

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

73-0618660

(I.R.S. Employer
Identification No.)

5 Greenway Plaza,
Suite 100, Houston, Texas

(Address of principal executive offices)

77046

(Zip code)

Registrant's telephone number, including area code:
(281) 406-2000

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

Title of Each Class

Common Stock, par value \$0.16 ²/₃ per share

Name of Each Exchange on Which Registered:

New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

(Do not check if a smaller reporting company)

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

The aggregate market value of our common stock held by non-affiliates on June 30, 2014 was \$770.3 million. At February 23, 2015, there were 122,047,336 shares of our common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for the Annual Meeting of Shareholders to be held on May 7, 2015 are incorporated by reference in Part III.

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PART I

Item 1. Business

General

Unless otherwise indicated, the terms "Company," "Parker," "we," "us" and "our" refer to Parker Drilling Company together with its subsidiaries and "Parker Drilling" refers solely to the parent, Parker Drilling Company. Parker Drilling was incorporated in the state of Oklahoma in 1954 after having been established in 1934. In March 1976, the state of incorporation of the Company was changed to Delaware. Our principal executive offices are located at 5 Greenway Plaza, Suite 100, Houston, Texas 77046.

We are an international provider of contract drilling and drilling-related services and rental tools. We have operated in over 50 countries since beginning operations in 1934, making us among the most geographically experienced drilling contractors and rental tools providers in the world. We currently have operations in 23 countries. We own and operate drilling rigs and drilling-related equipment and also perform drilling-related services, referred to as operations and maintenance (O&M) services, for customer-owned drilling rigs on a contracted basis. We have extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. Our rental tools business supplies premium equipment to exploration and production (E&P) companies, drilling contractors and service companies on land and offshore in the United States (U.S.) and select international markets. We believe we are an industry leader in quality, health, safety and environmental practices.

Our business is currently comprised of five reportable segments: Rental Tools, U.S. Barge Drilling, U.S. Drilling, International Drilling, and Technical Services. For information regarding our reportable segments and operations by geographic areas for the years ended December 31, 2014, 2013 and 2012, see Note 12 - Reportable Segments in Item 8. Financial Statements and Supplementary Data and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our Rental Tools Business

Our rental tools business provides premium rental tools and services for land and offshore oil and natural gas drilling, workover and production applications. Tools we provide include drill collars, standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, and pressure control equipment including blow-out preventers (BOPs). We also provide services including fishing, tubular running, inspection and machine shop support. Our U.S. rental tools business is headquartered in New Iberia, Louisiana and our international rental tools business is headquartered in Dubai, United Arab Emirates (UAE). We maintain an inventory of rental tools and provide services to our customers on land and offshore from facilities in Louisiana, Texas, Oklahoma, Wyoming, North Dakota, West Virginia, as well as in the Middle East, Latin America, U.K., Europe, and Asia-Pacific regions.

Our largest single market for rental tools is U.S. land drilling, a cyclical market driven primarily by oil and gas prices and our customers' access to project financing. A growing portion of our U.S. rental tools business is supplying tubular goods and other equipment to offshore Gulf of Mexico (GOM) customers.

Our principal customers are major and independent E&P companies. Generally, rental tools are used for only a portion of a well drilling program and are requested by the customer when they are needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

On April 22, 2013, we completed the acquisition of International Tubular Services Limited (ITS) and related assets (collectively, the ITS acquisition). See Note 2 — Acquisition of ITS in Item 8. Financial Statements and Supplementary Data for further discussion.

Our U.S. Barge Drilling Business

Our U.S. GOM barge drilling rig fleet is the largest marketed barge fleet in the GOM region, with rigs ranging from 1,000 to 3,000 horsepower with drilling depth capabilities ranging from 13,000 to over 30,000 feet. Our rigs drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama and Texas. The majority of these wells are drilled in water depths of 6 to 12 feet. Our rigs are all equipped for zero-discharge operations and are suitable for a variety of drilling programs in inland coastal waters, from along inland waterways requiring shallow draft barges to open water drilling on the continental shelf requiring more robust capabilities. The barge drilling industry in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by oil and gas prices and our customers' access to project financing. Contract terms tend to be well-to-well or multi-well programs, most commonly ranging from 45 to 150 days.

We continue to make investments in our barge drilling fleet to increase its efficiency and safety performance. In the second quarter of 2014 we completed the reconstruction of Rig 55B and acquired a 1,500 horsepower posted barge rig for our GOM drilling fleet.

Our U.S. Drilling Business

Our U.S. drilling business primarily consists of two arctic-class drilling rigs in Alaska designed to address the challenges presented by the remote location, harsh climate and sensitive environment that characterize the Alaskan North Slope, in addition to O&M work in support of a customer's offshore platform operations located in the Channel Islands region of California.

Our International Drilling Business

Our international drilling business includes operations related to Parker-owned and customer-owned rigs. We strive to deploy our fleet of Parker-owned rigs in markets where we expect to have opportunities to keep the rigs consistently utilized and build a sufficient presence to achieve efficient operating scale. We provide O&M and other project management services, such as labor, maintenance, technical and logistics support for operators who own their own drilling rigs, but choose Parker Drilling to operate the rigs for them. During the year ended December 31, 2014 we had rigs operating in Mexico, Colombia, Kazakhstan, Papua New Guinea, Indonesia, the Kurdistan Region of Iraq and Sakhalin Island, Russia. In addition, we have O&M and ongoing project management activities for customer-owned rigs in Abu Dhabi, Sakhalin Island, Russia and Kuwait.

The international drilling markets in which we operate have one or more of the following characteristics:

- customers that typically are major, independent or national oil and natural gas companies or integrated service providers;
- drilling programs in remote locations with little infrastructure requiring a large inventory of spare parts and other ancillary equipment and self-supported service capabilities;
- complex wells and/or harsh environments (such as high pressure, deep depths, hazardous or geologically challenging conditions) requiring specialized equipment and considerable experience to drill;
- drilling contracts that generally cover periods of one year or more;
and
- O&M contracts that are typically in support of multi-year drilling programs.

Our Technical Services Business

Our technical services business includes engineering and related project services during concept development, pre-FEED (Front End Engineering Design) and FEED phases of customer-owned drilling facility projects. During the engineering, procurement, construction, installation and commissioning phases of these projects, we provide project management and procurement services focusing primarily on drilling equipment and drilling systems. As these projects are customer-owned and customer-funded, the technical services business does not typically require significant capital and we believe this business helps to position us for future expansion in the drilling O&M business.

Our technical services business is also our engineering expertise center and provides our ongoing businesses with services similar to those provided to our external customers, including rig design and management of repairs, modifications and upgrades to our existing rig fleet.

Our Business Strategy

We intend to successfully compete in select energy services businesses which benefit our customers' exploration, appraisal and development programs, and in which operational execution is the key measure of success. We will do this by:

- Consistently delivering innovative, reliable, and efficient results that help our customers reduce their operational risks and manage their operating costs; and
- Investing to improve and grow our existing business lines, and to expand the scope of products and services we offer.

Our Core Competencies

We believe our core competencies are the foundation for delivering operational excellence to our customers. Applying and strengthening these core competencies will be a key factor in our success:

Customer-aligned operational excellence: Our daily focus is meeting the needs of our customers. We strive to anticipate our customers' challenges and provide innovative, reliable and efficient solutions to help them achieve their business objectives.

Rapid Personnel Development: Motivated, skilled and effective people are critical to the successful execution of our strategy. We strive to attract and retain the best people, to develop depth and strength in key skills, and to provide a safety-and solutions-oriented workforce to our customers.

Selective and Effective Market Entry: We are selective about the services we provide, geographies in which we operate, and customers we serve. We intend to build Parker's business in markets with the best potential for sustained growth, profitability and operating scale. We are strategic, timely and intentional when we enter new markets and when we grow organically or through acquisition or investments in new business ventures.

Enhanced Asset Management and Predictive Maintenance: We believe well-maintained rigs, equipment and rental tools are critical to providing reliable results for our customers. We employ predictive and preventive maintenance programs and training to sustain high levels of effective utilization and to provide reliable operating performance and efficiency.

Standard, Modular and Configurable Processes and Equipment: To address the challenging and harsh environments in which our customers operate, we develop standardized processes and equipment that can be configured to meet each project's distinct technological requirements. Repeatable processes and modular equipment leverage our investments in assets and employees, increase efficiency and reduce disruption.

We believe there are tangible rewards from delivering value to our customers through superior execution of our core competencies. When we deliver innovative, reliable and efficient solutions aligned with our customers' needs, we believe we are well-positioned to earn premium rates, generate follow-on business and create growth opportunities that enhance our financial performance and advance our strategy.

Customers and Scope of Operations

Our customer base consists of major, independent and national oil and natural gas E&P companies and integrated service providers. Each of our segments depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on a segment. In 2014, our largest customer, Exxon Neftegas Limited accounted for approximately 18.7 percent of our total revenues. For information regarding our reportable segments and operations by geographic areas for the years ended December 31, 2014, 2013 and 2012, see Note 12 - Reportable Segments in Item 8. Financial Statements and Supplementary Data and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Competition

We operate in competitive businesses characterized by high capital requirements, rigorous technological challenges, evolving regulatory requirements and challenges in securing and retaining qualified field personnel.

In rental tools markets, we compete with suppliers both larger and smaller than our own business, some of which are components of larger enterprises. We compete against other rental tools companies based on breadth of inventory, the availability and price of product and quality of service. In the U.S. market, our network of locations provides broad and efficient product availability. In international markets, some business is obtained in conjunction with our drilling and O&M projects.

In drilling markets, most contracts are awarded on a competitive bidding basis and operators often consider reliability, efficiency and safety in addition to price. We have been successful in differentiating ourselves from competitors through our drilling performance and safety record, providing services that help our customers manage their operating costs and mitigate their operational risks.

In international drilling markets, we compete with a number of international drilling contractors as well as local contractors. Although local drilling contractors often have lower labor and mobilization costs, we are generally able to distinguish ourselves from these companies based on our technical expertise, safety performance, quality of service, and experience. We believe our expertise in operating in challenging environments has been a significant factor in securing contracts. In the GOM barge drilling market, we compete with a small number of contractors. We have the largest number and greatest diversity of rigs available in the market, allowing us to provide equipment and services that are well-matched to customers' requirements. We believe the market for drilling contracts will continue to be competitive with continued focus on reliability, efficiency and safety, in addition to price.

Contracts

Rental tools contracts are typically on a dayrate basis with rates determined based on type of equipment and competitive conditions. Rental rates generally apply from the time the equipment leaves our facility until it is returned. Rental contracts generally require the customer to pay for lost-in-hole or damaged equipment.

Most drilling contracts are awarded based on competitive bidding. The rates specified in drilling contracts vary depending upon the type of rig employed, equipment and services supplied, geographic location, term of the contract, competitive conditions and other variables. Our contracts generally provide for an operating dayrate during drilling operations, with lower rates for periods of equipment downtime, customer stoppage, adverse weather or other conditions, and no payment when certain conditions continue beyond contractually established parameters. When a rig mobilizes to or demobilizes from an operating area, the contract typically provides for a different dayrate or specified fixed payments during mobilization or demobilization. The terms of most of our

contracts are based on either a specified period of time or the time required to drill a specified number of wells. The contract term in some instances may be extended by the customer exercising options for an additional time period or for the drilling of additional wells, or by exercising a right of first refusal. Most of our contracts allow termination by the customer prior to the end of the term without penalty under certain circumstances, such as the loss of or major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. Certain contracts require the customer to pay an early termination fee if the customer terminates a contract before the end of the term without cause.

Technical services contracts include engineering, consulting, and project management scopes of work and are typically on a time and materials basis.

Seasonality

Our rigs in the inland waters of the GOM are subject to severe weather during certain periods of the year, particularly during hurricane season from June through November, which could halt operations for prolonged periods or limit contract opportunities during that period. In addition, mobilization, demobilization, or well-to-well movements of rigs in arctic regions can be affected by seasonal changes in weather or weather so severe the conditions are deemed too unsafe to operate.

Insurance and Indemnification

Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, cratering, oil and natural gas well fires and explosions, natural disasters, pollution, mechanical failure and damage or loss during transportation. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. These hazards could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage, which could lead to claims by third parties or customers, suspension of operations and contract terminations. We have had accidents in the past due to some of these hazards.

Our contracts provide for varying levels of indemnification between ourselves and our customers, including with respect to well control and subsurface risks. We also maintain insurance for personal injuries, damage to or loss of equipment and other insurance coverage for various business risks. Our insurance policies are typically 12-month policy periods.

Our insurance program provides coverage, to the extent not otherwise paid by the customer under the indemnification provisions of the drilling or rental tool contract, for liability due to well control events and liability arising from third-party claims, including wrongful death and other personal injury claims by our personnel as well as claims brought on behalf of individuals who are not our employees. Generally, our program provides liability coverage up to \$350.0 million, with retentions of \$1.0 million or less.

Well control events generally include an unintended flow from the well that cannot be contained by using equipment on site (*e.g.*, a BOP), by increasing the weight of drilling fluid or by diverting the fluids safely into production. Our insurance program provides coverage for third-party liability claims relating to sudden and accidental pollution from a well control event up to \$350.0 million per occurrence. A separate limit of \$10.0 million exists to cover the costs of re-drilling of the well and well control costs under a Contingent Operators Extra Expense policy. For our rig based operations, remediation plans are in place to prevent the spread of pollutants and our insurance program provides coverage for removal, response and remedial actions. We retain the risk for liability not indemnified by the customer below the retention and in excess of our insurance coverage.

Based upon a risk assessment and due to the high cost, high self-insured retention and limited coverage for windstorms in the GOM, we have elected not to purchase windstorm insurance for our barge rigs in the GOM. Although we have retained the risk for physical loss or damage for these rigs arising from a named windstorm, we have procured insurance coverage for removal of a wreck caused by a windstorm.

Our contracts provide for varying levels of indemnification from our customers and may require us to indemnify our customers. Liability with respect to personnel and property is customarily assigned on a “knock-for-knock” basis, which means that we and our customers customarily assume liability for our respective personnel and property regardless of fault. In addition, our customers typically indemnify us for damage to our equipment down-hole, and in some cases our subsea equipment, generally based on replacement cost minus some level of depreciation. However, in certain contracts we may assume liability for damage to our customer’s property and other third-party property on the rig and in other contracts we are not indemnified by our customers for damage to their property and, accordingly, could be liable for any such damage under applicable law.

Our customers typically assume responsibility for and indemnify us from any loss or liability resulting from pollution, including clean-up and removal and third-party damages, arising from operations under the contract and originating below the surface of the land or water, including losses or liability resulting from blowouts or cratering of the well. In some contracts,

however, we may have liability for damages resulting from such pollution or contamination caused by our gross negligence or, in some cases, ordinary negligence.

We generally indemnify the customer for legal and financial consequences of spills of industrial waste, lubricants, solvents and other contaminants (other than drilling fluid) on the surface of the land or water originating from our rigs or equipment. We typically require our customers to retain liability for spills of drilling fluid (sometimes called “mud”) which circulates down-hole to the drill bit, lubricates the bit and washes debris back to the surface. Drilling fluid often contains a mixture of synthetics, the exact composition of which is prescribed by the customer based on the particular geology of the well being drilled.

The above description of our insurance program and the indemnification provisions typically found in our contracts is only a summary as of the date hereof and is general in nature. Our insurance program and the terms of our drilling and rental tool contracts may change in the future. In addition, the indemnification provisions of our contracts may be subject to differing interpretations, and enforcement of those provisions may be limited by public policy and other considerations.

If any of the aforementioned operating hazards results in substantial liability and our insurance and contractual indemnification provisions are unavailable or insufficient, our financial condition, operating results or cash flows may be materially adversely affected.

Employees

The following table sets forth the composition of our employee base:

| | December 31, | |
|----------------------------------|--------------|-------|
| | 2014 | 2013 |
| Rental Tools | 1,110 | 1,122 |
| U.S. Barge Drilling | 470 | 444 |
| U.S. Drilling | 223 | 278 |
| International Drilling | 1,370 | 1,291 |
| Technical Services and Corporate | 270 | 260 |
| Total employees | 3,443 | 3,395 |

Environmental Considerations

Our operations are subject to numerous U.S. federal, state, and local laws and regulations, as well as the laws and regulations of other jurisdictions in which we operate, pertaining to the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency (EPA), issue regulations to implement and enforce laws pertaining to the environment, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences; restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities; limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive and other protected areas; require remedial action to clean up pollution from former operations; and impose substantial liabilities for pollution resulting from our operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance could adversely affect our operations and financial position, as well as those of similarly situated entities operating in the same markets. While our management believes that we comply with current applicable environmental laws and regulations, there is no assurance that compliance can be maintained in the future.

As an owner or operator of both onshore and offshore facilities, including mobile offshore drilling rigs in or near waters of the United States, we may be liable for the costs of clean up and damages arising out of a pollution incident to the extent set forth in federal statutes such as the Federal Water Pollution Control Act (commonly known as the Clean Water Act (CWA)), as amended by the Oil Pollution Act of 1990 (OPA); the Clean Air Act (CAA); the Outer Continental Shelf Lands Act (OCSLA); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); the Resource Conservation and Recovery Act (RCRA); the Emergency Planning and Community Right to Know Act (EPCRA); and the Hazardous Materials Transportation Act (HMTA) as well as comparable state laws. In addition, we may also be subject to civil claims arising out of any such incident.

The OPA and related regulations impose a variety of regulations on “responsible parties” related to the prevention of spills of oil or other hazardous substances and liability for damages resulting from such spills. “Responsible parties” include the owner or operator of a vessel, pipeline or onshore facility, or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns liability for oil removal costs and a variety of public and private damages to each responsible party. The OPA also requires some facilities to demonstrate proof of financial responsibility and to prepare an oil spill response plan. Failure

to comply with ongoing requirements or inadequate cooperation in a spill may subject a responsible party to civil or criminal enforcement actions.

The OCSLA authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the Outer Continental Shelf. Specific design and operational standards may apply to Outer Continental Shelf vessels, rigs, platforms, vehicles and structures. The Bureau of Safety and Environmental Enforcement (BSEE) regulates the design and operation of well control and other equipment at offshore production sites, implementation of safety and environmental management systems, and mandatory third-party compliance audits, among other requirements. Violations of environmentally related lease conditions or regulations issued pursuant to the OCSLA can result in substantial civil and criminal penalties as well as potential court injunctions curtailing operations and the cancellation of leases. Such enforcement liabilities, delay or restriction of activities can result from either governmental or citizen prosecution.

Our operations are also governed by laws and regulations related to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require us to obtain certain miscellaneous permits, licenses and certificates with respect to our operations. The kind of permits, licenses and certificates required by our operations depend upon a number of factors. We believe we have the necessary permits, licenses and certificates that are material to the conduct of our existing business.

CERCLA (also known as "Superfund") and comparable state laws impose potential liability without regard to fault or the legality of the activity, on certain classes of persons who are considered to be responsible for the release of "hazardous substances" into the environment. While CERCLA exempts crude oil from the definition of hazardous substances for purposes of the statute, our operations may involve the use or handling of other materials that may be classified as hazardous substances. CERCLA assigns strict liability to a broad class of potentially responsible parties for all response and remediation costs, as well as natural resource damages. In addition, persons responsible for release of hazardous substances under CERCLA may be subject to joint and several liability for the cost of cleaning up the hazardous substances released into the environment and for damages to natural resources.

RCRA and comparable state laws regulate the management and disposal of solid and hazardous wastes. Current RCRA regulations specifically exclude from the definition of hazardous waste "drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal energy." However, these wastes and other wastes may be otherwise regulated by EPA or state agencies. Moreover, ordinary industrial wastes, such as paint wastes, spent solvents, laboratory wastes, and used oils, may be regulated as hazardous waste. Although the costs of managing solid and hazardous wastes may be significant, we do not expect to experience more burdensome costs than competitor companies involved in similar drilling operations.

The CAA and similar state laws and regulations restrict the emission of air pollutants and may also impose various monitoring and reporting requirements. In addition, those laws may require us to obtain permits for the construction, modification, or operation of certain projects or facilities and the utilization of specific equipment or technologies to control emissions. For example, the EPA has adopted regulations known as "RICE MACT" that require the use of "maximum achievable control technology" to reduce formaldehyde and other emissions from certain stationary reciprocating internal combustion engines, which can include portable engines used to power drilling rigs.

Some scientific studies have suggested that emissions of certain gases including carbon dioxide and methane, commonly referred to as "greenhouse gases" (GHGs), may be contributing to the warming of the atmosphere resulting in climate change. There are a variety of legislative and regulatory developments, proposals, requirements, and initiatives that have been introduced in the U.S. and international regions in which we operate that are intended to address concerns that emissions of GHGs are contributing to climate change and these may increase costs of compliance for our drilling services or our customer's operations. Among these developments, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change established a set of emission targets for GHGs that became binding on all those countries that had ratified it.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations and result in a disruption of our customers' operations.

Executive Officers

Officers are elected each year by the board of directors following the annual shareholders' meeting for a term of one year or until the election and qualification of their successors. The current executive officers of the Company and their ages, positions with the Company and business experience are presented below:

- *Gary G. Rich, 56*, joined the Company in October 2012 as the president and chief executive officer. Mr. Rich also serves as Chairman of the Company's board of directors. He is an industry veteran with over 30 years of global technical, commercial and operations experience. Mr. Rich came to Parker Drilling after a 25-year career with Baker Hughes Incorporated. Mr. Rich served as vice president of global sales for Baker Hughes from August 2011 to October 2012, and prior to that role, he served as president of that company's European operations from April 2009 to August 2011. Previously, Mr. Rich was president of Hughes Christensen Company (HCC), a division of Baker Hughes primarily focused on the production and distribution of drilling bits for the petroleum industry.
- *Christopher T. Weber, 42*, joined the Company in May 2013 as the senior vice president and chief financial officer. Prior to joining the Company, Mr. Weber served as the vice president and treasurer of Ensco plc., a public offshore drilling company, from 2011 to May 2013. From 2009 to 2011, Mr. Weber served as vice president, operations for Pride International, Inc., prior to which he served as director, corporate planning and development from 2006 to 2009.
- *Jon-Al Duplantier, 47*, is the senior vice president, chief administrative officer, general counsel, and secretary of the Company, a position held since 2013. Mr. Duplantier has over 19 years' experience in the oil and gas industry. Mr. Duplantier joined the Company in 2009 as vice president and general counsel. From 1995 to 2009, Mr. Duplantier served in several legal and business roles at ConocoPhillips, including senior counsel – Exploration and Production, vice president and general counsel – Conoco Phillips Indonesia, and vice president and general counsel – Dubai Petroleum Company. Prior to joining ConocoPhillips, he served as a patent attorney for DuPont from 1992 to 1995.
- *David R. Farmer, 53*, was appointed the senior vice president, Europe, Middle East, and Asia (EMEA) in early 2014. He joined the Company in 2011 as vice president of operations. Mr. Farmer has over 20 years' experience in the upstream oilfield services business working in executive, engineering, operational, marketing, account management, planning, and general management roles in Europe, the Middle East, North America and South America. From 1991 to 2011, Mr. Farmer served in various positions at Schlumberger, including vice president and global account director – Schlumberger Ltd. The Netherlands, vice president and general manager – Schlumberger Oilfield Service Qatar, global marketing manager – Schlumberger Drilling & Measurement Division, Houston, Texas. Most recently, Mr. Farmer was responsible for Demand Planning management and the development of long term tactical resource plans for Schlumberger's Drilling & Measurement division.
- *Philip L. Agnew, 46*, has served as the Company's senior vice president and chief technical officer since 2013. He joined the Company in December 2010 as vice president of technical services. Mr. Agnew has more than 20 years' experience in design, construction and project management. From 2003 to 2010, Mr. Agnew held the position of President at Aker MH, Inc., a business unit of Aker Solutions AS. From 1998 to 2003, Mr. Agnew served as Project Manager and then vice president – Project Development at Signal International (previously Friede Goldman Offshore; TDI-Halter LP; Texas Drydock, Inc.). Prior to his career at Signal International, Mr. Agnew served a variety of leadership roles at Schlumberger Sedco Forex International Resources, Interface Consulting International, Inc., and Brown & Root, Inc.

