontractors) for the purpose of work being done upon her in an amount exceeding or likely to exceed US\$10,000,000 (or the equivalent in any other currency) unless:
  - (i) the cost of that work is fully recoverable under the Insurances; or
  - (ii) that work relates to remedial works for which the Builder is responsible under the Construction Contract; or
  - (iii) that person has first given to the Lender in terms satisfactory to the Lender (acting reasonably) a written undertaking not to exercise any lien on the Vessel for the cost of that work or otherwise; or
  - (iv) any lien on the Vessel that may arise in relation to such works would be a Permitted Security Interest; or
  - (v) the Owner has sufficient access to funds to pay for the cost of that work;
- (p) to notify the Lender immediately upon its becoming aware of the occurrence of:
  - (i) any material Environmental Claim against the Owner or the Vessel; or
  - (ii) any Environmental Incident which may give rise to a material Environmental Claim;

which, in either case, could or might materially affect the interests of the Lender, and to keep the Lender advised in writing on such regular basis and in such detail as the Lender shall reasonably require of the nature of that Environmental Claim or Environmental Incident and the Owner's proposed and actual response to it;
- (q) to comply in all material respects with all material Environmental Laws including, without limitation, requirements relating to manning and establishment of financial responsibility, and to obtain and comply in all material respects with all Environmental Approvals, in each case where failure to do so would have a Material Adverse Effect; and
- (r) to ensure that the Vessel is equipped and accredited with any required trading documentation and/or authorisations necessary for the entry of the Vessel into, and (to the

extent it will be operated in such waters) its operation in, the waters of any relevant jurisdiction;

- (s) to comply, and procure compliance by any Manager responsible for the technical management of the Vessel, with all material provisions of the ISM Code and the ISPS Code and, promptly upon the Lender's request, to provide copies to the Lender of all such certificates and other documents as the Lender may reasonably request to evidence such compliance.

### 13. COMPLIANCE WITH LAW; SANCTIONS

The provisions of Article XXIII (*Business Ethics*) of the Construction Contract shall be deemed to be incorporated in this Agreement and shall apply to this Agreement in all respects as if references therein to the "Builder", and the "Contract" were instead references to the Lender and the Finance Documents respectively.

### 14. EVENTS OF DEFAULT

14.1 There shall be an Event of Default if any one or more of the following happen:

- (a) the Owner fails to make any payment due under this Agreement or any of the Security Documents on its due date (or, in respect of moneys payable on demand under this Agreement or any of the Security Documents (unless otherwise specifically provided) within five (5) Banking Days from the date of such demand), and, in each case, its failure to pay is not remedied within five (5) Banking Days of its due date;
- (b) either:
  - (i) at any time after Delivery, the Vessel is not, or ceases to be, insured in the relevant amounts and against the relevant risks specified in Clause 11 and such insurances have not been reinstated within twenty (20) Banking Days; or
  - (ii) the Owner otherwise fails to comply with any of its other material obligations in respect of the Insurances and such non-compliance has not been remedied within ninety (90) days;
- (c) the Owner is in breach of:
  - (i) Clause 10.4 in relation to Bankruptcy Remote Criteria and such breach is not remedied within thirty (30) days of the Lender giving notice to the Owner requiring remedy of the same; or
  - (ii) any of the other material provisions of this Agreement or the Security Documents to which it is a party and, in the case of any such default which is capable of remedy, such default continues for a period of ninety (90) days after the Lender, by notice to the Owner, requires the same to be remedied;
- (d) the Internal Charterer is in breach of any of the provisions of the Contract Earnings Assignment to which it is a party and, in the case of any such default which is capable of remedy, such default continues for a period of ninety (90) days after the Lender, by notice to the Owner, requires the same to be remedied;
- (e) except with the prior written consent of the Lender:
  - (i) a final order is made by a court of competent jurisdiction for; or
  - (ii) any resolution is passed by an Obligor consenting to,

the suspension of all payments by any Obligor (whether by way of moratorium or otherwise), or resulting in the dissolution, liquidation, winding up or bankruptcy of any Obligor, or resulting in the assets of an Obligor being submitted to the control of its creditors, or resulting in a liquidator, trustee, administrator, receiver, manager or similar officer being appointed in respect of all or substantially all assets of an Obligor, unless in each case (in respect of an order) such order is revoked, discharged or being contested in good faith within 60 days of such order being made or resolution passed;

- (f) any Obligor becomes insolvent within the terms of the law of its jurisdiction of incorporation;
- (g) it is or becomes impossible or unlawful for any Obligor to perform any of its material obligations under this Agreement or the Security Documents, unless capable of remedy (including by amendment and/or execution of additional documents) and the same is remedied within forty five (45) days of the Lender giving notice to the Owner;
- (h) except as permitted by this Agreement or any Security Document, any Security Document ceases for any reason to create a valid and perfected first priority Security Interest (subject to Permitted Security Interests) on the assets intended to be the subject of the Security Interests under that Security Document, unless capable of remedy (including by amendment and/or execution of additional documents) and the same is remedied within forty five (45) days of the Lender giving notice to the Owner;
- (i) the Guarantee ceases to be in full force and effect (other than in accordance with its terms or pursuant to the terms of this Agreement) , unless capable of remedy (including by amendment and/or execution of additional documents) and the same is remedied within forty five (45) days of the Lender giving notice to the Owner; or
- (j) any representation or warranty, when made or repeated in this Agreement or any of the Security Documents, is or proves to be incorrect in any material respect unless such misrepresentation or warranty or underlying event or circumstance giving rise to it is capable of remedy and is remedied within ninety (90) days of the Lender giving notice to the Owner.

14.2 Upon the occurrence of an Event of Default which is continuing and at any time thereafter, without prejudice to any of the rights and remedies of the Lender under any of the Finance Documents or otherwise, the Lender may take any one or more of the following actions:

- (a) by written notice to the Owner declare its commitment to advance the Loan (or any part of it) cancelled, whereupon such commitment shall immediately be cancelled;
- (b) by written notice to the Owner demand the immediate repayment of the Loan and any interest accrued pursuant to this Agreement, whereupon the same shall become immediately due and payable;
- (c) by written notice to the Owner declare that all or part of the Loan be payable on demand, whereupon it shall immediately become payable on demand by the Lender; and/or
- (d) take steps to exercise the rights and remedies conferred upon the Lender by this Agreement and the Security Documents and exercisable on or after the occurrence of an Event of Default.

## 15. QUIET ENJOYMENT

15.1 If so requested by the Owner in relation to any Employment Contract (the **Relevant Contract**), and subject only to the conditions set out in Clause 15.2, the Lender shall use its reasonable commercial efforts promptly to enter into a quiet enjoyment agreement in favour of the charterer on such terms

as the charterer may reasonably require. If the Lender is unable, by using its reasonable commercial efforts, to agree a quiet enjoyment agreement on such terms, the Lender shall promptly enter into a quiet enjoyment agreement in the form attached as Schedule 2 (or a form no less favourable to the charterer).

15.2 The conditions referred to in Clause 15.1 are that, on or before the date on which the Lender executes the Quiet Enjoyment Agreement in favour of the relevant charterer, the Owner shall deliver or procure the delivery to the Lender of:

- (a) a copy of a first priority assignment by way of security in favour of the Lender of all receivables payable under the Relevant Contract, such assignment (a **Contract Earnings Assignment**) to be executed by the Owner (if there is no Internal Charter) or by the Internal Charterer (if there is an Internal Charter);
- (b) a copy of a notice of assignment executed by the Owner or Internal Charterer (as the case may be) in the form required by the Contract Earnings Assignment; and
- (c) evidence of authority of the person or persons signing the Contract Earnings Assignment on behalf of the Owner or Internal Charterer (as the case may be),

with the originals of the documents in paragraphs (a) and (b) to be delivered to the Lender as soon as reasonably practicable thereafter.

## 16. **REPLACEMENT GUARANTOR**

16.1 The Owner shall procure that the Guarantor does not redomicile itself or transfer all or substantially all of any of its assets to any person other than:

- (a) a redomiciliation of the Guarantor that results in another entity in the Transocean Group owning all or substantially all of the Guarantor's assets (provided that such successor entity does not have (on a consolidated basis) any material liabilities which the original Guarantor (on a consolidated basis) did not have prior to the time of such redomiciliation but impair the ability of the Obligors to perform their obligations under this Agreement), or
- (b) completion of a sale, to another entity in the Transocean Group, of all or substantially all of the Guarantor's assets (provided that such entity does not have (on a consolidated basis) any material liabilities prior to the time of such sale but impair the ability of the Obligors to perform their obligations under this Agreement),

in which case the Owner shall cause that other entity to be substituted as the Guarantor under the Guarantee, and the Lender consents to such substitution.

## 17. **ASSIGNMENT AND TRANSFER**

17.1 Subject to Clauses 17.2 and 17.3, the Owner may not, without the consent of the Lender, assign or transfer all or any of its rights, benefits or obligations under this Agreement.

17.2 Notwithstanding Clause 17.1, the Owner shall have the right at any time prior to Delivery to nominate an Affiliate of the Owner as "Owner" to assume all rights and obligations of the Owner under this Agreement, provided that such nominee has also been nominated as "Buyer" under the Construction Contract in accordance with Article XVI (*Successors and Assigns*) thereof. The parties agree that the nomination by the Owner of such nominee and the novation of all rights and obligations of the Owner under this Agreement shall be effective upon delivery to the Lender of a notice in writing to the Lender executed by the Owner and its nominee and that as and with effect of such nomination:

- (a) everything done by the Owner before such nomination shall be deemed to have been done by the nominee;
- (b) the nominee shall be deemed to be the Owner and always to have been the Owner under this Agreement and the nominee will perform this Agreement and be bound by its terms in every way as if the nominee were the original party to this Agreement in place of the Owner;
- (c) the Lender will perform this Agreement and be bound by its terms in every way as if the nominee were the original party to this Agreement in place of the Owner; and
- (d) no further consent to such novation of this Agreement, in addition to the consent deemed given under this Clause, shall be required from the Lender.

This Agreement will in all other respects continue on its existing terms.

17.3 Notwithstanding Clause 17.1, the Owner shall have the right at any time after Delivery to transfer ownership of the Vessel to another member of the Transocean Group (a **New Owner**) provided that:

- (a) the New Owner is a single purpose company established solely for the purpose of owning and operating the Vessel and is incorporated in a Permitted Jurisdiction or any other jurisdiction approved by the Lender;
- (a) the Vessel's ownership title is registered or is capable of immediate registration in the sole name of the New Owner under the laws and flag of an Approved Flag State free from all Security Interests except for Permitted Security Interests; and
- (b) not later than the time of change of ownership:
  - (i) the Bankruptcy Remote Criteria are satisfied in relation to the New Owner;
  - (ii) the Lender receives a copy of a share certificate or, if uncertificated, a copy of the share ledger noting that the Lender's Share in the New Owner has been issued to, and registered in the name of, the Lender's Share Holder;
  - (iii) the Lender receives:
    - (A) a certified copy of the articles of incorporation and by-laws or other equivalent constitutional documents of the New Owner;
    - (B) a copy of a certificate of good standing or equivalent issued by the relevant corporate registry in respect of the New Owner;
    - (C) a copy of a resolution of the directors of the New Owner, certified as true by a director or officer of the New Owner, authorising the entry of the New Owner into the Finance Documents to which it is a party and evidencing approval of the transactions contemplated therein;
    - (D) a copy of a certificate in respect of the New Owner, signed by a director or officer of the New Owner, stating the names of its officers, directors and shareholder(s) and that no licences, authorisations, approvals or consents are required by it in connection with the execution, delivery, performance, validity and enforceability of the Finance Documents to which it is (or is to become) a party or, if any such licences, authorisations, approvals or consents are required by it, attaching certified copies of them; and

- (E) the original of any power of attorney issued by the New Owner in favour of any person or persons executing any Finance Documents on its behalf, duly notarised and (if required by the Flag State in connection with registration of the new Mortgage), legalised or apostilled;
  - (iv) the New Owner executes and delivers a new Mortgage, Security Assignment and Notice of Assignment in favour of the Lender;
  - (i) the Lender receives evidence that the new Mortgage is registered or is capable of immediate registration with first priority against the Vessel at the appropriate ship registry of the Flag State;
  - (ii) the Guarantor confirms in writing to the Lender that the Guarantee remains in full force and effect notwithstanding the change of ownership of the Vessel;
  - (iii) if any Manager is appointed by the New Owner on or before the date of change of ownership:
    - (A) in relation to an External Manager only, a certified copy of the Management Agreement (External Manager) to which it is a party; and
    - (B) a copy of a Manager's Undertaking from each such Manager appointed;
  - (iv) confirmation from the agents in England nominated by the New Owner in the Finance Documents for the acceptance of service of process that they consent to such nomination; and
  - (v) receipt by the Lender of legal opinions in form and substance reasonably satisfactory to it (or confirmation satisfactory to the Lender that such legal opinions will be issued in form and substance satisfactory to it acting reasonably) from:
    - (A) legal counsel to the Owner concerning such matters of the laws of the jurisdiction of incorporation of the New Owner as the Lender may reasonably require; and
    - (B) if the Flag State of the Vessel is to change, legal counsel to the Owner concerning such matters of the laws of the new Flag State as the Lender may reasonably require.
- 17.4 Except with the prior written consent of the Owner, the Lender shall not at any time before the Delivery Loan is advanced to the Owner pursuant to Clause 2:
- (a) assign or transfer all or any of its rights, benefits and obligations under the Finance Documents to any party, financial institution or entity whatsoever; or
  - (b) enter into any sub-participation of its rights under this Agreement or any equivalent economic arrangements.
- 17.5 After the Delivery Loan is advanced to the Owner pursuant to Clause 2, the Lender may:
- (a) assign or transfer all or any of its rights, benefits and obligations under the Finance Documents to an Approved Lender; or
  - (b) enter into any sub-participation of its rights under this Agreement or any equivalent economic arrangements with an Approved Lender,
- subject to the conditions that (i) except in the case of an assignment or transfer to Sembcorp Marine

Financial Services Pte Ltd, the Lender must give the Owner a minimum of 20 days' prior notice to the Owner, (ii) where a Quiet Enjoyment Agreement is in effect, the Lender's proposed assignee or transferee enters into an agreement in the same terms in favour of the relevant charterer and (iii) the Lender shall bear all costs reasonably incurred by the Obligors and/or any Internal Charterer in connection with any assignment or transfer pursuant to this Clause 17.5.

The Parties agree that, in the event that the Lender notifies the Owner not less than ten (10) days prior to the expected date of delivery of the Vessel by the Builder to the Owner, that the Lender is to assign or transfer its rights to Sembcorp Marine Financial Services Pte Ltd immediately after the Delivery Loan is advanced, the Mortgage, the Security Assignment and any Manager's Undertaking shall be granted directly in favour of Sembcorp Marine Financial Services Pte Ltd as assignee or transferee of the Lender's rights.

17.6 For the purposes of Clause 17.5:

**Approved Lender** means:

- (i) a commercial bank or financial institution which is not a Sanctioned Entity or Distressed Investor and in respect of which
  - (A) no additional Tax Deductions would apply to payments under the Finance Documents by the Owner as a result of any assignment, transfer, sub-participation or equivalent arrangement to such bank; and
  - (B) the Owner (acting reasonably and without unreasonable delay) has completed its standard "know your client" checks; or
- (ii) Sembcorp Marine Financial Services Pte Ltd; or
- (iii) any other person approved in writing by the Owner;

**Distressed Investor** means a person that invests in the Financial Indebtedness of entities at a material discount to the par value of such Financial Indebtedness and/or with a view to acquiring the equity interests in or assets of such entities or their Affiliates;

**Sanctioned Entity** means a person:

- (i) against which any government of the United Kingdom (**UK**), the government of the United States of America (**US**), the United Nations (**UN**) or the European Union (**EU**) maintains economic sanctions or embargoes under statute, executive order or regulations;
- (ii) appearing on any applicable list of prohibited parties maintained by any of the governments of either the UK or the US or maintained by the UN or the EU; or
- (iii) acting or purporting to act, directly or indirectly, on behalf of, or an entity owned or controlled by, any party identified in paragraph (i) or paragraph (ii) above.

17.7 The Lender shall procure that, once issued to the Lender's Share Holder, the Lender's Share shall not at any time thereafter be owned or controlled by anyone other than the Lender's Share Holder until terminated and/or redeemed in accordance with Clause 3.2(d), provided that, in connection with any transfer or assignment of the Lender's rights to an Approved Lender under this Clause 17, the Lender may procure the transfer to that Approved Lender or its nominee of the Lender's Share (once issued).

17.8 The Lender shall procure that during the Credit Period it shall remain at all times owned and controlled, directly or indirectly, by the Lender's Parent.

18. **NOTICES**

18.1 Every notice, consent or approval (individually and collectively called **Communications**) given or required, whether expressly or impliedly, under this Agreement or any other Finance Document shall be in English, in writing and shall be hand delivered (in person or by recognised courier service) or sent by recorded delivery mail to the relevant address set out below or sent by email to the relevant email address below or sent by facsimile to the relevant fax number below.

18.2 All Communications to be given under the Finance Documents shall be addressed:

(a) in the case of the Lender, to it at:

c/o Sembcorp Marine Financial Services Pte Ltd  
80 Tuas South Boulevard,  
  
Singapore 637051

Attn: William Gu / Goh Khor Boon William  
Email: william.gu@sembmarine.com / william.goh@sembmarine.com  
Fax: +65 62627243 / +65 62610486

(b) in the case of the Owner, to it at:

c/o Transocean Offshore Deepwater Holdings Limited  
36c Dr. Roy's Drive, Bermuda House, 4<sup>th</sup> Floor  
P.O. Box 10342  
George Town  
Grand Cayman  
Cayman Islands

Attn: Colin Berryman, President  
Email: Colin.Berryman@deepwater.com  
Fax: +1 (345) 745-4504

with a copy to each of:

Transocean Inc.  
36c Dr. Roy's Drive, Bermuda House, 4<sup>th</sup> Floor  
P.O. Box 10342  
George Town  
Grand Cayman  
Cayman Islands

Attn: Colin Berryman, President  
Email: Colin.Berryman@deepwater.com  
Fax: +1 (345) 745-4504

or, in either case, to such other address, fax or e-mail details as one party may notify from time to time to the other.

18.3 Any Communication made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

(a) if by way of fax or email, when received in legible form; or

(b) if by way of letter, when it has been left at the recipient's address

and, if a particular department or officer is specified as part of the recipient's address details provided under Clause 18.2, if addressed to that department or officer.

- 18.4 Any Communication which is received on a non-working day or after 17:30 local time in the place of receipt shall be deemed only to become effective at the opening of business hours on the next working day in the place of receipt.

## 19. MISCELLANEOUS

- 19.1 No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any Finance Document on the part of the Lender shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise of it or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.
- 19.2 If at any time one or more of the provisions of any Finance Document is or becomes invalid, illegal or unenforceable in any respect under any law by which it may be governed or affected, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired as a result.
- 19.3 Any waiver by the Lender of any provision of any Finance Document, and any consent or approval given by the Lender under or in respect of any Finance Document, shall only be effective if given in writing and then only strictly for the purpose and upon the terms for which it is given. None of the Finance Documents may be amended or varied orally but only by an instrument signed by the each of the parties to it.
- 19.4 This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.
- 19.5 For the avoidance of doubt a person who is not a signatory to this Agreement may not enforce, or enjoy the benefit of, any of its terms under the Contracts (Rights of Third Parties) Act 1999.

## 20. LAW AND JURISDICTION

- 20.1 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.
- 20.2 The Owner irrevocably agrees for the exclusive benefit of the Lender that the English courts shall have jurisdiction in relation to any dispute arising out of or in connection with this Agreement, including a dispute regarding the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement (a **Dispute**), and for such purposes irrevocably submits to the jurisdiction of those courts.
- 20.3 The Owner accepts that the courts of England are the most appropriate and convenient courts to settle Disputes and undertakes that it will not argue to the contrary.
- 20.4 The Owner irrevocably agrees:
- (a) that, for the purpose of any proceedings in England in connection with this Agreement, any legal process may be served upon Wikborg Rein UK Limited whose current registered office is at 30 Cannon Street, London, EC4M 6XH and who, by this Agreement, is authorised to accept service on the Owner's behalf, which shall be deemed to be good service on the Owner; and

(b) that, throughout the Credit Period, it will maintain a duly appointed process agent in England, duly notified to the Lender, and that failure by any such process agent to give notice to the Owner of such service shall not impair the validity of that service or of a judgment or order based on it.