Other Parker Drilling Company Officers

- *Leslie K. Nagy, 40*, was appointed principal accounting officer and controller on April 1, 2014. Ms. Nagy served as director of finance and assistant controller of the Company from December 2012 through March 2014, as assistant controller of the Company from May 2011 to December 2012, and as manager of external reporting and general accounting of the Company from August 2010 to May 2011. Prior to joining Parker Drilling, Mrs. Nagy worked for Ernst & Young LLP from 1997 to 2010.
- *Philip A. Schlom, 50*, was named vice president, global compliance and internal audit, effective December 2014. He joined the Company in 2009 as principal accounting officer and corporate controller. From 2008 to 2009, he held the position of vice president and corporate controller for Shared Technologies Inc. From 1997 to 2008, Mr. Schlom held several senior financial positions at Flowserve Corporation, a leading manufacturer of pumps, valves and seals for the energy sector. From 1988 through 1997, Mr. Schlom worked at the public accounting firm PricewaterhouseCoopers.
- *David W. Tucker, 59*, treasurer, joined the Company in 1978 as a financial analyst and served in various financial and accounting positions before being named chief financial officer of our formerly wholly-owned subsidiary, Hercules Offshore Corporation, in February 1998. Mr. Tucker was named treasurer of the Company in 1999.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are made available free of charge on our website at <http://www.parkerdrilling.com> as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC). The public may read and copy any materials we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Additionally, our reports, proxy and information statements and our other SEC filings are available on an Internet website maintained by the SEC at <http://www.sec.gov>.

Item 1A. Risk Factors

Our businesses involve a high degree of risk. You should consider carefully the risks and uncertainties described below and the other information included in this Form 10-K, including Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data. While these are the risks and uncertainties we believe are most important for you to consider, you should know that they are not the only risks or uncertainties facing us or which may adversely affect our business. If any of the following risks or uncertainties actually occurs, our business, financial condition or results of operations could be adversely affected.

Demand for the majority of our services is substantially dependent on the levels of expenditures by the oil and gas industry. A substantial or an extended decline in oil and gas prices could result in lower expenditures by the oil and gas industry, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Demand for the majority of our services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil or natural gas reserves. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Declines in oil and natural gas prices could result in project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us, any of which could have a material adverse effect on our financial condition, results of operations and cash flows. The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our financial condition, results of operations and cash flows. As a result of recent decreases in oil and gas prices, many of our customers have announced reduced capital spending budgets for 2015, and further reductions in oil and gas prices or prices remaining at current levels for a prolonged period may result in further capital budget reductions.

Oil and natural gas prices impact demand for our services. Decreases in prices for crude oil and natural gas or other factors may reduce demand for our services and substantially reduce our profitability or result in losses.

The success of our operations is significantly dependent upon the exploration and development activities of the major, independent and national oil and natural gas E&P companies and large integrated service companies that comprise our customer base. Oil and natural gas prices and market expectations regarding potential changes in these prices can be extremely volatile. Increases or decreases in oil and natural gas prices and expectations of future prices could have an impact on our customers' long-term exploration and development activities, which in turn could materially affect our business and financial performance. Higher oil and gas prices do not necessarily result immediately in increased drilling activity because our customers' expectations of future oil and gas prices typically drive demand for our drilling services.

Oil and gas prices declined significantly in the fourth quarter of 2014. Downward pressure on oil and gas prices has continued in 2015 and may continue for the foreseeable future. Any prolonged reduction in oil and gas prices will depress immediate levels of exploration, development and production activity, which could have a material adverse effect on our business, results of operations and financial condition.

Oil and gas prices and demand for our services also depends upon numerous factors which are beyond our control, including:

- the demand for oil and natural gas;
- the cost of exploring for, producing and delivering oil and natural gas;
- expectations regarding future energy prices;
- advances in exploration, development and production technology;
- the adoption or repeal of laws and government regulations, both in the United States and other countries;
- the imposition or lifting of economic sanctions against certain regions, persons and other entities;

- the number of ongoing and recently completed rig construction projects which may create overcapacity;
- local and worldwide military, political and economic events, including events in the oil producing regions of Africa, the Middle East, Russia, Central Asia, Southeast Asia and Latin America;
- the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels and prices;
- the level of production by non-OPEC countries;
- weather conditions;
- expansion or contraction of worldwide economic activity, which affects levels of consumer and industrial demand;
- the rate of discovery of new oil and natural gas reserves;
- domestic and foreign tax policies;
- acts of terrorism in the United States or elsewhere;
- the development and use of alternative energy sources; and
- the policies of various governments regarding exploration and development of their oil and natural gas reserves.

A slowdown in economic activity may result in lower demand for our drilling and drilling related services and rental tools business, and could have a material adverse effect on our business.

A slowdown in economic activity in the United States or abroad could lead to uncertainty in corporate credit availability and capital market access and could reduce worldwide demand for energy and result in lower crude oil and natural gas prices. Our business depends to a significant extent on the level of international onshore drilling activity and GOM inland and offshore drilling activity for oil and natural gas. Depressed oil and natural gas prices from lower demand as a result of slow or negative economic growth would reduce the level of exploration, development and production activity, all of which could cause our revenues and margins to decline, decrease dayrates and utilization of our rigs and use of our rental tools and limit our future growth prospects. Any significant decrease in dayrates or utilization of our rigs or use of our rental tools could materially reduce our revenue and profitability. In addition, current and potential customers who depend on financing for their drilling projects may be forced to curtail or delay projects and may also experience an inability to pay suppliers and service providers, including us. Likewise, economic conditions in the United States or abroad could impact our vendors' and suppliers' ability to meet obligations to provide materials and services in general. All of these factors could have a material adverse effect on our business and financial results.

Rig upgrade, refurbishment and construction projects are subject to risks and uncertainties, including delays and cost overruns, which could have an adverse impact on our results of operations and cash flows.

We regularly make significant expenditures in connection with upgrading and refurbishing our rig fleet. These activities include planned upgrades to maintain quality standards, routine maintenance and repairs, changes made at the request of customers, and changes made to comply with environmental or other regulations. Rig upgrade, refurbishment and construction projects are subject to the risks of delay or cost overruns inherent in any large construction project, including the following:

- shortages of equipment or skilled labor;
- unforeseen engineering problems;
- unanticipated change orders;
- work stoppages;
- adverse weather conditions;
- unexpectedly long delivery times for manufactured rig components;
- unanticipated repairs to correct defects in construction not covered by warranty;
- failure or delay of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor or raw materials, particularly steel;
- disputes with customers, shipyards or suppliers;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;

- financial or other difficulties with current customers at shipyards and suppliers;
- loss of revenue associated with downtime to remedy malfunctioning equipment not covered by warranty;

- unanticipated cost increases;
- loss of revenue and payments of liquidated damages for downtime to perform repairs associated with defects, unanticipated equipment refurbishment and delays in commencement of operations; and
- lack of ability to obtain the required permits or approvals, including import/export documentation.

Any one of the above risks could adversely affect our financial condition and results of operations. Delays in the delivery of rigs being constructed or undergoing upgrade, refurbishment or repair may, in many cases, delay commencement of a drilling contract resulting in a loss of revenue to us, and may also cause our customer to renegotiate the drilling contract for the rig or terminate or shorten the term of the contract under applicable late delivery clauses, if any. If one of these contracts is terminated, we may not be able to secure a replacement contract on as favorable terms, if at all. Additionally, actual expenditures for required upgrades or to refurbish or construct rigs could exceed our planned capital expenditures, impairing our ability to service our debt obligations.

Failure to attract and retain skilled and experienced personnel could affect our operations.

We require skilled, trained and experienced personnel to provide our customers with the highest quality technical services and support for our drilling operations. We compete with other oilfield services businesses and other employers to attract and retain qualified personnel with the technical skills and experience we require. Competition for skilled labor and other labor required for our operations intensifies as the number of rigs activated or added to worldwide fleets or under construction increases, creating upward pressure on wages. In periods of high utilization, we have found it more difficult to find and retain qualified individuals. A shortage in the available labor pool of skilled workers or other general inflationary pressures or changes in applicable laws and regulations could make it more difficult for us to attract and retain personnel and could require us to enhance our wage and benefits packages. Increases in our operating costs could adversely affect our business and financial results. Moreover, the shortages of qualified personnel or the inability to obtain and retain qualified personnel could negatively affect the quality, safety and timeliness of our operations.

Our debt levels and debt agreement restrictions may limit our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2014, we had:

- \$615.0 million of long-term debt, including \$10.0 million of current portion of long-term debt;
- \$47.7 million of operating lease commitments; and
- \$11.0 million of standby letters of credit.

Our ability to meet our debt service obligations depends on our ability to generate positive cash flows from operations. We have in the past, and may in the future, incur negative cash flows from one or more segments of our operating activities. Our future cash flows from operating activities will be influenced by the demand for our drilling services, the utilization of our rigs, the dayrates that we receive for our rigs, demand for our rental tools, oil and gas prices, general economic conditions and financial, business and other factors affecting our operations, many of which are beyond our control.

If we are unable to service our debt obligations, we may have to take one or more of the following actions:

- delay spending on capital projects, including maintenance projects and the acquisition or construction of additional rigs, rental tools and other assets;
- sell equity or assets; and
- restructure or refinance our debt.

Additional indebtedness or equity financing may not be available to us in the future for the refinancing or repayment of existing indebtedness, or if available, such additional indebtedness or equity financing may not be available on a timely basis, or on terms acceptable to us and within the limitations specified in our then existing debt instruments. In addition, in the event we decide to sell assets, we can provide no assurance as to the timing of any asset sales or the proceeds that could be realized from any such asset sale. Our ability to generate sufficient cash flow from operating activities to pay the principal of and interest on our indebtedness is subject to certain market conditions and other factors which are beyond our control.

Increases in the level of our debt and restrictions in the covenants contained in the instruments governing our debt could have important consequences to you. For example, they could:

- result in a reduction of our credit rating, which would make it more difficult for us to obtain additional financing on acceptable terms;

- require us to dedicate a substantial portion of our cash flows from operating activities to the repayment of our debt and the interest associated with our debt;
- limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt and creating liens on our properties;
- place us at a competitive disadvantage compared with our competitors that have relatively less debt; and
- make us more vulnerable to downturns in our business.

Our current operations and future growth may require significant additional capital, and the amount of our indebtedness could impair our ability to fund our capital requirements.

Our business requires substantial capital. We may require additional capital in the event of growth opportunities, unanticipated maintenance requirements or significant departures from our current business plan.

Additional financing may not be available on a timely basis or on terms acceptable to us and within the limitations contained in our Second Amended and Restated Credit Agreement (2015 Secured Credit Agreement) and the indentures governing our outstanding 7.50% Senior Notes due 2020 (7.50% Notes) and 6.75% Senior Notes due 2022 (6.75% Notes, and collectively with the 7.50% Notes, the Senior Notes). Failure to obtain additional financing, should the need for it develop, could impair our ability to fund capital expenditure requirements and meet debt service requirements and could have an adverse effect on our business.

Our 2015 Secured Credit Agreement and the indentures for our Senior Notes impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some actions.

The 2015 Secured Credit Agreement and the indentures governing our senior notes impose significant operating and financial restrictions on us. These restrictions limit our ability to:

- make investments and other restricted payments, including dividends;
- incur additional indebtedness;
- create liens;
- engage in sale leaseback transactions;
- sell our assets or consolidate or merge with or into other companies; and
- engage in transactions with affiliates.

These limitations are subject to a number of important qualifications and exceptions. Our 2015 Secured Credit Agreement also requires us to maintain ratios for consolidated leverage, asset coverage, consolidated interest coverage, and consolidated senior secured leverage. These covenants may adversely affect our ability to finance our future operations and capital needs and to pursue available business opportunities. A breach of any of these covenants could result in a default with respect to the related indebtedness. If a default were to occur, the lenders under our 2015 Secured Credit Agreement and the holders of our Senior Notes could elect to declare the indebtedness, together with accrued interest, immediately due and payable. If the repayment of the indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness.

Certain of our contracts are subject to cancellation by our customers without penalty and with little or no notice.

Certain of our contracts are subject to cancellation by our customers without penalty and with relatively little or no notice. In some cases our customers may terminate without cause. When drilling market conditions are depressed, a customer may no longer need a rig or rental tools that is currently under contract or may be able to obtain comparable equipment at lower dayrates. Further, due to government actions, a customer may no longer be able to operate in, or it may not be economical to operate in, certain regions. As a result, customers may leverage their termination rights in an effort to renegotiate contract terms.

Our customers may also seek to terminate contracts for cause, such as the loss of or a major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. If we experience operational problems or if our equipment fails to function properly and cannot be repaired promptly, our customers will not be able to engage in drilling operations and may have the right to terminate the contracts. If equipment is not timely delivered to a customer or does not pass acceptance testing, a customer may in certain circumstances have the right to terminate the contract. The payment of a termination fee may not fully compensate us for the loss of the contract. Early termination of a contract may result in a rig or other equipment being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. The cancellation or renegotiation of a number of our contracts could materially reduce our revenue and profitability.

We rely on a small number of customers and the loss of a significant customer could adversely affect us.

A substantial percentage of our revenues are generated from a relatively small number of customers and the loss of a significant customer could adversely affect us. In 2014, our largest customer, Exxon Neftegas Limited accounted for approximately 18.7 percent of our total revenues. Our drilling business depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on the business. Our consolidated results of operations could be adversely affected if any of our significant customers terminate their contracts with us, fail to renew our existing contracts or refuse to award new contracts to us.

The contract drilling and the rental tools businesses are highly competitive and cyclical, with intense price competition.

The contract drilling and rental tools markets are highly competitive and many of our competitors in both the contract drilling and rental tools businesses may possess greater financial resources than we do. Some of our competitors also are incorporated in countries that may provide them with significant tax advantages that are not available to us as a U.S. company and which may impair our ability to compete with them for many projects.

Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Many drilling and workover rigs can be moved from one region to another in response to changes in levels of activity, provided market conditions warrant, which may result in an oversupply of rigs in an area. Many competitors have constructed numerous rigs during periods of high energy prices and, consequently, the number of rigs available in some of the markets in which we operate has exceeded the demand for rigs for extended periods of time, resulting in intense price competition. Most drilling contracts are awarded on the basis of competitive bids, which also results in price competition. Historically, the drilling service industry has been highly cyclical, with periods of high demand, limited equipment supply and high dayrates often followed by periods of low demand, excess equipment supply and low dayrates. Periods of low demand and excess equipment supply intensify the competition in the industry and often result in equipment being idle for long periods of time. During periods of decreased demand we typically experience significant reductions in dayrates and utilization. The Company, or its competition, may move rigs or other equipment from one geographic location to another location; the cost of which may be substantial. If we experience reductions in dayrates or if we cannot keep our equipment utilized, our financial performance will be adversely impacted. Prolonged periods of low utilization and dayrates could result in the recognition of impairment charges on certain of our rigs if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs may not be recoverable.

Our international operations are subject to governmental regulation and other risks.

We derive a significant portion of our revenues from our international operations. In 2014, we derived approximately 50.0 percent of our revenues from operations in countries other than the United States. Our international operations are subject to the following risks, among others:

- political, social and economic instability, war, terrorism and civil disturbances;
- economic sanctions imposed by the U.S. government against other countries, groups, or individuals, or economic sanctions imposed by other governments against the U.S. or businesses incorporated in the U.S.;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- expropriation, confiscatory taxation and nationalization of our assets;
- foreign laws and governmental regulation, including inconsistencies and unexpected changes in laws or regulatory requirements, and changes in interpretations or enforcement of existing laws or regulations;
- increases in governmental royalties;
- import-export quotas or trade barriers;
- hiring and retaining skilled and experienced workers, some of whom are represented by foreign labor unions;
- work stoppages;
- damage to our equipment or violence directed at our employees, including kidnapping;
- piracy of vessels transporting our people or equipment;
- unfavorable changes in foreign monetary and tax policies;
- solicitation by government officials for improper payments or other forms of corruption;
- foreign currency fluctuations and restrictions on currency

repatriation;

- repudiation, nullification, modification or renegotiation of contracts; and

- other forms of governmental regulation and economic conditions that are beyond our control.

We currently have operations in 23 countries. Our operations are subject to interruption, suspension and possible expropriation due to terrorism, war, civil disturbances, political and capital instability and similar events, and we have previously suffered loss of revenue and damage to equipment due to political violence. Civil and political disturbances in international locations may affect our operations. We may not be able to obtain insurance policies covering risks associated with these types of events, especially political violence coverage, and such policies may only be available with premiums that are not commercially reasonable.

Our international operations are subject to the laws and regulations of a number of countries with political, regulatory and judicial systems and regimes that may differ significantly from those in the U.S. Our ability to compete in international contract drilling and rental tool markets may be adversely affected by foreign governmental regulations and/or policies that favor the awarding of contracts to contractors in which nationals of those foreign countries have substantial ownership interests or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Furthermore, our foreign subsidiaries may face governmentally imposed restrictions or fees from time to time on the transfer of funds to us.

In addition, tax and other laws and regulations in some foreign countries are not always interpreted consistently among local, regional and national authorities, which can result in disputes between us and governing authorities. The ultimate outcome of these disputes is never certain, and it is possible that the outcomes could have an adverse effect on our financial performance.

A portion of the workers we employ in our international operations are members of labor unions or otherwise subject to collective bargaining. We may not be able to hire and retain a sufficient number of skilled and experienced workers for wages and other benefits that we believe are commercially reasonable.

We may experience currency exchange losses where revenues are received or expenses are paid in nonconvertible currencies or where we do not take protective measures against exposure to a foreign currency. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. Given the international scope of our operations, we are exposed to risks of currency fluctuation and restrictions on currency repatriation. We attempt to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts payable in U.S. dollars or freely convertible foreign currency. In addition, some parties with which we do business could require that all or a portion of our revenues be paid in local currencies. Foreign currency fluctuations, therefore, could have a material adverse effect upon our results of operations and financial condition.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import activities are governed by the unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U.S., control the export and re-export of certain goods, services and technology and impose related export recordkeeping and reporting obligations. Governments may also impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities. The laws and regulations concerning import activity, export recordkeeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations can cause delays in shipments and unscheduled operational downtime. Moreover, any failure to comply with applicable legal and regulatory trading obligations could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from governmental contracts, seizure of shipments and loss of import and export privileges.

Failure to comply with anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, could result in fines, criminal penalties, negative commercial consequences and an adverse effect on our business.

The U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act 2010 and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments or providing improper benefits for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-corruption laws. However, we operate in many parts of the world that experience corruption. If we are found to be liable for violations of these laws either due to our own acts or our omissions or due to the acts or omissions of others (including our joint ventures partners, our agents or other third party representatives), we could suffer from commercial, civil and criminal penalties or other sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

We are not fully insured against all risks associated with our business.

We ordinarily maintain insurance against certain losses and liabilities arising from our operations. However, we do not insure against all operational risks in the course of our business. Due to the high cost, high self-insured retention and limited coverage insurance for windstorms in the GOM we have elected not to purchase windstorm insurance for our inland barges in the GOM. Although we have retained the risk for physical loss or damage for these rigs arising from a named windstorm we have procured insurance coverage for removal of a wreck caused by a windstorm. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial position and results of operations.

We are subject to hazards customary for drilling operations, which could adversely affect our financial performance if we are not adequately indemnified or insured.

Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, cratering, oil and natural gas well fires and explosions, natural disasters, pollution, mechanical failure and damage or loss during transportation. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. These hazards could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage, which could lead to claims by third parties or customers, suspension of operations and contract terminations. We have had accidents in the past due to some of these hazards. We may not be able to insure against these risks or to obtain indemnification to adequately protect us against liability from all of the consequences of the hazards and risks described above. The occurrence of an event not fully insured against or for which we are not indemnified, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not continue to be available to cover any or all of these risks. For example, pollution, reservoir damage and environmental risks generally are not fully insurable. Even if such insurance is available, insurance premiums or other costs may rise significantly in the future, making the cost of such insurance prohibitive. For a description of our indemnification obligations and insurance, see Item 1. Business — Insurance and Indemnification.

Certain areas in and near the GOM are subject to hurricanes and other extreme weather conditions. When operating in and near the GOM, our drilling rigs and rental tools may be located in areas that could cause them to be susceptible to damage or total loss by these storms. In addition, damage caused by high winds and turbulent seas to our rigs, our shore bases and our corporate infrastructure could potentially cause us to curtail operations for significant periods of time until the effects of the damages can be repaired. In addition, our rigs in arctic regions can be affected by seasonal weather so severe, conditions are deemed too unsafe for operations.

Government regulations may reduce our business opportunities and increase our operating costs.

Government regulations control and often limit access to potential markets and impose extensive requirements concerning employee privacy and safety, environmental protection, pollution control and remediation of environmental contamination. Environmental regulations, including species protections, prohibit access to some locations and make others less economical, increase equipment and personnel costs, and often impose liability without regard to negligence or fault. In addition, governmental regulations, such as those related to climate change, may discourage our customers' activities, reducing demand for our products and services. We may be liable for damages resulting from pollution of offshore waters and, under United States regulations, must establish financial responsibility in order to drill offshore. See Item 1. Business — Environmental Considerations.

Regulation of greenhouse gases and climate change could have a negative impact on our business.

Some scientific studies have suggested that emissions of certain gases, commonly referred to as "greenhouse gases" (GHGs) and including carbon dioxide and methane, may be contributing to warming of the earth's atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide. Legislative and regulatory measures to address concerns that emissions of GHGs are contributing to climate change are in various phases of discussions or implementation at the international, national, regional and state levels.

Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business. In addition to potential impacts on our business directly or indirectly resulting from climate-change legislation or regulations, our business also could be negatively affected by climate-change related physical changes or changes in weather patterns. An increase in severe weather patterns could result in damages to or loss of our rigs, impact our ability to conduct our operations and/or result in a disruption of our customers' operations.

We are regularly involved in litigation, some of which may be material.

We are regularly involved in litigation, claims and disputes incidental to our business, which at times may involve claims for significant monetary amounts, some of which would not be covered by insurance. We undertake all reasonable steps to defend ourselves in such lawsuits. Nevertheless, we cannot predict the ultimate outcome of such lawsuits and any resolution which is adverse to us could have a material adverse effect on our financial condition. See Note 13 - Commitments and Contingencies in Item 8. Financial Statements and Supplementary Data for a discussion of the material legal proceedings affecting us.

A catastrophic event could occur, materially impacting our liquidity, results of operations, and financial condition.

Our services are performed in harsh environments, and the work we perform can be dangerous. Catastrophic events such as a well blowout, fire, or explosion can occur, resulting in property damage, personal injury, death, pollution, and environmental damage. Typically, we are indemnified by our customers for injuries and property damage resulting from these types of events (except for injury to our employees and subcontractors and property damage to ours and our subcontractors' equipment). However, we could be exposed to significant loss if adequate indemnity provisions or insurance are not in place, if indemnity provisions are unenforceable or otherwise invalid, or if our customers are unable or unwilling to satisfy any indemnity obligations.

Increased regulation of hydraulic fracturing could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact the demand for rental tools.

Hydraulic fracturing is a process sometimes used in the completion of oil and natural gas wells whereby water, other liquids, sand and chemicals are injected under pressure into subsurface formations to stimulate natural gas and, to a lesser extent, oil production. Various governmental entities (within and outside the United States) are in the process of studying, restricting, regulating, or preparing to regulate hydraulic fracturing, directly and indirectly. For example, many state governments now require the disclosure of chemicals used in the fracturing process. The U.S. EPA has taken the position that hydraulic fracturing operations involving the use of diesel fuel in fracturing fluids are subject to permitting requirements under the Safe Drinking Water Act; has adopted air emissions standards that apply to well completion activities; is developing new standards for wastewater discharges associated with hydraulic fracturing; and is conducting a study on the impacts of hydraulic fracturing on groundwater. The Bureau of Land Management has also proposed regulations for hydraulic fracturing activities that would be unique to federal lands. In addition, some jurisdictions have imposed an express or de facto ban on hydraulic fracturing. These and other developments could cause operational delays or increased costs in exploration and production, which could adversely affect the demand for our rental tools.

A cybersecurity incident could negatively impact our business and our relationships with customers.

If our systems for protecting against cybersecurity risks prove not to be sufficient, we could be adversely affected by, among other things, loss or damage of intellectual property, proprietary information, or customer data, having our business operations interrupted, and increased costs to prevent, respond to, or mitigate cybersecurity attacks. These risks could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

Our acquisitions, dispositions, and investments may not result in the realization of savings, the creation of efficiencies, the generation of cash or income, or the reduction of risk, which may have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

We continually seek opportunities to maximize efficiency and value through various transactions, including purchases or sales of assets, businesses, investments, or joint ventures. These transactions are intended to result in the realization of savings, the creation of efficiencies, the offering of new products or services, the generation of cash or income, or the reduction of risk. Acquisition transactions may be financed by additional borrowings or by the issuance of our common stock. These transactions may also affect our consolidated results of operations.

These transactions also involve risks, and we cannot ensure that:

- any acquisitions would result in an increase in income or earnings per share;
- any acquisitions would be successfully integrated into our operations and internal controls;
- the due diligence prior to an acquisition would uncover situations that could result in financial or legal exposure, or that we will appropriately quantify the exposure from known risks;
- any disposition would not result in decreased earnings, revenue, or cash flow;
- use of cash for acquisitions would not adversely affect our cash available for capital expenditures and other uses;
- any dispositions, investments, acquisitions, or integrations would not divert management resources;
or
- any dispositions, investments, acquisitions, or integrations would not have a material adverse effect on our results of operations or financial condition.

The market price of our common stock has fluctuated significantly.

The market price of our common stock may continue to fluctuate in response to various factors and events, most of which are beyond our control, including the following:

- the other risk factors described in this Form 10-K, including changes in oil and natural gas prices;
- a shortfall in rig utilization, operating revenue or net income from that expected by securities analysts and investors;
- changes in securities analysts' estimates of the financial performance of us or our competitors or the financial performance of companies in the oilfield service industry generally;
- changes in actual or market expectations with respect to the amounts of exploration and development spending by oil and natural gas companies;
- general conditions in the economy and in energy-related industries;
- general conditions in the securities markets;
- political instability, terrorism or war; and
- the outcome of pending and future legal proceedings, investigations, tax assessments and other claims.

DISCLOSURE NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act). All statements contained in this Form 10-K, other than statements of historical facts, are forward-looking statements for purposes of these provisions, including any statements regarding:

- stability or volatility of prices and demand for oil and natural gas;
- levels of oil and natural gas exploration and production activities;
- demand for contract drilling and drilling-related services and demand for rental tools and related services;
- our future operating results and profitability;
- our future rig utilization, dayrates and rental tools activity;
- entering into new, or extending existing, drilling or rental contracts and our expectations concerning when operations will commence under such contracts;
- entry into new markets or potential exit from existing markets;
- growth through acquisitions of companies or assets;
- organic growth of our operations;
- construction or upgrades of rigs and expectations regarding when these rigs will commence operations;
- capital expenditures for acquisition of rental tools, rigs, construction of new rigs or major upgrades to existing rigs;
- entering into joint venture agreements;
- our future liquidity;
- the sale or potential sale of assets or references to assets held for sale;
- availability and sources of funds to refinance our debt and expectations of when debt will be reduced;
- the outcome of pending or future legal proceedings, investigations, tax assessments and other claims;
- the availability of insurance coverage for pending or future claims;
- the enforceability of contractual indemnification in relation to pending or future claims; and
- compliance with covenants under our debt agreements.

In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “outlook,” “may,” “should,” “will” and “would” or similar words. Forward-looking statements are based on certain assumptions and analyses we make in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are relevant. Although we believe that our assumptions are reasonable based on information currently available, those assumptions are subject to significant risks and uncertainties, many of which are outside of our control. The following factors, as well as any other cautionary language included in this Form 10-K, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements:

- fluctuations in the market prices of oil and natural gas, including the inability or unwillingness of our customers to fund drilling programs in low price cycles;
- worldwide economic and business conditions that adversely affect market conditions and/or the cost of doing business, including potential currency devaluations or collapses;
- our inability to access the credit markets;
- U.S. credit market volatility resulting from the U.S. national debt and potential further downgrades of the U.S. credit rating;
- the U.S. economy and the demand for oil and natural gas;
- low U.S. oil and natural gas prices that could adversely affect our U.S. drilling, barge rig and U.S. rental tools businesses;
- worldwide demand for oil;
- imposition of trade restrictions, including additional economic sanctions and export/re export controls affecting our business operations in Russia;
- unanticipated operating hazards and uninsured risks;
- political instability, terrorism or war;
- governmental regulations, including changes in accounting rules or tax laws that adversely affect the cost of doing business or our ability to remit funds to the U.S.;

- changes in the tax laws that would allow double taxation on foreign sourced income;
- the outcome of investigations into possible violations of laws;
- adverse environmental events;
- adverse weather conditions;
- global health concerns;
- changes in the concentration of customer and supplier relationships;
- ability of our customers and suppliers to obtain financing for their operations;
- ability of our customers to fund drilling plans;
- unexpected cost increases for new construction and upgrade and refurbishment projects;
- delays in obtaining components for capital projects and in ongoing operational maintenance and equipment certifications;
- shortages of skilled labor;
- unanticipated cancellation of contracts by customers or operators;
- breakdown of equipment;
- other operational problems including delays in start-up or commissioning of rigs;
- changes in competition;
- any failure to realize expected benefits from acquisitions;
- the effect of litigation and contingencies; and
- other similar factors, some of which are discussed in documents referred to or incorporated by reference into this Form 10-K and our other reports and filings with the SEC.

Each forward-looking statement speaks only as of the date of this Form 10-K, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this Form 10-K could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease corporate headquarters office space in Houston, Texas and own our U.S. rental tools headquarters office in New Iberia, Louisiana. We lease regional headquarters space in Aberdeen, Scotland and Dubai, UAE related to our international rental tools business. Additionally, we own and/or lease office space and operating facilities in various other locations, domestically and internationally, including facilities where we hold inventories of rental tools and locations in close proximity to where we provide services to our customers. Additionally, we own and/or lease facilities necessary for administrative and operational support functions.

Land and Barge Rigs

The table below shows the locations and drilling depth ratings of our rigs as of December 31, 2014. The table excludes three rigs currently not available for service, which are Rig 140, located in Papua New Guinea, and Rig 225 and Rig 252, located in Indonesia.

| Name | Type ⁽¹⁾ | Year entered into service/ upgraded | Drilling depth rating (in feet) | Location |
|--------------------------------------|---------------------|--|------------------------------------|------------------------|
| International | | | | |
| Europe, Middle East, and Asia | | | | |
| Rig 231 | L | 1981/1997 | 13,000 | Indonesia |
| Rig 253 | L | 1982/1996 | 15,000 | Indonesia |
| Rig 226 | HH | 1989/2010 | 18,000 | Papua New Guinea |
| Rig 107 | L | 1983/2009 | 15,000 | Kazakhstan |
| Rig 216 | L | 2001/2009 | 25,000 | Kazakhstan |
| Rig 249 | L | 2000/2009 | 25,000 | Kazakhstan |
| Rig 257 | B | 1999/2010 | 30,000 | Kazakhstan |
| Rig 258 | L | 2001/2009 | 25,000 | Kazakhstan |
| Rig 247 | L | 1981/2008 | 18,000 | Iraq, Kurdistan Region |
| Rig 269 | L | 2008 | 21,000 | Iraq, Kurdistan Region |
| Rig 265 ⁽²⁾ | L | 2007 | 20,000 | Iraq, Kurdistan Region |
| Rig 264 | L | 2007 | 20,000 | Tunisia |
| Rig 270 | L | 2011 | 21,000 | Russia |
| Latin America | | | | |
| Rig 121 | L | 1980/2007 | 18,000 | Colombia |
| Rig 268 | L | 1978/2009 | 30,000 | Colombia |
| Rig 271 | L | 1982/2009 | 30,000 | Colombia |
| Rig 122 | L | 1980/2008 | 18,000 | Mexico |
| Rig 165 | L | 1978/2007 | 30,000 | Mexico |
| Rig 221 | L | 1982/2007 | 30,000 | Mexico |
| Rig 256 | L | 1978/2007 | 25,000 | Mexico |
| Rig 266 | L | 2008 | 20,000 | Mexico |
| Rig 267 | L | 2008 | 20,000 | Mexico |
| U.S. Land and Barge Drilling | | | | |
| Rig 8 | B | 1978/2007 | 14,000 | GOM |
| Rig 12 | B | 1979/2006 | 18,000 | GOM |
| Rig 15 | B | 1978/2007 | 15,000 | GOM |
| Rig 20 | B | 1981/2007 | 13,000 | GOM |
| Rig 21 | B | 1979/2012 | 14,000 | GOM |
| Rig 30 | B | 2014 | 20,000 | GOM |
| Rig 50 | B | 1981/2006 | 20,000 | GOM |
| Rig 51 | B | 1981/2008 | 20,000 | GOM |
| Rig 54 | B | 1980/2006 | 25,000 | GOM |
| Rig 55 | B | 1981/2014 | 25,000 | GOM |
| Rig 72 | B | 1982/2005 | 25,000 | GOM |
| Rig 76 | B | 1977/2009 | 30,000 | GOM |
| Rig 77 | B | 2006/2006 | 30,000 | GOM |
| Rig 272 | L | 2013 | 18,000 | Alaska |
| Rig 273 | L | 2012 | 18,000 | Alaska |

- 1) Type is defined as: L — land rig; B — barge rig; HH — heli-hoist land rig.
- 2) Rig 265 was in transit from Tunisia to Iraq at December 31, 2014.

The following table presents our average utilization rates and rigs available for service for the years ended December 31, 2014 and 2013:

| | December 31, | |
|---|--------------|------|
| | 2014 | 2013 |
| U.S. Land & Barge Rigs | | |
| U.S. Barge Drilling Rigs | | |
| Rigs available for service ⁽¹⁾ | 12.1 | 11.0 |
| Utilization rate of rigs available for service ⁽²⁾ | 72% | 91% |
| U.S. Drilling Rigs | | |
| Rigs available for service ⁽¹⁾ | 2.0 | 1.9 |
| Utilization rate of rigs available for service ⁽²⁾ | 100% | 100% |
| International Land & Barge Rigs | | |
| Europe, Middle East, and Asia Region | | |
| Rigs available for service ⁽¹⁾ | 13.0 | 14.0 |
| Utilization rate of rigs available for service ⁽²⁾ | 77% | 49% |
| Latin America Region | | |
| Rigs available for service ⁽¹⁾ | 9.0 | 9.5 |
| Utilization rate of rigs available for service ⁽²⁾ | 60% | 75% |
| Total International Land & Barge Rigs | | |
| Rigs available for service ⁽¹⁾ | 22.0 | 23.5 |
| Utilization rate of rigs available for service ⁽²⁾ | 70% | 60% |

- 1) The number of rigs available for service is determined by calculating the number of days each rig was in our fleet and was under contract or available for contract. For example, a rig under contract or available for contract for six months of a year is 0.5 rigs available for service during such year. Our method of computation of rigs available for service may not be comparable to other similarly titled measures of other companies.
- 2) Rig utilization rates are based on a weighted average basis assuming 365 days availability for all rigs available for service. Rigs acquired or disposed of are treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization or demobilization are also considered to be utilized. Our method of computation of rig utilization may not be comparable to other similarly titled measures of other companies.

Item 3. Legal Proceedings

For information on Legal Proceedings, see Note 13 - Commitments and Contingencies in Item 8. Financial Statements and Supplementary Data, which information is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Parker Drilling Company's common stock is listed for trading on the New York Stock Exchange under the symbol "PKD." The following table sets forth the high and low sales prices per share of our common stock, as reported on the New York Stock Exchange composite tape, for the periods indicated:

| <u>Quarter</u> | <u>2014</u> | | <u>2013</u> | |
|----------------|-------------|------------|-------------|------------|
| | <u>High</u> | <u>Low</u> | <u>High</u> | <u>Low</u> |
| First | \$ 8.67 | \$ 6.85 | \$ 6.18 | \$ 4.27 |
| Second | \$ 7.39 | \$ 5.88 | \$ 5.20 | \$ 3.75 |
| Third | \$ 7.03 | \$ 4.89 | \$ 6.42 | \$ 4.92 |
| Fourth | \$ 5.17 | \$ 2.58 | \$ 8.50 | \$ 5.68 |

Most of our stockholders maintain their shares as beneficial owners in "street name" accounts and are not, individually, stockholders of record. As of February 23, 2015, there were 1,585 holders of record of our shares and we had an estimated 20,775 beneficial owners.

Our 2015 Secured Credit Agreement and the indentures for the Senior Notes restrict the payment of dividends. In the past we have not paid dividends on our common stock and we have no present intention to pay dividends on our common stock in the foreseeable future.

Issuer Purchases of Equity Securities

The Company currently has no active share repurchase programs.

Item 6. Selected Financial Data

The following table presents selected historical consolidated financial data derived from the audited financial statements of Parker Drilling Company for each of the five years in the period ended December 31, 2014. The following financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data.

| | Year Ended December 31, | | | | |
|--|-------------------------|--------------|--------------|--------------|--------------|
| | 2014 | 2013 (1) | 2012 | 2011 (2) | 2010 |
| <i>Dollars in Thousands, Except Per Share Amounts</i> | | | | | |
| Income Statement Data | | | | | |
| Total revenues | \$ 968,684 | \$ 874,172 | \$ 677,761 | \$ 686,234 | \$ 659,475 |
| Total operating income (loss) | 120,220 | 101,872 | 107,273 | (41,837) | 45,107 |
| Net income (loss) | 24,461 | 27,179 | 37,098 | (50,645) | (14,708) |
| Net income (loss) attributable to controlling interest | 23,451 | 27,015 | 37,313 | (50,451) | (14,461) |
| Basic earnings per share: | | | | | |
| Net income (loss) | \$ 0.19 | \$ 0.23 | \$ 0.32 | \$ (0.43) | \$ (0.13) |
| Net income (loss) attributable to controlling interest | \$ 0.19 | \$ 0.23 | \$ 0.32 | \$ (0.43) | \$ (0.13) |
| Diluted earnings per share: | | | | | |
| Net income (loss) | \$ 0.19 | \$ 0.22 | \$ 0.31 | \$ (0.43) | \$ (0.13) |
| Net income (loss) attributable to controlling interest | \$ 0.19 | \$ 0.22 | \$ 0.31 | \$ (0.43) | \$ (0.13) |
| Balance Sheet Data | | | | | |
| Total assets | \$ 1,520,659 | \$ 1,534,756 | \$ 1,255,733 | \$ 1,216,246 | \$ 1,274,555 |
| Total long-term debt including current portion of long-term debt | 615,000 | 653,781 | 479,205 | 482,723 | 472,862 |
| Total equity | 666,214 | 633,142 | 590,633 | 544,050 | 588,066 |

- 1) The 2013 results include \$22.5 million of acquisition costs related to the acquisition of ITS on April 22, 2013. See Note 2 — Acquisition of ITS in Item 8. Financial Statements and Supplementary Data for further discussion.
- 2) The 2011 results reflect a \$170.0 million (\$109.1 million, net of taxes of \$60.9 million) non-cash pretax impairment charge related to our two arctic-class drilling rigs located in Alaska. See Note 4 — Property, Plant and Equipment in Item 8. Financial Statements and Supplementary Data.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis (MD&A) should be read in conjunction with Item 8. Financial Statements and Supplementary Data.

Executive Overview

We achieved important operational gains during 2014 in all of our key business areas. The progress we made in 2014 strengthened our ability to provide innovative, reliable and efficient solutions to customers and operate successfully in the current challenging business environment.

Our drilling operations achieved increases in revenues and gross margin in 2014, compared with 2013, with contributions from most of our drilling business segments.

- Our international drilling operations increased average utilization to 70 percent for the year, up from 60 percent for the prior year. At the end of the year, 18 of our 22 international drilling rigs were under contract. Market disruptions in Iraq, regulatory changes in the Latin America region and the year-end decline in oil prices hampered our ability to achieve further utilization gains.
- The number of customer-owned rigs under O&M contracts increased as the Berkut platform moved into operation alongside our other O&M activities on Sakhalin Island, Russia and we secured a contract in Abu Dhabi to operate two island-based land rigs drilling extended reach wells.
- Our U.S. drilling business achieved strong financial gains due to solid operational performance by our two arctic-class drilling rigs in Alaska.
- Our GOM barge drilling operations achieved average utilization of 72 percent in 2014, compared with 91 percent for 2013, and increased its average dayrate by 16 percent compared with 2013. This was the result of a strong first three quarters moderated by the impacts of oil price declines on fourth quarter activity. In addition, we completed the reconstruction of Rig 55B and acquired Rig 30B, broadening the operational capabilities of our diversified barge rig fleet.

Our rental tools segment results reflected a full year's contribution from the April 2013 acquisition of ITS, a significant addition to the Company's position in the international rental tools market.

- The average utilization index for our U.S. rental tools tubular goods rose to 91 in 2014, compared with 80 in 2013.
- We increased our participation in the U.S. GOM offshore drilling market with investments in equipment to service the growth in deepwater drilling activity.
- Our international rental tools business produced improved results in the second half of the year from strong gains in the Middle East, Europe and Latin America, after being slowed earlier in 2014 by disruptive events in Iraq and delayed development in Mexico.

We further strengthened our financial position by reducing our total debt by \$39 million during the year and refinancing \$360 million of debt at lower interest rates with extended maturities. In January 2015 we enhanced our liquidity and financial flexibility by increasing our revolving credit facility from \$80 million to \$200 million, extending its maturity to 2020, and repaying our \$30 million Term Loan with a \$30 million draw on the increased revolving credit facility.

Executive Outlook

We expect 2015 to be a challenging year. The steep and rapid decline in oil prices has led to a sharp reduction in drilling activities in U.S. land and GOM inland and shallow water markets. This also is putting increased pressure on prices for our services. We anticipate the downturn in our U.S. markets will be severe and expect our international markets to be impacted as well, though with less severity.

As a result, we expect continued softness in rental tool demand and pricing in U.S. land drilling markets, continued low utilization in the U.S. barge drilling market with further declines in dayrates and some weakness in utilization and dayrates to develop in our international drilling markets. We expect the impact on our U.S. rental tools business to be moderated by our growing participation in the U.S. GOM deepwater drilling market. In addition, we anticipate stronger results from our international rental tools business due to our significant presence in the Middle East and recent gains in operating performance. We do not anticipate any significant changes in our international O&M projects or in our Alaska operations.

We do not know how deep this downcycle may go or how long it may last. We are taking actions across the company to lower our cost base, sustain our utilization, manage our cash and liquidity, and preserve our ability to respond as opportunities develop.

Results of Operations

We analyze financial results for each of our five reportable segments. The reportable segments presented are consistent with our reportable segments discussed in Note 12 — Reportable Segments in Item 8. Financial Statements and Supplementary Data. We historically reported a sixth reportable segment, Construction Contract, for which there was no activity for the year ended December 31, 2014 or December 31, 2013. As a result of our reversal of reserves relating to this segment in the fourth quarter of 2013, this segment has been included in the below results of operations.

We monitor our business segments based on several criteria, including operating gross margin and operating gross margin excluding depreciation and amortization. Operating gross margin excluding depreciation and amortization is computed as revenues less direct operating expenses, and excludes depreciation and amortization expense, where applicable; operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin amounts and operating gross margin percentages should not be used as a substitute for those amounts reported under U.S. GAAP. Management believes this information is useful to our investors as it more accurately reflects the cash flow from operations generated by each segment.

Year ended December 31, 2014 Compared with Year ended December 31, 2013

Revenues of \$968.7 million for the year ended December 31, 2014 increased \$94.5 million, or 10.8 percent, from the comparable 2013 period. Operating gross margin decreased 8.5 percent to \$154.2 million for the year ended December 31, 2014 as compared to \$168.4 million for the year ended December 31, 2013.