20.5 Notwithstanding anything else in this Clause 20, the Parties agree that all Disputes arising under this Agreement before Delivery shall be referred to arbitration in London in accordance with the provisions of the Construction Contract, for which purpose the provisions of Article XV.2 (*Dispute Resolution and Jurisdiction*) of the Construction Contract (other than sub-paragraph (a) and the words "in the event that any such dispute cannot be resolved by the BUYER and the BUILDER'S REPRESENTATIVES within 3 months" in sub-paragraph (b)) shall be deemed to be incorporated in this Agreement and shall apply to this Agreement in all respects as if references therein to the "Builder" and the "Contract" were instead references to the Lender and this Agreement respectively.

**This Agreement** has been entered into on the date stated at the beginning of this Agreement.

**SCHEDULE 1  
PAYMENT INSTALMENT PLANS**

**PART 1 - Payment Instalment Plan No. 1**

No.	Year	Payment Date	Repayment Instalment (USD)
1.	Year 1	Delivery Date + 3 months	0
2.	Year 1	Delivery Date + 6 months	0
3.	Year 1	Delivery Date + 9 months	0
4.	Year 1	Delivery Date + 12 months	0
5.	Year 2	Delivery Date + 15 months	10,000,000
6.	Year 2	Delivery Date + 18 months	10,000,000
7.	Year 2	Delivery Date + 21 months	10,000,000
8.	Year 2	Delivery Date + 24 months	10,000,000
9.	Year 3	Delivery Date + 27 months	25,000,000
10.	Year 3	Delivery Date + 30 months	25,000,000
11.	Year 3	Delivery Date + 33 months	25,000,000
12.	Year 3	Delivery Date + 36 months	25,000,000
13.	Year 4	Delivery Date + 39 months	25,000,000
14.	Year 4	Delivery Date + 42 months	25,000,000
15.	Year 4	Delivery Date + 45 months	25,000,000
16.	Year 4	Delivery Date + 48 months	25,000,000
17.	Year 5	Delivery Date + 51 months	33,000,000
18.	Year 5	Delivery Date + 54 months	33,000,000
19.	Year 5	Delivery Date + 57 months	33,000,000
20.	Year 5	Delivery Date + 60 months	Principal of the Loan then outstanding

**PART 2 - Payment Instalment Plan No. 2**

No.	Year	Payment Date	Instalment Amount (USD)
21.	Year 1	Delivery Date + 3 months	0
22.	Year 1	Delivery Date + 6 months	0
23.	Year 1	Delivery Date + 9 months	0
24.	Year 1	Delivery Date + 12 months	0
25.	Year 2	Delivery Date + 15 months	10,000,000
26.	Year 2	Delivery Date + 18 months	10,000,000
27.	Year 2	Delivery Date + 21 months	10,000,000
28.	Year 2	Delivery Date + 24 months	10,000,000
29.	Year 3	Delivery Date + 27 months	0
30.	Year 3	Delivery Date + 30 months	0
31.	Year 3	Delivery Date + 33 months	0
32.	Year 3	Delivery Date + 36 months	0
33.	Year 4	Delivery Date + 39 months	37,500,000
34.	Year 4	Delivery Date + 42 months	37,500,000
35.	Year 4	Delivery Date + 45 months	37,500,000
36.	Year 4	Delivery Date + 48 months	37,500,000
37.	Year 5	Delivery Date + 51 months	45,500,000
38.	Year 5	Delivery Date + 54 months	45,500,000
39.	Year 5	Delivery Date + 57 months	45,500,000
40.	Year 5	Delivery Date + 60 months	Principal of the Loan then outstanding

**PART 3 - Instalment Plan No. 3**

No.	Year	Payment Date	Instalment Amount (USD)
41.	Year 1	Delivery Date + 3 months	0
42.	Year 1	Delivery Date + 6 months	0
43.	Year 1	Delivery Date + 9 months	0
44.	Year 1	Delivery Date + 12 months	50,000,000
45.	Year 2	Delivery Date + 15 months	0
46.	Year 2	Delivery Date + 18 months	0
47.	Year 2	Delivery Date + 21 months	0
48.	Year 2	Delivery Date + 24 months	0
49.	Year 3	Delivery Date + 27 months	10,000,000
50.	Year 3	Delivery Date + 30 months	10,000,000
51.	Year 3	Delivery Date + 33 months	10,000,000
52.	Year 3	Delivery Date + 36 months	10,000,000
53.	Year 4	Delivery Date + 39 months	37,500,000
54.	Year 4	Delivery Date + 42 months	37,500,000
55.	Year 4	Delivery Date + 45 months	37,500,000
56.	Year 4	Delivery Date + 48 months	37,500,000
57.	Year 5	Delivery Date + 51 months	45,500,000
58.	Year 5	Delivery Date + 54 months	45,500,000
59.	Year 5	Delivery Date + 57 months	45,500,000
60.	Year 5	Delivery Date + 60 months	Principal of the Loan then outstanding

**PART 4 - Payment Instalment Plan No. 4**

No.	Year	Payment Date	Instalment Amount (USD)
61.	Year 1	Delivery Date + 3 months	0
62.	Year 1	Delivery Date + 6 months	0
63.	Year 1	Delivery Date + 9 months	0
64.	Year 1	Delivery Date + 12 months	0
65.	Year 2	Delivery Date + 15 months	0
66.	Year 2	Delivery Date + 18 months	0
67.	Year 2	Delivery Date + 21 months	0
68.	Year 2	Delivery Date + 24 months	0
69.	Year 3	Delivery Date + 27 months	25,000,000
70.	Year 3	Delivery Date + 30 months	25,000,000
71.	Year 3	Delivery Date + 33 months	25,000,000
72.	Year 3	Delivery Date + 36 months	25,000,000
73.	Year 4	Delivery Date + 39 months	25,000,000
74.	Year 4	Delivery Date + 42 months	25,000,000
75.	Year 4	Delivery Date + 45 months	25,000,000
76.	Year 4	Delivery Date + 48 months	25,000,000
77.	Year 5	Delivery Date + 51 months	26,250,000
78.	Year 5	Delivery Date + 54 months	26,250,000
79.	Year 5	Delivery Date + 57 months	26,250,000
80.	Year 5	Delivery Date + 60 months	26,250,000
81.	Year 6	Delivery Date + 63 months	29,250,000
82.	Year 6	Delivery Date + 66 months	29,250,000
83.	Year 6	Delivery Date + 69 months	29,250,000
84.	Year 6	Delivery Date + 72 months	Principal of the Loan then outstanding

**SCHEDULE 2  
FORM OF QUIET ENJOYMENT AGREEMENT**

[FORM OF DEED OF QUIET ENJOYMENT]

**DATED [●]**

**TRANSOCEAN ATLAS LIMITED**

**- and -**

**BOE EXPLORATION & PRODUCTION LLC**

**- and -**

**SEMBCORP MARINE FINANCIAL SERVICES PTE LTD**

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**DEED OF QUIET ENJOYMENT**

**m.v. "DEEPWATER ATLAS"**

---

**DEED OF QUIET ENJOYMENT**

**Dated:** [●]

**BETWEEN:**

- (1) **TRANSOCEAN ATLAS LIMITED**, an exempted company with limited liability formed according to the law of the Cayman Islands whose registered office is at P.O. Box 10342, 36C Dr. Roy's Drive, Bermuda House, 4th Floor, Grand Cayman, KY1-1003, Cayman Islands (the "**Operator**"); and
- (2) **BOE EXPLORATION & PRODUCTION LLC**, a limited liability company formed according to the laws of Delaware with an office located at 333 Clay Street Suite 4200, Houston Texas 77002 (the "**Company**"); and
- (3) **SEMBCORP MARINE FINANCIAL SERVICES PTE LTD**, a company incorporated according to the law of Singapore whose registered office at 80 Tuas South Boulevard, Singapore 637051 (the "**Mortgagee**").

**WHEREAS:**

- (A) The Operator is the owner of the drilling unit *Deepwater Atlas* (the "**Drilling Unit**").
- (B) The Operator and the Company are parties to the Amended and Restated Contract dated the \_\_\_ day of June 2021 (the "**Contract**") for the provision of the Drilling Unit on the terms and conditions contained therein.
- (C) Pursuant to a credit agreement dated [●] June 2021 (as amended and novated) now made between the Mortgagee as lender and the Operator as borrower, the Mortgagee has agreed to make available to the Operator a secured term loan facility in the principal amount of up to [●] Dollars (\$[●]) (the "**Loan**") on the terms and subject to the conditions set out in such credit agreement (the "**Credit Agreement**").
- (D) Pursuant to the Credit Agreement, (i) the Operator has executed and delivered in favour of the Mortgagee a first preferred ship mortgage on the Drilling Unit (the "**Mortgage**"), dated as of the date of this Deed and (ii) the Operator has executed and delivered in favour of the Mortgagee an assignment by way of security of the Earnings (the "**Assignment**"), dated as of the date of this Deed with respect to certain of the Operator's rights to receive payments of Earnings under the Contract.
- (E) Pursuant to the Assignment, the Operator has executed and delivered to the Company a notice of the assignment of the Earnings contained in the Assignment, such notice being dated as of the date of this Deed (the "**Notice of Assignment**").
- (F) As a result of clause 512 of the Contract, the Operator has agreed to procure that the Mortgagee enter into this Deed for the purpose of granting to the Company the right of quiet enjoyment in relation to the Drilling Unit.

THIS DEED WITNESSES as follows:

**1 Definitions and Interpretation**

1.1 In this Deed:

“**the Contract**” means the drilling contract referred to in Recital (B);

“**the Contract Period**” means the period commencing on the date of the Contract and ending on the date when the Drilling Unit is no longer in the service of the Company pursuant to the Contract (whether or not off hire);

“**Earnings**” means all moneys whatsoever (and all claims for such moneys), present and future, which are earned or recoverable by, or become payable to or for the account of, the Operator under the Contract;

“**Event of Default**” shall have meaning given to it in the Credit Agreement;

“**Guarantee**” means the Deed of Guarantee and Indemnity by and between Transocean Inc. and the Mortgagee whereby Transocean Inc. has guaranteed to the Mortgagee the performance of the Operator of its obligations under the Credit Agreement and that is executed pursuant to the terms of the Credit Agreement;

“**Indebtedness**” means the Loan, interest thereon and all other sums due and payable by the Operator to the Mortgagee under the Credit Agreement and the Security Documents;

“**Security Assignment**” means the assignment by and between the Operator and the Mortgagee securing the payment of Operator’s indebtedness to the Mortgagee by mortgage over the Drilling Unit, certain insurance and insurance proceeds in the Event of Default;

“**Security Documents**” means this Deed, the Assignment, the Mortgage, the Security Assignment, the Guarantee and, after the execution and delivery thereof, each additional security document that grants a Security Interest in favour of the Mortgagee that is executed pursuant to the terms of the Credit Agreement.

1.2 Interpretation

In this Deed:

- (a) capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Credit Agreement;
- (b) words denoting the plural number include the singular and vice versa;
- (c) words denoting persons include corporations, partnerships, associations of persons (whether incorporated or not) or governmental or quasi-governmental bodies or authorities and vice versa;
- (d) references to Recitals, Clauses and the Schedule are references to recitals and clauses of, and the schedule to, this Deed;
- (e) references to this Deed include the Recitals and the Schedule;

- (f) the headings and contents page(s) are for the purpose of reference only, have no legal or other significance, and shall be ignored in the interpretation of this Deed;
- (g) references to any document (including, without limitation, to the Credit Agreement and the Contract) are, unless the context otherwise requires, references to that document as amended, supplemented, novated or replaced from time to time;
- (h) references to statutes or provisions of statutes are references to those statutes, or those provisions, as from time to time amended, replaced or re-enacted;
- (i) references to any party to this Deed include its respective successors, transferees and assignees; and
- (j) references to times of day are to London time.

## 2 Representations and Warranties

2.1 Each of the Operator and the Company represents and warrants to each other and the Mortgagee that:

- (a) it is a body corporate, duly constituted and existing and (where applicable) in good standing under the law of its country of incorporation, with perpetual corporate existence and the power to sue and be sued, to own its assets and to carry on its business;
- (b) it is not insolvent or in liquidation or administration or subject to any other insolvency procedure, and no receiver, administrative receiver, administrator, liquidator, trustee or analogous officer has been appointed in respect of it or of all or any part of its assets;
- (c) it has duly authorised, executed and delivered this Deed and, if applicable, the Contract, and this Deed and, if applicable, the Contract, constitute its legal, valid and binding obligations enforceable in accordance with its terms; and
- (d) the execution, delivery and performance of this Deed will not contravene any contractual restriction or any law binding on it.

The Mortgagee represents and warrants to the Company that:

- (a) it is a body corporate, duly constituted and existing and (where applicable) in good standing under the law of its country of incorporation, with perpetual corporate existence.

2.2 Each of the Operator and the Company represents and warrants to each of the other parties hereto:

- (a) there is no litigation, investigation or proceeding pending or, to the knowledge of such party, threatened with respect to the Contract; and

- (b) the Contract is in full force and effect, has not been amended except for the amendments set forth in Schedule I hereto and, to the best of the knowledge and belief of such party, no default has occurred under the Contract and there is no existing condition which, but for the passage of time or the giving of notice, could reasonably be expected to result in a default under the terms of the Contract.

**3 Acknowledgement**

3.1 The Company by its execution of this Deed acknowledges that:

- (a) it is aware that (i) the Drilling Unit has been mortgaged to the Mortgagee pursuant to the Mortgage; and (ii) the Earnings have been assigned by way of security to the Mortgagee pursuant to the Assignment; and
- (b) it has received the Notice of Assignment.

3.2 Until the Mortgagee gives written notice to the Company otherwise, subject to any express provision of this Deed to the contrary, the Company shall be entitled to deal with the Operator in relation to all matters arising under the Contract as if the Security Documents had not been entered into. For avoidance of doubt, the Company is not a party to and is not bound by the provisions of any Security Document other than this Deed, as the Operator and the Mortgagee hereby acknowledge. Except as expressly provided in Clauses 4.3 and 5, the Company's rights under the Contract remain in full force and effect and shall not be prejudiced by the terms of this Deed.

**4. Quiet Enjoyment**

4.1 In consideration of the covenants on the part of the Company contained in this Deed and subject always to (i) there having occurred no material breach on the part of the Company under the Contract (beyond any period given to the Company in the Contract to cure such material breach) in consequence of which the Operator is entitled to terminate and has thereafter lawfully terminated the Contract in accordance with its terms including, without limitation, withdrawal of the Drilling Unit from the Contract by the Operator for non-payment of hire, and (ii) the Drilling Unit not having become an actual, agreed, arranged or constructive total loss and being no longer available to the Operator under the terms of the Contract, the Mortgagee irrevocably and unconditionally undertakes that, during and throughout the period of the Contract, irrespective of any breach or default by the Operator, or any insolvency of the Operator, or any other circumstance which might otherwise allow the Mortgagee or anyone claiming under or through the Mortgagee to arrest or take possession or control of the Drilling Unit, neither the Mortgagee nor anyone claiming under or through the Mortgagee shall:

- (a) interfere with or otherwise disturb in any way the Company's quiet, peaceful and continuing use, possession and employment of the Drilling Unit under the Contract; nor
- (b) without limitation, take any steps to wind up, liquidate or place in administration or receivership the Operator or commence or continue any analogous proceedings in any jurisdiction in respect of the Operator.

- 4.2 The Mortgagee further undertakes not to exercise any rights it may have against the Drilling Unit or in connection with the Contract and/or the Earnings if an Event of Default occurs except as provided by Clause 4.3 or (in relation to the Earnings only) as provided in the Notice of Assignment.
- 4.3 Upon the occurrence of an Event of Default, the Mortgagee shall promptly notify the Company in writing that an Event of Default has occurred which, but for Clause 4.1, would entitle the Mortgagee to take possession of and/or to sell the Drilling Unit and/or to exercise any right of foreclosure pursuant to the Mortgage and/or exercise any right pursuant to the Assignment. If the Mortgagee so requests in its notice to the Company, and subject to there having occurred no material breach on the part of the Company under the Contract (beyond any period given to the Company in the Contract to cure such material breach), for a period of 15 days after service of such notice by the Mortgagee, the Mortgagee and the Company will consult on the identity of a new counterparty to the Contract, which will be subject to the reasonable approval of the Company (the “**Successor Party**”), and the Company and the Operator will co-operate with the Mortgagee in order to effect a transfer of the rights under the Contract to such Successor Party within a commercially reasonable amount of time after the Successor Party has been identified, provided that:
- (a) the Successor Party and the Mortgagee enter into a Deed of Quiet Enjoyment with the Company in materially identical terms to this Deed; and
  - (b) the Successor Party assumes all the rights and obligations of the Operator under the Contract.

The Mortgagee and the Company each reserve all of their respective rights to exercise all of their respective legal, contractual and equitable rights following the expiration of the 15 day consultation period referenced above in this Clause 4.3 in the event no Successor Party is appointed.

## 5 Covenants

The Company covenants with the Mortgagee:

- (a) that it will not cancel, rescind, terminate or repudiate the Contract or request withdrawal of the Drilling Unit from service under the Contract, without giving the Mortgagee prior written notice and a period equal to and concurrent with the period given to Operator in the Contract to remedy any breach entitling the Company to cancel, rescind, terminate or repudiate the Contract, it being understood and agreed that (i) this Clause shall not apply to any termination of the Contract that shall occur by operation of law without action by either the Operator or the Company, and (ii) notwithstanding the foregoing, in no event will this Clause grant the Mortgagee any rights to remedy any breach of the Contract that was not available to the Operator pursuant to the terms of the Contract;
- (b) that it will not without the prior written consent of the Mortgagee agree to any material amendment to or material modification or variation of the Contract terms and conditions that is materially adverse to the Mortgagee, including material amendments related to the termination fees payable under the Contract, the term of the Contract, or terms of payment under the Contract. For the avoidance of doubt, it is understood that minor technical and administrative changes (including automatic adjustments to the operating rate and other rates and prices, as provided by the Contract, or changes regarding which

of the Company's affiliates will make payment to the Operator under the Contract) agreed between the Company and the Operator to the Contract from time to time shall not constitute material amendments or modifications or variations for the purpose of this Clause 5(b).

**6 Notices**

Every notice, request, demand or other communication under this Deed shall:

- (a) be in writing delivered personally or by recognized courier service or by recorded delivery mail or by email transmission;
- (b) be deemed to have been received, subject as otherwise provided in this Deed, in the case of a letter, when delivered to the recipient's address and, in the case of email transmission, at the time of despatch provided that if the date of delivery or despatch is not a business day in the country of the addressee it shall be deemed to have been received at the opening of business on the next such business day; and be sent:

if to be sent to the Operator, to it at

Transocean Atlas Limited  
36c Dr. Roy's Drive, Bermuda House, 4th Floor  
P.O. Box 10342  
George Town, Grand Cayman  
Cayman Islands  
Attn: Colin Berryman, President  
Email [Colin.Berryman@deepwater.com](mailto:Colin.Berryman@deepwater.com)

if to be sent to the Company, to it at

BOE Exploration and Production LLC.  
333 Clay Street Suite 4200  
Houston, Texas 77002  
Attention: Jay Register  
Email: [jregister@beaconoffshore.com](mailto:jregister@beaconoffshore.com)

if to be sent to the Mortgagee, to it at

Sembcorp Marine Financial Services Pte Ltd  
80 Tuas South Boulevard,  
Singapore 637051  
Attn: William Gu / Goh Khor Boon William  
Email: [william.gu@sembmarine.com](mailto:william.gu@sembmarine.com) / [william.goh@sembmarine.com](mailto:william.goh@sembmarine.com)

or to such other postal address, e-mail address, department or officer as is notified by one party to the other party under this Deed.

**7 Law and Jurisdiction**

- 7.1 This Deed and any Dispute arising out of or in connection with it or its subject matter or formation, including without limitation non-contractual disputes or claims, will be

exclusively governed by, and construed in accordance with, the laws of England and Wales excluding conflict of law rules and choice of law principles that would deem otherwise. Except insofar as otherwise specifically stated in this Deed, each of the Mortgagee, the Operator and the Company retains all rights and remedies, both under the Deed and at law, which it may have against the others.

- 7.2 Any dispute, controversy or claim arising out of or in connection with this Deed or its subject matter or formation, whether in tort, contract, under statute or otherwise, including any question regarding its existence, validity, interpretation, breach or termination, and including any non-contractual claim (a “**Dispute**”), shall be finally and exclusively resolved by arbitration under the arbitration rules of the LCIA (the “**Rules**”), which Rules are deemed to be incorporated by reference into this Deed.
- 7.3 The arbitral tribunal (the “**Tribunal**”) shall consist of three arbitrators, to be appointed in accordance with the Rules.
- 7.4 The seat of the arbitration shall be London, England.
- 7.5 The language of the arbitration shall be English.
- 7.6 The appointing authority shall be the London Court of International Arbitration (the “**LCIA**”).
- 7.7 Any award rendered by the Tribunal shall be made in writing and shall be final and binding on the parties. The parties undertake to carry out the award without delay.
- 7.8 All aspects of the arbitration shall be confidential. Save to the extent required by law or the rules of any stock exchange or pursuant to any proceedings to enforce or challenge an award, no aspect of the proceedings, documentation, or any (partial or final) award or order or any other matter connected with the arbitration shall be disclosed to any other person by either party or its counsel, agents, corporate parents, affiliates or subsidiaries without the prior written consent of the other parties.

## **8 Miscellaneous**

- 8.1 Company has no knowledge of any of the terms and conditions contained in the Credit Agreement and disclaims any responsibility for any such terms and conditions.
- 8.2 As between Company and Operator, in the event of there being any conflict between the Contract and this Deed, the Contract shall prevail.
- 8.3 This Deed may be executed in any number of counterparts each of which shall be original but which shall together constitute the same instrument.
- 8.4 No variation or amendment of this Deed shall be valid unless in writing and signed on behalf of the Operator, the Company and the Mortgagee.
- 8.5 The provisions of this Deed (other than those contained in this Clause 8.5) shall have no effect until this Deed has been dated.

*[FORM OF DEED OF QUIET ENJOYMENT]*

- 8.6 Notwithstanding the provisions of the Contracts (Rights of Third Parties) Act 1999, no term of this Deed is enforceable by a person who is not a party to it.

[FORM OF DEED OF QUIET ENJOYMENT]

**IN WITNESS** of which this Deed has been duly executed and delivered the day and year first before written.

*[insert signature blocks (including witness lines) for the Company, the Operator, and the Mortgagee]*

Schedule I

**Amendments to Contract**

1. [●]
2. [●]

[FORM OF DEED OF QUIET ENJOYMENT]

**DATED [●]**

**[TRANSOCEAN ENTITY]**

**- and -**

**[CUSTOMER]**

**- and -**

**SEMBCORP MARINE FINANCIAL SERVICES PTE LTD**

---

**DEED OF QUIET ENJOYMENT**

**m.v. "DEEPWATER [●]"**

---

**DEED OF QUIET ENJOYMENT**

**Dated:** [●]

**BETWEEN:**

- (1) [TRANSOCEAN ENTITY], a company incorporated according to the law of [●] whose registered office is at [●] (the “Operator”); and
- (2) [CUSTOMER], a company incorporated according to the law of [●] whose registered office is at [●] (the “Company”); and
- (3) SEMBCORP MARINE FINANCIAL SERVICES PTE LTD, a company incorporated according to the law of Singapore whose registered office at 80 Tuas South Boulevard, Singapore 637051 (the “Mortgagee”).

**WHEREAS:**

- (A) The Operator [and [●] (the “Affiliate Owner”) are parties to that certain Bareboat Charter, dated as of [●] (as may be amended, restated, amended and restated, extended, renewed or otherwise modified from time to time), with respect to] [is the owner of] the drilling unit *Deepwater [●]* (the “Drilling Unit”).
- (B) The Operator and the Company are parties to a Contract No. [●] dated [●] (the “Contract”) for the provision of the Drilling Unit on the terms and conditions contained therein.
- (C) Pursuant to a credit agreement dated [●] 2021 (as amended and novated) now made between the Mortgagee as lender [and the Operator][and [●] (the “Affiliate Owner”) as borrower, the Mortgagee has agreed to make available to [the Operator][the Affiliate Owner] a secured term loan facility in the principal amount of up to [●] Dollars (\$[●]) (the “Loan”) on the terms and subject to the conditions set out in such credit agreement (the “Credit Agreement”).
- (D) Pursuant to the Credit Agreement, (i) the [Operator][Affiliate Owner] has executed and delivered in favour of the Mortgagee a first preferred ship mortgage on the Drilling Unit (the “Mortgage”), dated as of the date of this Deed and (ii) the Operator has executed and delivered in favour of the Mortgagee an assignment by way of security of the Earnings (the “Assignment”), dated as of the date of this Deed with respect to certain of the Operator’s rights to receive payments of Earnings under the Contract.
- (E) Pursuant to the Assignment, the Operator has executed and delivered to the Company a notice of the assignment of the Earnings contained in the Assignment, such notice being dated as of the date of this Deed (the “Notice of Assignment”).
- (F) As a result of clause s [●] of the Contract, the Operator has agreed to procure that the Mortgagee enter into this Deed for the purpose of granting to the Company the right of quiet enjoyment in relation to the Drilling Unit.

THIS DEED WITNESSES as follows:

**1 Definitions and Interpretation**

1.1 In this Deed:

“**the Contract**” means the drilling contract referred to in Recital (B);

“**the Contract Period**” means the period commencing on the date of the Contract and ending on the date when the Drilling Unit is no longer in the service of the Company pursuant to the Contract (whether or not off hire);

“**Earnings**” means all moneys whatsoever (and all claims for such moneys), present and future, which are earned or recoverable by, or become payable to or for the account of, the Operator under the Contract;

“**Event of Default**” shall have meaning given to it in the Credit Agreement;

“**Guarantee**” means the Deed of Guarantee and Indemnity by and between Transocean Inc. and the Mortgagee whereby Transocean Inc. has guaranteed to the Mortgagee the performance of [the Operator][the Affiliate Owner] of its obligations under the Credit Agreement and that is executed pursuant to the terms of the Credit Agreement;

“**Indebtedness**” means the Loan, interest thereon and all other sums due and payable by [the Operator][the Affiliate Owner] to the Mortgagee under the Credit Agreement and the Security Documents;

“**Security Assignment**” means the assignment by and between [the Operator][the Affiliate Owner] and the Mortgagee securing the payment of [Operator][Affiliate Owner]’s indebtedness to the Mortgagee by mortgage over the Drilling Unit, certain insurance and insurance proceeds in the Event of Default;

“**Security Documents**” means this Deed, the Assignment, the Mortgage, the Security Assignment, the Guarantee and, after the execution and delivery thereof, each additional security document that grants a Security Interest in favour of the Mortgagee that is executed pursuant to the terms of the Credit Agreement.

1.2 Interpretation

In this Deed:

- (a) capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Credit Agreement;
- (b) words denoting the plural number include the singular and vice versa;
- (c) words denoting persons include corporations, partnerships, associations of persons (whether incorporated or not) or governmental or quasi-governmental bodies or authorities and vice versa;

[FORM OF DEED OF QUIET ENJOYMENT]

- (d) references to Recitals, Clauses and the Schedule are references to recitals and clauses of, and the schedule to, this Deed;
- (e) references to this Deed include the Recitals and the Schedule;
- (f) the headings and contents page(s) are for the purpose of reference only, have no legal or other significance, and shall be ignored in the interpretation of this Deed;
- (g) references to any document (including, without limitation, to the Credit Agreement and the Contract) are, unless the context otherwise requires, references to that document as amended, supplemented, novated or replaced from time to time;
- (h) references to statutes or provisions of statutes are references to those statutes, or those provisions, as from time to time amended, replaced or re-enacted;
- (i) references to any party to this Deed include its respective successors, transferees and assignees; and
- (j) references to times of day are to London time.

**2 Representations and Warranties**

2.1 Each of the Operator and the Company represents and warrants to each other and the Mortgagee that:

- (a) it is a body corporate, duly constituted and existing and (where applicable) in good standing under the law of its country of incorporation, with perpetual corporate existence and the power to sue and be sued, to own its assets and to carry on its business;
- (b) it is not insolvent or in liquidation or administration or subject to any other insolvency procedure, and no receiver, administrative receiver, administrator, liquidator, trustee or analogous officer has been appointed in respect of it or of all or any part of its assets;
- (c) it has duly authorised, executed and delivered this Deed and, if applicable, the Contract, and this Deed and, if applicable, the Contract, constitute its legal, valid and binding obligations enforceable in accordance with its terms; and
- (d) the execution, delivery and performance of this Deed will not contravene any contractual restriction or any law binding on it.

The Mortgagee represents and warrants to the Company that:

- (a) it is a body corporate, duly constituted and existing and (where applicable) in good standing under the law of its country of incorporation, with perpetual corporate existence.

2.2 Each of the Operator and the Company represents and warrants to each of the other parties hereto:

- (a) there is no litigation, investigation or proceeding pending or, to the knowledge of such party, threatened with respect to the Contract; and
- (b) the Contract is in full force and effect, has not been amended except for the amendments set forth in Schedule I hereto and, to the best of the knowledge and belief of such party, no default has occurred under the Contract and there is no existing condition which, but for the passage of time or the giving of notice, could reasonably be expected to result in a default under the terms of the Contract.

### **3 Acknowledgement**

3.1 The Company by its execution of this Deed acknowledges that:

- (a) it is aware that (i) the Drilling Unit has been mortgaged to the Mortgagee pursuant to the Mortgage; and (ii) the Earnings have been assigned by way of security to the Mortgagee pursuant to the Assignment; and
- (b) it has received the Notice of Assignment.

3.2 Until the Mortgagee gives written notice to the Company otherwise, subject to any express provision of this Deed to the contrary, the Company shall be entitled to deal with the Operator in relation to all matters arising under the Contract as if the Security Documents had not been entered into. For avoidance of doubt, the Company is not a party to and is not bound by the provisions of any Security Document other than this Deed, as the Operator and the Mortgagee hereby acknowledge. Except as expressly provided in Clauses 4.3 and 5, the Company's rights under the Contract remain in full force and effect and shall not be prejudiced by the terms of this Deed.

### **4. Quiet Enjoyment**

4.1 In consideration of the covenants on the part of the Company contained in this Deed and subject always to (i) there having occurred no material breach on the part of the Company under the Contract (beyond any period given to the Company in the Contract to cure such material breach) in consequence of which the Operator is entitled to terminate and has thereafter lawfully terminated the Contract in accordance with its terms including, without limitation, withdrawal of the Drilling Unit from the Contract by the Operator for non-payment of hire, and (ii) the Drilling Unit not having become an actual, agreed, arranged or constructive total loss and being no longer available to the Operator under the terms of the Contract, the Mortgagee irrevocably and unconditionally undertakes that, during and throughout the period of the Contract, irrespective of any breach or default by the Operator, or any insolvency of the Operator, or any other circumstance which might otherwise allow the Mortgagee or anyone claiming under or through the Mortgagee to arrest or take

possession or control of the Drilling Unit, neither the Mortgagee nor anyone claiming under or through the Mortgagee shall:

- (a) interfere with or otherwise disturb in any way the Company's quiet, peaceful and continuing use, possession and employment of the Drilling Unit under the Contract; nor
  - (b) without limitation, take any steps to wind up, liquidate or place in administration or receivership the Operator or commence or continue any analogous proceedings in any jurisdiction in respect of the Operator.
- 4.2 The Mortgagee further undertakes not to exercise any rights it may have against the Drilling Unit or in connection with the Contract and/or the Earnings if an Event of Default occurs except as provided by Clause 4.3 or (in relation to the Earnings only) as provided in the Notice of Assignment.
- 4.3 Upon the occurrence of an Event of Default, the Mortgagee shall promptly notify the Company in writing that an Event of Default has occurred which, but for Clause 4.1, would entitle the Mortgagee to take possession of and/or to sell the Drilling Unit and/or to exercise any right of foreclosure pursuant to the Mortgage and/or exercise any right pursuant to the Assignment. If the Mortgagee so requests in its notice to the Company, and subject to there having occurred no material breach on the part of the Company under the Contract (beyond any period given to the Company in the Contract to cure such material breach), for a period of 15 days after service of such notice by the Mortgagee, the Mortgagee and the Company will consult on the identity of a new counterparty to the Contract, which will be subject to the reasonable approval of the Company (the "**Successor Party**"), and the Company and the Operator will co-operate with the Mortgagee in order to effect a transfer of the rights under the Contract to such Successor Party within a commercially reasonable amount of time after the Successor Party has been identified, provided that:
- (a) the Successor Party and the Mortgagee enter into a Deed of Quiet Enjoyment with the Company in materially identical terms to this Deed; and
  - (b) the Successor Party assumes all the rights and obligations of the Operator under the Contract.

The Mortgagee and the Company each reserve all of their respective rights to exercise all of their respective legal, contractual and equitable rights following the expiration of the 15 day consultation period referenced above in this Clause 4.3 in the event no Successor Party is appointed.

## 5 Covenants

The Company covenants with the Mortgagee:

- (a) that it will not cancel, rescind, terminate or repudiate the Contract or request withdrawal of the Drilling Unit from service under the Contract, without giving the Mortgagee prior written notice and a period equal to and concurrent with the period given to Operator in the Contract to remedy any breach entitling the Company to cancel, rescind, terminate or repudiate the Contract, it being understood and agreed that (i) this Clause shall not apply to any termination of the Contract that shall occur by operation of law without action by

either the Operator or the Company, and (ii) notwithstanding the foregoing, in no event will this Clause grant the Mortgagee any rights to remedy any breach of the Contract that was not available to the Operator pursuant to the terms of the Contract;

- (b) that it will not without the prior written consent of the Mortgagee agree to any material amendment to or material modification or variation of the Contract terms and conditions that is materially adverse to the Mortgagee, including material amendments related to the termination fees payable under the Contract, the term of the Contract, or terms of payment under the Contract. For the avoidance of doubt, it is understood that minor technical and administrative changes (including automatic adjustments to the operating rate and other rates and prices, as provided by the Contract, or changes regarding which of the Company's affiliates will make payment to the Operator under the Contract) agreed between the Company and the Operator to the Contract from time to time shall not constitute material amendments or modifications or variations for the purpose of this Clause 5(b).

**6 Notices**

Every notice, request, demand or other communication under this Deed shall:

- (a) be in writing delivered personally or by recognized courier service or by recorded delivery mail or by email transmission;
- (b) be deemed to have been received, subject as otherwise provided in this Deed, in the case of a letter, when delivered to the recipient's address and, in the case of email transmission, at the time of despatch provided that if the date of delivery or despatch is not a business day in the country of the addressee it shall be deemed to have been received at the opening of business on the next such business day; and be sent:

if to be sent to the Operator, to it at

[●]

Attn: [●]  
Email [●]

if to be sent to the Company, to it at

[●]

Email: [●]

if to be sent to the Mortgagee, to it at

[●]

Attn: [●]  
Email: [●]

or to such other postal address, e-mail address, department or officer as is notified by one party to the other party under this Deed.

**7 Law and Jurisdiction**

- 7.1 This Deed and any Dispute arising out of or in connection with it or its subject matter or formation, including without limitation non-contractual disputes or claims, will be exclusively governed by, and construed in accordance with, the laws of England and Wales excluding conflict of law rules and choice of law principles that would deem otherwise. Except insofar as otherwise specifically stated in this Deed, each of the Mortgagee, the Operator and the Company retains all rights and remedies, both under the Deed and at law, which it may have against the others.
- 7.2 Any dispute, controversy or claim arising out of or in connection with this Deed or its subject matter or formation, whether in tort, contract, under statute or otherwise, including any question regarding its existence, validity, interpretation, breach or termination, and including any non-contractual claim (a “**Dispute**”), shall be finally and exclusively resolved by arbitration under the arbitration rules of the LCIA (the “**Rules**”), which Rules are deemed to be incorporated by reference into this Deed.
- 7.3 The arbitral tribunal (the “**Tribunal**”) shall consist of three arbitrators, to be appointed in accordance with the Rules.
- 7.4 The seat of the arbitration shall be London, England.
- 7.5 The language of the arbitration shall be English.
- 7.6 The appointing authority shall be the London Court of International Arbitration (the “**LCIA**”).
- 7.7 Any award rendered by the Tribunal shall be made in writing and shall be final and binding on the parties. The parties undertake to carry out the award without delay.
- 7.8 All aspects of the arbitration shall be confidential. Save to the extent required by law or the rules of any stock exchange or pursuant to any proceedings to enforce or challenge an award, no aspect of the proceedings, documentation, or any (partial or final) award or order or any other matter connected with the arbitration shall be disclosed to any other person by either party or its counsel, agents, corporate parents, affiliates or subsidiaries without the prior written consent of the other parties.

**8 Miscellaneous**

- 8.1 Company has no knowledge of any of the terms and conditions contained in the Credit Agreement and disclaims any responsibility for any such terms and conditions.
- 8.2 As between Company and Operator, in the event of there being any conflict between the Contract and this Deed, the Contract shall prevail.
- 8.3 This Deed may be executed in any number of counterparts each of which shall be original but which shall together constitute the same instrument.
- 8.4 No variation or amendment of this Deed shall be valid unless in writing and signed on behalf of the Operator, the Company and the Mortgagee.

*[FORM OF DEED OF QUIET ENJOYMENT]*

- 8.5 The provisions of this Deed (other than those contained in this Clause 8.5) shall have no effect until this Deed has been dated.
- 8.6 Notwithstanding the provisions of the Contracts (Rights of Third Parties) Act 1999, no term of this Deed is enforceable by a person who is not a party to it.

[FORM OF DEED OF QUIET ENJOYMENT]

**IN WITNESS** of which this Deed has been duly executed and delivered the day and year first before written.

*[insert signature blocks (including witness lines) for the Company, the Operator, and the Mortgagee]*

Schedule I

**Amendments to Contract**

1. [●]
2. [●]

**EXECUTION PAGE**

**THE OWNER**

**SIGNED** )  
by **TRANSOCEAN OFFSHORE DEEPWATER** ) /s/ Colin Berryman  
**HOLDINGS LIMITED** ) .....  
acting by Colin Berryman )

**THE LENDER**

**SIGNED** )  
by **JURONG SHIPYARD PTE LTD** ) /s/ William Gu Weiguang  
acting by William Gu Weiguang ) .....  
)

HFWSP\5096139-15

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Execution Version

Dated 5 June 2021

**JURONG SHIPYARD PTE LTD**  
as Lender

and

**TRANSOCEAN OFFSHORE DEEPWATER HOLDINGS LIMITED**  
as Owner

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**CREDIT AGREEMENT**  
in respect of the sale and purchase of  
one new build drillship bearing hull number 11-1117

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THIS AGREEMENT is made on 5 June 2021

**BETWEEN**

- (1) **JURONG SHIPYARD PTE LTD**, a corporation organised under the laws of Singapore and having its registered office at 80 Tuas South Boulevard, Singapore 637051 (the **Lender**); and
- (2) **TRANSOCEAN OFFSHORE DEEPWATER HOLDINGS LIMITED**, a Cayman Islands exempted company having its registered office at 36c Dr. Roy's Drive, 4<sup>th</sup> Floor, P.O. Box 10342, George Town, Grand Cayman, Cayman Islands (the **Owner**).

**BACKGROUND**

- (A) By a contract dated 27 February 2014 made between the Lender as builder and the Owner as buyer (as the same was amended and supplemented pursuant to an addendum no. 1 dated 13 December 2014, an addendum no. 2 dated 2 June 2015, a supplementary agreement to addendum no.2 dated 24 December 2015, an addendum no. 3 dated 27 April 2016, an addendum no. 4 dated 9 October 2017, an addendum no. 5 dated 24 October 2018, an addendum no. 6 dated 26 August 2019, an addendum no. 7 dated the same date as this Agreement (**Addendum No. 7**) and an addendum no. 8 dated the same date as this Agreement and as the same may be further amended, supplemented, and/or novated from time to time (the **Construction Contract**), the Builder agreed to design, engineer, build, launch, equip, complete, commission and sell, and the Owner agreed to purchase, one drillship as further described therein bearing the Lender's hull number 11-1117 (the **Vessel**).
- (B) Pursuant to Addendum No. 7, the Lender has agreed to provide a loan to the Owner in an amount equal to the Loan to finance payment of the whole or part of the Amount Payable at Delivery upon the terms set out in this Agreement.
- (C) Payment of the Contract Price by the Owner to the Builder under the Construction Contract is subject to the Lender advancing a loan in the amount equal to the Loan, which availability is conditioned upon the Owner complying with the conditions precedent to drawdown set out in Clause 3.
- (D) As at the date of this Agreement, the Amount Payable on Delivery (inclusive of the remaining balance of the Contract Price) is US\$ 436,014,303.94. Upon Delivery the Amount Payable on Delivery is to be recorded in the Protocol of Delivery and Acceptance referred to in Article VIII of the Construction Contract, or in another jointly signed statement of the Builder and the Owner.