The following is an analysis of our operating results for the comparable periods by reportable segment:

| | Year Ended December 31, | | | |
|--|-------------------------|------|------------|------|
| | 2014 | | 2013 | |
| <i>Dollars in Thousands</i> | | | | |
| Revenues: | | | | |
| Rental Tools | \$ 347,766 | 36% | \$ 310,041 | 35% |
| U.S. Barge Drilling | 137,113 | 14% | 136,855 | 16% |
| U.S. Drilling | 79,984 | 8% | 66,928 | 8% |
| International Drilling | 360,588 | 37% | 333,962 | 38% |
| Technical Services | 43,233 | 5% | 26,386 | 3% |
| Construction Contract | — | —% | — | —% |
| Total revenues | 968,684 | 100% | 874,172 | 100% |
| Operating gross margin excluding depreciation and amortization: | | | | |
| Rental Tools | 137,123 | 39% | 147,017 | 47% |
| U.S. Barge Drilling | 63,759 | 47% | 65,595 | 48% |
| U.S. Drilling | 22,268 | 28% | 11,901 | 18% |
| International Drilling | 72,617 | 20% | 71,078 | 21% |
| Technical Services | 3,536 | 8% | 2,181 | 8% |
| Construction Contract | — | —% | 4,728 | n/a |
| Total operating gross margin excluding depreciation and amortization | 299,303 | 31% | 302,500 | 35% |
| Depreciation and amortization | (145,121) | | (134,053) | |
| Total operating gross margin | 154,182 | | 168,447 | |
| General and administrative expense | (35,016) | | (68,025) | |
| Provision for reduction in carrying value of certain assets | — | | (2,544) | |
| Gain on disposition of assets, net | 1,054 | | 3,994 | |
| Total operating income | \$ 120,220 | | \$ 101,872 | |

Operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

| <i>Dollars in Thousands</i> | Rental Tools | U.S. Barge Drilling | U.S. Drilling | International Drilling | Technical Services | Construction Contract⁽²⁾ |
|--|-------------------------|--------------------------------|--------------------------|-----------------------------------|-------------------------------|--|
| Year ended December 31, 2014 | | | | | | |
| Operating gross margin ⁽¹⁾ | \$ 72,946 | \$ 42,641 | \$ 6,320 | \$ 28,966 | \$ 3,309 | \$ — |
| Depreciation and amortization | 64,177 | 21,118 | 15,948 | 43,651 | 227 | — |
| Segment operating gross margin excluding depreciation and amortization | \$ 137,123 | \$ 63,759 | \$ 22,268 | \$ 72,617 | \$ 3,536 | \$ — |
| Year ended December 31, 2013 | | | | | | |
| Operating gross margin ⁽¹⁾ | \$ 91,164 | \$ 51,257 | \$ (4,484) | \$ 23,732 | \$ 2,050 | \$ 4,728 |
| Depreciation and amortization | 55,853 | 14,338 | 16,385 | 47,346 | 131 | — |
| Segment operating gross margin excluding depreciation and amortization | \$ 147,017 | \$ 65,595 | \$ 11,901 | \$ 71,078 | \$ 2,181 | \$ 4,728 |

(1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.

(2) The Construction Contract segment does not incur depreciation and amortization.

Rental Tools

Our rental tools segment includes both U.S. and international operations. Historically we have discussed the results of this segment by reference to our U.S. rental tools business, which principally was represented by our Quail Tools brand, and our international rental tools business, which principally was represented by ITS. As we have integrated the ITS business into our rental tools segment, both our Quail Tools and ITS brands are represented in the U.S. and international operations. Accordingly, in the current and future reporting periods we will discuss this segment on the basis of the U.S. market and the international market.

Rental tools segment revenues increased \$37.7 million, or 12.2 percent, to \$347.8 million for the year ended December 31, 2014 compared to \$310.0 million for the year ended December 31, 2013. The increase was due to a \$26.7 million increase in our international revenues and an \$11.0 million increase in our U.S. revenues. The increase in international revenues was primarily due to a full year of revenues from ITS, which contributed an increase of \$23.4 million of revenues for the year ended December 31, 2014. The increase in U.S. rental tools revenues was due to increased activity in the offshore GOM market and increased activity in the U.S. land drilling market.

Rental tools segment operating gross margin excluding depreciation and amortization decreased \$9.9 million, or 6.7 percent, to \$137.1 million for the year ended December 31, 2014 compared with \$147.0 million for the year ended December 31, 2013. The decrease was primarily due to a reduction in gross margin excluding depreciation and amortization for our international operations, resulting from lower utilization, increased costs related to relocation of facilities and an increase in the allowance for doubtful accounts. This decline was slightly offset by an increase in gross margin excluding depreciation and amortization for our U.S. operations due to the increase in activity in the offshore GOM and U.S. land drilling markets, despite an increase in competitive conditions that have led to lower product pricing for rental tools and related activities.

U.S. Barge Drilling

U.S. barge drilling segment revenues increased \$0.3 million, or 0.2 percent, to \$137.1 million for the year ended December 31, 2014, as compared with revenues of \$136.9 million for the year ended December 31, 2013. The increase in revenues was primarily due to higher average dayrates for the U.S. barge rig fleet, including benefits from the addition to our operating fleet of rigs 55B and 30B in the second and third quarters, respectively, of 2014. The increase was partially offset by lower utilization primarily due to a decline in market opportunities as a result of lower oil prices late in 2014.

U.S. barge drilling segment operating gross margin excluding depreciation and amortization decreased \$1.8 million, or 2.8 percent, to \$63.8 million for the year ended December 31, 2014, compared with \$65.6 million for the year ended December 31, 2013. This decrease is primarily due to lower utilization caused by lower oil prices late in 2014.

U.S. Drilling

U.S. drilling segment revenues increased \$13.1 million, or 19.5 percent, to \$80.0 million for the year ended December 31, 2014, compared with \$66.9 million for the year ended December 31, 2013. This increase in revenues is the result of a full year of operations in 2014 for our two arctic-class drilling rigs in Alaska, compared with 2013, in which one rig was not operational until February 2013. Additionally, the O&M contract supporting three platform operations located offshore California generated

higher reimbursable revenues and was operating for the full year ended December 31, 2014, compared with 2013, in which this contract commenced in February 2013.

U.S. drilling segment operating gross margin excluding depreciation and amortization increased \$10.4 million, or 87.1 percent, to \$22.3 million for the year ended December 31, 2014 compared with \$11.9 million for the year ended December 31, 2013. The increase in operating gross margin excluding depreciation and amortization for this segment is mainly due to both arctic-class rigs being fully operational and lower operating expenses. Additionally, we collected a previously reserved receivable allowing us to reverse the reserve during the first quarter of 2014.

International Drilling

International drilling segment revenues increased \$26.6 million, or 8.0 percent, to \$360.6 million for the year ended December 31, 2014, compared with \$334.0 million for the year ended December 31, 2013. The increase in revenues is primarily due to higher drilling revenues through the operation of rigs we own, resulting from an increase in utilization, coupled with higher revenues generated by our O&M contracts.

Revenues related to Parker-owned rigs increased \$17.9 million, or 8.8 percent, to \$220.8 million for the year ended December 31, 2014 compared with \$202.9 million for the year ended December 31, 2013. The increase in revenues was primarily due to an increase in utilization in our Sakhalin Island operations and an increase in our utilization in the Kurdistan Region of Iraq where we successfully deployed two previously idle rigs. These increases were partially offset by reduced revenues due to a decline in rig fleet utilization in our Latin America region.

O&M revenues increased \$8.8 million, or 6.7 percent, to \$139.8 million, for the year ended December 31, 2014 compared to \$131.1 million for the year ended December 31, 2013. The increase in revenues from our O&M contracts was primarily due to increased activity and higher dayrates associated with our Sakhalin Island O&M operations, which included the startup of the Berkut platform project which began drilling operations in the fourth quarter. This increase was partially offset by the completion of an O&M project in Papua New Guinea in May 2014. Approximately \$51.2 million and \$46.4 million of O&M revenues were attributable to reimbursable costs for the years ended December 31, 2014 and 2013, respectively. Reimbursable revenues add to revenues but have a minimal impact on operating margins.

International drilling operating gross margin excluding depreciation and amortization increased \$1.5 million, or 2.2 percent, to \$72.6 million for the year ended December 31, 2014, compared with \$71.1 million for the year ended December 31, 2013. The increase in operating gross margin excluding depreciation and amortization for the year ended December 31, 2014 was from our O&M operations slightly offset by a decrease in margins for our Parker-owned rig operations.

Operating gross margin excluding depreciation and amortization related to Parker-owned rigs was \$46.4 million and \$51.0 million for the years ended December 31, 2014 and 2013, respectively. The decrease in operating gross margin excluding depreciation and amortization was primarily due to the impact of net mobilization costs associated with the redeployment of two Parker-owned rigs from Kazakhstan to the Kurdistan Region of Iraq and their high initial operating costs as well as an increase in operating costs in our Papua New Guinea operations and decline in rig fleet utilization in our Latin America region.

Operating gross margin excluding depreciation and amortization generated by our O&M operations was \$26.2 million and \$20.0 million for the years ended December 31, 2014 and 2013, respectively. The increase in operating gross margin excluding depreciation and amortization is primarily due to increased activity and higher revenues and lower operating costs associated with our Sakhalin Island O&M operations, which included the startup of the Berkut platform project which began drilling operations in the fourth quarter. This increase was partially offset by the completion of an O&M project in Papua New Guinea in May 2014 discussed above.

Technical Services

Technical services segment revenues increased \$16.8 million, or 63.8 percent, to \$43.2 million for the year ended December 31, 2014, compared with \$26.4 million for the year ended December 31, 2013. The increase is primarily due to a new FEED contract entered into during the fourth quarter of 2013 and increased activity under the vendor services phase of the Berkut platform project.

Operating gross margin excluding depreciation and amortization for this segment increased by \$1.4 million to \$3.5 million for the year ended December 31, 2014, compared with gross margin excluding depreciation and amortization for the year ended December 31, 2013. The increase is primarily the result of the revenue mix for the FEED project described above.

Construction Contract

This segment was created for and only includes the Liberty extended-reach drilling rig construction project which our customer canceled in 2011 prior to final completion. Our construction contract segment revenues were zero for the years ended December 31, 2014 and 2013. This segment reported zero and \$4.7 million of operating gross margin excluding depreciation and

amortization for the years ended December 31, 2014 and 2013, respectively. The operating gross margin excluding depreciation and amortization generated during the year ended December 31, 2013 resulted from the close-out of the Liberty project.

The Liberty rig construction contract was a fixed-fee and reimbursable contract that we accounted for on a percentage of completion basis. We recognized \$335.5 million in revenues and \$11.7 million of operating gross margin over the life of the contract. Over the course of the project, we established a project contingency reserve, which we maintained for potential claims by our subcontractors, vendors and customer. Due to the closure of all material claims, for which payments have been made or otherwise resolved or which are barred by the applicable statute of limitations, during the fourth quarter of 2013, we reversed the contingency reserve resulting in the operating gross margin excluding depreciation and amortization recognized for the year ended December 31, 2013.

Other Financial Data

General and administrative expense

General and administrative expense decreased \$33.0 million to \$35.0 million for the year ended December 31, 2014, compared with \$68.0 million for the year ended December 31, 2013. The general and administrative expense decrease was due primarily to approximately \$22.5 million of costs incurred during 2013 related to the ITS Acquisition that did not recur in 2014. During 2013 we also incurred severance costs related to the departure of our former chief financial officer and our executive chairman, and incurred higher legal costs for matters related to our deferred prosecution agreement and settlements with the DOJ and SEC, neither of which recurred during 2014. General and administrative expense during 2014 also benefited from a \$2.75 million reimbursement from escrow related to the ITS Acquisition to reimburse the Company for certain post-acquisition expenditures. See Note 13 - Commitments and Contingencies in Item 8. Financial Statements and Supplementary Data for further discussion.

Provision for reduction in carrying value of certain assets

During 2014, the provision for reduction in carrying value of certain assets was zero. During 2013, the provision for reduction in carrying value of certain assets was \$2.5 million which was comprised of non-cash charges recognized for three rigs reclassified from assets held for sale to assets held and used for which carrying values exceeded fair values. Management concluded, based on the facts and circumstances at the time, it was no longer probable that the sales of the rigs sale would be consummated.

Gain on disposition of assets

Net gains recorded on asset dispositions for the years ended December 31, 2014 and 2013 were \$1.1 million and \$4.0 million, respectively. The net gains for 2014 were primarily the result of long-lived asset sales, including the sale of two rigs located in Kazakhstan during the fourth quarter. The net gains for 2013 were primarily the result of long-lived asset sales include the sale of two rigs located in New Zealand, a building located in Tulsa, Oklahoma and a barge rig located in Mexico. Additionally, during the normal course of business we periodically sell equipment deemed to be excess or not currently required for operations.

Interest income and expense

Interest expense decreased \$3.6 million to \$44.3 million for the year ended December 31, 2014 compared with \$47.8 million for the year ended December 31, 2013. This decrease was primarily related to a decrease in debt-related interest expense resulting from lower interest rates on our outstanding debt balance and a lower total debt balance, offset by an increase in amortization of debt issuance costs and a decrease in capitalized interest. Interest income decreased \$2.3 million to \$0.2 million during the 2014, compared with interest income of \$2.5 million during 2013 primarily related to interest earned on an IRS refund received during 2013.

Loss on extinguishment of debt

Loss on extinguishment of debt was \$30.2 million and \$5.2 million for the years ended December 31, 2014 and December 31, 2013, respectively. The loss on extinguishment of debt for 2014 related to the purchase and redemption of the 9.125% Notes during the first six months of 2014. The loss on extinguishment of debt for 2013 is related to the write-off of debt issuance costs resulting from the repayment of a \$125 million term loan, fully funded by Goldman Sachs Bank USA as Sole Lead Arranger and Administrative Agent (Goldman Term Loan) in July 2013.

Other income and expense

Other income and expense was \$2.5 million of income and \$1.5 million of income for the years ended December 31, 2014 and December 31, 2013, respectively. Other income in 2014 was primarily related to earnings from our investment in an unconsolidated subsidiary that was acquired as part of the ITS Acquisition as well as settlements of claims against a vendor. This income was partially offset by losses related to foreign currency fluctuations from our Sakhalin Island operations. Other income in 2013 was primarily related to the recognition of non-refundable deposits from a buyer in connection with the sale of three rigs for which the sales agreement was terminated in the fourth quarter of 2013.

Income tax expense

Income tax expense was \$24.1 million for the year ended December 31, 2014, compared with \$25.6 million for the year ended December 31, 2013. The decrease was driven primarily by the decrease in pre-tax income and the mix of operations.

Our effective tax rate was 49.6 percent for the year ended December 31, 2014, compared with 48.5 percent for the year ended December 31, 2013. Our tax rate is affected by recurring items, such as tax rates in state and foreign jurisdictions and the relative amounts of income we earn in those jurisdictions. It is also affected by discrete items, such as return-to-accrual adjustments and changes in reserves for uncertain tax positions, which may occur in any given year but are not consistent from year to year.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

Revenues of \$874.2 million for the year ended December 31, 2013 increased \$196.4 million, or 29.0 percent, from the comparable 2012 period. Operating gross margin increased \$16.9 million to \$168.4 million for the year ended December 31, 2013 as compared to \$151.6 million for the year ended December 31, 2012.

The following is an analysis of our operating results for the comparable periods by reportable segment:

| | Year Ended December 31, | | | |
|--|-------------------------|------|------------|------|
| | 2013 | | 2012 | |
| <i>Dollars in Thousands</i> | | | | |
| Revenues: | | | | |
| Rental Tools | \$ 310,041 | 35% | \$ 246,900 | 36% |
| U.S. Barge Drilling | 136,855 | 16% | 123,672 | 18% |
| U.S. Drilling | 66,928 | 8% | 1,387 | 1% |
| International Drilling | 333,962 | 38% | 291,772 | 43% |
| Technical Services | 26,386 | 3% | 14,030 | 2% |
| Construction Contract | — | —% | — | —% |
| Total revenues | 874,172 | 100% | 677,761 | 100% |
| Operating gross margin excluding depreciation and amortization: | | | | |
| Rental Tools | 147,017 | 47% | 158,016 | 64% |
| U.S. Barge Drilling | 65,595 | 48% | 54,100 | 44% |
| U.S. Drilling | 11,901 | 18% | (8,151) | n/a |
| International Drilling | 71,078 | 21% | 60,492 | 21% |
| Technical Services | 2,181 | 8% | 116 | 1% |
| Construction Contract | 4,728 | n/a | — | —% |
| Total operating gross margin excluding depreciation and amortization | 302,500 | 35% | 264,573 | 39% |
| Depreciation and amortization | (134,053) | | (113,017) | |
| Total operating gross margin | 168,447 | | 151,556 | |
| General and administrative expense | (68,025) | | (46,257) | |
| Impairments and other charges | — | | — | |
| Provision for reduction in carrying value of certain assets | (2,544) | | — | |
| Gain on disposition of assets, net | 3,994 | | 1,974 | |
| Total operating income | \$ 101,872 | | \$ 107,273 | |

Operating gross margin amounts are reconciled to our most comparable U.S. GAAP measure as follows:

| <i>Dollars in Thousands</i> | Rental Tools | U.S. Barge Drilling | U.S. Drilling | International Drilling | Technical Services | Construction Contract⁽²⁾ |
|--|---------------------|----------------------------|----------------------|-------------------------------|---------------------------|--|
| Year Ended December 31, 2013 | | | | | | |
| Operating gross margin ⁽¹⁾ | \$ 91,164 | \$ 51,257 | \$ (4,484) | \$ 23,732 | \$ 2,050 | \$ 4,728 |
| Depreciation and amortization | 55,853 | 14,338 | 16,385 | 47,346 | 131 | — |
| Operating gross margin excluding depreciation and amortization | \$ 147,017 | \$ 65,595 | \$ 11,901 | \$ 71,078 | \$ 2,181 | \$ 4,728 |
| Year Ended December 31, 2012 | | | | | | |
| Operating gross margin ⁽¹⁾ | \$ 113,899 | \$ 39,608 | \$ (15,168) | \$ 13,138 | \$ 79 | \$ — |
| Depreciation and amortization | 44,117 | 14,492 | 7,017 | 47,354 | 37 | — |
| Operating gross margin excluding depreciation and amortization | \$ 158,016 | \$ 54,100 | \$ (8,151) | \$ 60,492 | \$ 116 | \$ — |

- (1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
- (2) The Construction Contract segment does not incur depreciation and amortization.

Rental Tools

Rental Tools segment revenues increased \$63.1 million, or 25.6 percent, to \$310.0 million for the year ended December 31, 2013 compared to \$246.9 million for the year ended December 31, 2012. The increase was due to an \$86.3 million increase in our international revenues, partially offset by a \$23.2 million decrease in our U.S. revenues. The increase in international revenues was primarily due to revenues from ITS, which contributed an increase of \$88.0 million of revenues for the year ended December 31, 2013. The decrease in U.S. rental tools revenues was primarily due to the impact of the continuing competitive conditions in the U.S. land drilling market due to declines in drilling activity in almost all major basins, partially offset by higher revenues from a growing participation in the expanding U.S. GOM offshore drilling market.

Rental Tools segment operating gross margin excluding depreciation and amortization decreased \$11.0 million, or 7.0 percent, to \$147.0 million for the year ended December 31, 2013 as compared with \$158.0 million for the year ended December 31, 2012. The decrease was primarily due to a reduction in gross margin excluding depreciation and amortization for our U.S. operations of \$29.4 million, primarily due to the increase in competitive conditions which led to lower product pricing for rental tools and related activities and a decline in rental tool utilization. This decrease was partially offset by an increase for our international operations due to the contribution of \$20.5 million of gross margin excluding depreciation and amortization attributable to ITS from the date of acquisition.

U.S. Barge Drilling

U.S. Barge Drilling segment revenues increased \$13.2 million, or 10.7 percent, to \$136.9 million for the year ended December 31, 2013, as compared with revenues of \$123.7 million for the year ended December 31, 2012. The increase in revenues was primarily due to an increase in rig fleet utilization and higher average dayrates for the fleet during 2013. Both of these factors reflect a general increase in overall drilling activity in the U.S. GOM inland waters and an increase in our dayrates for multi-well contracts based on our ability to deliver higher levels of performance compared with our competitors.

U.S. Barge Drilling segment operating gross margin excluding depreciation and amortization increased \$11.5 million, or 21.2 percent, to \$65.6 million for the year ended December 31, 2013, compared with \$54.1 million for the year ended December 31, 2012. This increase is primarily a result of improved average dayrates and the continued control of operating costs.

U.S. Drilling

U.S. Drilling segment revenues increased \$65.5 million to \$66.9 million for the year ended December 31, 2013, compared with \$1.4 million for the year ended December 31, 2012. This increase in revenues is primarily due to the commencement of operations by our two arctic-class drilling rigs in Alaska, one in the fourth quarter of 2012 and the other in the first quarter of 2013. Prior to that, during the first three quarters of 2012, both rigs were under construction and not generating revenues. Additionally, in February 2013 we began an O&M contract supporting three platform operations located offshore California.

U.S. Drilling segment operating gross margin excluding depreciation and amortization was \$11.9 million for the year ended December 31, 2013 compared with a loss of \$8.2 million for the year ended December 31, 2012. The increase in gross margin excluding depreciation and amortization for this segment is mainly due to the contributions from the arctic-class drilling rigs in Alaska and the California O&M contract described above which were not earning revenues or contributing to gross margin

during 2012. The loss in 2012 resulted from expenditures associated with re-entering the Alaska market prior to the rigs going to work in Alaska in late 2012 and into early 2013.

International Drilling

International Drilling segment revenues increased \$42.2 million, or 14.5 percent, to \$334.0 million for the year ended December 31, 2013, compared with \$291.8 million for the year ended December 31, 2012. The increase in revenues is primarily due to higher revenues generated by our O&M contracts coupled with higher drilling revenues through the operation of rigs we own.

Revenues related to Parker-owned rigs increased \$19.4 million, or 10.6 percent, to \$202.9 million for the year ended December 31, 2013 compared with \$183.5 million for the year ended December 31, 2012. The increase in revenues was primarily due to the contribution of revenues from a previously idle rig added to our Sakhalin Island operations and two previously idle rigs added to our operations in the Kurdistan Region of Iraq partially offset by lower utilization in Algeria. Additionally, there were increased revenues related to our arctic-class barge rig in the Caspian Sea and the contribution of revenues from a previously idle rig in the Karachaganak field in Kazakhstan.

O&M revenues increased \$22.8 million, or 21.1 percent, to \$131.1 million, for the year ended December 31, 2013 compared to \$108.3 million for the year ended December 31, 2012. The increase in revenues was primarily due to higher reimbursable revenues associated with our services contracts related to the Berkut platform project in South Korea and Orlan platform project on Sakhalin Island. Reimbursable revenues are generated through our purchasing support for the O&M rigs we operate for our customers. Approximately \$46.4 million and \$31.3 million of O&M revenues were attributable to reimbursable costs for the years ended December 31, 2013 and 2012, respectively. Reimbursable revenues add to revenues but have a minimal impact on operating margins.