**IT IS AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

- 1.1 In this Agreement, including the recitals, the following expressions shall have the following meanings:

**Affiliate** has the meaning given to it in the Construction Contract.

**Amount Payable at Delivery** has the meaning given to it in Addendum No. 7.

**Approved Flag State** means the Republic of the Marshall Islands, the Republic of Liberia, the Republic of Vanuatu, the Bahamas, Panama, Malta, Denmark or such other jurisdiction as the Lender may approve at the request of the Owner, such approval not to be unreasonably withheld, conditioned or delayed.

**Atlas Credit Agreement** means the credit agreement dated the same date as this Agreement made between the Lender and the Owner in relation to the financing of Deepwater Atlas.

**Atlas Contract** means the contract made between the Lender as builder and Transocean Offshore Deepwater Holdings Limited as buyer dated 27 February 2014 (as subsequently

amended and supplemented) for the construction and delivery of the drillship bearing the Builder's Hull No.11-1116.

**Banking Day** means any day (other than Saturday and Sunday) on which banks in each of Singapore, Houston, London and New York are open for the transaction of normal banking business.

**Bankruptcy Remote Criteria** has the meaning given to it in Clause 3.2(c).

**Builder** means Jurong Shipyard Pte Ltd.

**Change of Control** means that:

- (a) in respect of the Guarantor, Transocean and any of their respective Affiliates (in aggregate) cease to own and control directly or indirectly 50.1% of the issued share capital of the Guarantor; or
- (b) in respect of the Owner, the Guarantor ceases directly or indirectly to own 50.1% of the issued share capital of the Owner (other than the Lender's Share).

**Classification Society** means DNV GL.

**Contract Earnings Assignment** has the meaning given to it in Clause 15.2.

**Contract Price** means the purchase price of the Vessel payable by the Owner under the Construction Contract.

**Credit Period** means the period commencing on the date the Loan is advanced to the Owner pursuant to Clause 2 of this Agreement (being the Delivery Date) and ending on the date on which the Loan and all other amounts outstanding under the Finance Documents have been repaid in full.

**CVX** means Chevron USA, Inc..

**CVX Contract** means the agreement with CVX for drilling services previously referred to in Transocean's SEC filings to be performed by the Vessel related primarily to the Anchor project in the U.S. Gulf of Mexico.

**Deepwater Atlas** means the drillship with the Builder's hull number 11-1116 (to be named "DEEPWATER ATLAS") being constructed by the Builder for the Owner under the Atlas Contract.

**Delivery** means the delivery of the Vessel by the Builder to the Owner pursuant to the Construction Contract.

**Delivery Date** means the date on which the Delivery occurs.

**Dollars** and **US\$** mean the lawful currency for the time being of the United States of America.

**Downside Case Scenario** means either Payment Instalment Plan No. 3 or Payment Instalment Plan No. 4.

**Employment Contract** means any firm drilling contract, charter or other contract of employment (except the CVX Contract) for the Vessel which is entered into by the Owner or an Internal Charterer, relates solely to the Vessel (and not to multiple vessels in the Transocean Group fleet) and which is for any duration, except an Internal Charter or a Long Term Charter.

**Environmental Approval** means any permit, licence, approval, ruling, exemption or other authorisation required under applicable Environmental Laws.

**Environmental Claim** means:

- (a) any claim by, or directive from, any applicable governmental, judicial or other regulatory authority alleging breach of, or non-compliance with, any Environmental Laws or Environmental Approvals or otherwise howsoever relating to or arising out of an Environmental Incident; or
- (b) any claim by any other person howsoever relating to or arising out of an Environmental Incident,

(and, in each such case, **claim** shall mean a claim for damages, clean-up costs, compliance, remedial action or otherwise).

**Environmental Incident** means:

- (a) any release, discharge, disposal or emission of Material of Environmental Concern from the Vessel; or
- (b) any incident in which Material of Environmental Concern is released, discharged, disposed of, or emitted by or from a vessel other than the Vessel and which involves collision between the Vessel and such other vessel, or some other incident of navigation or operation, in either case where the Vessel or the Owner, any Manager or any operator of the Vessel is actually or allegedly at fault or otherwise liable (in whole or in part); or
- (c) any incident in which Material of Environmental Concern is released, discharged, disposed of, or emitted by or from a vessel other than the Vessel and where the Vessel is arrested or attached or may reasonably be expected to be liable to be arrested or attached as a result and/or where the Owner, any Manager or any operator of the Vessel is actually or allegedly at fault or otherwise liable.

**Environmental Laws** means all national and international laws, ordinances, rules, regulations, rules of common law, conventions and agreements pertaining to pollution or protection of human health or the environment.

**Event of Default** means any of the events or circumstances specified as such in Clause 14.1.

**External Manager** means any company, other than an Internal Manager, appointed by the Owner from time to time as a technical, commercial or operational manager of the Vessel with the prior approval of the Lender, such consent not to be unreasonably withheld, conditioned or delayed.

**Finance Documents** means:

- (a) this Agreement;
- (b) the Guarantee;
- (c) in the event a Downside Case Scenario applies, the other Security Documents; and
- (d) any other documents mutually designated as such by the Lender and the Owner.

**Financial Indebtedness** means any indebtedness in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

**Flag State** means such state or territory (being an Approved Flag State) in which the Owner's ownership title of the Vessel is from time to time registered.

**GAAP** means generally accepted accounting principles in the U.S.

**Guarantee** means the guarantee of the Owner's obligations under this Agreement to be issued by the Guarantor in favour of the Lender in the agreed form.

**Guarantor** means Transocean Inc., a Cayman Islands exempted company with its registered address at 36c Dr. Roy's Drive, Bermuda House, 4<sup>th</sup> Floor, P.O. Box 10342, George Town, Grand Cayman, Cayman Islands, or (in the circumstances set out in Clause 16.1) another member of the Transocean Group.

**Guarantor Group** means the Guarantor and its subsidiaries.

**Insurances** means all policies and contracts of insurance (including all entries of the Vessel in a protection and indemnity association and a war risks association) which are from time to time taken out or entered into in respect of the Vessel and all benefits of such policies and contracts, including all claims of whatsoever nature and return of premiums in respect of the Vessel.

**Interest Period** means each period for calculation of interest in respect of the Loan determined in accordance with Clause 6.

**Interest Rate** means the annual rate of interest which is determined by the Lender in accordance with Clause 6.2.

**Internal Charter** means any charter or other contract of employment for the Vessel made between members of the Guarantor Group.

**Internal Charterer** means any member of the Guarantor Group which charters (or agrees to charter) the Vessel from the Owner or another member of the Guarantor Group.

**Internal Manager** means any Transocean Manager or any member of the Guarantor Group appointed by the Owner from time to time as a supervisor of the Lender's works or as a technical, commercial or operational manager of the Vessel.

**ISM Code** means The International Management Code for the Safe Operation of Ships and for Pollution Prevention as adopted by the International Maritime Organisation as Resolutions A.741(18) and A.913(22) (as amended, supplemented or replaced from time to time).

**ISPS Code** means The International Ship and Port Facility Security Code as adopted by the

International Maritime Organisation (as amended, supplemented or replaced from time to time).

**Legal Reservations** means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for, or indemnify a person against, non-payment of UK stamp duty may be void and defences of set-off or counterclaim; and
- (c) similar principles, rights and defences under the laws of any Relevant Jurisdiction.

**Lender's Parent** means Sembcorp Marine Ltd, a corporation organised under the laws of Singapore, having its registered office at 80 Tuas South Boulevard, Singapore 637051.

**Lender's Share** means, in relation to the Owner, the special class of stock or membership interests (as applicable) in the Owner (as the case may be) issued to the Lender's Share Holder for nominal consideration.

**Lender's Share Holder** means the Lender or any Affiliate nominated by it to the Owner at least five (5) Banking Days prior to Delivery.

**Limitation Acts** means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

**Loan** means the sum to be advanced by the Lender to the Owner under this Agreement or, following any partial repayment or prepayment thereof, the principal amount thereof from time to time outstanding under this Agreement.

**Long Term Charter** means any drilling contract, charter or other contract of employment (except the CVX Contract) for the Vessel which is entered into by the Owner or an Internal Charterer with a third-party operator/customer which (i) is not subject to a final investment decision or other condition to be fulfilled by the customer/operator prior to an obligation of the Owner or such Internal Charterer to provide the Vessel to perform services under such contract, (ii) relates solely to the Vessel (and not to multiple vessels in the Transocean Group fleet) and (iii) excluding any options to extend, requires the use of the Vessel for an initial firm period of at least 4 years in duration.

**Major Casualty** means, any casualty to the Vessel or incident involving the Vessel (other than a Total Loss) in respect of which the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds US\$25,000,000 (or the equivalent in any other currency).

**Management Agreement (External Manager)** means any technical, commercial and operational management agreement between the Owner and an External Manager in relation to the technical management and operation of the Vessel.

**Management Agreement (Internal Manager)** means any technical, commercial and operational management agreement between the Owner and an Internal Manager in relation to the supervision of works by the Lender or the technical management and operation of the Vessel.

**Manager** means any Internal Manager or any External Manager, as the case may be.

**Manager's Undertaking** means an undertaking to be executed by each Manager in the agreed form.

**Material Adverse Effect** means a material adverse effect on:

- (a) the business, operations, property or financial condition of the Obligor as a whole to a level that adversely impacts the ability of the Obligor as a whole to perform their payment obligations under the Finance Documents; or
- (b) the validity or enforceability of, or the effectiveness or ranking of any Security Interest granted or purporting to be granted pursuant to, any of the Security Documents (excluding any invalidity, unenforceability, ineffectiveness or failure to have a ranking that existed on the date such Security Interest was taken) or the rights or remedies of the Lender under any of the Finance Documents.

**Material of Environmental Concern** means and includes chemicals, pollutants, contaminants, waste, toxic or hazardous substances, oil, petroleum and oil and petroleum products and any other polluting substances, the release, discharge, disposal or emission of which into the environment is regulated, prohibited or penalised by or pursuant to any Environmental Law.

**Mortgage** means the first preferred mortgage over the Vessel to be granted by the Owner in favour of the Lender in the agreed form.

**Notice of Assignment** means the notice of assignment of Insurances to be executed by the Owner pursuant to the Security Assignment.

**Obligors** means the Owner and the Guarantor.

**Payment Date** means the date falling 3 months after the Delivery Date and each of the dates falling at consecutive 3 monthly intervals thereafter as specified in the relevant Part of Schedule 1 in relation to the applicable Payment Instalment Plan.

**Payment Instalment Plans** means the alternative payment instalment plans available to the Owner under this Agreement, being:

- (a) the payment instalment plan set out in Part 1 of Schedule 1 (**Payment Instalment Plan No. 1**);
- (b) the payment instalment plan set out in Part 2 of Schedule 1 (**Payment Instalment Plan No. 2**);
- (c) the payment instalment plan set out in Part 3 of Schedule 1 (**Payment Instalment Plan No. 3**); and
- (d) the payment instalment plan set out in Part 4 of Schedule 1 (**Payment Instalment Plan No. 4**),

one of which is to apply at any given time as determined in accordance with Clause 4.

**Permitted Financial Indebtedness** means:

- (a) any Financial Indebtedness incurred, subsisting or guaranteed:
  - (i) pursuant to the Finance Documents; or
  - (ii) in the ordinary course of business, consistent with past practice of other subsidiaries of the Transocean Group, or in connection with the ownership, marketing, operation, maintenance or stacking of the Vessel, including the purchase and maintenance at any time of equipment, inventory, spare parts or other assets for the Vessel;
- (b) unless and until the Owner ceases to be the buyer of Deepwater Atlas (during construction) or, having taken delivery of Deepwater Atlas, ceases to be the registered owner of Deepwater Atlas at any time thereafter, any Financial Indebtedness incurred, subsisting or guaranteed:

- (i) pursuant to the Atlas Credit Agreement or any of the other Finance Documents as defined therein; or
  - (ii) in the ordinary course of business, consistent with past practice of other subsidiaries of the Transocean Group, or in connection with the ownership, marketing, operation, maintenance or stacking of Deepwater Atlas, including the purchase and maintenance at any time of equipment, inventory, spare parts or other assets for Deepwater Atlas; and
- (c) any Financial Indebtedness (other than covered in (a) above) which, in aggregate, does not exceed US\$10,000,000 (or the equivalent in any currency) at any relevant time.

**Permitted Jurisdiction** means any of Switzerland, England and Wales, Scotland, Luxembourg, Ireland, Hungary, the Marshall Islands, the Cayman Islands, Denmark, the Netherlands or the United States (or any State thereof, including the District of Columbia).

**Permitted Security Interest** means:

- (a) any liens arising on the Vessel by virtue of the works undertaken on the Vessel by the Builder (or any of its sub-contractors) under or pursuant to the Construction Contract or otherwise in connection with the construction, testing and outfitting of the Vessel or the lay-up and warm-stacking of the Vessel at the Shipyard;
- (b) the Security Interests created by the Finance Documents;
- (c) liens on the Vessel for master's disbursements, crew's wages or salvage and any ship repairer's or outfitter's possessory liens in respect of the Vessel for work carried out on the Vessel for an amount not exceeding US\$10,000,000 (or the equivalent in any other currency);
- (d) any lien on the Vessel arising in the ordinary course of owning, trading, operating, chartering, crewing, drydocking, maintaining, repairing, or providing equipment, supplies and bunkers to, the Vessel, in respect of obligations which are not more than 90 days overdue or which are being contested in good faith by appropriate proceedings (and for the payment of which adequate reserves have been provided);
- (e) Security Interests arising by operation of law in respect of Taxes which are not overdue for payment or which are being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;
- (f) any Security Interests arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Owner in the ordinary course of trading and operation and the supplier's standard and usual terms and not as a result of any default of omission by the Owner; and
- (g) liens (other than a registered mortgage on the Vessel) not otherwise permitted by the preceding paragraphs which secure the obligations of the Owner and which do not in aggregate exceed US\$10,000,000.

**Quiet Enjoyment Agreement** means a quiet enjoyment agreement executed by the Lender pursuant to Clause 15.1.

**Relevant Jurisdiction** means, in relation to the Owner:

- (a) its jurisdiction of incorporation;
- (b) any jurisdiction where any asset owned and secured by it pursuant to a Security Document is situated;
- (c) any jurisdiction where it primarily conducts its business; and

- (d) any jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

**Repayment Instalments** has the meaning given to it in Clause 4.1.

**Requisition Compensation** means all moneys or other compensation payable to the Owner by reason of requisition for title or other compulsory acquisition of the Vessel otherwise than by requisition for hire.

**Scheduled Delivery Date** has the meaning given to it in Clause 4.2.

**Security Assignment** means the first priority assignment by way of security of the Insurances and all Requisition Compensation of the Vessel to be granted by the Owner in favour of the Lender in the agreed form.

**Security Documents** means:

- (a) the Guarantee;
- (b) the Mortgage;
- (c) the Security Assignment;
- (d) any Contract Earnings Assignment; and
- (e) any and every other document from time to time executed as security for, or to establish a subordination or priorities arrangement in relation to, all or any of the obligations of any person to the Lender under any of the Finance Documents (except the Quiet Enjoyment Agreement).

**Security Interest** means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust arrangement or security interest or other encumbrance of any kind securing any obligation of any person or having the effect of conferring security or any type of preferential arrangement (including, without limitation, title transfer and/or retention arrangements having a similar effect).

**Tax** or **Taxes** means any tax, levy, impost, duty or other charge, fee, deduction or withholding of a similar nature (including any penalty or interest payable in connection with the failure to pay, or delay in paying, any of these).

**Tax Deduction** means a deduction or withholding for, or on account of, Tax from a payment under a Finance Document.

**Total Loss** means, in relation to the Vessel after Delivery:

- (a) the actual, constructive, compromised, agreed, arranged or other total loss of the Vessel; or
- (b) the requisition for title or compulsory acquisition of the Vessel by a government entity unless the Vessel is returned to the full control of the Owner within thirty (30) days; or
- (c) the hijacking, theft, condemnation, capture, seizure, arrest or detention of the Vessel unless the Vessel is returned to the full control of the Owner within one hundred twenty (120) days.

**Transocean** means Transocean Ltd.

**Transocean Captive** means Ranger Insurance Limited, the captive insurer maintained by Transocean.

**Transocean Group** means Transocean and its subsidiaries.

**Transocean Manager** means Transocean or any of its Affiliates appointed by the Owner from time to time as a supervisor of the Lender's works or as a technical, commercial or operational manager of the Vessel.

**Year 1** means the 12 month period commencing on the Delivery Date.

**Year 2** means the 12 month period commencing on the first anniversary of the Delivery Date.

**Year 3** means the 12 month period commencing on the second anniversary of the Delivery Date.

**Year 4** means the 12 month period commencing on the third anniversary of the Delivery Date.

**Year 5** means the 12 month period commencing on the fourth anniversary of the Delivery Date.

**Year 6** means the 12 month period commencing on the fifth anniversary of the Delivery Date.

1.2 In this Agreement:

- (a) unless the context otherwise requires, words in the singular include the plural and vice versa;
- (b) references to any document include that document as varied, novated, supplemented, extended or replaced from time to time;
- (c) references to any enactment include re-enactments, amendments and extensions of that enactment;
- (d) references to any person (including a Party) include that person's successors and permitted assigns;
- (e) references to a **subsidiary** means, with respect to any person, any corporation, association, trust, limited liability company, partnership, joint venture or other business association or person (i) with respect to which such person possesses, directly or indirectly, the power to direct or cause the direction of its affairs or management or (ii) in which such person owns or controls (directly or indirectly) a majority of such person's stock or other equity interests;
- (f) clause headings are for convenience of reference only and are not to be taken into account in construction;
- (g) unless otherwise specified, references to Clauses, the recitals and Schedules are respectively to Clauses of and the recitals and Schedules to this Agreement;
- (h) any words following the terms **including, include, in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms;
- (i) references to a Security Document being **in the agreed form** are to a document in the form which is previously agreed by or on behalf of the Owner and the Lender and appended for identification to Nikhil Datta (nid@wrco.co.uk)'s email to John Forrester (john.forrester@hfw.com) dated 5 June 2021 and timed 15:48 London time;
- (j) references to a period of one or more **months** shall mean a period beginning in one calendar month and ending in the relevant calendar month on the day numerically corresponding to the day of the calendar month in which that period started, provided that (i) if that period started on the last day in a calendar month, or if there is no such numerically corresponding day, that period shall end on the last Banking Day in the relevant calendar month and (ii) if such numerically corresponding day is not a Banking Day, that period shall end on the next following Banking Day in the same calendar month, or if there is no such Banking Day, that period shall end on the preceding

Banking Day (and **month** and **monthly** shall be construed accordingly); and

(k) an Event of Default is **continuing** if it has not been remedied or waived.

**2. LOAN**

2.1 Subject to the terms and conditions of this Agreement, the Loan shall be made available in an amount equal to the Amount Payable at Delivery.

2.2 The amount of the Loan to be advanced shall be:

- (a) the Amount Payable at Delivery less US\$348,800,000 if Payment Instalment Plan No. 1 applies during Year 1; or
- (b) the Amount Payable at Delivery less US\$327,000,000 if Payment Instalment Plan No. 2 applies during Year 1; or
- (c) the Amount Payable at Delivery if Payment Instalment Plan No. 3 applies during Year 1.

The Payment Instalment Plan applicable during Year 1 shall be determined in accordance with Clause 4.2.

2.3 Subject to satisfaction of the conditions precedent in Clause 3, the Loan shall be deemed advanced by the Lender in its capacity as lender to the Owner, at the time of Delivery, and automatically deemed to be paid to the Lender, in its capacity as builder, and applied by the Lender in its capacity as builder towards payment of the Amount Payable at Delivery in accordance with Addendum No. 7. Such deemed payment shall constitute the advance of the Loan and the Owner shall at that time become indebted to the Lender, as principal and direct obligor, in an amount equal to the Loan.

**3. CONDITIONS PRECEDENT**

3.1 Provided that the representations and warranties contained in Clause 9 are true and correct at the time of Delivery and no Event of Default has occurred at that time, the Lender shall be obliged to advance the Loan upon satisfaction of the following conditions precedent:

- (a) receipt by the Lender of a written request from the Owner that the Loan be advanced and applied in accordance with Clause 2 on the Delivery Date; and
- (b) receipt by the Lender of the documents and evidence described in Clause 3.2 and, in the event Payment Instalment Plan No. 3 applies during Year 1 (but not otherwise), Clause 3.3.

3.2 The documents and evidence referred to in Clause 3.1(b) are as follows:

- (a) A certified copy of the articles of incorporation and by-laws or other equivalent constitutional documents of each Obligor;
- (b) A copy of a certificate of good standing or equivalent issued by the Cayman Islands General Registry in respect of each Obligor;
- (c) If Payment Instalment Plan No. 1 or Payment Instalment Plan No. 2 is applicable during Year 1, evidence that the balance of the Purchase Price not funded by the Loan has been paid or will be paid in full to the Builder on Delivery;
- (d) A copy of a resolution of the directors of each Obligor, certified as true by a director or officer of that Obligor, authorising the entry of that Obligor into the Finance Documents to which it is a party and evidencing approval of the transactions contemplated therein.
- (e) A copy of a certificate in respect of each Obligor, signed by a director or officer of that

Obligor, stating:

- (i) the names of its officers, directors and shareholder(s); and
  - (ii) that no licences, authorisations, approvals or consents are required by it in connection with the execution, delivery, performance, validity and enforceability of the Finance Documents to which it is (or is to become) a party or, if any such licences, authorisations, approvals or consents are required by it, attaching certified copies of them;
- (f) The original of any power of attorney issued by the Guarantor in favour of any person or persons executing the Guarantee on its behalf.
- (g) Originals of the following documents:
- (i) this Agreement executed by the Owner;
  - (ii) the Guarantee executed by the Guarantor; and
- (h) Confirmation from the agents in England nominated by the Owner for the acceptance of service of process under this Agreement that they consent to such nomination.
- 3.3 In the event Payment Instalment Plan No. 3 applies during Year 1 (but not otherwise), the documents and evidence referred to in Clause 3.1(b), are as follows:
- (a) A written certificate from the Owner that the Owner has effected the following restrictions:
- (i) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents shall provide for the issuance of, and the Lender's Share Holder shall be entitled to possess, at least one share (being the Lender's Share) until payment in full of the Loan;
  - (ii) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents prohibit the company filing bankruptcy, dissolution, liquidation, consent to an involuntary bankruptcy, receivership or liquidation, or similar corporate action without approval of the Lender's Share Holder unless the Loan has been paid in full;
  - (iii) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents state the company can only file bankruptcy, consent to an involuntary bankruptcy or take similar action with the approval of the Lender's Share Holder unless the Loan has been paid in full;
  - (iv) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents require it to contain that the Owner shall do each of the following until the payment in full of the Loan or the Lender's Share Holder approves otherwise:
    - (A) maintain books and records separate from those of any other person or entity;
    - (B) maintain its accounts separate from those of any other person or entity
    - (C) not commingle assets with those of any other person or entity;
    - (D) conduct its business in its own name only;
    - (E) maintain separate financial books and records;
    - (F) either pay its own liabilities out of its own funds, or reimburse and

properly account for funds advanced by any other person to pay the liabilities of the Owner;

- (G) observe all corporate, partnership or LLC formalities and other formalities required by its organisational documents and law;
  - (H) other than share subscriptions, capital contributions and intercompany advances made in the ordinary course of business, maintain an arms-length relationship with the Guarantor Group;
  - (I) pay the salaries of its own employees(if any) and fairly allocate any personnel expenses shared with any other person;
  - (J) other than in the ordinary course of business or Permitted Financial Indebtedness, not guarantee or become obligated for the Financial Indebtedness of any other entity;
  - (K) other than in the ordinary course of business and for fair consideration, not acquire securities of its partners, members, or shareholders;
  - (L) allocate fairly and reasonably any overhead for office space shared with any other person;
  - (M) use separate stationery, invoices and cheques to any other person;
  - (N) not pledge the Vessel other than pursuant to a Permitted Security Interest or make any loans or advances to any entity which are not properly accounted for by the Owner;
  - (O) hold itself out as a separate entity;
  - (P) correct any known misunderstanding regarding its separate identity; and
  - (Q) maintain adequate liquidity which the board of the Owner determines (in its sole discretion) is prudent in light of its contemplated business operations; and
- (v) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents prohibit (save as otherwise permitted pursuant to this Agreement):
- (A) any merger or reorganisation of the Owner (with or without another entity);
  - (B) the sale of the Vessel (or any portion or interest therein); and
  - (C) the grant of any direct Security Interest in or over the Vessel or any of the shares in the Owner,

in each case without the approval of the Lender's Share Holder unless the Loan has been repaid in full or (in the case of sub-paragraph (B) above) the proceeds of such sale shall satisfy all obligations owed to Lender under this Agreement; and

- (vi) the Owner's articles of incorporation and by-laws or other equivalent constitutional documents prohibit such documents from being amended in any way which would breach any of the criteria set out in paragraphs (i) to (v) of this Clause 3.3(a) (the **Bankruptcy Remote Criteria**) without the consent of the Lender's Share Holder unless the Loan has been paid in full.

- (b) A copy of a share certificate or, if uncertificated, a copy of the share ledger noting that the Lender's Share has been issued to, and registered in the name of, the Lender's Share Holder.
- (c) The original of any power of attorney issued by the Owner in favour of any person or persons executing any Security Documents on its behalf, duly notarised and, in the case of the Owner (if required by the Flag State in connection with registration of the Mortgage), legalised or apostilled.
- (d) Originals of the following documents:
  - (i) the Mortgage executed by the Owner;
  - (ii) the Security Assignment executed by the Owner; and
  - (iii) the Notice of Assignment executed by the Owner.
- (e) Evidence that the Vessel's ownership title is registered or is capable of immediate registration in the sole name of the Owner under the laws and flag of the Flag State free from all Security Interests except for Permitted Security Interests.
- (f) Evidence that the Mortgage has been registered or is capable of immediate registration with first priority against the Vessel at the appropriate ship registry of the Flag State.
- (g) If any Manager has been appointed on or before the Delivery Date:
  - (i) in relation to an External Manager only, a certified copy of the Management Agreement (External Manager) to which it is a party; and
  - (ii) a copy of a Manager's Undertaking from each such Manager appointed.
- (h) Confirmation from the agents in England nominated by:
  - (i) the Owner in the Security Documents; and
  - (ii) (if applicable) any relevant Manager in its Manager's Undertaking, for the acceptance of service of process that they consent to such nomination.

#### 4. REPAYMENT

- 4.1 Subject to Clause 5, the Loan shall be repaid in the amounts (the **Repayment Instalments**) and on the dates specified in the relevant Part of Schedule 1 in relation to the applicable Payment Instalment Plan determined in accordance with the following provisions of this Clause 4.
- 4.2 The Payment Instalment Plan applicable during Year 1 shall be determined as follows:
  - (a) Payment Instalment Plan No. 1 shall apply during Year 1 if:
    - (i) Delivery takes place on or before 13 August 2022; and
    - (ii) on Delivery of the Vessel, the CVX Contract remains in full force and effect substantially on the same terms as at the date of this Agreement or, if not, the Owner or an Internal Charterer has secured another Employment Contract for the Vessel on substantially the terms as those of the CVX Contract as at the date of this Agreement (an **Acceptable Replacement Contract**).
  - (b) Payment Instalment Plan No. 2 shall apply during Year 1 if:
    - (i) Delivery takes place after 13 August 2022; and

- (ii) on Delivery of the Vessel, the CVX Contract remains in full force and effect substantially on the same terms as at the date of this Agreement or, if not, the Owner or an Internal Charterer has secured an Acceptable Replacement Contract.
  - (c) Payment Instalment Plan No. 3 shall apply during Year 1 if, prior to Delivery of the Vessel, the CVX Contract shall have been terminated (or amended on terms which are materially less favourable to the Owner) as a result of Delivery not taking place on or before 15 May 2022 and no Acceptable Replacement Contract has been secured.
- 4.3 If Payment Instalment Plan No. 1 applies during Year 1, Payment Instalment Plan No. 1 shall apply during Year 2 to Year 5.
- 4.4 If Payment Instalment Plan No. 2 applies during Year 1, Payment Instalment Plan No. 2 shall apply during Year 2 to Year 5.
- 4.5 If Payment Instalment Plan No. 3 applies during Year 1, the Loan shall be repaid in Year 2 to Year 5 (and Year 6, if applicable) as follows:
- (a) Payment Instalment Plan No. 3 shall apply during Year 2 if, on or before the date falling 30 days before the end of Year 1, the Owner has secured an Employment Contract or an Internal Charter for the Vessel for the whole or any part of Year 2.
  - (b) Payment Instalment Plan No. 4 shall apply during the whole of Year 2 if, on or before the date falling 30 days before the end of Year 1, the Owner has not secured an Employment Contract or an Internal Charter for the Vessel for the whole or any part of Year 2.
  - (c) If Payment Instalment Plan No. 3 applies during the whole of Year 2, the Loan shall be repaid in Year 3, Year 4 and Year 5 in accordance with Payment Instalment Plan No. 3.
  - (d) If Payment Instalment Plan No. 4 applies during the whole of Year 2, the Loan shall be repaid in Year 3, Year 4, Year 5 and Year 6 in accordance with Payment Instalment Plan No. 4.
- 4.6 The Owner undertakes that it will promptly provide to the Lender at all relevant times for the purposes of this Clause 4:
- (a) in respect of evidence of the CVX Contract or other Employment Contract secured for the Vessel: the name of the customer, the expected firm duration of the contract, the expected date of commencement of drilling operations and the expected day rate under normal conditions of operation (in each case, to the extent not previously disclosed by Transocean in Fleet Status Reports or other public filings, and subject to prior receipt of such confidentiality undertakings as Transocean and/or the customer may reasonably require) or, as the case may be,
  - (b) confirmation that no Employment Contract has been secured at any relevant time.
5. **PREPAYMENT**
- 5.1 The Owner shall have the right to prepay the Loan without penalty in full or in part on any Banking Day provided it gives the Lender prior notice in writing. Any partial prepayment of the Loan shall be applied towards the discharge of the remaining Repayment Instalments in inverse order of maturity.
- 5.2 If the Vessel becomes a Total Loss after Delivery, the Owner shall prepay the Loan in full:
- (a) on the date falling 180 days after the date of the Total Loss; or

- (b) (where a Downside Case Scenario applies) on the date which is the earlier of (i) the date falling 180 days after the date of the Total Loss and (ii) the date upon which the insurance proceeds in respect of the Vessel are received by the Lender pursuant to the relevant Security Documents, unless the Vessel was not insured at the time of the Total Loss in accordance with the Security Documents or an insurer has refused to meet or has disputed the claim for the Total Loss, in which case the Owner shall prepay the Loan within five (5) Banking Days of receipt of a demand from the Lender for prepayment of that amount.
- 5.3 For the purpose of this Agreement, a Total Loss shall be deemed to have occurred:
- (a) in the case of an actual total loss of the Vessel on the actual date and at the time the Vessel was lost or, if such date is not known, on the date on which the Vessel was last reported;
- (b) in the case of a constructive total loss of the Vessel, upon the date and at the time notice of abandonment of the Vessel is given to the insurers of the Vessel for the time being (provided a claim for total loss is admitted by such insurers) or, if such insurers do not forthwith admit such a claim, at the date and at the time at which either a total loss is subsequently admitted by the insurers or a total loss is subsequently adjudged by a competent court of law or arbitration tribunal to have occurred;
- (c) in the case of a compromised or arranged total loss, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the insurers of the Vessel;
- (d) in the case of compulsory acquisition, on the date upon which the relevant requisition of title or other compulsory acquisition occurs; and
- (e) in the case of hijacking, theft, condemnation, seizure, arrest or detention of the Vessel which deprives the Owner of the use of the Vessel for more than 120 days, upon the expiry of the period of 120 days after the date upon which the relevant hijacking, theft, condemnation, seizure, arrest or detention occurred.
- 5.4 If the Vessel is sold, or title to the Vessel is otherwise transferred or disposed of, by the Owner at any time after Delivery (other than to a member of the Transocean Group in accordance with Clause 17.3) but before the Loan has been repaid in full, the Owner shall prepay the Loan in full on or before completion of that sale, transfer or other disposal.
- 5.5 In the event Payment Instalment Plan No. 3 applies during Year 1 (but not otherwise), if the Owner or an Internal Charterer enters into a Long Term Charter, the Owner shall prepay the Loan in full on or before the date falling 90 days after the date of commencement of commercial operations under that Long Term Charter. For the purposes of this Clause, "**commencement of commercial operations**" shall mean the earlier of:
- (a) the date when the Vessel reaches the first well location under that Long Term Charter, or
- (b) the date when the Vessel reaches any other location specified under that Long Term Charter upon the arrival at which payment of a day rate is to commence.
- 5.6 If a Change of Control occurs without the Lender's prior approval, the Lender may demand in writing that the Owner prepay the Loan, in which case the Owner shall prepay the Loan in full on or before the date falling five (5) Banking Days from the date of receipt of such demand.
- 5.7 Each prepayment of the Loan must be made together with all accrued interest on the amount prepaid and all other sums payable in respect of that amount under the provisions of this Agreement and, in the case of prepayment of the whole of the Loan, shall be accompanied by payment of any and all other sums payable under the Finance Documents.
- 5.8 No part of the Loan which is repaid or prepaid by the Owner may be redrawn.

5.9 The share certificate or membership certificate referred to in Clauses 3.3(b) above and 10.5 below shall terminate and/or be redeemed and, together with the Bankruptcy Remote Criteria, will be of no further force or effect upon payment in full of the Loan.

**6. INTEREST**

6.1 The Owner shall pay interest on the Loan at the Interest Rate applicable to it in arrears on the last day of each Interest Period.

6.2 Subject to Clause 6.4, the Interest Rate applicable to the Loan for each Interest Period will be the annual rate of four and a half percent (4.5% p.a.).

6.3 The following shall apply in determining the duration of an Interest Period:

(a) the first Interest Period shall commence on the Delivery Date and each subsequent Interest Period shall commence on the last day of the immediately preceding Interest Period;

(b) (subject to paragraphs (c) and (d) below), each Interest Period shall be of a duration of 3 months;

(c) if an Interest Period would otherwise end on a day which is not a Banking Day, that Interest Period will instead end on the next Banking Day in that calendar month (if there is one) or the preceding Banking Day (if there is not); and

(d) no Interest Period shall extend beyond the final Payment Date.

6.4 If the Owner fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 2% higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted part of the Loan. Any interest accruing under this Clause 6.4 shall be immediately payable by the Owner on demand by the Lender. If unpaid, any such interest will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

6.5 Interest shall accrue from day to day and shall be calculated on the basis of a 360 day year and the actual number of days elapsed.

**7. INDEMNITIES**

7.1 The Owner shall promptly pay all stamp duty, registration and other similar taxes payable on or by reference to any Finance Document (always excluding taxes arising as a result of any assignment, transfer, sub-participation or equivalent arrangement under Clause 17.5) and shall indemnify the Lender on the Lender's written demand against any and all claims, expenses, liabilities and losses resulting from any failure or delay by the Owner to pay any such duty or tax.

7.2 The Owner shall pay to the Lender on demand, and the Owner shall indemnify the Lender against, any losses, expenses or liabilities whether actual or contingent suffered or incurred by the Lender in connection with or as a result of:

(a) any default in payment by the Owner of any sum due under the Finance Documents on its due date; or

(b) the occurrence or continuance of an Event of Default

however always excluding losses, expenses and liabilities arising under funding arrangements with third parties.

- 7.3 If any sum due from the Owner under the Finance Documents (a **Sum**), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the **First Currency**) in which that Sum is payable into another currency (the **Second Currency**) for the purpose of making or filing a claim or proof against the Owner or obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings, the Owner shall as an independent obligation, within 3 Banking Days of demand, indemnify the Lender against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (a) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (b) the rate or rates of exchange available to the Lender at the time of its receipt of that Sum.
- 7.4 The indemnities contained in the Finance Documents shall continue in full force and effect after the full and final discharge of all amounts outstanding under this Agreement with respect to matters arising prior to that discharge.
- 7.5 The indemnities contained in Clauses 7.1 and 7.2 shall not apply to the extent that the relevant claims, expenses, liabilities or losses result from the Lender's gross negligence, default, fraud or wilful misconduct.
- 8. PAYMENTS**
- 8.1 All payments to be made by the Owner under the Finance Documents shall be made without set-off or counterclaim free and clear of, and without deduction for or on account of, any present or future taxes, unless the Owner is compelled by law to make payment subject to any such tax.
- 8.2 If the Owner is compelled by law to make any tax deduction from any payment due under any of the Finance Documents, the Owner will:
- (a) promptly notify the Lender upon becoming aware of that requirement;
  - (b) pay the tax deducted to the appropriate taxation authority promptly, and in any event before any fine or penalty arises;
  - (c) pay the Lender such additional amount as is necessary to ensure that the Lender receives a net amount equal to the full amount which it would have received had that tax deduction not been required to be made; and
  - (d) as soon as reasonably practicable after making the relevant tax deduction, deliver to the Lender a copy of the receipt from the relevant taxation authority evidencing that the tax had been paid to that authority.
- 8.3 All amounts to be paid by the Owner to the Lender under the Finance Documents shall be paid in Dollars, by telegraphic transfer, free of all transfer charges, to such account of the Lender as it may from notify to the Owner by at least 5 Banking Days' prior notice.
- 8.4 Any payment under any Finance Document which is due to be made on a day which is not a Banking Day shall be made on the next Banking Day in the same calendar month (if there is one), or the immediately preceding Banking Day (if there is not).
- 9. REPRESENTATIONS AND WARRANTIES**
- 9.1 The Owner represents and warrants to the Lender that the following matters are true at the date of this Agreement:
- (a) each Obligor is duly incorporated under the laws of its jurisdiction of incorporation and is in good standing;
  - (b) subject to the Legal Reservations, when executed and delivered, this Agreement, the Guarantee, and, (where required to be delivered hereunder) each of the other Security Documents, will be validly authorised, and the obligations expressed as being assumed

by each Obligor under this Agreement, the Guarantee, and (where required to be delivered hereunder) the other Security Documents will constitute valid, legal and binding obligations of the relevant Obligor enforceable against it in accordance with their terms;

- (c) neither the execution of any Finance Document by any Obligor nor the performance or observance by any Obligor of any of its obligations under the Finance Documents will violate or conflict with, or result in any breach of, its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any law, statute, regulation, indenture, mortgage, trust deed, agreement or other instrument, arrangement, obligation or duty by which that Obligor is bound or cause any limitation on any of the powers whatsoever of that Obligor, howsoever imposed, or on the right or ability of the directors of that Obligor to exercise such powers, to be exceeded;
- (d) the Owner is not in default in any material respect under any law, statute, regulation, or material indenture, mortgage, trust deed, agreement or other material instrument, arrangement, obligation or material duty by which it is bound;
- (e) after Delivery, in the event Payment Instalment Plan No. 3 applies in Year 1 (but not otherwise), there will exist no direct Security Interest on the Vessel save for Permitted Security Interests.

9.2 The representations and warranties contained in Clause 9.1 shall be deemed to be repeated by the Owner on the Delivery Date and on each day thereafter during the Credit Period with reference to the circumstances existing on such date, as if made on such date.