International Drilling operating gross margin excluding depreciation and amortization increased \$10.6 million, or 17.5 percent, to \$71.1 million for the year ended December 31, 2013, compared with \$60.5 million for the year ended December 31, 2012. The increase in operating gross margin excluding depreciation and amortization for the year ended December 31, 2013 was from our Parker-owned rig operations slightly offset by a decrease in O&M margins.

Operating gross margin excluding depreciation and amortization related to Parker-owned rigs was \$51.0 million and \$39.6 million for the years ended December 31, 2013 and 2012, respectively. The increase in operating gross margin excluding depreciation and amortization was primarily due to the contribution of revenues from a previously idle rig in Kazakhstan, in our Karachaganak field operations, and a previously idle rig in our Sakhalin Island operations. Additionally, there were increased revenues from higher utilization of our arctic-class barge rig in the Caspian Sea. The increase was partially offset by costs associated with the mobilization and start-up of the two rigs located in the Kurdistan Region of Iraq, decreased utilization resulting from two Algeria rigs stacked in Tunisia and lower revenues and higher costs in our Latin America region.

Operating gross margin excluding depreciation and amortization generated by our O&M operations was \$20.0 million and \$20.9 million for the years ended December 31, 2013 and 2012, respectively. The decrease in operating gross margin excluding depreciation and amortization is primarily due to the completion of an O&M contract in China that was active during all of 2012, a decrease in revenues from our Coral Sea project in Papua New Guinea, and higher operating costs related to the Orlan platform project on Sakhalin Island. These decreases were partially offset by an increase in labor revenues related to the Berkut platform project in South Korea.

Technical Services

Technical Services segment revenues increased \$12.4 million, or 88.1 percent, to \$26.4 million for the year ended December 31, 2013, compared with \$14.0 million for the year ended December 31, 2012. This increase was primarily due to increased activity under the vendor services phase of the Berkut platform project which started during the 2012 third quarter and a new customer FEED project that together more than offset the mid-2012 completion of two other customer FEED projects.

Operating gross margin excluding depreciation and amortization for this segment increased by \$2.1 million to \$2.2 million for the year ended December 31, 2013, compared with nominal gross margin excluding depreciation and amortization for the year ended December 31, 2012. The increase is primarily the result of change in the scope of projects noted above. The Technical Services segment incurs minimal depreciation and amortization which primarily relates to office furniture and fixtures.

Construction Contract

This segment was created for and only includes the Liberty extended-reach drilling rig construction project which our customer canceled in 2011 prior to final completion. Our construction contract segment revenues were zero for the years ended December 31, 2013 and 2012. This segment reported \$4.7 million and zero operating gross margin excluding depreciation and amortization for the years ended December 31, 2013 and 2012, respectively. The operating gross margin excluding depreciation and amortization generated during the year ended December 31, 2013 resulted from close-out of the Liberty project.

The Liberty rig construction contract was a fixed-fee and reimbursable contract that we accounted for on a percentage of completion basis. We recognized \$335.5 million in revenues and \$11.7 million of operating gross margin over the life of the contract. Over the course of the project, we established a project contingency reserve, which we maintained for potential claims by our subcontractors, vendors and customer. Due to the closure of all material claims, for which payments have been made or otherwise resolved or which are barred by the applicable statute of limitations, during the fourth quarter of 2013, we reversed the contingency reserve resulting in the operating gross margin excluding depreciation and amortization recognized for the year ended December 31, 2013.

Other Financial Data

General and administrative expense

General and administrative expense increased \$21.8 million to \$68.0 million for the year ended December 31, 2013, compared with \$46.3 million for the year ended December 31, 2012. The general and administrative expense increase was due primarily to approximately \$22.5 million of costs incurred during 2013 related to the ITS Acquisition slightly offset by decreased costs relating to the settlement with the DOJ and SEC, and decreased legal fees associated with the related SEC and DOJ investigations. See Note 13 - Commitments and Contingencies in Item 8. Financial Statements and Supplementary Data for further discussion.

Provision for reduction in carrying value of certain assets

Provision for reduction in carrying value of certain assets was \$2.5 million which was comprised of non-cash charges recognized for three rigs reclassified from assets held for sale to assets held and used for which carrying values exceeded fair values. During 2013, management concluded, based on the facts and circumstances at the time, it was no longer probable that the sales of the rigs sale would be consummated.

Gain on disposition of assets

Net gains recorded on asset dispositions for the years ended December 31, 2013 and 2012 were \$4.0 million and \$2.0 million, respectively. During 2013, we sold two rigs located in New Zealand, a building located in Tulsa and a barge rig located in Mexico. These sales resulted in gains totaling \$1.2 million. Additionally, during the normal course of operations, we periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

Interest income and expense

Interest expense increased \$14.3 million to \$47.8 million for the year ended December 31, 2013 compared with \$33.5 million for the year ended December 31, 2012. The increase in interest expense primarily resulted from an \$11.6 million increase in debt-related interest expense primarily related to the full-year impact of the \$125.0 million of 9.125% Notes issued in the second quarter of 2012, the \$225.0 million 7.50% Notes issued in July 2013 and the \$125.0 million debt incurred in April 2013 used to initially fund the ITS Acquisition. Additionally, we experienced a \$7.9 million decrease in interest capitalized on internal construction projects resulting from the completion of the two arctic-class drilling rigs in Alaska, which increased overall interest expense. The increase in interest expense is partially offset by a decrease due to the repayment of our 2.125% Convertible Notes in the 2013 second quarter and a decrease in amortization of debt issuance costs. Interest income was \$2.5 million and \$0.2 million for the years ended December 31, 2013 and 2012, respectively. Interest income in 2013 primarily related to interest earned on an IRS refund received during the year.

Loss on extinguishment of debt

Loss on extinguishment of debt was \$5.2 million and \$2.1 million for the years ended December 31, 2013 and December 31, 2012, respectively. The loss on extinguishment of debt for 2013 is related to the extinguishment in July 2013 of the \$125 million debt incurred in April 2013 used to initially fund the ITS Acquisition. The loss on extinguishment of debt for 2012 resulted from the repurchase of \$122.9 million of outstanding 2.125% Convertible Notes in May 2012.

Other income and expense

Other income and expense was \$1.5 million of income and \$0.8 million of expense for the years ended December 31, 2013 and December 31, 2012, respectively. Other income in 2013 was primarily related to the recognition of non-refundable deposits from a buyer in connection with the sale of three rigs for which the sales agreement was terminated in the 2013 fourth quarter.

Income tax expense

Income tax expense was \$25.6 million for the year ended December 31, 2013, compared with \$33.9 million for the year ended December 31, 2012. The 2013 tax expense decrease was primarily due to lower pre-tax earnings in addition to discrete

items relating to enactment of new tax legislation in Mexico, research and development tax credits and other less significant items related to return-to-accrual adjustments.

Our effective tax rate was 48.5% for the year ended December 31, 2013, compared with 47.7% for the year ended December 31, 2012. Our tax rate is affected by recurring items, such as tax rates in state and non-U.S. jurisdictions and the relative amounts of income we earn in those jurisdictions, which we expect to be fairly consistent in the near term. It is also affected by discrete items, such as return-to-accrual adjustments and changes in reserves for uncertain tax positions, which may occur in any given year but are not consistent from year to year.

Liquidity and Capital Resources

We periodically evaluate our liability requirements, capital needs and availability of resources in view of expansion plans, debt service requirements, and other operational cash needs. To meet our short and long term liquidity requirements, including payment of operating expenses and repaying debt, we rely primarily on cash from operations. When determined necessary we may seek to raise additional capital in the future. We expect that for the foreseeable future, cash on hand and cash generated from operations will be sufficient to provide us the ability to fund our operations, provide the working capital necessary to support our strategy, and fund planned capital expenditures. We do not pay dividends to our shareholders.

Subsequent to December 31, 2014, we increased our liquidity by entering into the 2015 Secured Credit Agreement on January 26, 2015. This agreement amends and restates the Amended and Restated Credit Agreement (the 2012 Secured Credit Agreement) dated December 14, 2012. The 2015 Secured Credit Agreement is comprised of a \$200 million revolving credit facility. The 2012 Secured Credit Agreement consisted of an \$80 million revolving credit facility and a \$50 million term loan facility (Term Loan). At the closing of the 2015 Secured Credit Agreement we repaid \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Secured Credit Agreement. At the closing, there were no borrowings under the revolving credit portion of the 2012 Secured Credit Agreement.

Cash Flow Activity

As of December 31, 2014, we had cash and cash equivalents of \$108.5 million, a decrease of \$40.2 million from cash and cash equivalents of \$148.7 million at December 31, 2013. The following table provides a summary of our cash flow activity for the last three years:

| <i>Dollars in thousands</i> | 2014 | 2013 | 2012 |
|---|-------------|------------|------------|
| Operating Activities | 202,467 | \$ 161,497 | \$ 189,699 |
| Investing Activities | (173,575) | (265,418) | (187,606) |
| Financing Activities | (69,125) | 164,724 | (12,076) |
| Net change in cash and cash equivalents | \$ (40,233) | \$ 60,803 | \$ (9,983) |

Operating Activities

Cash flows provided by operating activities were \$202.5 million in 2014, compared with \$161.5 million in 2013. Changes in working capital during 2014 were a use of cash of \$17.1 million and a use of cash of \$34.0 million for the years ended December 31, 2014 and December 31, 2013, respectively. Over the past few years we have reinvested a substantial portion of our operating cash flows to expand our business through acquisition and to enhance our fleet of drilling rigs and rental tools equipment. It is our intention to continue to utilize our operating cash flows to finance further investments into our rental tools inventories, rig purchases or upgrades as well as other strategic investments aligned with our strategies.

Cash flows provided by operating activities were \$161.5 million in 2013 and were impacted by our earnings and by non-cash charges such as depreciation expense, gains on asset sales, deferred tax benefit, stock compensation expense, debt extinguishment and amortization of debt issuance costs. Depreciation expense increased due to our two Alaska rigs commencing work in late 2012 and early 2013. Additionally, during 2013, we more aggressively disposed of assets deemed not core to the current strategy resulting in an increase in gain on disposition of assets. Uses of working capital during 2013 primarily related to the ITS Acquisition which resulted in increased receivables, inventory and accounts payable.

Cash flows provided by operating activities were \$189.7 million in 2012. Before changes in operating assets and liabilities, cash from operating activities was impacted primarily by net income of \$37.1 million plus non-cash charges of \$151.6 million. Non-cash charges primarily consisted of \$113.0 million of depreciation expense and deferred tax benefit of \$15.8 million.

Investing Activities

Cash flows used in investing activities were \$173.6 million for 2014, compared with \$265.4 million for 2013. Our primary use of cash during 2014 was capital expenditures of \$179.5 million. Capital expenditures were primarily for tubular and other products for our rental tools business and rig-related enhancements and maintenance.

Cash flows used in investing activities were \$265.4 million for 2013. Our primary use of cash during 2013 was \$118.0 million for the ITS Acquisition and \$155.6 million for capital expenditures. Capital expenditures in 2013 were primarily for tubular and other products for our rental tools business, rig-related enhancements and maintenance and costs related to our new enterprise resource planning system. Sources of cash included \$8.2 million of proceeds from asset sales.

Cash flows used in investing activities were \$187.6 million for 2012. Our primary use of cash was \$191.5 million for capital expenditures. Capital expenditures in 2012 were primarily for the construction of our two arctic-class drilling rigs, tubular and other products for our rental tools business, and costs related to our new enterprise resource planning system. In addition, we incurred capital to support ongoing drilling activities. Sources of cash included \$3.9 million of proceeds from asset sales.

Capital expenditures for 2015 are estimated to range from \$100.0 million to \$120.0 million and will primarily be directed to our Rental Tools segment inventory and maintenance capital on our rigs. Any discretionary spending will be evaluated based upon adequate return requirements and available liquidity.

Financing Activities

Cash flows used in financing activities were \$69.1 million for 2014. Cash flows used in financing activities primarily related to the repayment of \$425.0 million of our 9.125% Notes, payment of \$26.2 million of related tender and consent premiums, and payment of debt issuance costs of \$7.6 million. Cash provided by financing activities included proceeds of \$360.0 million from the issuance of our 6.75% Notes and reborrowing of a \$40.0 million Term Loan under our 2012 Secured Credit Agreement.

Cash flows provided by financing activities for 2013 were \$164.7 million. Cash flows provided by financing activities primarily related to the \$125 million Goldman Term Loan issued during the 2013 second quarter in connection with the ITS Acquisition and the \$225.0 million 7.50% Notes issued during the 2013 third quarter. Cash used in financing activities included pay-off of the Goldman Term Loan in the 2013 third quarter, principal payments made under our Term Loan and payments of debt issuance costs.

Cash flows used in financing activities were \$12.1 million for 2012. Our primary financing activities included the repayment of \$125.0 million of 2.125% Convertible Notes and \$18.0 million in quarterly payments against our Term Loan then-outstanding. In addition, we received proceeds from the issuance of an additional \$125.0 million aggregate principal amount of 9.125% Notes at a price of 104.0 percent, resulting in gross proceeds of \$130.0 million, less \$4.9 million of associated debt issuance costs. We also made a \$7.0 million draw on our revolving credit facility.

Long-Term Debt Summary

Our principal amount of long-term debt, including current portion, was \$615.0 million as of December 31, 2014, which consisted of:

- \$360.0 million aggregate principal amount of 6.75% Notes;
- \$225.0 million aggregate principal amount of 7.50% Notes; and
- \$30.0 million under our Term Loan, \$10.0 million of which was classified as current.

6.75% Senior Notes, due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of the 6.75% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 6.75% Notes offering plus a \$40.0 million Term Loan draw under the 2012 Secured Credit Agreement and cash on hand were utilized to purchase \$416.2 million aggregate principal amount of our outstanding 9.125% Senior Notes due 2018 pursuant to a tender and consent solicitation offer commenced on January 7, 2014. See further discussion of the tender and consent solicitation offer below entitled "*9.125% Senior Notes, due April 2018*".

The 6.75% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and our 7.50% Notes. Interest on the 6.75% Notes is payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes of approximately \$7.6 million (\$7.0 million net of amortization as of December 31, 2014) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to January 15, 2017, we may redeem up to 35 percent of the aggregate principal amount of the 6.75% Notes at a redemption price of 106.75 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after January 15, 2018, we may redeem all or a part of the 6.75% Notes upon appropriate notice, at a redemption price of 103.375 percent of the principal amount, and at redemption prices

decreasing each year thereafter to par beginning January 15, 2020. If we experience certain changes in control, we must offer to repurchase the 6.75% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as events of default. These covenants are subject to a number of important exceptions and qualifications.

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 7.50% Notes offering were primarily used to repay the \$125.0 million aggregate principal amount of the Goldman Term Loan, to repay \$45.0 million of Term Loan borrowings and for general corporate purposes.

The 7.50% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes is payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes of approximately \$5.6 million (\$4.7 million, net of amortization as of December 31, 2014) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to August 1, 2016, we may redeem up to 35 percent of the aggregate principal amount of the 7.50% Notes at a redemption price of 107.50 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after August 1, 2016, we may redeem all or a part of the 7.50% Notes upon appropriate notice, at a redemption price of 103.750 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning August 1, 2018. If we experience certain changes in control, we must offer to repurchase the 7.50% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as events of default. These covenants are subject to a number of important exceptions and qualifications.

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued \$300.0 million aggregate principal amount of the 9.125% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 9.125% Notes offering were primarily used to redeem the \$225.0 million aggregate principal amount of our 9.625% Senior Notes due 2013 and to repay \$42.0 million of borrowings under our senior secured revolving credit facility.

On April 25, 2012, we issued an additional \$125.0 million aggregate principal amount of 9.125% Notes under the same indenture at a price of 104.0% of par, resulting in gross proceeds of \$130.0 million. Net proceeds from the offering were utilized to refinance \$125.0 million aggregate principal amount of the 2.125% Convertible Senior Notes due July 2012.

On January 7, 2014, we commenced a tender and consent solicitation with respect to the 9.125% Notes. The tender offer price was \$1,061.98, inclusive of a \$30.00 consent payment, for each \$1,000 principal amount of 9.125% Notes, plus accrued and unpaid interest. On January 22, 2014, we paid \$453.7 million for the tendered 9.125% Notes, comprised of \$416.2 million of aggregate principal amount of the 9.125% Notes, \$25.8 million of tender and consent premiums and \$11.7 million of accrued interest. On April 1, 2014, we redeemed the remaining \$8.8 million aggregate principal amount of the outstanding 9.125% Notes for a purchase price of \$9.6 million, inclusive of a \$0.4 million call premium and \$0.4 million interest. During the year ended December 31, 2014, we recorded a loss on extinguishment of debt of approximately \$30.2 million, which included the tender and consent premiums of \$25.8 million, the call premium of \$0.4 million and the write-off of unamortized debt issuance costs of \$7.7 million, offset by the write-off of the remaining unamortized debt issuance premium of \$3.8 million.

2015 Secured Credit Agreement

On January 26, 2015 we entered into the 2015 Secured Credit Agreement, which amended and restated the 2012 Secured Credit Agreement. The 2015 Secured Credit Agreement is comprised of a \$200 million revolving credit facility (2015 Revolver). The 2012 Secured Credit Agreement consisted of an \$80 million revolving credit facility and a \$50 million Term Loan. At the closing of the 2015 Secured Credit Agreement, we repaid \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Revolver. At the closing date there were no borrowings under the revolving credit portion of the 2012 Secured Credit Agreement.

Our 2015 Revolver is available for general corporate purposes and to support letters of credit. Interest on 2015 Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the 2015 Secured Credit Agreement, the Applicable Rate varies from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2015 Secured Credit Agreement). Revolving loans are available subject to a quarterly Asset Coverage Ratio calculation based on the Orderly Liquidation Value of certain specified rigs including barge rigs in the Gulf of Mexico and land rigs in Alaska, and rental equipment of the Company and its subsidiary guarantors and a percentage of eligible domestic accounts receivable. Upon closing of the 2015 Secured Credit Agreement, there was \$30.0 million drawn on the 2015 Revolver and \$11.7 million of letters of credit outstanding. The 2015 Secured Credit Agreement matures on January 26, 2020.

2012 Secured Credit Agreement

On December 14, 2012, we entered into the 2012 Secured Credit Agreement consisting of a senior secured \$80.0 million revolving facility (2012 Revolver) and the Term Loan. In July 2013, the 2012 Secured Credit Agreement was amended to permit re-borrowing in the form of additional term loans, of up to \$45.0 million, decreasing by \$2.5 million at the end of each quarter beginning September 30, 2013 and ending March 31, 2014. In January 2014 we re-borrowed \$40 million of the Term Loan.

Our obligations under the 2012 Secured Credit Agreement were guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which have executed guaranty agreements, and were secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The 2012 Secured Credit Agreement contained customary affirmative and negative covenants with which we were in compliance as of December 31, 2014 and December 31, 2013. The 2012 Secured Credit Agreement would have matured on December 14, 2017.

2012 Revolver

Our 2012 Revolver was available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrued at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the 2012 Secured Credit Agreement, the Applicable Rate varied from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2012 Secured Credit Agreement). Revolving loans were available subject to an asset coverage ratio determined based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at December 31, 2014 and December 31, 2013. Letters of credit outstanding as of December 31, 2014 and December 31, 2013 totaled \$11.0 million and \$4.6 million, respectively.

Term Loan

The Term Loan originated at \$50.0 million on December 14, 2012 and required quarterly principal payments of \$2.5 million, which began March 31, 2013. Interest on the Term Loan accrued at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. The outstanding balance on the Term Loan at December 31, 2013 was zero. In January 2014 we re-borrowed \$40 million of the Term Loan and used the proceeds, along with the proceeds from the issuance of the 6.75% Notes, to repurchase our 9.125% Notes. As of December 31, 2014 the remaining balance on the Term Loan was \$30.0 million. At the closing of the 2015 Secured Credit Agreement, we repaid \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Revolver.

Liquidity

As of December 31, 2014, we had approximately \$177.5 million of liquidity, which consisted of \$108.5 million of cash and cash equivalents on hand and \$69.0 million of availability under the 2012 Revolver.

We do not have any unconsolidated special-purpose entities, off-balance sheet financing arrangements or guarantees of third-party financial obligations. As of December 31, 2014 we have no energy, commodity, or foreign currency derivative contracts.

The following table summarizes our future contractual cash obligations as of December 31, 2014:

| | Total | Less than 1 Year | Years 1 - 3 | Years 3 - 5 | More than 5 Years |
|-------------------------------|---------------------|---------------------|-------------------|------------------|----------------------|
| (Dollars in Thousands) | | | | | |
| Contractual cash obligations: | | | | | |
| Long-term debt — principal | \$ 615,000 | \$ 10,000 | \$ 20,000 | \$ — | \$ 585,000 |
| Long-term debt — interest | 297,216 | 42,018 | 83,073 | 82,350 | 89,775 |
| Operating leases(1) | 47,657 | 13,188 | 15,649 | 10,361 | 8,459 |
| Purchase commitments(2) | 65,195 | 65,195 | — | — | — |
| Total contractual obligations | <u>\$ 1,025,068</u> | <u>\$ 130,401</u> | <u>\$ 118,722</u> | <u>\$ 92,711</u> | <u>\$ 683,234</u> |
| Commercial commitments: | | | | | |
| Standby letters of credit(3) | 10,999 | 10,999 | — | — | — |
| Total commercial commitments | <u>\$ 10,999</u> | <u>\$ 10,999</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

- 1) Operating leases consist of lease agreements in excess of one year for office space, equipment, vehicles and personal property.
- 2) We had purchase commitments outstanding as of December 31, 2014, related to rental tools and rig upgrade projects.
- 3) We had an \$80.0 million Revolver pursuant to our 2012 Secured Credit Agreement. As of December 31, 2014, \$11.0 million of availability under the 2012 Revolver had been used to support letters of credit that had been issued.

With the closing of the 2015 Secured Credit Agreement disclosed above, we improved our liquidity, which consisted of current cash and cash equivalents on hand and \$158.3 million of availability under the 2015 Revolver. At closing, a \$30.0 million loan was borrowed from the 2015 Revolver, the Term Loan was paid with the borrowings and all outstanding letters of credit of \$11.7 million were continued.

Other Matters

Business Risks

See Item 1A. Risk Factors, for a discussion of risks related to our business.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to fair value of assets, bad debt, materials and supplies obsolescence, property and equipment, goodwill, income taxes, workers' compensation and health insurance and contingent liabilities for which settlement is deemed to be probable. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While we believe that such estimates are reasonable, actual results could differ from these estimates.

We believe the following are our most critical accounting policies as they can be complex and require significant judgments, assumptions and/or estimates in the preparation of our consolidated financial statements. Other significant accounting policies are summarized in Note 1 in the notes to the consolidated financial statements.