## 10. GENERAL UNDERTAKINGS

10.1 The Owner shall at all times during the Credit Period:

- (a) maintain its corporate existence as an exempted company with limited liability duly organised, validly existing and in good standing under the laws of the Cayman Islands (or as a limited liability company duly organised, validly existing and in good standing under the laws of its jurisdiction of incorporation) and shall not, without the prior consent of the Lender, change its jurisdiction of incorporation, domicile or tax residence other than for the purpose of a redomiciliation in a Permitted Jurisdiction (provided that, where a Downside Case Scenario applies (but not otherwise), such redomiciliation shall only be permitted without the Lender's consent if the Bankruptcy Remote Criteria continue to be satisfied in all respects following its completion);
- (b) obtain and maintain all licences, authorisations, approvals and consents, and do all other acts and things, which may from time to time be necessary or desirable for the continued due performance of its obligations under the Finance Documents or which may be required for the validity, enforceability or admissibility in evidence of such Finance Documents; and
- (c) comply in all material respects with all laws and regulations to which it may be subject where failure to do so would have a Material Adverse Effect.

10.2 The Owner shall not, without the prior consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed with respect to the matters referred to in paragraphs (b)(i) to (b)(iv) inclusive below only), from the date of this Agreement until payment in full of the Loan:

- (a) incur any Financial Indebtedness or guarantee the Financial Indebtedness of any person, other than Permitted Financial Indebtedness; or
- (b) other than in the ordinary course of business of acquiring, owning, maintaining, marketing and operating the Vessel or Deepwater Atlas or as otherwise permitted or

contemplated by this Agreement (whether in respect of Permitted Financial Indebtedness, Permitted Security Interests or otherwise):

- (i) assume, guarantee or endorse, or otherwise become or remain liable for, any obligation of any other person;
- (ii) make any loans or advances to, or any investments in, any person;
- (iii) incur any capital expenditure or make any investments other than in the Vessel Deepwater Atlas; or
- (iv) form or acquire any subsidiary,

provided always that, for the purpose of Clause 10.2(b), the references to Deepwater Atlas shall only apply as long as the Owner remains as buyer of Deepwater Atlas (during construction) or, having taken delivery of Deepwater Atlas, as long as the Owner remains the registered owner of Deepwater Atlas.

10.3 The Owner shall not, at any time during the Credit Period:

- (a) in the event a Downside Case Scenario applies (but not otherwise), either create or permit to exist any Security Interest over or in respect of the Vessel or any share in the Vessel or any other property which is the subject of a Security Interest in favour of the Lender under the Finance Documents (in each case other than a Permitted Security Interest or pursuant to Permitted Financial Indebtedness);
- (b) enter into any form of merger or demerger unless either:
  - (i) (in the case of a merger) the Owner continues in existence; or
  - (ii) (in the case of a merger or demerger) the person (if other than the Owner) formed by such merger or demerger expressly assumes the performance of the Owner's covenants and obligations under this Agreement and (where required to be delivered hereunder) the Security Documents and (where applicable under this Agreement) the Bankruptcy Remote Criteria are satisfied in respect of that person (including, without limitation, by the delivery to the Lender's Share Holder of the share certificate or membership certificate in that person); or
- (c) conduct any business other than in connection with its purchase and subsequent ownership, maintenance, marketing, chartering and operating of the Vessel or Deepwater Atlas,

provided always that, for the purposes of Clause 10.3(c), the references to Deepwater Atlas shall only apply as long as the Owner remains as buyer of Deepwater Atlas (during construction) or, having taken delivery of Deepwater Atlas, as long as the Owner remains the registered owner of Deepwater Atlas.

10.4 In the event a Downside Case Scenario applies (but not otherwise), the Owner shall from Delivery Date until the payment in full of the Loan, comply with the Bankruptcy Remote Criteria in all material respects.

10.5 In the event a Downside Case Scenario applies (but not otherwise), the Owner shall, promptly upon demand, and at its own expense (except in connection with any assignment or transfer pursuant to Clause 17.5), sign, perfect, do, procure, execute and register all such further assurances, documents, acts and things as the Lender may reasonably require for the purpose of more effectually accomplishing or perfecting the transaction or security contemplated by the Finance Documents. The Owner shall promptly at Delivery, deliver to the Lender's Share Holder the share certificate or membership certificate referred to in Clause 3.3(b) above.

10.6 The Owner shall, as soon as reasonably practicable following Delivery, deliver to the Lender

originals of the documents referred to in Clauses 3.2(e) and, where applicable, 3.3(g)(i).

## 11. UNDERTAKINGS - INSURANCE

11.1 Where a Downside Case Scenario applies (but not otherwise), the Owner undertakes to the Lender to comply with the undertakings contained in this Clause 11 at all times from the date of Delivery until the end of the Credit Period.

11.2 In this Clause 11:

- (a) **excess risks** means the proportion of claims for general average, salvage and salvage charges not recoverable under the hull and machinery policies of a vessel as a result of the value at which the vessel is assessed for the purpose of such claims exceeding its insured value;
- (b) **excess war risk P&I cover** means cover for claims only in excess of amounts recoverable under the usual war risk cover including (without limitation) hull and machinery, crew and protection and indemnity risks;
- (c) **hull cover** means insurance cover against the risks specified in Clause 11.3(a)(i);
- (d) **P&I risks** means the usual risks (including for oil pollution, excess war risk P&I cover and freight, demurrage and defence cover) covered by commercial market insurers that customarily write P&I risks, such as by way of example, Lloyds and other London market insurers, or a protection and indemnity association which is a member of the International Group of Protection and Indemnity Associations, including the proportion not otherwise recoverable in case of collision under the terms of the hull cover.

11.3 Where a Downside Case Scenario applies (but not otherwise), the Owner undertakes at all times from Delivery until the end of the Credit Period:

- (a) to insure (including through the Transocean Captive) the Vessel at all times against:
  - (i) fire and usual marine risks (including excess risks) and war risks (including war protection and indemnity risks, terrorism and piracy risks and risks of blocking and trapping);
  - (ii) P&I risks; and
  - (iii) such other risks for which insurance would be maintained by a prudent owner for a drilling rig of a similar type, size, age, trading pattern and flag as the Vessel,and otherwise in accordance with the provisions of the Finance Documents;
- (b) to effect such insurances in such amounts in Dollars and upon such terms as shall from time to time be approved in writing by the Lender, but in any event for not less than:
  - (i) in the case of hull cover, on an agreed value basis for an amount equal to 120% of the amount of the Loan;
  - (ii) in the case of P&I risks, in at least such amount as is customary market practice in respect of the type and operating location of the Vessel; and
  - (iii) in the case of any other risks as specified in Clause 11.3(a)(iii) above in at least such amount as is customary market practice in respect of the type and operating location of the Vessel

provided however that the insurance placed with the Transocean Captive shall not exceed US\$50,000,000 of cover for each set of risks set out in Clauses 11.3(a)(i) and 11.3(a)(ii) above and shall otherwise be in accordance with Transocean's standard

insurance practices across rigs under their ownership and operation, provided however the limitation of US\$50,000,000 shall not apply to U.S. Gulf of Mexico Named Windstorm coverage;

- (c) to effect, maintain and renew the Insurances through internationally recognized marine insurance brokers such as but not limited to Aon, Lockton, McGriff, JLT or Marsh (the **approved insurance brokers**) and with reputable independent insurance companies and/or underwriters (including mutual insurance schemes and/or captive insurance schemes) in Europe, North America, the Far East and other established insurance markets including Transocean Captive, war risks and protection and indemnity associations and, if so required by the Lender (but without, as between the Lender and the Owner, liability on the part of the Lender for premiums or calls), with the Lender named as co assured;
- (d) to notify the Lender, at least 3 days before the relevant policies or contracts expire, of the relevant brokers and/or insurance companies, underwriters, war risks and protection and indemnity associations through and with whom the Insurances are to be renewed and of the terms and conditions of renewal;
- (e) punctually to pay all premiums, calls, contributions or other sums in respect of the Insurances and, upon reasonable request, to produce copies of all relevant receipts to the Lender;
- (f) if applicable, to arrange for the execution of such guarantees as may from time to time be required by any protection and indemnity or war risks association for, or for the continuance of, the Vessel's entry;
- (g) to procure that Notice of Assignment to the Lender signed by the Owner is duly endorsed upon all slips, cover notes, policies, certificates of entry or other instruments of insurance issued or to be issued in connection with the Insurances, together with a loss payable clause, in each case in the form required by the Security Assignment;
- (h) to procure that all such instruments of insurance referred to in Clause 11.3(g) above as are effected through the approved insurance brokers shall be deposited with the approved insurance brokers, and that such brokers shall furnish the Lender with pro forma copies and a letter or letters of undertaking in such form as the Lender may reasonably require having regard to the then current market practice;
- (i) to procure that the protection and indemnity and/or war risks associations in which the Vessel is entered shall furnish the Lender with a copy of the certificate of entry for the Vessel and a letter or letters of undertaking in its standard form together with a copy of each certificate of financial responsibility for pollution by oil or other substances issued by such protection and indemnity and/or war risks associations in relation to the Vessel;
- (j) without prejudice to the generality of Clauses 11.3(h) and Clause 11.3(i) above, if any of the Insurances form part of a fleet cover, to procure that the approved insurance brokers and (as the case may be) insurers and/or associations so approved shall undertake to the Lender that they shall neither:
  - (i) set off against any claim in respect of the Vessel, any premiums or calls due in respect of any other vessel or in respect of other insurances; nor
  - (ii) cancel any of the Insurances by reason of non-payment of premiums or calls due in respect of any other vessel or in respect of other insurances without providing fourteen (14) days' notice in writing;
- (k) to comply in all material respects with all the requirements from time to time applicable to the Insurances, and not to make, do, consent or agree to any act or omission which would or might render any such instrument of insurance invalid, void, voidable or unenforceable or subject to any material exclusion, qualification, variation or suspension or which would render any sum payable under them repayable in whole or

in part;

- (l) not to employ the Vessel, or suffer the Vessel to be employed, otherwise than in conformity with the terms of the said instruments of insurance (including any express or implied warranties they contain), unless the insurers have consented otherwise and any additional requirements of the insurers have been satisfied;
- (m) to apply all such sums receivable in respect of the Insurances as are paid to the Owner in accordance with the Finance Documents for the purpose of making good the loss in respect of which they are paid and, in the case of hull cover, in fully repairing all damage in respect of which those sums have been received;
- (n) not to alter any of the terms of any of the instruments of insurance referred to in Clause 11.3(g) above if, as a result of such alteration, they will cease to comply with the requirements of this Clause 11;
- (o) not without the prior consent of the Lender to settle, compromise or abandon any claim under the Insurances in respect of the Vessel for a Total Loss or a Major Casualty, such consent not to be unreasonable withheld, conditioned or delayed;
- (p) to do all things necessary and provide the Lender with all relevant documents, evidence and information as the Lender may require to enable the Lender to collect or recover any moneys in respect of the Insurances which are payable to the Lender pursuant to the Finance Documents;
- (q) to provide the Lender, promptly after receipt of a written request from the Lender, with such documents as the Lender may reasonably require to satisfy itself that the Owner is in compliance with its material obligations under this Clause 11.3; and
- (r) to provide the Lender, at the time of the relevant communication, with copies of all communications of a material nature between the Owner and the approved insurance brokers or (as the case may be) approved associations relating to:
  - (i) any breach of a material condition of the Insurances of the Vessel; or
  - (ii) the early termination or the suspension of any Insurances.

11.4 The Owner agrees and undertakes that, where a Downside Case Scenario applies (but not otherwise):

- (a) on and from the Delivery Date, the Lender may effect and maintain a mortgagee's interest insurance policy and a mortgagee's interest additional perils (pollution) policy in respect of the Vessel in an amount equal to 110% of the amount of the Loan outstanding from time to time and otherwise on such terms and conditions and placed through such brokers and with such insurers and underwriters as the Lender may require; and
- (b) it will reimburse the Lender on demand for all premiums and other amounts incurred by the Lender in effecting and maintaining such mortgagee's interest insurance policy and a mortgagee's interest additional perils (pollution) policy up to a maximum amount of 0.02% of the insured amount per year.

## 12. UNDERTAKINGS - OPERATION AND MAINTENANCE

12.1 Where a Downside Case Scenario applies (but not otherwise), the Owner undertakes at all times from Delivery until the end of the Credit Period:

- (a) to keep the Vessel registered under the laws and flag of the Flag State and not to do or suffer to be done anything by which that registration may be forfeited or imperilled;
- (b) unless the Loan is prepaid in full in accordance with Clause 5.4 upon the completion of

that sale, not to sell or agree to sell the Vessel or any share in the Vessel without the prior consent of the Lender;

- (c) not, without the prior consent of the Lender (which consent shall not be unreasonably withheld, conditioned or delayed), enter into a Management Agreement (External Manager) which would have a Material Adverse Effect;
- (d) not, without the prior consent of the Lender (which consent shall not be unreasonably withheld, conditioned or delayed), to amend any Management Agreement (External Management) if and to the extent that such amendment would have a Material Adverse Effect;
- (e) to procure that any Manager executes and delivers to the Lender a Manager's Undertaking;
- (f) not to let or employ the Vessel on demise charter to anyone other than a member of the Guarantor Group or the Transocean Group if it would have a Material Adverse Effect;
- (g) subject always to the terms of any drilling contract, charter or other contract of employment then in effect in respect of the Vessel, to procure that the Lender or any representative of the Lender is permitted to board the Vessel at all reasonable times for the purpose of inspecting her condition or satisfying itself as to proposed or executed repairs (without interfering with the Vessel's operations), and to afford all proper facilities for such inspections;
- (h) promptly to furnish the Lender, when so reasonably required by it in writing, with a copy of the classification certificate issued by the Classification Society for the Vessel, all such information regarding the Vessel, her position and engagements, particulars of all towages and salvages and all such other material information as shall be or ought to be supplied to the insurers of the Vessel;
- (i) to notify the Lender promptly upon its becoming aware of:
  - (i) any accident to the Vessel or incident which is or is reasonably likely to be a Major Casualty; or
  - (ii) any occurrence resulting in the Vessel becoming or being reasonably likely to become a Total Loss; or
  - (iii) any hijacking or theft of the Vessel; or
  - (iv) any requirement or recommendation made by any insurer or the Classification Society, or by any competent authority, in respect of the Vessel which is not complied with within any time limit imposed by that insurer, Classification Society or authority; or
  - (v) any arrest of the Vessel, or the exercise or purported exercise of any lien on the Vessel or any requisition of the Vessel for hire; or
  - (vi) any non-scheduled dry-docking of the Vessel; or
  - (vii) any material non-compliance with the ISM Code or the ISPS Code in connection with the Vessel;
- (j) promptly to pay and discharge or secure all debts, damages and liabilities whatsoever which the Owner shall have been called upon to pay, discharge or secure and which have given, or may give, rise to maritime or possessory liens on or claims enforceable against the Vessel (in each case other than a Permitted Security Interest), and in the event of arrest of the Vessel pursuant to legal process, or in the event of her detention in exercise or purported exercise of any such lien, to procure the release of the Vessel

from such arrest or detention promptly upon receiving notice of the same by providing bail or otherwise as the circumstances may require;

- (k) to display in the chart room and in the master's cabin of the Vessel a framed notice of the Mortgage in plain type, reading as follows (or in such other form as the Lender may reasonably require having regard to the laws of the Flag State if the Flag State is changed from the Republic of the Marshall Islands):

#### **NOTICE OF MORTGAGE**

This Vessel is subject to a First Preferred Mortgage in favour of [INSERT NAME OF LENDER] pursuant to the laws of the Republic of the Marshall Islands. Under the terms of the said Mortgage neither the Owner, nor any charterer, nor the Master of this Vessel nor any other person has any right, power or authority to create, incur or permit to be imposed upon this Vessel any lien whatsoever other than for crew's wages and salvage;

- (l) to comply with and satisfy all pertinent requirements and formalities to perfect and maintain the Mortgage as a legal, valid and enforceable first ranking mortgage over the Vessel and, promptly upon written demand from the Lender, to provide evidence to the Lender's satisfaction (acting reasonably) demonstrating its compliance with the provisions of this Clause 12.1(l);
- (m) to procure that the Vessel is kept in a state of repair so as to maintain its class with the Classification Society and so as to comply in all material respects with the provisions of all laws and other regulations from time to time applicable to drilling units registered in the Flag State;
- (n) not to employ the Vessel, or suffer her employment:
  - (i) in any trade or business which is forbidden by the law of the Flag State or of any country in which the Vessel may operate;
  - (ii) in carrying illicit or prohibited goods, or in any manner whatsoever which may render her liable to condemnation in a prize court or to destruction, seizure or confiscation; or
  - (iii) in the event of hostilities in any part of the world (whether war be declared or not), in carrying any contraband goods, nor to enter or operate in any zone which is declared a war zone by the Vessel's war risks insurers unless the Owner has effected, at its own expense, such special insurance cover as the Lender may reasonably require;
- (o) not without the prior consent of the Lender to put or suffer the Vessel to be put into the possession of any person (other than the Lender or its Affiliates or subcontractors) for the purpose of work being done upon her in an amount exceeding or likely to exceed US\$10,000,000 (or the equivalent in any other currency) unless:
  - (i) the cost of that work is fully recoverable under the Insurances; or
  - (ii) that work relates to remedial works for which the Builder is responsible under the Construction Contract; or
  - (iii) that person has first given to the Lender in terms satisfactory to the Lender (acting reasonably) a written undertaking not to exercise any lien on the Vessel for the cost of that work or otherwise; or
  - (iv) any lien on the Vessel that may arise in relation to such works would be a Permitted Security Interest; or
  - (v) the Owner has sufficient access to funds to pay for the cost of that work;

- (p) to notify the Lender immediately upon its becoming aware of the occurrence of:
  - (i) any material Environmental Claim against the Owner or the Vessel; or
  - (ii) any Environmental Incident which may give rise to a material Environmental Claim;

which, in either case, could or might materially affect the interests of the Lender, and to keep the Lender advised in writing on such regular basis and in such detail as the Lender shall reasonably require of the nature of that Environmental Claim or Environmental Incident and the Owner's proposed and actual response to it;

- (q) to comply in all material respects with all material Environmental Laws including, without limitation, requirements relating to manning and establishment of financial responsibility, and to obtain and comply in all material respects with all Environmental Approvals, in each case where failure to do so would have a Material Adverse Effect; and
- (r) to ensure that the Vessel is equipped and accredited with any required trading documentation and/or authorisations necessary for the entry of the Vessel into, and (to the extent it will be operated in such waters) its operation in, the waters of any relevant jurisdiction;
- (s) to comply, and procure compliance by any Manager responsible for the technical management of the Vessel, with all material provisions of the ISM Code and the ISPS Code and, promptly upon the Lender's request, to provide copies to the Lender of all such certificates and other documents as the Lender may reasonably request to evidence such compliance.

### 13. COMPLIANCE WITH LAW; SANCTIONS

The provisions of Article XXIII (*Business Ethics*) of the Construction Contract shall be deemed to be incorporated in this Agreement and shall apply to this Agreement in all respects as if references therein to the "Builder", and the "Contract" were instead references to the Lender and the Finance Documents respectively.

### 14. EVENTS OF DEFAULT

14.1 There shall be an Event of Default if any one or more of the following happen:

- (a) the Owner fails to make any payment due under this Agreement or, in the event a Downside Case Scenario applies (but not otherwise), any of the other Security Documents on its due date (or, in respect of moneys payable on demand under this Agreement or any of the Security Documents (unless otherwise specifically provided) within five (5) Banking Days from the date of such demand), and, in each case, its failure to pay is not remedied within five (5) Banking Days of its due date;
- (b) in the event a Downside Case Scenario applies (but not otherwise), either
  - (i) at any time after Delivery, the Vessel is not, or ceases to be, insured in the relevant amounts and against the relevant risks specified in Clause 11 and such insurances have not been reinstated within twenty (20) Banking Days; or
  - (ii) the Owner otherwise fails to comply with any of its other material obligations in respect of the Insurances and such non-compliance has not been remedied within ninety (90) days;
- (c) the Owner is in breach of:
  - (i) (only in the event a Downside Case Scenario applies) Clause 10.4 in relation to Bankruptcy Remote Criteria and such breach is not remedied within thirty

- (30) days of the Lender giving notice to the Owner requiring remedy of the same;  
or
- (ii) any of the other material provisions of this Agreement or (where required to be delivered hereunder) the other Security Documents to which it is a party and, in the case of any such default which is capable of remedy, such default continues for a period of ninety (90) days after the Lender, by notice to the Owner, requires the same to be remedied;
- (d) in the event a Downside Case Scenario applies (but not otherwise), the Internal Charterer is in breach of any of the provisions of the Contract Earnings Assignment to which it is a party and, in the case of any such default which is capable of remedy, such default continues for a period of ninety (90) days after the Lender, by notice to the Owner, requires the same to be remedied;
- (e) except with the prior written consent of the Lender:
- (i) a final order is made by a court of competent jurisdiction for; or
  - (ii) any resolution is passed by an Obligor consenting to,  
the suspension of all payments by any Obligor (whether by way of moratorium or otherwise), or resulting in the dissolution, liquidation, winding up or bankruptcy of any Obligor, or resulting in the assets of an Obligor being submitted to the control of its creditors, or resulting in a liquidator, trustee, administrator, receiver, manager or similar officer being appointed in respect of all or substantially all assets of an Obligor, unless in each case (in respect of an order) such order is revoked, discharged, or being contested in good faith, within 60 days of such order being made or resolution passed;
- (f) any Obligor becomes insolvent within the terms of the law of its jurisdiction of incorporation;
- (g) it is or becomes impossible or unlawful for any Obligor to perform any of its material obligations under this Agreement, the Guarantee, or, in the event a Downside Case Scenario applies (but not otherwise), any of the other Security Documents, unless capable of remedy (including by amendment and/or execution of additional documents) and the same is remedied within forty five (45) days of the Lender giving notice to the Owner;
- (h) in the event a Downside Case Scenario applies (but not otherwise) and except as permitted by this Agreement or any Security Document, any Security Document ceases for any reason to create a valid and perfected first priority Security Interest (subject to Permitted Security Interests) on the assets intended to be the subject of the Security Interests under that Security Document, unless capable of remedy (including by amendment and/or execution of additional documents) and the same is remedied within forty five (45) days of the Lender giving notice to the Owner;
- (i) the Guarantee ceases to be in full force and effect (other than in accordance with its terms or pursuant to the terms of this Agreement), unless capable of remedy (including by amendment and/or execution of additional documents) and the same is remedied within forty five (45) days of the Lender giving notice to the Owner; or
- (j) any representation or warranty, when made or repeated in this Agreement, the Guarantee or, in the event a Downside Case Scenario applies (but not otherwise), any of the other Security Documents, is or proves to be incorrect in any material respect unless such misrepresentation or warranty or underlying event or circumstance giving rise to it is capable of remedy and is remedied within ninety (90) days of the Lender giving notice to the Owner.
- 14.2 Upon the occurrence of an Event of Default which is continuing and at any time thereafter, without prejudice to any of the rights and remedies of the Lender under any of the Finance

Documents or otherwise, the Lender may take any one or more of the following actions:

- (a) by written notice to the Owner declare its commitment to advance the Loan (or any part of it) cancelled, whereupon such commitment shall immediately be cancelled;
- (b) by written notice to the Owner demand the immediate repayment of the Loan and any interest accrued pursuant to this Agreement, whereupon the same shall become immediately due and payable;
- (c) by written notice to the Owner declare that all or part of the Loan be payable on demand, whereupon it shall immediately become payable on demand by the Lender; and/or
- (d) take steps to exercise the rights and remedies conferred upon the Lender by this Agreement, the Guarantee and, in the event a Downside Case Scenario applies (but not otherwise), the other Security Documents and exercisable on or after the occurrence of an Event of Default.

## 15. QUIET ENJOYMENT

15.1 If so requested by the Owner in relation to any Employment Contract (the **Relevant Contract**), and subject only to the conditions set out in Clause 15.2, the Lender shall use its reasonable commercial efforts promptly to enter into a quiet enjoyment agreement in favour of the charterer on such terms as the charterer may reasonably require. If the Lender is unable, by using its reasonable commercial efforts, to agree a quiet enjoyment agreement on such terms, the Lender shall promptly enter into a quiet enjoyment agreement in the form attached as Schedule 2 (or a form no less favourable to the charterer).

15.2 The conditions referred to in Clause 15.1 are that, on or before the date on which the Lender executes the Quiet Enjoyment Agreement in favour of the relevant charterer, the Owner shall deliver or procure the delivery to the Lender of:

- (a) a copy of a first priority assignment by way of security in favour of the Lender of all receivables payable under the Relevant Contract, such assignment (a **Contract Earnings Assignment**) to be executed by the Owner (if there is no Internal Charter) or by the Internal Charterer (if there is an Internal Charter); and
- (b) a copy of a notice of assignment executed by the Owner or Internal Charterer (as the case may be) in the form required by the Contract Earnings Assignment; and
- (c) evidence of authority of the person or persons signing the Contract Earnings Assignment on behalf of the Owner or Internal Charterer (as the case may be);

with the originals of the documents in paragraphs 15.2(a) and 15.2(b) to be delivered to the Lender as soon as reasonably practicable thereafter.

## 16. REPLACEMENT GUARANTOR

16.1 The Owner shall procure that the Guarantor does not redomicile itself or transfer all or substantially all of any of its assets to any person other than:

- (a) a redomiciliation of the Guarantor that results in another entity in the Transocean Group owning all or substantially all of the Guarantor's assets (provided that such successor entity does not have (on a consolidated basis) any material liabilities which the original Guarantor (on a consolidated basis) did not have prior to the time of such redomiciliation but impair the ability of the Obligor to perform their obligations under this Agreement), or
- (b) completion of a sale, to another entity in the Transocean Group, of all or substantially all of the Guarantor's assets (provided that such entity does not have (on a consolidated

basis) any material liabilities prior to the time of such sale but impair the ability of the Obligors to perform their obligations under this Agreement),

in which case the Owner shall cause that other entity to be substituted as the Guarantor under the Guarantee, and the Lender consents to such substitution.

**17. ASSIGNMENT AND TRANSFER**

17.1 Subject to Clauses 17.2 and 17.3, the Owner may not, without the consent of the Lender, assign or transfer all or any of its rights, benefits or obligations under this Agreement.

17.2 Notwithstanding Clause 17.1, the Owner shall have the right at any time prior to Delivery to nominate an Affiliate of the Owner as "Owner" to assume all rights and obligations of the Owner under this Agreement, provided that such nominee has also been nominated as "Buyer" under the Construction Contract in accordance with Article XVI (*Successors and Assigns*) thereof. The parties agree that the nomination by the Owner of such nominee and the novation of all rights and obligations of the Owner under this Agreement shall be effective upon delivery to the Lender of a notice in writing to the Lender executed by the Owner and its nominee and that as and with effect of such nomination:

- (a) everything done by the Owner before such nomination shall be deemed to have been done by the nominee;
- (b) the nominee shall be deemed to be the Owner and always to have been the Owner under this Agreement and the nominee will perform this Agreement and be bound by its terms in every way as if the nominee were the original party to this Agreement in place of the Owner;
- (c) the Lender will perform this Agreement and be bound by its terms in every way as if the nominee were the original party to this Agreement in place of the Owner; and
- (d) no further consent to such novation of this Agreement, in addition to the consent deemed given under this Clause, shall be required from the Lender.

This Agreement will in all other respects continue on its existing terms.

17.3 Notwithstanding Clause 17.1, the Owner shall have the right at any time after Delivery to transfer ownership of the Vessel to another member of the Transocean Group (a **New Owner**) provided that (in the event a Downside Case Scenario applies (but not otherwise)):

- (a) the New Owner is a single purpose company established solely for the purpose of owning and operating the Vessel and is incorporated in a Permitted Jurisdiction or any other jurisdiction approved by the Lender;
- (a) the Vessel's ownership title is registered or is capable of immediate registration in the sole name of the New Owner under the laws and flag of an Approved Flag State free from all Security Interests except for Permitted Security Interests; and
- (b) not later than the time of change of ownership:
  - (i) the Bankruptcy Remote Criteria are satisfied in relation to the New Owner;
  - (ii) the Lender receives a copy of a share certificate or, if uncertificated, a copy of the share ledger noting that the Lender's Share in the New Owner has been issued to, and registered in the name of, the Lender's Share Holder;
  - (iii) the Lender receives:
    - (A) a certified copy of the articles of incorporation and by-laws or other equivalent constitutional documents of the New Owner;

- (B) a copy of a certificate of good standing or equivalent issued by the relevant corporate registry in respect of the New Owner;
  - (C) a copy of a resolution of the directors of the New Owner, certified as true by a director or officer of the New Owner, authorising the entry of the New Owner into the Finance Documents to which it is a party and evidencing approval of the transactions contemplated therein;
  - (D) a copy of a certificate in respect of the New Owner, signed by a director or officer of the New Owner, stating the names of its officers, directors and shareholder(s) and that no licences, authorisations, approvals or consents are required by it in connection with the execution, delivery, performance, validity and enforceability of the Finance Documents to which it is (or is to become) a party or, if any such licences, authorisations, approvals or consents are required by it, attaching certified copies of them; and
  - (E) the original of any power of attorney issued by the New Owner in favour of any person or persons executing any Finance Documents on its behalf, duly notarised and (if required by the Flag State in connection with registration of the new Mortgage), legalised or apostilled;
- (iv) the New Owner executes and delivers a new Mortgage, Security Assignment and Notice of Assignment in favour of the Lender;
  - (i) the Lender receives evidence that the new Mortgage is registered or is capable of immediate registration with first priority against the Vessel at the appropriate ship registry of the Flag State;
  - (ii) the Guarantor confirms in writing to the Lender that the Guarantee remains in full force and effect notwithstanding the change of ownership of the Vessel;
  - (iii) if any Manager is appointed by the New Owner on or before the date of change of ownership:
    - (A) in relation to an External Manager only, a certified copy of the Management Agreement (External Manager) to which it is a party; and
    - (B) a copy of a Manager's Undertaking from each such Manager appointed;
  - (iv) confirmation from the agents in England nominated by the New Owner in the Finance Documents for the acceptance of service of process that they consent to such nomination; and
  - (v) receipt by the Lender of legal opinions in form and substance reasonably satisfactory to it (or confirmation satisfactory to the Lender that such legal opinions will be issued in form and substance satisfactory to it acting reasonably) from:
    - (A) legal counsel to the Owner concerning such matters of the laws of the jurisdiction of incorporation of the New Owner as the Lender may reasonably require; and
    - (B) if the Flag State of the Vessel is to change, legal counsel to the Owner concerning such matters of the laws of the new Flag State as the Lender may reasonably require.

17.4 Except with the prior written consent of the Owner, the Lender shall not at any time before the Loan is advanced to the Owner pursuant to Clause 2:

- (a) assign or transfer all or any of its rights, benefits and obligations under the Finance Documents to any party, financial institution or entity whatsoever; or
- (b) enter into any sub-participation of its rights under this Agreement or any equivalent economic arrangements.

17.5 After the Loan is advanced to the Owner pursuant to Clause 2, the Lender may:

- (a) assign or transfer all or any of its rights, benefits and obligations under the Finance Documents to an Approved Lender; or
- (b) enter into any sub-participation of its rights under this Agreement or any equivalent economic arrangements with an Approved Lender,

subject to the conditions that (i) except in the case of an assignment or transfer to Sembcorp Marine Financial Services Pte Ltd, the Lender must give the Owner a minimum of 20 days' prior notice to the Owner, (ii) where a Quiet Enjoyment Agreement is in effect, the Lender's proposed assignee or transferee enters into an agreement in the same terms in favour of the relevant charterer and (iii) the Lender shall bear all costs reasonably incurred by the Obligors and/or any Internal Charterer in connection with any assignment or transfer pursuant to this Clause 17.5.

The Parties agree that, in the event that the Lender notifies the Owner not less than ten (10) days prior to the expected date of delivery of the Vessel by the Builder to the Owner, that the Lender is to assign or transfer its rights to Sembcorp Marine Financial Services Pte Ltd immediately after the Loan is advanced, the Mortgage, the Security Assignment and any Manager's Undertaking shall be granted directly in favour of Sembcorp Marine Financial Services Pte Ltd as assignee or transferee of the Lender's rights.

17.6 For the purposes of Clause 17.5:

**Approved Lender** means:

- (i) a commercial bank or financial institution which is not a Sanctioned Entity or Distressed Investor and in respect of which
  - (A) no additional Tax Deductions would apply to payments under the Finance Documents by the Owner as a result of any assignment, transfer, sub-participation or equivalent arrangement to such bank; and
  - (B) the Owner (acting reasonably and without unreasonable delay) has completed its standard "know your client" checks; or
- (ii) Sembcorp Marine Financial Services Pte Ltd; or
- (iii) any other person approved in writing by the Owner;

**Distressed Investor** means a person that invests in the Financial Indebtedness of entities at a material discount to the par value of such Financial Indebtedness and/or with a view to acquiring the equity interests in or assets of such entities or their Affiliates;

**Sanctioned Entity** means a person:

- (i) against which any government of the United Kingdom (**UK**), the government of the United States of America (**US**), the United Nations (**UN**) or the European Union (**EU**) maintains economic sanctions or embargoes under statute, executive order or regulations;
- (ii) appearing on any applicable list of prohibited parties maintained by any of the governments of either the UK or the US or maintained by the UN or the EU; or

- (iii) acting or purporting to act, directly or indirectly, on behalf of, or an entity owned or controlled by, any party identified in paragraph (i) or paragraph (ii) above.
- 17.7 The Lender shall procure that, once issued to the Lender's Share Holder, the Lender's Share shall not at any time thereafter be owned or controlled by anyone other than the Lender's Share Holder until terminated and/or redeemed in accordance with Clause 3.3(b), provided that, in connection with any transfer or assignment of the Lender's rights to an Approved Lender under this Clause 17, the Lender may procure the transfer to that Approved Lender or its nominee of the Lender's Share (once issued).
- 17.8 The Lender shall procure that during the Credit Period it shall remain at all times owned and controlled, directly or indirectly, by the Lender's Parent.

18. **NOTICES**

- 18.1 Every notice, consent or approval (individually and collectively called **Communications**) given or required, whether expressly or impliedly, under this Agreement or any other Finance Document shall be in English, in writing and shall be hand delivered (in person or by recognised courier service) or sent by recorded delivery mail to the relevant address set out below or sent by email to the relevant email address below or sent by facsimile to the relevant fax number below.
- 18.2 All Communications to be given under the Finance Documents shall be addressed:

- (a) in the case of the Lender, to it at:

c/o Sembcorp Marine Financial Services Pte Ltd  
80 Tuas South Boulevard,  
Singapore 637051  
Attn: William Gu / Goh Khor Boon William  
Email: william.gu@sembmarine.com / william.goh@sembmarine.com  
Fax: +65 62627243 / +65 62610486

- (b) in the case of the Owner, to it at:

c/o Transocean Offshore Deepwater Holdings Limited  
36c Dr. Roy's Drive, Bermuda House, 4<sup>th</sup> Floor  
P.O. Box 10342  
George Town  
Grand Cayman  
Cayman Islands

Attn: Colin Berryman, President  
Email: Colin.Berryman@deepwater.com  
Fax: +1 (345) 745-4504

with a copy to each of:

Transocean Inc.  
36c Dr. Roy's Drive, Bermuda House, 4<sup>th</sup> Floor  
P.O. Box 10342  
George Town  
Grand Cayman  
Cayman Islands

Attn: Colin Berryman, President  
Email: Colin.Berryman@deepwater.com  
Fax: +1 (345) 745-4504

or, in either case, to such other address, fax or e-mail details as one party may notify from time to time to the other.

- 18.3 Any Communication made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
- (a) if by way of fax or email, when received in legible form; or
  - (b) if by way of letter, when it has been left at the recipient's address

and, if a particular department or officer is specified as part of the recipient's address details provided under Clause 18.2, if addressed to that department or officer.

- 18.4 Any Communication which is received on a non-working day or after 17:30 local time in the place of receipt shall be deemed only to become effective at the opening of business hours on the next working day in the place of receipt.

## 19. MISCELLANEOUS

- 19.1 No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any Finance Document on the part of the Lender shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise of it or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

- 19.2 If at any time one or more of the provisions of any Finance Document is or becomes invalid, illegal or unenforceable in any respect under any law by which it may be governed or affected, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired as a result.

- 19.3 Any waiver by the Lender of any provision of any Finance Document, and any consent or approval given by the Lender under or in respect of any Finance Document, shall only be effective if given in writing and then only strictly for the purpose and upon the terms for which it is given. None of the Finance Documents may be amended or varied orally but only by an instrument signed by the each of the parties to it.

- 19.4 This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.

- 19.5 For the avoidance of doubt a person who is not a signatory to this Agreement may not enforce, or enjoy the benefit of, any of its terms under the Contracts (Rights of Third Parties) Act 1999.

## 20. LAW AND JURISDICTION

- 20.1 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

- 20.2 The Owner irrevocably agrees for the exclusive benefit of the Lender that the English courts shall have jurisdiction in relation to any dispute arising out of or in connection with this Agreement, including a dispute regarding the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement (a **Dispute**), and for such purposes irrevocably submits to the jurisdiction of those courts.

- 20.3 The Owner accepts that the courts of England are the most appropriate and convenient courts to settle Disputes and undertakes that it will not argue to the contrary.

- 20.4 The Owner irrevocably agrees:

- (a) that, for the purpose of any proceedings in England in connection with this Agreement, any legal process may be served upon Wikborg Rein UK Limited whose current registered office is at 30 Cannon Street, London, EC4M 6XH and who, by this

Agreement, is authorised to accept service on the Owner's behalf, which shall be deemed to be good service on the Owner; and

- (b) that, throughout the Credit Period, it will maintain a duly appointed process agent in England, duly notified to the Lender, and that failure by any such process agent to give notice to the Owner of such service shall not impair the validity of that service or of a judgment or order based on it.

20.5 Notwithstanding anything else in this Clause 20, the Parties agree that all Disputes arising under this Agreement before Delivery shall be referred to arbitration in London in accordance with the provisions of the Construction Contract, for which purpose the provisions of Article XV.2 (*Dispute Resolution and Jurisdiction*) of the Construction Contract (other than sub-paragraph (a) and the words "in the event that any such dispute cannot be resolved by the BUYER and the BUILDER'S REPRESENTATIVES within 3 months" in sub-paragraph (b)) shall be deemed to be incorporated in this Agreement and shall apply to this Agreement in all respects as if references therein to the "Builder" and the "Contract" were instead references to the Lender and this Agreement respectively.