Fair value measurements. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, 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 technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable

inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, 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.

Impairment of Property, Plant and Equipment. We review the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate the carrying values of such assets may not be recoverable. For example, evaluations are performed when we experience sustained significant declines in utilization and dayrates, and we do not contemplate recovery in the near future. In addition, we evaluate our assets when we reclassify property and equipment to assets held for sale or as discontinued operations as prescribed by accounting guidance related to accounting for the impairment or disposal of long-lived assets. We determine recoverability by evaluating the undiscounted estimated future net cash flows. When impairment is indicated, we measure the impairment as the amount by which the assets carrying value exceeds its fair value. Management considers a number of factors such as estimated future cash flows, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the concluded current fair value is below the net carrying value.

Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in materially different carrying values of our assets.

Accrual for Self-Insurance. Substantially all of our operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, cratering, oil and natural gas well fires and explosions, natural disasters, pollution, mechanical failure and damage or loss during transportation. Some of our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from severe weather and marine life infestations. These hazards could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage, which could lead to claims by third parties or customers, suspension of operations and contract terminations. We have had accidents in the past due to some of these hazards.

Our contracts provide for varying levels of indemnification between ourselves and our customers, including with respect to well control and subsurface risks. We seek to obtain indemnification from our customers by contract for certain of these risks. We also maintain insurance for personal injuries, damage to or loss of equipment and other insurance coverage for various business risks. To the extent that we are unable to transfer such risks to customers by contract or indemnification agreements, we seek protection through insurance. However, these insurance or indemnification agreements may not adequately protect us against liability from all of the consequences of the hazards described above. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of an insurance coverage deductible.

Based on the risks discussed above, we estimate our liability in excess of insurance coverage and accrue for these amounts in our consolidated financial statements. Accruals related to insurance are based on the facts and circumstances specific to the insurance claims and our past experience with similar claims. The actual outcome of insured claims could differ significantly from the amounts estimated. We accrue actuarially determined amounts in our consolidated balance sheet to cover self-insurance retentions for workers' compensation, employers' liability, general liability, automobile liability and health benefits claims. These accruals use historical data based upon actual claim settlements and reported claims to project future losses. These estimates and accruals have historically been reasonable in light of the actual amount of claims paid.

As the determination of our liability for insurance claims could be material and is subject to significant management judgment and in certain instances is based on actuarially estimated and calculated amounts, management believes that accounting estimates related to insurance accruals are critical.

Accounting for Income Taxes. We are a U.S. company and we operate through our various foreign legal entities and their branches and subsidiaries in numerous countries throughout the world. Consequently, our tax provision is based upon the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income tax rates imposed and methods of computing taxable income in these jurisdictions vary. Therefore, as a part of the process of preparing the consolidated financial statements, we are required to estimate the income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization and certain accrued liabilities for tax and accounting purposes. Our effective tax rate for financial statement purposes will continue to fluctuate from year to year as our operations are conducted in different taxing jurisdictions. Current income tax expense represents either liabilities expected to be reflected on our income tax returns for the current year, nonresident withholding taxes or changes in prior year tax estimates which may result from tax audit adjustments. Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities reported on the consolidated balance sheet. Valuation allowances are established to reduce deferred tax assets when it is more

likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, as well as changes in tax laws, could require us to adjust the deferred tax assets and liabilities or valuation allowances, including as discussed below.

Our ability to realize the benefit of our deferred tax assets requires that we achieve certain future earnings levels prior to the expiration of our net operating loss (NOL) and foreign tax credit (FTC) carryforwards. In the event that our earnings performance projections do not indicate that we will be able to benefit from our NOL and FTC carryforwards, valuation allowances are established following the "more likely than not" criteria. We periodically evaluate our ability to utilize our NOL and FTC carryforwards and, in accordance with accounting guidance related to accounting for income taxes, will record any resulting adjustments that may be required to deferred income tax expense in the period for which an existing estimate changes.

We do not currently provide for U.S. deferred taxes on unremitted earnings of our foreign subsidiaries as such earnings are deemed to be permanently reinvested. If such earnings were to be distributed, we could be subject to U.S. taxes, which may have a material impact on our results of operations. We cannot practically estimate the amount of additional taxes that might be payable on unremitted earnings. We annually review our position and may elect to change our future tax position.

We apply the accounting standards related to uncertainty in income taxes. This accounting guidance requires that management make estimates and assumptions affecting amounts recorded as liabilities and related disclosures due to the uncertainty as to final resolution of certain tax matters. Because the recognition of liabilities under this interpretation may require periodic adjustments and may not necessarily imply any change in management's assessment of the ultimate outcome of these items, the amount recorded may not accurately reflect actual outcomes.

Revenue Recognition. Contract drilling revenues and expenses, comprised of daywork drilling contracts, call-outs against master service agreements and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met. Revenues from rental activities are recognized ratably over the rental term which is generally less than six months. Technical Services contracts include engineering, consulting, and project management scopes of work and revenue is typically recognized on a time and materials basis.

Allowance for Doubtful Accounts — The allowance for doubtful accounts is estimated for losses that may occur resulting from disputed amounts and the inability of our customers to pay amounts owed. We estimate the allowance based on historical write-off experience and information about specific customers. We review individually, for collectability, all balances over 90 days past due as well as balances due from any customer with respect to which we have information leading us to believe that a risk exists for potential collection.

Legal and Investigation Matters - As of December 31, 2014, we have accrued an estimate of the probable and estimable costs for the resolution of certain legal and investigation matters. We have not accrued any amounts for other matters for which the liability is not probable and reasonably estimable. Generally, the estimate of probable costs related to these matters is developed in consultation with our legal advisors. The estimates take into consideration factors such as the complexity of the issues, litigation risks and settlement costs. If the actual settlement costs, final judgments, or fines, after appeals, differ from our estimates, our future financial results may be adversely affected.

Recent Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our consolidated financial statements, see Note 18 - Recent Accounting Pronouncements in the Notes to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Rate Risk

Our international operations expose us to foreign currency exchange rate risk. There are a variety of techniques to minimize the exposure to foreign currency exchange rate risk, including customer contract payment terms and the possible use of foreign currency exchange rate risk derivative instruments. Our primary foreign currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign currency exchange rate risk needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have not had a material impact on our overall results. In situations where payments of local currency do not equal local currency requirements, foreign currency exchange rate risk derivative instruments, specifically spot purchases, may be used to mitigate foreign exchange rate currency risk. We do not enter into derivative transactions for speculative purposes. At December 31, 2014, we had no open foreign currency exchange rate risk derivative contracts.

Interest Rate Risk

We are exposed to changes in interest rates through our fixed rate long-term debt. Typically, the fair market value of fixed rate long-term debt will increase as prevailing interest rates decrease and will decrease as prevailing interest rates increase. The fair value of our long-term debt is estimated based on quoted market prices where applicable, or based on the present value of expected cash flows relating to the debt discounted at rates currently available to us for long-term borrowings with similar terms and maturities. The estimated fair value of our \$360.0 million principal amount of 6.75% Notes, based on quoted market prices, was \$270.0 million at December 31, 2014. The estimated fair value of our \$225.0 million principal amount of 7.50% Notes, based on quoted market prices, was \$180.0 million at December 31, 2014. A hypothetical 100 basis point increase in interest rates relative to market interest rates at December 31, 2014 would decrease the fair market value of our 6.75% Notes by approximately \$27.0 million and decrease the fair market value of our 7.50% Notes by approximately \$17.3 million.

In 2011, we entered into two variable-to-fixed interest rate swap agreements as a strategy to manage the floating rate risk on the Term Loan borrowings under the then-effective secured credit agreement. The two agreements fixed the interest rate on a notional amount of \$73.0 million of borrowings at 3.878 percent for the period beginning June 27, 2011 and terminating May 14, 2013. The notional amount of the swap agreements decreased correspondingly with amortization of the Term Loan. We did not apply hedge accounting to the agreements and, accordingly, reported the mark-to-market change in the fair value of the interest rate swaps in earnings. As of December 31, 2013 the swap agreements had expired and as of December 31, 2012, the fair value of the interest rate swap was a liability of \$0.1 million.

Impact of Fluctuating Commodity Prices

We are exposed to the impact of fluctuations in market prices for oil and natural gas affecting spending by E&P companies on drilling programs. In the past, steep, prolonged and unexpected price reductions in oil prices have led to significant reductions in drilling activity for the related commodity. This usually does not result in cancellations of existing contracts for our rigs and rental tools, but rather in fewer opportunities to reengage our equipment when contracted work was completed. At those times, drilling rig and rental tools utilization declined along with associated dayrates and rental rates.

In response to the recent steep and swift decline in market prices for oil, and the continued decline in the U.S. price for natural gas, some E&P companies curtailed U.S. drilling activity in the last months of 2014 and many E&P companies have cut 2015 worldwide spending plans to below the prior year's level. This has led to a reduction in activity in the U.S. land and GOM inland waters drilling markets. In addition, many international markets are susceptible to reductions in drilling activity, depending on the depth and duration of the current decline in oil prices.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Parker Drilling Company:

We have audited Parker Drilling Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Parker Drilling Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control over Financial Reporting* in Item 9A. Our responsibility is to express an opinion on Parker Drilling Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Parker Drilling Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 25, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Houston, Texas
February 25, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Parker Drilling Company:

We have audited the accompanying consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II - Valuation and Qualifying Accounts. These consolidated financial statements and financial statement schedules are the responsibility of the Parker Drilling Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Parker Drilling Company and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Parker Drilling Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2015 expressed an unqualified opinion on the effectiveness of Parker Drilling Company's internal control over financial reporting.

/s/ KPMG LLP

Houston, Texas
February 25, 2015

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

| | Year Ended December 31, | | |
|---|-------------------------|------------------|------------------|
| | 2014 | 2013 | 2012 |
| Revenues | \$ 968,684 | \$ 874,172 | \$ 677,761 |
| Expenses: | | | |
| Operating expenses | 669,381 | 571,672 | 413,188 |
| Depreciation and amortization | 145,121 | 134,053 | 113,017 |
| | <u>814,502</u> | <u>705,725</u> | <u>526,205</u> |
| Total operating gross margin | 154,182 | 168,447 | 151,556 |
| General and administration expense | (35,016) | (68,025) | (46,257) |
| Provision for reduction in carrying value of certain assets | — | (2,544) | — |
| Gain on disposition of assets, net | 1,054 | 3,994 | 1,974 |
| Total operating income | <u>120,220</u> | <u>101,872</u> | <u>107,273</u> |
| Other income and (expense): | | | |
| Interest expense | (44,265) | (47,820) | (33,542) |
| Interest income | 195 | 2,450 | 153 |
| Loss on extinguishment of debt | (30,152) | (5,218) | (2,130) |
| Change in fair value of derivative positions | — | 53 | 55 |
| Other | 2,539 | 1,450 | (832) |
| Total other expense | <u>(71,683)</u> | <u>(49,085)</u> | <u>(36,296)</u> |
| Income before income taxes | <u>48,537</u> | <u>52,787</u> | <u>70,977</u> |
| Income tax expense: | | | |
| Current tax expense | 22,567 | 12,909 | 18,042 |
| Deferred tax expense | 1,509 | 12,699 | 15,837 |
| Total income tax expense | <u>24,076</u> | <u>25,608</u> | <u>33,879</u> |
| Net income | <u>24,461</u> | <u>27,179</u> | <u>37,098</u> |
| Less: Net Income (loss) attributable to noncontrolling interest | 1,010 | 164 | (215) |
| Net income attributable to controlling interest | <u>\$ 23,451</u> | <u>\$ 27,015</u> | <u>\$ 37,313</u> |
| Basic earnings per share: | \$ 0.19 | \$ 0.23 | \$ 0.32 |
| Diluted earnings per share: | \$ 0.19 | \$ 0.22 | \$ 0.31 |
| Number of common shares used in computing earnings per share: | | | |
| Basic | 121,186,464 | 119,284,468 | 117,721,135 |
| Diluted | 123,076,648 | 121,224,550 | 119,093,590 |

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)

| | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2014 | 2013 | 2012 |
| Comprehensive income: | | | |
| Net income | \$ 24,461 | \$ 27,179 | \$ 37,098 |
| Other comprehensive gain (loss), net of tax: | | | |
| Currency translation difference on related borrowings | (4,870) | (1,525) | — |
| Currency translation difference on foreign currency net investments | 2,147 | 3,051 | — |
| Total other comprehensive gain (loss), net of tax: | (2,723) | 1,526 | — |
| Comprehensive income | 21,738 | 28,705 | 37,098 |
| Comprehensive (income) loss attributable to noncontrolling interest | (673) | 198 | 215 |
| Comprehensive income (loss) attributable to controlling interest | \$ 21,065 | \$ 28,903 | \$ 37,313 |

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

| | December 31, | |
|--|--------------|--------------|
| | 2014 | 2013 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 108,456 | \$ 148,689 |
| Accounts and Notes Receivable, net of allowance for bad debts of \$11,188 in 2014 and \$12,853 in 2013 | 270,952 | 257,889 |
| Rig materials and supplies | 47,943 | 41,781 |
| Deferred costs | 5,673 | 13,682 |
| Deferred income taxes | 7,476 | 9,940 |
| Other tax assets | 10,723 | 24,079 |
| Other current assets | 18,556 | 23,223 |
| Total current assets | 469,779 | 519,283 |
| Property, plant and equipment, net of accumulated depreciation of \$1,201,058 in 2014 and \$1,136,024 in 2013 (Note 4) | | |
| | 895,940 | 871,356 |
| Rig materials and supplies | 6,937 | 10,221 |
| Debt issuance costs | 12,526 | 14,208 |
| Deferred income taxes | 122,689 | 102,420 |
| Other assets | 12,788 | 17,268 |
| Total assets | \$ 1,520,659 | \$ 1,534,756 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 10,000 | \$ 25,000 |
| Accounts payable | 78,776 | 90,033 |
| Accrued liabilities | 75,703 | 84,853 |
| Accrued income taxes | 14,186 | 7,266 |
| Total current liabilities | 178,665 | 207,152 |
| Long-term debt | 605,000 | 628,781 |
| Other long-term liabilities | 18,665 | 26,914 |
| Long-term deferred tax liability | 52,115 | 38,767 |
| Commitments and contingencies (Note 15) | | |
| Stockholders' equity: | | |
| Preferred Stock, \$1 par value, 1,942,000 shares authorized, no shares outstanding | — | — |
| Common Stock, \$0.16 2/3 par value, authorized 280,000,000 shares, issued and outstanding, 122,045,877 shares (120,491,164 shares in 2013) | 20,325 | 20,075 |
| Capital in excess of par value | 666,769 | 657,349 |
| Accumulated deficit | (24,165) | (47,616) |
| Accumulated Other Comprehensive Income | (498) | 1,888 |
| Total controlling interest stockholders' equity | 662,431 | 631,696 |
| Noncontrolling interest | 3,783 | 1,446 |
| Total equity | 666,214 | 633,142 |
| Total liabilities and stockholders' equity | \$ 1,520,659 | \$ 1,534,756 |

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

| | Year Ended December 31, | | |
|---|-------------------------|------------------|------------------|
| | 2014 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 24,461 | \$ 27,179 | \$ 37,098 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 145,121 | 134,053 | 113,017 |
| Loss on extinguishment of debt | 30,152 | 5,218 | 2,130 |
| Gain on disposition of assets | (1,054) | (3,994) | (1,974) |
| Deferred tax expense | 1,509 | 12,699 | 15,837 |
| Provision for reduction in carrying value of certain assets | — | 2,544 | — |
| Expenses not requiring cash | 19,331 | 17,764 | 22,600 |
| Change in assets and liabilities: | | | |
| Accounts and notes receivable | (12,238) | (33,512) | 15,241 |
| Rig materials and supplies | (2,878) | 1,754 | 344 |
| Other current assets | 26,032 | (11,715) | (4,313) |
| Accounts payable and accrued liabilities | 27,231 | (286) | (2,657) |
| Accrued income taxes | (7,657) | 10,454 | (6,102) |
| Other assets | (47,543) | (661) | (1,522) |
| Net cash provided by operating activities | <u>202,467</u> | <u>161,497</u> | <u>189,699</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (179,513) | (155,645) | (191,543) |
| Proceeds from the sale of assets | 5,938 | 8,218 | 3,937 |
| Acquisition of ITS, net of cash acquired | — | (117,991) | — |
| Net cash used in investing activities | <u>(173,575)</u> | <u>(265,418)</u> | <u>(187,606)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of debt | 400,000 | 350,000 | 130,000 |
| Proceeds from draw on revolver credit facility | — | — | 7,000 |
| Repayments of long-term debt | (425,000) | (125,000) | — |
| Repayments of senior notes | — | — | (125,000) |
| Repayments of term loan | (10,000) | (50,000) | (18,000) |
| Payments of debt issuance costs | (7,630) | (11,172) | (4,859) |
| Payments of debt extinguishment costs | (26,214) | — | (555) |
| Excess tax benefit (expense) from stock-based compensation | (281) | 896 | (662) |
| Net cash provided by (used in) financing activities | <u>(69,125)</u> | <u>164,724</u> | <u>(12,076)</u> |
| Net increase (decrease) in cash and cash equivalents | (40,233) | 60,803 | (9,983) |
| Cash and cash equivalents at beginning of year | <u>148,689</u> | <u>87,886</u> | <u>97,869</u> |
| Cash and cash equivalents at end of year | <u>108,456</u> | <u>148,689</u> | <u>87,886</u> |
| Supplemental cash flow information: | | | |
| Interest paid | 41,820 | 42,236 | 37,405 |
| Income taxes paid | 26,694 | 17,036 | 40,234 |

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars and Shares in Thousands)

| | Shares | Common Stock | Treasury Stock | Capital in Excess of Par Value | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Controlling Stockholders' Equity | Noncontrolling Interest | Total Stockholders' Equity |
|--|---------|--------------|----------------|--------------------------------|---------------------|---|--|-------------------------|----------------------------|
| Balances, December 31, 2011 | 117,061 | \$ 19,789 | \$ (281) | \$ 637,042 | \$ (111,944) | — | \$ 544,606 | (556) | \$ 544,050 |
| Activity in employees' stock plans | 1,907 | 264 | 46 | 2,620 | — | — | 2,930 | — | 2,930 |
| Tax benefit increase from stock based compensation | — | — | — | \$ (662) | — | — | \$ (662) | — | \$ (662) |
| Amortization of stock-based awards | — | — | — | 7,217 | — | — | 7,217 | — | 7,217 |
| Comprehensive Income: | | | | | | | | | |
| Net income | — | — | — | — | 37,313 | — | 37,313 | (215) | 37,098 |
| Balances, December 31, 2012 | 118,968 | \$ 20,053 | \$ (235) | \$ 646,217 | \$ (74,631) | \$ — | \$ 591,404 | \$ (771) | \$ 590,633 |
| Activity in employees' stock plans | 1,523 | 215 | 42 | 805 | — | — | 1,062 | — | 1,062 |
| Tax benefit decrease from stock based compensation | — | — | — | 896 | — | — | 896 | — | 896 |
| Amortization of stock-based awards | — | — | — | 9,431 | — | — | 9,431 | — | 9,431 |
| Fair value of acquired noncontrolling interest | — | — | — | — | — | — | — | 2,680 | 2,680 |
| Distributions to noncontrolling interest | — | — | — | — | — | — | — | (265) | (265) |
| Comprehensive Income: | | | | | | | | | |
| Net income | — | — | — | — | 27,015 | — | 27,015 | 164 | 27,179 |
| Other comprehensive income (loss) | — | — | — | — | — | 1,888 | 1,888 | (362) | 1,526 |
| Balances, December 31, 2013 | 120,491 | \$ 20,268 | \$ (193) | \$ 657,349 | \$ (47,616) | \$ 1,888 | \$ 631,696 | \$ 1,446 | \$ 633,142 |
| Activity in employees' stock plans | 1,555 | 227 | 23 | 924 | — | — | 1,174 | — | 1,174 |
| Tax benefit increase from stock based compensation | — | — | — | (281) | — | — | (281) | — | (281) |
| Amortization of stock-based awards | — | — | — | 9,273 | — | — | 9,273 | — | 9,273 |
| Purchase of NCI of joint venture | — | — | — | (496) | — | — | (496) | (13) | (509) |
| Fair value of acquired noncontrolling interest | — | — | — | — | — | — | — | 1,919 | 1,919 |
| Distributions to noncontrolling interest | — | — | — | — | — | — | — | (242) | (242) |
| Comprehensive Income: | | | | | | | | | |
| Net income | — | — | — | — | 23,451 | — | 23,451 | 1,010 | 24,461 |
| Other comprehensive income (loss) | — | — | — | — | — | (2,386) | (2,386) | (337) | (2,723) |
| Balances, December 31, 2014 | 122,046 | \$ 20,495 | \$ (170) | \$ 666,769 | \$ (24,165) | \$ (498) | \$ 662,431 | \$ 3,783 | \$ 666,214 |

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Nature of Operations — We are an international provider of contract drilling and drilling-related services and rental tools. We have operated in over 50 countries since beginning operations in 1934, making us among the most geographically experienced drilling contractors and rental tools providers in the world. We currently have operations in 23 countries. We own and operate drilling rigs and drilling-related equipment and also perform drilling-related services, referred to as operations and maintenance (O&M) services, for customer-owned drilling rigs on a contracted basis. We have extensive experience and expertise in drilling geologically difficult wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas. Our rental tools business supplies premium equipment to exploration and production (E&P) companies, drilling contractors and service companies on land and offshore in the United States (U.S.) and select international markets. We believe we are an industry leader in quality, health, safety and environmental practices.

Our business is currently comprised of five reportable segments: Rental Tools, U.S. Barge Drilling, U.S. Drilling, International Drilling, and Technical Services. Our rental tools business provides premium rental tools and services for land and offshore oil and natural gas drilling, workover and production applications. Tools we provide include drill collars, standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, and pressure control equipment including blow-out preventers (BOPs). In addition, we also provide services including fishing, tubular running, inspection and machine shop support. Our U.S. barge drilling business operates barge rigs that drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama, and Texas. The majority of these wells are drilled in water depths of 6 to 12 feet. Our U.S. drilling business primarily consists of two arctic-class drilling rigs in Alaska designed to address the challenges presented by the remote location, harsh climate and sensitive environment that characterize the Alaskan North Slope and O&M work in support of a customer's offshore platform operations located in the Channel Islands region of California. Our international drilling business includes operations related to Parker-owned and customer-owned rigs. We provide O&M and other project management services, such as labor, maintenance, technical and logistics support for operators who own their own drilling rigs, but choose Parker Drilling to operate the rigs for them. Our technical services business includes engineering and related project services during concept development, pre-FEED (Front End Engineering Design) and FEED phases of customer-owned drilling facility projects. During the engineering, procurement, construction, installation and commissioning phases of these projects, we provide project management and procurement services focusing primarily on drilling equipment and drilling systems.