**This Agreement** has been entered into on the date stated at the beginning of this Agreement.

**SCHEDULE 1  
PAYMENT INSTALMENT PLANS**

**PART 1 - Payment Instalment Plan No. 1**

No.	Year	Payment Date	Repayment Instalment (USD)
1.	Year 1	Delivery Date + 3 months	0
2.	Year 1	Delivery Date + 6 months	0
3.	Year 1	Delivery Date + 9 months	0
4.	Year 1	Delivery Date + 12 months	0
5.	Year 2	Delivery Date + 15 months	5,000,000
6.	Year 2	Delivery Date + 18 months	5,000,000
7.	Year 2	Delivery Date + 21 months	5,000,000
8.	Year 2	Delivery Date + 24 months	5,000,000
9.	Year 3	Delivery Date + 27 months	5,000,000
10.	Year 3	Delivery Date + 30 months	5,000,000
11.	Year 3	Delivery Date + 33 months	5,000,000
12.	Year 3	Delivery Date + 36 months	5,000,000
13.	Year 4	Delivery Date + 39 months	5,000,000
14.	Year 4	Delivery Date + 42 months	5,000,000
15.	Year 4	Delivery Date + 45 months	5,000,000
16.	Year 4	Delivery Date + 48 months	5,000,000
17.	Year 5	Delivery Date + 51 months	6,880,000
18.	Year 5	Delivery Date + 54 months	6,880,000
19.	Year 5	Delivery Date + 57 months	6,880,000
20.	Year 5	Delivery Date + 60 months	Principal of the Loan then outstanding

**PART 2 - Payment Instalment Plan No. 2**

No.	Year	Payment Date	Instalment Amount (USD)
21.	Year 1	Delivery Date + 3 months	0
22.	Year 1	Delivery Date + 6 months	0
23.	Year 1	Delivery Date + 9 months	0
24.	Year 1	Delivery Date + 12 months	0
25.	Year 2	Delivery Date + 15 months	5,000,000
26.	Year 2	Delivery Date + 18 months	5,000,000
27.	Year 2	Delivery Date + 21 months	5,000,000
28.	Year 2	Delivery Date + 24 months	5,000,000
29.	Year 3	Delivery Date + 27 months	5,000,000
30.	Year 3	Delivery Date + 30 months	5,000,000
31.	Year 3	Delivery Date + 33 months	5,000,000
32.	Year 3	Delivery Date + 36 months	5,000,000
33.	Year 4	Delivery Date + 39 months	5,000,000
34.	Year 4	Delivery Date + 42 months	5,000,000
35.	Year 4	Delivery Date + 45 months	5,000,000
36.	Year 4	Delivery Date + 48 months	5,000,000
37.	Year 5	Delivery Date + 51 months	12,250,000
38.	Year 5	Delivery Date + 54 months	12,250,000
39.	Year 5	Delivery Date + 57 months	12,250,000
40.	Year 5	Delivery Date + 60 months	Principal of the Loan then outstanding



**PART 3 - Instalment Plan No. 3**

No.	Year	Payment Date	Instalment Amount (USD)
41.	Year 1	Delivery Date + 3 months	0
42.	Year 1	Delivery Date + 6 months	0
43.	Year 1	Delivery Date + 9 months	0
44.	Year 1	Delivery Date + 12 months	50,000,000
45.	Year 2	Delivery Date + 15 months	0
46.	Year 2	Delivery Date + 18 months	0
47.	Year 2	Delivery Date + 21 months	0
48.	Year 2	Delivery Date + 24 months	0
49.	Year 3	Delivery Date + 27 months	10,000,000
50.	Year 3	Delivery Date + 30 months	10,000,000
51.	Year 3	Delivery Date + 33 months	10,000,000
52.	Year 3	Delivery Date + 36 months	10,000,000
53.	Year 4	Delivery Date + 39 months	37,500,000
54.	Year 4	Delivery Date + 42 months	37,500,000
55.	Year 4	Delivery Date + 45 months	37,500,000
56.	Year 4	Delivery Date + 48 months	37,500,000
57.	Year 5	Delivery Date + 51 months	49,000,000
58.	Year 5	Delivery Date + 54 months	49,000,000
59.	Year 5	Delivery Date + 57 months	49,000,000
60.	Year 5	Delivery Date + 60 months	Principal of the Loan then outstanding

**PART 4 - Payment Instalment Plan No. 4**

No.	Year	Payment Date	Instalment Amount (USD)
61.	Year 1	Delivery Date + 3 months	0
62.	Year 1	Delivery Date + 6 months	0
63.	Year 1	Delivery Date + 9 months	0
64.	Year 1	Delivery Date + 12 months	0
65.	Year 2	Delivery Date + 15 months	0
66.	Year 2	Delivery Date + 18 months	0
67.	Year 2	Delivery Date + 21 months	0
68.	Year 2	Delivery Date + 24 months	0
69.	Year 3	Delivery Date + 27 months	25,000,000
70.	Year 3	Delivery Date + 30 months	25,000,000
71.	Year 3	Delivery Date + 33 months	25,000,000
72.	Year 3	Delivery Date + 36 months	25,000,000
73.	Year 4	Delivery Date + 39 months	25,000,000
74.	Year 4	Delivery Date + 42 months	25,000,000
75.	Year 4	Delivery Date + 45 months	25,000,000
76.	Year 4	Delivery Date + 48 months	25,000,000
77.	Year 5	Delivery Date + 51 months	26,250,000
78.	Year 5	Delivery Date + 54 months	26,250,000
79.	Year 5	Delivery Date + 57 months	26,250,000
80.	Year 5	Delivery Date + 60 months	26,250,000
81.	Year 6	Delivery Date + 63 months	32,750,000
82.	Year 6	Delivery Date + 66 months	32,750,000
83.	Year 6	Delivery Date + 69 months	32,750,000
84.	Year 6	Delivery Date + 72 months	Principal of the Loan then outstanding

**SCHEDULE 2  
FORM OF QUIET ENJOYMENT AGREEMENT**

[FORM OF DEED OF QUIET ENJOYMENT]

**DATED [●]**

**[TRANSOCEAN ENTITY]**

**- and -**

**[CUSTOMER]**

**- and -**

**SEMBCORP MARINE FINANCIAL SERVICES PTE LTD**

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**DEED OF QUIET ENJOYMENT**

**m.v. "DEEPWATER [●]"**

**DEED OF QUIET ENJOYMENT**

**Dated:** [●]

**BETWEEN:**

- (1) [TRANSOCEAN ENTITY], a company incorporated according to the law of [●] whose registered office is at [●] (the “**Operator**”); and
- (2) [CUSTOMER], a company incorporated according to the law of [●] whose registered office is at [●] (the “**Company**”); and
- (3) **SEMBCORP MARINE FINANCIAL SERVICES PTE LTD**, a company incorporated according to the law of Singapore whose registered office at 80 Tuas South Boulevard, Singapore 637051 (the “**Mortgagee**”).

**WHEREAS:**

- (A) The Operator [and [●] (the “**Affiliate Owner**”) are parties to that certain Bareboat Charter, dated as of [●] (as may be amended, restated, amended and restated, extended, renewed or otherwise modified from time to time), with respect to] [is the owner of] the drilling unit *Deepwater [●]* (the “**Drilling Unit**”).
- (B) The Operator and the Company are parties to a Contract No. [●] dated [●] (the “**Contract**”) for the provision of the Drilling Unit on the terms and conditions contained therein.
- (C) Pursuant to a credit agreement dated [●] 2021 (as amended and novated) now made between the Mortgagee as lender [and the Operator][and [●] (the “**Affiliate Owner**”) as borrower, the Mortgagee has agreed to make available to [the Operator][the Affiliate Owner] a secured term loan facility in the principal amount of up to [●] Dollars (\$[●]) (the “**Loan**”) on the terms and subject to the conditions set out in such credit agreement (the “**Credit Agreement**”).
- (D) Pursuant to the Credit Agreement, (i) the [Operator][Affiliate Owner] has executed and delivered in favour of the Mortgagee a first preferred ship mortgage on the Drilling Unit (the “**Mortgage**”), dated as of the date of this Deed and (ii) the Operator has executed and delivered in favour of the Mortgagee an assignment by way of security of the Earnings (the “**Assignment**”), dated as of the date of this Deed with respect to certain of the Operator’s rights to receive payments of Earnings under the Contract.
- (E) Pursuant to the Assignment, the Operator has executed and delivered to the Company a notice of the assignment of the Earnings contained in the Assignment, such notice being dated as of the date of this Deed (the “**Notice of Assignment**”).
- (F) As a result of clause s [●] of the Contract, the Operator has agreed to procure that the Mortgagee enter into this Deed for the purpose of granting to the Company the right of quiet enjoyment in relation to the Drilling Unit.

THIS DEED WITNESSES as follows:

**1 Definitions and Interpretation**

1.1 In this Deed:

“**the Contract**” means the drilling contract referred to in Recital (B);

“**the Contract Period**” means the period commencing on the date of the Contract and ending on the date when the Drilling Unit is no longer in the service of the Company pursuant to the Contract (whether or not off hire);

“**Earnings**” means all moneys whatsoever (and all claims for such moneys), present and future, which are earned or recoverable by, or become payable to or for the account of, the Operator under the Contract;

“**Event of Default**” shall have meaning given to it in the Credit Agreement;

“**Guarantee**” means the Deed of Guarantee and Indemnity by and between Transocean Inc. and the Mortgagee whereby Transocean Inc. has guaranteed to the Mortgagee the performance of [the Operator][the Affiliate Owner] of its obligations under the Credit Agreement and that is executed pursuant to the terms of the Credit Agreement;

“**Indebtedness**” means the Loan, interest thereon and all other sums due and payable by [the Operator][the Affiliate Owner] to the Mortgagee under the Credit Agreement and the Security Documents;

“**Security Assignment**” means the assignment by and between [the Operator][the Affiliate Owner] and the Mortgagee securing the payment of [Operator][Affiliate Owner]’s indebtedness to the Mortgagee by mortgage over the Drilling Unit, certain insurance and insurance proceeds in the Event of Default;

“**Security Documents**” means this Deed, the Assignment, the Mortgage, the Security Assignment, the Guarantee and, after the execution and delivery thereof, each additional security document that grants a Security Interest in favour of the Mortgagee that is executed pursuant to the terms of the Credit Agreement.

1.2 Interpretation

In this Deed:

- (a) capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Credit Agreement;
- (b) words denoting the plural number include the singular and vice versa;
- (c) words denoting persons include corporations, partnerships, associations of persons (whether incorporated or not) or governmental or quasi-governmental bodies or authorities and vice versa;

[FORM OF DEED OF QUIET ENJOYMENT]

- (d) references to Recitals, Clauses and the Schedule are references to recitals and clauses of, and the schedule to, this Deed;
- (e) references to this Deed include the Recitals and the Schedule;
- (f) the headings and contents page(s) are for the purpose of reference only, have no legal or other significance, and shall be ignored in the interpretation of this Deed;
- (g) references to any document (including, without limitation, to the Credit Agreement and the Contract) are, unless the context otherwise requires, references to that document as amended, supplemented, novated or replaced from time to time;
- (h) references to statutes or provisions of statutes are references to those statutes, or those provisions, as from time to time amended, replaced or re-enacted;
- (i) references to any party to this Deed include its respective successors, transferees and assignees; and
- (j) references to times of day are to London time.

**2 Representations and Warranties**

2.1 Each of the Operator and the Company represents and warrants to each other and the Mortgagee that:

- (a) it is a body corporate, duly constituted and existing and (where applicable) in good standing under the law of its country of incorporation, with perpetual corporate existence and the power to sue and be sued, to own its assets and to carry on its business;
- (b) it is not insolvent or in liquidation or administration or subject to any other insolvency procedure, and no receiver, administrative receiver, administrator, liquidator, trustee or analogous officer has been appointed in respect of it or of all or any part of its assets;
- (c) it has duly authorised, executed and delivered this Deed and, if applicable, the Contract, and this Deed and, if applicable, the Contract, constitute its legal, valid and binding obligations enforceable in accordance with its terms; and
- (d) the execution, delivery and performance of this Deed will not contravene any contractual restriction or any law binding on it.

The Mortgagee represents and warrants to the Company that:

- (a) it is a body corporate, duly constituted and existing and (where applicable) in good standing under the law of its country of incorporation, with perpetual corporate existence.

2.2 Each of the Operator and the Company represents and warrants to each of the other parties hereto:

- (a) there is no litigation, investigation or proceeding pending or, to the knowledge of such party, threatened with respect to the Contract; and
- (b) the Contract is in full force and effect, has not been amended except for the amendments set forth in Schedule I hereto and, to the best of the knowledge and belief of such party, no default has occurred under the Contract and there is no existing condition which, but for the passage of time or the giving of notice, could reasonably be expected to result in a default under the terms of the Contract.

### **3 Acknowledgement**

3.1 The Company by its execution of this Deed acknowledges that:

- (a) it is aware that (i) the Drilling Unit has been mortgaged to the Mortgagee pursuant to the Mortgage; and (ii) the Earnings have been assigned by way of security to the Mortgagee pursuant to the Assignment; and
- (b) it has received the Notice of Assignment.

3.2 Until the Mortgagee gives written notice to the Company otherwise, subject to any express provision of this Deed to the contrary, the Company shall be entitled to deal with the Operator in relation to all matters arising under the Contract as if the Security Documents had not been entered into. For avoidance of doubt, the Company is not a party to and is not bound by the provisions of any Security Document other than this Deed, as the Operator and the Mortgagee hereby acknowledge. Except as expressly provided in Clauses 4.3 and 5, the Company's rights under the Contract remain in full force and effect and shall not be prejudiced by the terms of this Deed.

### **4. Quiet Enjoyment**

4.1 In consideration of the covenants on the part of the Company contained in this Deed and subject always to (i) there having occurred no material breach on the part of the Company under the Contract (beyond any period given to the Company in the Contract to cure such material breach) in consequence of which the Operator is entitled to terminate and has thereafter lawfully terminated the Contract in accordance with its terms including, without limitation, withdrawal of the Drilling Unit from the Contract by the Operator for non-payment of hire, and (ii) the Drilling Unit not having become an actual, agreed, arranged or constructive total loss and being no longer available to the Operator under the terms of the Contract, the Mortgagee irrevocably and unconditionally undertakes that, during and throughout the period of the Contract, irrespective of any breach or default by the Operator, or any insolvency of the Operator, or any other circumstance which might otherwise allow the Mortgagee or anyone claiming under or through the Mortgagee to arrest or take possession or control of the Drilling Unit, neither the Mortgagee nor anyone claiming under or through the Mortgagee shall:

[FORM OF DEED OF QUIET ENJOYMENT]

- (a) interfere with or otherwise disturb in any way the Company's quiet, peaceful and continuing use, possession and employment of the Drilling Unit under the Contract; nor
  - (b) without limitation, take any steps to wind up, liquidate or place in administration or receivership the Operator or commence or continue any analogous proceedings in any jurisdiction in respect of the Operator.
- 4.2 The Mortgagee further undertakes not to exercise any rights it may have against the Drilling Unit or in connection with the Contract and/or the Earnings if an Event of Default occurs except as provided by Clause 4.3 or (in relation to the Earnings only) as provided in the Notice of Assignment.
- 4.3 Upon the occurrence of an Event of Default, the Mortgagee shall promptly notify the Company in writing that an Event of Default has occurred which, but for Clause 4.1, would entitle the Mortgagee to take possession of and/or to sell the Drilling Unit and/or to exercise any right of foreclosure pursuant to the Mortgage and/or exercise any right pursuant to the Assignment. If the Mortgagee so requests in its notice to the Company, and subject to there having occurred no material breach on the part of the Company under the Contract (beyond any period given to the Company in the Contract to cure such material breach), for a period of 15 days after service of such notice by the Mortgagee, the Mortgagee and the Company will consult on the identity of a new counterparty to the Contract, which will be subject to the reasonable approval of the Company (the "**Successor Party**"), and the Company and the Operator will co-operate with the Mortgagee in order to effect a transfer of the rights under the Contract to such Successor Party within a commercially reasonable amount of time after the Successor Party has been identified, provided that:
- (a) the Successor Party and the Mortgagee enter into a Deed of Quiet Enjoyment with the Company in materially identical terms to this Deed; and
  - (b) the Successor Party assumes all the rights and obligations of the Operator under the Contract.

The Mortgagee and the Company each reserve all of their respective rights to exercise all of their respective legal, contractual and equitable rights following the expiration of the 15 day consultation period referenced above in this Clause 4.3 in the event no Successor Party is appointed.

## 5 Covenants

The Company covenants with the Mortgagee:

- (a) that it will not cancel, rescind, terminate or repudiate the Contract or request withdrawal of the Drilling Unit from service under the Contract, without giving the Mortgagee prior written notice and a period equal to and concurrent with the period given to Operator in the Contract to remedy any breach entitling the Company to cancel, rescind, terminate or repudiate the Contract, it being understood and agreed that (i) this Clause shall not apply to any termination of the Contract that shall occur by operation of law without action by either the Operator or the Company, and (ii) notwithstanding the foregoing, in no event will this Clause grant the Mortgagee any rights to remedy any breach of the Contract that was not available to the Operator pursuant to the terms of the Contract;

- (b) that it will not without the prior written consent of the Mortgagee agree to any material amendment to or material modification or variation of the Contract terms and conditions that is materially adverse to the Mortgagee, including material amendments related to the termination fees payable under the Contract, the term of the Contract, or terms of payment under the Contract. For the avoidance of doubt, it is understood that minor technical and administrative changes (including automatic adjustments to the operating rate and other rates and prices, as provided by the Contract, or changes regarding which of the Company's affiliates will make payment to the Operator under the Contract) agreed between the Company and the Operator to the Contract from time to time shall not constitute material amendments or modifications or variations for the purpose of this Clause 5(b).

**6 Notices**

Every notice, request, demand or other communication under this Deed shall:

- (a) be in writing delivered personally or by recognized courier service or by recorded delivery mail or by email transmission;
- (b) be deemed to have been received, subject as otherwise provided in this Deed, in the case of a letter, when delivered to the recipient's address and, in the case of email transmission, at the time of despatch provided that if the date of delivery or despatch is not a business day in the country of the addressee it shall be deemed to have been received at the opening of business on the next such business day; and be sent:

if to be sent to the Operator, to it at

[●]

Attn: [●]

Email [●]

if to be sent to the Company, to it at

[●]

Email: [●]

if to be sent to the Mortgagee, to it at

[●]

Attn: [●]

Email: [●]

or to such other postal address, e-mail address, department or officer as is notified by one party to the other party under this Deed.

**7 Law and Jurisdiction**

- 7.1 This Deed and any Dispute arising out of or in connection with it or its subject matter or formation, including without limitation non-contractual disputes or claims, will be exclusively governed by, and construed in accordance with, the laws of England and Wales

excluding conflict of law rules and choice of law principles that would deem otherwise. Except insofar as otherwise specifically stated in this Deed, each of the Mortgagee, the Operator and the Company retains all rights and remedies, both under the Deed and at law, which it may have against the others.

- 7.2 Any dispute, controversy or claim arising out of or in connection with this Deed or its subject matter or formation, whether in tort, contract, under statute or otherwise, including any question regarding its existence, validity, interpretation, breach or termination, and including any non-contractual claim (a “**Dispute**”), shall be finally and exclusively resolved by arbitration under the arbitration rules of the LCIA (the “**Rules**”), which Rules are deemed to be incorporated by reference into this Deed.
- 7.3 The arbitral tribunal (the “**Tribunal**”) shall consist of three arbitrators, to be appointed in accordance with the Rules.
- 7.4 The seat of the arbitration shall be London, England.
- 7.5 The language of the arbitration shall be English.
- 7.6 The appointing authority shall be the London Court of International Arbitration (the “**LCIA**”).
- 7.7 Any award rendered by the Tribunal shall be made in writing and shall be final and binding on the parties. The parties undertake to carry out the award without delay.
- 7.8 All aspects of the arbitration shall be confidential. Save to the extent required by law or the rules of any stock exchange or pursuant to any proceedings to enforce or challenge an award, no aspect of the proceedings, documentation, or any (partial or final) award or order or any other matter connected with the arbitration shall be disclosed to any other person by either party or its counsel, agents, corporate parents, affiliates or subsidiaries without the prior written consent of the other parties.

## **8 Miscellaneous**

- 8.1 Company has no knowledge of any of the terms and conditions contained in the Credit Agreement and disclaims any responsibility for any such terms and conditions.
- 8.2 As between Company and Operator, in the event of there being any conflict between the Contract and this Deed, the Contract shall prevail.
- 8.3 This Deed may be executed in any number of counterparts each of which shall be original but which shall together constitute the same instrument.
- 8.4 No variation or amendment of this Deed shall be valid unless in writing and signed on behalf of the Operator, the Company and the Mortgagee.
- 8.5 The provisions of this Deed (other than those contained in this Clause 8.5) shall have no effect until this Deed has been dated.
- 8.6 Notwithstanding the provisions of the Contracts (Rights of Third Parties) Act 1999, no term of this Deed is enforceable by a person who is not a party to it.

[FORM OF DEED OF QUIET ENJOYMENT]

**IN WITNESS** of which this Deed has been duly executed and delivered the day and year first before written.

*[insert signature blocks (including witness lines) for the Company, the Operator, and the Mortgagee]*

Schedule I

**Amendments to Contract**

1. [●]
2. [●]



**EXECUTION PAGE**

**THE OWNER**

**SIGNED** )  
by **TRANSOCEAN OFFSHORE DEEPWATER** ) /s/ Colin Berryman  
**HOLDINGS LIMITED** ) .....  
acting by Colin Berryman )

**THE LENDER**

**SIGNED** )  
by **JURONG SHIPYARD PTE LTD** ) /s/ William Gu Weiguang  
acting by William Gu Weiguang ) .....

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## CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeremy D. Thigpen, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 3, 2021

/s/ Jeremy D. Thigpen  
Jeremy D. Thigpen  
President and Chief Executive Officer

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## CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark L. Mey, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 3, 2021

/s/ Mark L. Mey

Mark L. Mey

Executive Vice President and Chief Financial Officer

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**CERTIFICATION PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b)  
OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Jeremy D. Thigpen, President and Chief Executive Officer of Transocean Ltd., a Swiss corporation (the "Company"), hereby certify, to my knowledge, that:

- (1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2021

/s/ Jeremy D. Thigpen  
\_\_\_\_\_  
Jeremy D. Thigpen  
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b)  
OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Mark L. Mey, Executive Vice President and Chief Financial Officer of Transocean Ltd., a Swiss corporation (the "Company"), hereby certify, to my knowledge, that:

- (1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2021

/s/ Mark L. Mey

Mark L. Mey

Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

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