Consolidation — The consolidated financial statements include the accounts of the Company and subsidiaries in which we exercise control or have a controlling financial interest, including entities, if any, in which the Company is allocated a majority of the entity's losses or returns, regardless of ownership percentage. If a subsidiary of Parker Drilling has a 50 percent interest in an entity but Parker Drilling's interest in the subsidiary or the entity does not meet the consolidation criteria described above, then that interest is accounted for under the equity method.

Noncontrolling Interest — We apply accounting standards related to noncontrolling interests for ownership interests in our subsidiaries held by parties other than Parker Drilling. The entities that comprise the noncontrolling interest include ITS Arabia Limited and International Tubular Services - Egypt SAE. We report noncontrolling interest as equity on the consolidated balance sheets and report net income (loss) attributable to controlling interest and to noncontrolling interest separately on the consolidated statements of operations.

Reclassifications — Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These reclassifications did not materially affect our consolidated financial results.

Revenue Recognition — Contract drilling revenues and expenses, comprised of daywork drilling contracts, call-outs against master service agreements and engineering and related project service contracts, are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the primary term of the related drilling contract; however, costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met. Revenues from rental activities are recognized ratably over the rental term which is generally less than six months. Technical Services contracts include engineering, consulting, and project management scopes of work and revenue is typically recognized on a time and materials basis.

Reimbursable Costs — The Company recognizes reimbursements received for out-of-pocket expenses incurred as revenues and accounts for out-of-pocket expenses as direct operating costs. Such amounts totaled \$82.6 million, \$69.7 million, and \$44.9 million during the years ended December 31, 2014, 2013, and 2012, respectively. Additionally, the Company typically receives a nominal handling fee, which is recognized as earned in revenues in our consolidated statement of operations.

Use of Estimates — The preparation of financial statements in accordance with accounting policies generally accepted in the United States (U.S. GAAP) requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities at the date of the financial statements, and our revenues and expenses during the periods reported. Estimates are typically used when accounting for certain significant items such as legal or contractual liability accruals, mobilization and deferred mobilization, self-insured medical/dental plans, income taxes and valuation allowance, and other items requiring the use of estimates. Estimates are based on a number of variables which may include third party valuations, historical experience, where applicable, and assumptions that we believe are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ from management estimates.

Purchase price allocation — We allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values at the transaction date in accordance with the acquisition method. Transaction and integration costs associated with an acquisition are expensed as incurred. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. We use all available information to estimate fair values, including quoted market prices, the carrying value of acquired assets, and widely accepted valuation techniques such as discounted cash flows. We typically engage third-party appraisal firms to assist in fair value determination of inventories, identifiable intangible assets, and any other significant assets or liabilities. Judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

Intangible Assets — We recorded \$8.5 million to recognize the fair value of definite-lived intangible assets assumed in the ITS Acquisition. Definite-lived intangible assets recorded in connection with the ITS Acquisition primarily relate to trade names, customer relationships, and developed technology and will be amortized over a weighted average period of approximately 3 years. See Note 2 - Acquisition of ITS for further discussion of the ITS Acquisition and fair value estimates.

Cash and Cash Equivalents — For purposes of the consolidated balance sheets and the consolidated statements of cash flows, the Company considers cash equivalents to be highly liquid debt instruments that have a remaining maturity of three months or less at the date of purchase.

Accounts Receivable and Allowance for Bad Debt — Trade accounts receivable are recorded at the invoice amount and typically do not bear interest. The allowance for bad debt is estimated for losses that may occur resulting from disputed amounts and the inability of our customers to pay amounts owed. We estimate the allowance based on historical write-off experience and information about specific customers. We review individually, for collectability, all balances over 90 days past due as well as balances due from any customer with respect to which we have information leading us to believe that a risk exists for potential collection.

Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance-sheet credit exposure related to customers.

The components of our accounts and notes receivable, net of allowance for bad debt balance are as follows:

| <u>Dollars in thousands</u> | <u>December 31,</u> | |
|--|---------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Trade | \$ 281,640 | \$ 270,498 |
| Notes receivable | 500 | 244 |
| Allowance for bad debt ⁽¹⁾ | (11,188) | (12,853) |
| Total accounts and notes receivable, net of allowance for bad debt | <u>\$ 270,952</u> | <u>\$ 257,889</u> |

- 1) Additional information on the allowance for bad debt for the years ended December 31, 2014, 2013 and 2012 is reported on Schedule II — Valuation and Qualifying Accounts.

Property, Plant and Equipment — Property, plant and equipment is carried at cost. Maintenance and most repair costs are expensed as incurred. The cost of upgrades and replacements is capitalized. The Company capitalizes software developed or obtained for internal use. Accordingly, the cost of third-party software, as well as the cost of third-party and internal personnel that are directly involved in application development activities, are capitalized during the application development phase of new software systems projects. Costs during the preliminary project stage and post-implementation stage of new software systems projects, including data conversion and training costs, are expensed as incurred. We account for depreciation of property, plant and equipment on the straight line method over the estimated useful lives of the assets after provision for salvage value. Depreciation, for tax purposes, utilizes several methods of accelerated depreciation. Depreciable lives for different categories of property, plant and equipment are as follows:

| | |
|------------------------------------|---------------|
| Land drilling equipment | 3 to 20 years |
| Barge drilling equipment | 3 to 20 years |
| Drill pipe, rental tools and other | 4 to 10 years |
| Buildings and improvements | 5 to 30 years |

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the lease.

Impairment — We review the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate the carrying values of such assets may not be recoverable. We determine recoverability by evaluating the undiscounted estimated future net cash flows. When impairment is indicated, we measure the impairment as the amount by which the assets' carrying value exceeds its fair value. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the final estimate of current fair value is below the net carrying value.

Capitalized Interest — Interest from external borrowings is capitalized on major projects until the assets are ready for their intended use. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets. Capitalized interest costs reduce net interest expense in the consolidated statements of operations. During 2014, 2013 and 2012, capitalized interest costs were \$1.2 million, \$2.4 million and \$10.2 million, respectively.

Assets held for sale — We classify an asset as held for sale when the facts and circumstances meet the criteria for such classification, including the following: (a) we have committed to a plan to sell the asset, (b) the asset is available for immediate sale, (c) we have initiated actions to complete the sale, including locating a buyer, (d) the sale is expected to be completed within one year, (e) the asset is being actively marketed at a price that is reasonable relative to its fair value, and (f) the plan to sell is unlikely to be subject to significant changes or termination.

Rig Materials and Supplies — Because our international drilling generally occurs in remote locations, making timely outside delivery of spare parts uncertain, a complement of parts and supplies is maintained either at the drilling site or in warehouses close to the operation. During periods of high rig utilization, these parts are generally consumed and replenished within a one-year period. During a period of lower rig utilization in a particular location, the parts, like the related idle rigs, are generally not transferred to other international locations until new contracts are obtained because of the significant transportation costs that would result from such transfers. We classify those parts which are not expected to be utilized in the following year as long-term assets. Additionally, our international rental tools business holds machine shop consumables and steel stock for manufacture in our machine shops and inspection and repair shops. Rig materials and supplies are valued at the lower of cost or market value.

Deferred Costs — We defer costs related to rig mobilization and amortize such costs over the primary term of the related contract. The costs to be amortized within twelve months are classified as current.

Debt Issuance Costs — We typically defer costs associated with issuance of indebtedness, and amortize those costs over the term of the related debt using the effective interest method.

Income Taxes — Income taxes are accounted for under the asset and liability method and have been provided based upon tax laws and rates in effect in the countries in which operations are conducted and income is earned. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes as the countries in which we operate have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits, and other benefits. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled and the effect of changes in tax rates is recognized in income in the period in which the change is enacted. The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized and changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Earnings (Loss) Per Share (EPS) — Basic earnings (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. The effects of dilutive securities, stock options, unvested restricted stock and convertible debt are included in the diluted EPS calculation, when applicable.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. We generally do not require collateral on our trade receivables.

At December 31, 2014 and 2013, we had deposits in domestic banks in excess of federally insured limits of approximately \$59.3 million and \$104.3 million, respectively. In addition, we had deposits in foreign banks, which were not insured at December 31, 2014 and 2013 of \$54.4 million and \$50.1 million, respectively.

Our customer base primarily consists of major, independent and national oil and natural gas companies and integrated service providers. We depend on a limited number of significant customers. Our largest customer, Exxon Neftegas Limited constituted 18.7 percent of our revenues for 2014.

Fair value measurements— For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, 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 technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, 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.

Derivative Financial Instruments — We periodically use derivative instruments to manage risks associated with changes in associated interest rate fluctuations in connection with our 2015 Secured Credit Agreement (See Note 7 - Derivative Financial Instruments for further discussion). These derivative instruments, which consist of variable-to-fixed interest rate swaps, are not designated as hedges. Accordingly, the change in the fair value of the interest rate swaps is recognized in earnings at each reporting period.

Foreign Currency — In our international rental tool business, for certain subsidiaries and branches outside the U.S., the local currency is the functional currency. The financial statements of these subsidiaries and branches are translated into U.S. dollars as follows: (i) assets and liabilities at month-end exchange rates; (ii) income, expenses and cash flows at monthly average exchange rates or exchange rates in effect on the date of the transaction; and (iii) stockholders' equity at historical exchange rates. For those subsidiaries where the local currency is the functional currency, the resulting translation adjustment is recorded as a component of accumulated other elements of comprehensive income (loss) in the accompanying consolidated balance sheets.

Stock-Based Compensation — Under our long term incentive plan, we are authorized to issue the following: stock options; stock appreciation rights; restricted stock awards; restricted stock units; performance based awards; and other types of awards in cash or stock to key employees, consultants, and directors. We typically grant restricted stock units (RSUs), performance shares units (PSUs) and performance cash units (PCUs). Our RSUs are service-based awards and compensation expense is recognized ratably over the applicable vesting period, which is typically three years for employees. RSUs granted to non-management directors typically vest at the end of a one-year vesting period. The grant-date fair value of nonvested RSUs is determined based on the closing trading price of the company's shares on the grant date. Our RSUs are settled in stock upon vesting.

Our PSU and PCU awards contain payout conditions which are based on our performance against our peers with regard to relative total shareholder return (TSR) and absolute and relative return on capital employed (ROCE). The effects of these conditions are reflected in the grant-date fair value of the award using a lattice model for valuation. Typically, PSUs are settled in stock upon vesting and PCUs are settled in cash upon vesting. Both PSUs and PCUs vest fully at the end of a three year performance period. We evaluate the terms of each PSU and PCU award to determine if the award should be accounted for as equity or a liability under the stock compensation rules of U.S. GAAP. Compensation costs for PSUs and PCUs are recognized ratably over the service period.

Share-based compensation expense is recognized, net of an estimated forfeiture rate, which is based on historical experience and adjusted, if necessary, in subsequent periods based on actual forfeitures. We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees. Tax deduction benefits for awards in excess of recognized compensation costs are reported as a financing cash flow.

Legal and Investigation Matters — As of December 31, 2014, we have accrued an estimate of the probable and estimable costs for the resolution of certain legal and investigation matters. We have not accrued any amounts for other matters for which the liability is not probable and reasonably estimable. Generally, the estimate of probable costs related to these matters is developed in consultation with our legal advisors. The estimates take into consideration factors such as the complexity of the issues, litigation

risks and settlement costs. If the actual settlement costs, final judgments, or fines, after appeals, differ from our estimates, our future financial results may be adversely affected.

Note 2 — Acquisition of ITS

On April 22, 2013 we acquired International Tubular Services Limited (ITS) and related assets (the ITS Acquisition) for an initial purchase price of \$101 million paid at the closing of the ITS Acquisition. An additional \$24 million was deposited into an escrow account, which is payable to the seller or to us, as the case may be, in accordance with the ITS Acquisition agreement (the Acquisition Agreement). As of December 31, 2014, \$10.5 million of the cash deposited in escrow has been released to the seller. Additionally, during the year ended December 31, 2014, we received \$2.75 million from the escrow to reimburse the Company for certain post-acquisition expenditures. The reimbursements were recorded as a reduction to general and administrative expense on our consolidated statement of operations.

Fair value of Consideration Transferred

The following details the fair value of the consideration transferred to effect the ITS Acquisition (dollars in thousands):

Dollars in thousands

| | | |
|---|----|----------------|
| Cash paid to, or on behalf of, ITS and its equity holders | \$ | 101,000 |
| Cash deposited in escrow | | 19,000 |
| Fair value of contingent consideration deposited in escrow for assets not acquired ⁽¹⁾ | | 5,000 |
| Total fair value of the consideration transferred | \$ | <u>125,000</u> |

(1) Based on the terms of the Acquisition Agreement, \$5 million of the \$24 million in escrow to be paid to the seller was contingent upon certain future liabilities that could become due by ITS in certain jurisdictions. Any payments in relation to these liabilities would be deducted from the \$5 million escrow amount and the net balance of the escrow would be paid to the seller. During the year ended December 31, 2014, the escrow agent released \$2 million to the seller, leaving \$3 million remaining in escrow at December 31, 2014. We anticipate the balance of \$3 million will be paid to the seller. Based on the payments and recoveries out of escrow, the estimated fair value of the consideration in escrow related to these liabilities is \$3 million. Any changes to the fair value of the contingent consideration in the future of less than \$3 million will result in recording a receivable from escrow which will be recorded at fair value. We do not expect to recover any further amounts from escrow related to the contingent consideration; therefore, as of December 31, 2014, the fair value of the receivable was zero.

Allocation of Consideration Transferred to Net Assets Acquired

We have finalized the determination of the fair values of the assets acquired and liabilities assumed as set forth below. The acquired assets and assumed liabilities were subject to adjustment during a one-year measurement period subsequent to the ITS Acquisition as permitted under GAAP. The estimated fair values of certain assets and liabilities, primarily receivables, intangible assets, property, plant and equipment, taxes, contingencies and noncontrolling interests required judgments and assumptions that resulted in adjustments made to these estimates during the measurement period. The measurement period adjustments were recorded to reflect new information obtained about facts and circumstances existing as of the date of the ITS Acquisition and did not result from subsequent intervening events.

The following details the allocation of consideration transferred to net assets acquired in the ITS Acquisition:

| <u>Dollars in thousands</u> | <u>April 22, 2013</u> |
|--|-----------------------|
| Cash and cash equivalents | \$ 7,009 |
| Accounts and notes receivable, net ⁽¹⁾ | 48,184 |
| Other current assets | 1,803 |
| Accounts payable and accrued liabilities | (35,156) |
| Accrued income taxes | (1,251) |
| Working capital excluding rig materials and supplies | 20,589 |
| Rig materials and supplies | 11,514 |
| Property, plant and equipment, net ⁽²⁾ | 72,935 |
| Investment in joint venture | 4,134 |
| Other noncurrent assets | 2,818 |
| Total tangible assets | 111,990 |
| Deferred income tax assets - current | 222 |
| Deferred income tax assets - noncurrent ⁽³⁾ | 11,640 |
| Intangible assets ⁽⁴⁾ | 8,500 |
| Total assets acquired | 132,352 |
| Other long-term liabilities | (211) |
| Long-term deferred tax liability | (2,796) |
| Net assets acquired | 129,345 |
| Less: Noncontrolling interest ⁽⁵⁾ | (4,345) |
| Total consideration transferred | \$ 125,000 |

- 1) Our provisional allocation included \$54.7 million of gross contractual accounts receivable. During the 2013 fourth quarter, adjustments of \$1.2 million were recorded as of December 31, 2013 resulting in final fair value of gross accounts receivable of \$55.9 million. These adjustments were recorded to reflect recognition of receivables for revenue earned prior to the acquisition date. Additionally, the initial allocation included \$5.9 million of allowance for doubtful accounts. During the 2014 first quarter, we recorded an additional \$1.9 million allowance to reserve against receivables that existed as of the acquisition date and were deemed to be uncollectible based on information obtained during the measurement period that existed, but was unknown to us, at the time of acquisition.
- 2) Our provisional allocation included \$39.2 million of accounts payable and accrued liabilities. During the 2013 third quarter we recorded a reclassification of \$4.0 million to reclassify reserves to property, plant, and equipment. This reclassification was reflected in our December 31, 2013 consolidated balance sheet but was not included in our disclosure of the Allocation of Consideration Transferred to Net Assets Acquired as of December 31, 2013. We have corrected this as of March 31, 2014 and do not believe the reclassification is material to our previously reported disclosure.
- 3) Management determined that the fair value of the net assets acquired less noncontrolling interest equaled consideration paid; therefore, no goodwill was recorded. Our provisional allocation included an adjustment of \$40.2 million to reduce the historical carrying value of the acquired property, plant and equipment to its estimated fair value at the date of acquisition. The measurement period adjustments to receivables, deferred income taxes, intangibles, and noncontrolling interests directly impacted the determination of the final fair value of the acquired property, plant and equipment, resulting in measurement period adjustments totaling \$2.6 million to increase the fair value of property, plant and equipment.
- 4) Our provisional allocation included \$14.4 million of deferred tax assets. During the measurement period, adjustments of (\$2.9) million and \$0.4 million were recorded as of December 31, 2013 and March 31, 2014, respectively, resulting in final fair value of deferred tax assets of \$11.9 million. Adjustments to deferred income tax assets primarily related to the differences between the final acquisition date fair value and tax basis of acquired property, plant and equipment.

- 5) Our provisional allocation included \$10.0 million and \$0.2 million to reflect the estimated fair values of definite- and indefinite-lived intangible assets, respectively. During the 2013 fourth quarter we recorded adjustments of \$1.5 million and \$0.2 million to reduce the value of the definite- and indefinite-lived intangible assets down to \$8.5 million and zero respectively. Our depreciation and amortization expense for the year ended December 31, 2013 reflects this valuation adjustment. Definite-lived intangible assets recorded in connection with the ITS Acquisition, which primarily relate to trade names, customer relationships, and developed technology, are being amortized over a weighted average period of approximately 3.4 years.
- 6) Our provisional allocation included noncontrolling interest of \$2.7 million. The estimated fair value of the noncontrolling interest was calculated as a percentage of the net assets acquired related to certain subsidiaries in which ITS holds less than a 100 percent controlling interest. The fair value of the net assets of these subsidiaries was primarily based on the income approach valuation model. During the 2014 first quarter, we obtained information about the acquired subsidiaries that existed at the date of acquisition which resulted in an increase in the acquisition date fair value of \$1.6 million, resulting in a final fair value of the noncontrolling interest of \$4.3 million.

The impacts to our December 31, 2013 consolidated balance sheet for the revisions to the provisional allocation made during the 2014 first quarter are as follows:

| <i>Dollars in thousands</i> | Increase/(Decrease) |
|--|----------------------------|
| Accounts and notes receivable, net | \$ (1,859) |
| Total current assets | (1,859) |
| Property, plant and equipment | 3,072 |
| Deferred income tax assets - noncurrent | 391 |
| Total non-current assets | 3,463 |
| Total assets | \$ 1,604 |
| Long-term deferred tax liabilities | (60) |
| Total non-current liabilities | (60) |
| Total liabilities | \$ (60) |
| Noncontrolling interest | \$ 1,664 |
| Total liabilities and stockholder's equity | \$ 1,604 |

The impact of the revisions to the provisional allocation recorded during the 2014 first quarter, including the impact to depreciation expense related to the increase in property, plant and equipment, are not material to our historical consolidated financial statements or disclosures.

Acquisition-Related Costs

Acquisition-related transaction costs, consisting of various advisory, compliance, legal, accounting, valuation and other professional or consulting fees, were nominal for the year ended December 31, 2014 and were \$22.5 million for the year ended December 31, 2013. These costs were expensed as incurred and included in general and administrative expense on our consolidated condensed statement of operations. Debt issuance costs of \$5.4 million associated with our \$125.0 million term loan, fully funded by Goldman Sachs Bank USA as Sole Lead Arranger and Administrative Agent (the Goldman Term Loan) issued on April 18, 2013 were initially deferred to be amortized to interest expense over the life of the term loan. However, the Goldman Term Loan was repaid on July 30, 2013 with net proceeds from the issuance of \$225.0 million aggregate principal amount of 7.50% Senior Notes due August 1, 2020 (the 7.50% Notes), and the unamortized deferred costs of \$5.2 million were expensed during the third quarter of 2013.

Note 3 — Accumulated Other Comprehensive Income

Accumulated other comprehensive income consisted of the following:

| <i>Dollars in thousands</i> | Foreign Currency Items |
|---|-------------------------------|
| December 31, 2013 | \$ 1,888 |
| Current period other comprehensive income | (2,386) |
| December 31, 2014 | \$ (498) |

Amounts reclassified out of accumulated other comprehensive income were \$0.2 million for the year ended December 31, 2014. These amounts represent foreign currency translation losses from the sale of our equity method investment in an ITS entity acquired during 2013. The other comprehensive income for the current period includes a significant increase in the exchange rate on related borrowings primarily in Colombia.

Note 4 — Property, Plant and Equipment

The components of our property, plant and equipment balance are as follows:

| <i>Dollars in Thousands</i> | December 31, | |
|---|---------------------|--------------|
| | 2014 | 2013 |
| Property, Plant and Equipment, at cost: | | |
| Drilling Equipment | \$ 1,383,308 | \$ 1,346,477 |
| Rental Tools | 494,924 | 467,731 |
| Building, Land and Improvements | 53,024 | 49,518 |
| Other | 95,074 | 61,273 |
| Construction in Progress | 70,668 | 82,381 |
| Total Property, Plant and Equipment at cost | 2,096,998 | 2,007,380 |
| Less: Accumulated Depreciation and Amortization | 1,201,058 | 1,136,024 |
| Property, Plant, and Equipment, Net | \$ 895,940 | \$ 871,356 |

Depreciation expense was \$145.1 million, \$134.1 million and \$113.0 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Provision for Reduction in Carrying Value of an Asset

During the 2014 fourth quarter, we performed a recoverability test for our respective asset groups to determine if the carrying values of such assets are recoverable. Based on the results of our recoverability test, the current carrying values of our asset groups are fully recoverable through our future estimated cash flows. We therefore concluded that the asset groups were not subject to impairment at December 31, 2014.

During the 2013 fourth quarter, for two rigs previously reported as assets held for sale as of December 31, 2012, management concluded that facts and circumstances no longer support the expectation that a sale would be consummated within a reasonable time period. As a result, we reclassified these assets back to assets held and used in accordance with generally accepted accounting principles. Concurrently, we performed a recoverability test for the two rigs and determined the fair value was less than the carrying amount before the assets were classified as held for sale, adjusted for any depreciation expense that would have been recognized had the assets been continuously classified as held and used. Therefore, during the 2013 fourth quarter we recorded a non-cash charge of \$1.9 million to reflect the rigs current estimated fair value. Additionally, during the 2013 fourth quarter a sales agreement was terminated for three additional rigs which were previously expected to be sold prior to December 31, 2013. Upon termination of the sales agreement we performed a fair value analysis of the rigs and concluded for one rig, the carrying value of the rig exceeded fair value. Therefore, during the 2013 fourth quarter we recorded a non-cash charge of \$0.6 million. Fair value was based on expected future cash flows using Level 3 inputs in accordance with fair value measurement requirements. The two rigs are reported as part of the International Drilling segment.

Disposition of Assets

During the normal course of operations, we periodically sell equipment deemed to be excess, obsolete, or not currently required for operations. During the 2014 fourth quarter, we sold two rigs located in Kazakhstan, including rig related inventory,

property and leasehold improvements. The assets had a carrying value at the time of sale of \$3.8 million and were sold for proceeds of \$3.5 million, resulting in a net loss of approximately \$0.3 million.

During the 2013 fourth quarter, we sold two rigs located in New Zealand, including rig related inventory, property and leasehold improvements. The assets had a carrying value at the time of sale of \$2.3 million and were sold for proceeds of \$3.2 million resulting in a gain of approximately \$0.9 million. The assets were part of our international drilling rig fleet. During the 2013 fourth quarter we also completed the sale of a building located in Tulsa, Oklahoma. As a result of the completed sale, we recognized proceeds of \$0.8 million and \$0.1 million gain on the sale. Additionally, during the 2013 third quarter we sold a barge rig located in Mexico with carrying value at the time of sale of \$0.3 million for proceeds of \$0.5 million, resulting in a \$0.2 million gain. The barge rig was part of our Latin America rig fleet and has historically been included in the international drilling segment.

During the 2012 fourth quarter, we sold a 33 year-old posted barge drilling rig for proceeds of \$0.2 million, resulting in a \$0.5 million loss.

Assets Held for Sale

We had no assets classified as assets held for sale as of December 31, 2014 or as of December 31, 2013. During 2013, for five rigs previously reported as assets held for sale, management concluded that facts and circumstances no longer supported the expectation that a sale would be consummated within a reasonable time period. During the 2013 second quarter, we reclassified three rigs from assets held for sale to assets held and used and inventory. We initially classified the three rigs as assets held for sale as of December 31, 2010. We performed an analysis of the fair value of the three rigs and determined the rigs' carrying amount was less than fair value; therefore, the rigs were reclassified at their carrying amount at the time the assets were classified as held for sale, adjusted for depreciation expense that would have been recognized had the assets been continuously classified as held and used. The amount of additional depreciation recorded during the 2013 second quarter to place the assets in held and used categorization was \$0.7 million.

Additionally, during the 2013 fourth quarter we reclassified two rigs from assets held for sale to assets held and used and inventory. We initially classified these rigs as held for sale as of September 30, 2012. We performed an analysis of the fair value of the two rigs and determined the fair value was less than the carrying amount before the assets were classified as held for sale, adjusted for any depreciation expense that would have been recognized had the assets been continuously classified as held and used. Therefore, during the 2013 fourth quarter we recorded a non-cash charge of \$1.9 million to reflect the rigs current estimated fair value. During 2013, we adjusted the Assets held for sale, Inventory, and Property, plant and equipment balances for the year ended December 31, 2012 from what was reported in our December 31, 2012 Form 10-K, to reflect the reclassification of these assets.

Note 5 — Income Taxes

Income before income taxes is summarized below:

| <i>Dollars in thousands</i> | Year Ended December 31, | | |
|-----------------------------|--------------------------------|------------------|------------------|
| | 2014 | 2013 | 2012 |
| United States | \$ 37,547 | \$ 32,136 | \$ 52,422 |
| Foreign | 10,990 | 20,651 | 18,555 |
| | <u>\$ 48,537</u> | <u>\$ 52,787</u> | <u>\$ 70,977</u> |

Income tax expense (benefit) is summarized as follows:

| <i>Dollars in thousands</i> | Year Ended December 31, | | |
|-----------------------------|-------------------------|------------------|------------------|
| | 2014 | 2013 | 2012 |
| Current: | | | |
| United States: | | | |
| Federal | \$ (3,079) | \$ (3,658) | \$ 7,791 |
| State | 5,335 | 1,968 | 733 |
| Foreign | 20,311 | 14,599 | 9,518 |
| Deferred: | | | |
| United States: | | | |
| Federal | 4,703 | 10,720 | 15,612 |
| State | (379) | 2,820 | 4,296 |
| Foreign | (2,815) | (841) | (4,071) |
| | <u>\$ 24,076</u> | <u>\$ 25,608</u> | <u>\$ 33,879</u> |

Total income tax expense differs from the amount computed by multiplying income before income taxes by the U.S. federal income tax statutory rate. The reasons for this difference are as follows:

| <i>Dollars in thousands</i> | Year Ended December 31, | | | | | |
|---|-------------------------|---------------------|------------------|---------------------|------------------|---------------------|
| | 2014 | | 2013 | | 2012 | |
| | Amount | % of Pre-Tax Income | Amount | % of Pre-Tax Income | Amount | % of Pre-Tax Income |
| Computed Expected Tax Expense | \$ 16,988 | 35.0 % | \$ 18,476 | 35.0 % | \$ 24,842 | 35.0 % |
| Foreign Taxes | 11,221 | 23.1 % | 12,470 | 23.6 % | 13,171 | 18.6 % |
| Tax Effect Different From Statutory Rates | (3,389) | (7.0)% | (8,920) | (16.9)% | (8,080) | (11.4)% |
| State Taxes, net of federal benefit | 3,117 | 6.4 % | 4,099 | 7.8 % | 4,757 | 6.7 % |
| Foreign Tax Credits | (3,043) | (6.3)% | (1,484) | (2.8)% | (1,867) | (2.6)% |
| Change in Valuation Allowance | 2,800 | 5.8 % | 1,975 | 3.7 % | (1,662) | (2.3)% |
| Uncertain Tax Positions | (1,125) | (2.3)% | 2,472 | 4.7 % | (6,642) | (9.4)% |
| Permanent Differences | 676 | 1.4 % | 4,005 | 7.6 % | 5,477 | 7.7 % |
| Prior Year Return to Provision Adjustments | (2,618) | (5.4)% | (6,268) | (11.9)% | 4,057 | 5.7 % |
| Other | (551) | (1.1)% | (1,217) | (2.3)% | (174) | (0.2)% |
| Unremitted Foreign Earnings-Current Year Adjustment | — | — % | — | — % | — | — % |
| Actual Tax Expense | <u>\$ 24,076</u> | <u>49.6 %</u> | <u>\$ 25,608</u> | <u>48.5 %</u> | <u>\$ 33,879</u> | <u>47.8 %</u> |

The components of the Company's deferred tax assets and liabilities as of December 31, 2014 and 2013 are shown below:

| <i>Dollars in thousands</i> | December 31, | |
|---|--------------|-----------|
| | 2014 | 2013 |
| Deferred tax assets | | |
| Current deferred tax assets: | | |
| Reserves established against realization of certain assets | \$ 2,156 | \$ 1,504 |
| Accruals not currently deductible for tax purposes | 4,897 | 7,223 |
| Other state deferred tax asset, net | 412 | 990 |
| Foreign Local Office | 11 | 223 |
| Gross current deferred tax assets | 7,476 | 9,940 |
| Current deferred tax valuation allowance | — | — |
| Net current deferred tax assets | 7,476 | 9,940 |
| Non-current deferred tax assets: | | |
| Federal net operating loss carryforwards | 17,235 | — |
| State net operating loss carryforwards | 1,130 | 864 |
| Other state deferred tax asset, net | 1,246 | 1,909 |
| Foreign Tax Credits | 37,344 | 27,462 |
| FIN 48 | 4,870 | 8,317 |
| Foreign tax | 28,645 | 18,499 |
| Asset Impairment | 38,931 | 48,743 |
| Accruals not currently deductible for tax purposes | — | 1,017 |
| Deferred compensation | 3,210 | 2,436 |
| Other | — | — |
| Gross long-term deferred tax assets | 132,611 | 109,247 |
| Valuation Allowance | (9,922) | (6,827) |
| Net non-current deferred tax assets, net of valuation allowance | 122,689 | 102,420 |
| Net deferred tax assets | 130,165 | 112,360 |
| Deferred tax liabilities: | | |
| Non-current deferred tax liabilities: | | |
| Property, Plant and equipment | (43,637) | (32,505) |
| Foreign tax local | (4,985) | (1,440) |
| Other state deferred tax liability, net | (3,491) | (4,819) |
| Other | (2) | (3) |
| Gross non-current deferred tax liabilities | (52,115) | (38,767) |
| Net deferred tax asset | \$ 78,050 | \$ 73,593 |

As part of the process of preparing the consolidated financial statements, the Company is required to determine its provision for income taxes. This process involves estimating the annual effective tax rate and the nature and measurements of temporary and permanent differences resulting from differing treatment of items for tax and accounting purposes. These differences and the operating loss and tax credit carryforwards result in deferred tax assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of appropriate character in each taxing jurisdiction during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment. To the extent the Company believes that it does not meet the test that recovery is more likely than not, it establishes a valuation allowance. To the extent that the Company establishes a valuation allowance or changes this allowance in a period, it adjusts the tax provision or tax benefit in the consolidated statement of operations. We use our judgment in determining provisions or benefits for income taxes, and any valuation allowance recorded against previously established deferred tax assets. Based upon the factors considered by management in assessing the realizability of the deferred tax assets, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31,

2014. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

On September 13, 2013, the U.S. Treasury Department and the Internal Revenue Service issued final regulations that address costs incurred in acquiring, producing, or improving tangible property (the “tangible property regulations”). The tangible property regulations are generally effective for tax years beginning on or after January 1, 2014. The tangible property regulations required the Company to make additional tax accounting method changes as of January 1, 2014; however, the impact of these changes has not been material to the Company’s consolidated financial position, its results of operations, or both.

The 2014 results include income tax benefits of \$2.2 million related to the settlement of our US Federal Internal Revenue Service refund claim for periods 2008-2011 and \$25.0 million for depreciation and amortization relating to our two arctic-class drilling rigs in Alaska. In addition, we increased our valuation allowance by \$2.8 million primarily related to foreign net operating losses.

The 2013 results include income tax benefits of \$3.3 million related to the enacted Mexican tax reform as applied to the expected future utilization of deferred tax assets and liabilities and \$20.9 million for depreciation and amortization relating to our two arctic-class drilling rigs in Alaska. In addition, we increased our valuation allowance by \$2.0 million primarily related to foreign net operating losses.

The 2012 results include income tax expenses of \$1.7 million related to the effective settlement of our US Federal Internal Revenue Service examination for the 2006 through 2010 periods and \$7.7 million for depreciation and amortization relating to our two arctic-class drilling rigs in Alaska. In addition, we decreased our valuation allowance by \$1.7 million primarily related to foreign NOLs.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Dollars in thousands

| | |
|--|-------------------|
| Balance at January 1, 2014 | \$ (12,209) |
| Additions based on tax positions taken during a prior period | (3,862) |
| Additions based on tax positions taken during the current period | (385) |
| Reductions related to settlement of tax matters | 6,088 |
| Reductions based on tax positions taken during a prior period | 2,169 |
| Balance at December 31, 2014 | <u>\$ (8,199)</u> |

In many cases, our uncertain tax positions are related to tax years that remain subject to examination by tax authorities. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2014:

| | |
|-------------------------|--------------|
| Colombia | 2010-present |
| Kazakhstan | 2007-present |
| Mexico | 2009-present |
| Papua New Guinea | 2011-present |
| Russia | 2011-present |
| United States — Federal | 2012-present |
| United Kingdom | 2012-present |

At December 31, 2014, we had a liability for unrecognized tax benefits of \$8.2 million (\$3.6 million of which, if recognized, would favorably impact our effective tax rate), which includes payments of approximately \$6.1 million made during 2014 in settlement of notices of assessment in Kazakhstan which were fully reserved.

The Company recognized interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2014 and December 31, 2013 we had approximately \$3.3 million and \$7.9 million of accrued interest and penalties related to uncertain tax positions, respectively. We recognized an increase of \$0.7 million of interest and no penalties on unrecognized tax benefits for the year ended December 31, 2014.

As of December 31, 2014, the Company has permanently reinvested accumulated undistributed earnings of foreign subsidiaries and, therefore, has not recorded a deferred tax liability related to subject earnings. Upon distribution of additional earnings in the form of dividends or otherwise, we would likely be subject to US income taxes and foreign withholding taxes. It is not practicable to determine precisely the amount of taxes that may be payable on the eventual remittance of these earnings because of the application of US foreign tax credits. While we currently claim foreign tax credits, we may not be in a credit position

if and when future remittances of foreign earnings occur, or the limitation imposed by the Internal Revenue Code and regulations thereunder may not allow the credits to be utilized during the applicable carryback and carryforward periods.

Note 6 — Long-Term Debt

The following table illustrates the Company's current debt portfolio as of December 31, 2014 and December 31, 2013:

| <i>Dollars in thousands</i> | December 31, | |
|-------------------------------------|-------------------|-------------------|
| | 2014 | 2013 |
| 6.75% Senior Notes, due July 2022 | \$ 360,000 | \$ — |
| 7.50% Senior Notes, due August 2020 | 225,000 | 225,000 |
| 9.125% Senior Notes, due April 2018 | — | 428,781 |
| Term Note, due December 2017 | 30,000 | — |
| Total debt | 615,000 | 653,781 |
| Less current portion ⁽¹⁾ | 10,000 | 25,000 |
| Total long-term debt | \$ 605,000 | \$ 628,781 |

(1) Current portion of the Term Loan

Subsequent to year end we increased our liquidity by entering into the Second Amended and Restated Credit Agreement (the 2015 Secured Credit Agreement) on January 26, 2015. This agreement amends and restates the Amended and Restated Credit Agreement (the 2012 Secured Credit Agreement) dated December 14, 2012. The 2015 Secured Credit Agreement is comprised of a \$200.0 million revolving credit facility (2015 Revolver). The 2012 Secured Credit Agreement consisted of an \$80.0 million revolving credit facility and a \$50 million senior secured term loan facility (Term Loan). At the closing of the 2015 Secured Credit Agreement we repaid \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Revolver. There were no borrowings under the revolver portion of the 2012 Secured Credit Agreement.

6.75% Senior Notes, due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of the 6.75% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 6.75% Notes offering plus a \$40.0 million Term Loan draw under the 2012 Secured Credit Agreement and cash on hand were utilized to purchase \$416.2 million aggregate principal amount of our outstanding 9.125% Senior Notes due 2018 pursuant to a tender and consent solicitation offer commenced on January 7, 2014. See further discussion of the tender and consent solicitation offer below entitled "9.125% Senior Notes, due April 2018".

The 6.75% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and our 7.50% Notes. Interest on the 6.75% Notes is payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes of approximately \$7.6 million (\$7.0 million net of amortization as of December 31, 2014) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to January 15, 2017, we may redeem up to 35 percent of the aggregate principal amount of the 6.75% Notes at a redemption price of 106.75 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after January 15, 2018, we may redeem all or a part of the 6.75% Notes upon appropriate notice, at a redemption price of 103.375 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning January 15, 2020. If we experience certain changes in control, we must offer to repurchase the 6.75% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as events of default. These covenants are subject to a number of important exceptions and qualifications.

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 7.50% Notes offering were primarily used to repay the \$125.0 million aggregate principal amount of the Goldman Term Loan, to repay \$45.0 million of Term Loan borrowings and for general corporate purposes.

The 7.50% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes is payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes of approximately \$5.6 million (\$4.7 million, net of amortization as of December 31, 2014) are being amortized over the term of the notes using the effective interest rate method.

At any time prior to August 1, 2016, we may redeem up to 35 percent of the aggregate principal amount of the 7.50% Notes at a redemption price of 107.50 percent of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings by us. On and after August 1, 2016, we may redeem all or a part of the 7.50% Notes upon appropriate notice, at a redemption price of 103.750 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning August 1, 2018. If we experience certain changes in control, we must offer to repurchase the 7.50% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The Indenture restricts our ability and the ability of certain subsidiaries to: (i) sell assets, (ii) pay dividends or make other distributions on capital stock or redeem or repurchase capital stock or subordinated indebtedness, (iii) make investments, (iv) incur or guarantee additional indebtedness, (v) create or incur liens, (vi) enter into sale and leaseback transactions, (vii) incur dividend or other payment restrictions affecting subsidiaries, (viii) merge or consolidate with other entities, (ix) enter into transactions with affiliates, and (x) engage in certain business activities. Additionally, the Indenture contains certain restrictive covenants designating certain events as events of default. These covenants are subject to a number of important exceptions and qualifications.

9.125% Senior Notes, due April 2018

On March 22, 2010, we issued \$300.0 million aggregate principal amount of the 9.125% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Net proceeds from the 9.125% Notes offering were primarily used to redeem the \$225.0 million aggregate principal amount of our 9.625% Senior Notes due 2013 and to repay \$42.0 million of borrowings under our senior secured revolving credit facility.

On April 25, 2012, we issued an additional \$125.0 million aggregate principal amount of 9.125% Notes under the same indenture at a price of 104.0 percent of par, resulting in gross proceeds of \$130.0 million. Net proceeds from the offering were utilized to refinance \$125.0 million aggregate principal amount of the 2.125% Convertible Senior Notes due July 2012.

On January 7, 2014, we commenced a tender and consent solicitation with respect to the 9.125% Notes. The tender offer price was \$1,061.98, inclusive of a \$30.00 consent payment, for each \$1,000 principal amount of 9.125% Notes, plus accrued and unpaid interest. On January 22, 2014, we paid \$453.7 million for the tendered 9.125% Notes, comprised of \$416.2 million of aggregate principal amount of the 9.125% Notes, \$25.8 million of tender and consent premiums and \$11.7 million of accrued interest. On April 1, 2014, we redeemed the remaining \$8.8 million aggregate principal amount of the outstanding 9.125% Notes for a purchase price of \$9.6 million, inclusive of a \$0.4 million call premium and \$0.4 million interest. During the year ended December 31, 2014, we recorded a loss on extinguishment of debt of approximately \$30.2 million, which included the tender and consent premiums of \$25.8 million, the call premium of \$0.4 million and the write-off of unamortized debt issuance costs of \$7.7 million, offset by the write-off of the remaining unamortized debt issuance premium of \$3.8 million.

2015 Secured Credit Agreement

On January 26, 2015 we entered into the 2015 Secured Credit Agreement, which amended and restated the 2012 Secured Credit Agreement. The 2015 Secured Credit Agreement is comprised of a \$200.0 million revolving credit facility (2015 Revolver). The 2012 Secured Credit Agreement consisted of an \$80.0 million revolving credit facility and a \$50.0 million Term Loan. At the closing of the 2015 Secured Credit Agreement, we repaid \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Revolver. At the closing date there were no borrowings under the revolving credit portion of the 2012 Secured Credit Agreement.

Our 2015 Revolver is available for general corporate purposes and to support letters of credit. Interest on 2015 Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the 2015 Secured Credit Agreement, the Applicable Rate varies from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2015 Secured

Credit Agreement). Revolving loans are available subject to a quarterly Asset Coverage Ratio calculation based on the Orderly Liquidation Value of certain specified rigs including barge rigs in the Gulf of Mexico and land rigs in Alaska, and rental equipment of the Company and its subsidiary guarantors and a percentage of eligible domestic accounts receivable. Upon closing of the 2015 Secured Credit Agreement, there was \$30.0 million drawn on the 2015 Revolver and \$11.7 million of letters of credit outstanding. The 2015 Secured Credit Agreement matures on January 26, 2020.

2012 Secured Credit Agreement

On December 14, 2012, we entered into the 2012 Secured Credit Agreement consisting of a senior secured \$80.0 million revolving facility (2012 Revolver) and a senior secured term loan facility (Term Loan). In July 2013, the 2012 Secured Credit Agreement was amended to permit re-borrowing in the form of additional term loans, of up to \$45.0 million, decreasing by \$2.5 million at the end of each quarter beginning September 30, 2013 and ending March 31, 2014. In January 2014 we re-borrowed \$40 million of the Term Loan.

Our obligations under the 2012 Secured Credit Agreement were guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which had executed guaranty agreements, and were secured by first priority liens on our accounts receivable, specified barge rigs and rental equipment. The 2012 Secured Credit Agreement contained customary affirmative and negative covenants with which we were in compliance as of December 31, 2014 and December 31, 2013. The 2012 Secured Credit Agreement would have matured on December 14, 2017.

2012 Revolver

Our 2012 Revolver was available for general corporate purposes and to support letters of credit. Interest on 2012 Revolver loans accrued at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Under the 2012 Secured Credit Agreement, the Applicable Rate varied from a rate per annum ranging from 2.50 percent to 3.00 percent for LIBOR rate loans and 1.50 percent to 2.00 percent for base rate loans, determined by reference to the consolidated leverage ratio (as defined in the 2012 Secured Credit Agreement). Revolving loans were available subject to an asset coverage ratio determined based on a percentage of eligible accounts receivable, certain specified barge drilling rigs and rental equipment of the Company and its subsidiary guarantors. There were no revolving loans outstanding at December 31, 2014 and December 31, 2013. Letters of credit outstanding as of December 31, 2014 and December 31, 2013 totaled \$11.0 million and \$4.6 million, respectively.

Term Loan

The Term Loan originated at \$50.0 million on December 14, 2012 and required quarterly principal payments of \$2.5 million, which began March 31, 2013. Interest on the Term Loan accrued at a Base Rate plus 2.00 percent or LIBOR plus 3.00 percent. The outstanding balance on the Term Loan at December 31, 2013 was zero. In January 2014 we re-borrowed \$40.0 million of the Term Loan and used the proceeds, along with the proceeds from the issuance of the 6.75% Notes, to repurchase our 9.125% Notes. As of December 31, 2014 the remaining balance on the Term Loan was \$30.0 million. At the closing of the 2015 Secured Credit Agreement, we repaid \$30.0 million of Term Loan borrowings under the 2012 Secured Credit Agreement with a \$30.0 million draw under the 2015 Revolver.

Note 7 — Derivative Financial Instruments

During the year ended December 31, 2011, we entered into two variable-to-fixed interest rate swap agreements as a strategy to manage the floating rate risk on the Term Loan borrowings under the then-effective secured credit agreement. The two agreements fixed the interest rate on a notional amount of \$73.0 million of borrowings at 3.878 percent for the period beginning June 27, 2011 and terminating May 14, 2013. The notional amount of the swap agreements decreased correspondingly with amortization of the Term Loan under the then-effective secured credit agreement. We did not apply hedge accounting to the agreements and, accordingly, change in the fair value of the interest rate swaps were recognized in earnings. As of December 31, 2013 the swap agreements had expired and as of December 31, 2012, the fair value of the interest rate swap was a liability of \$0.1 million and was recorded in accrued liabilities in our consolidated balance sheets. For both years ended December 31, 2013 and December 31, 2012, we recognized in earnings a nominal gain relating to these contracts.

During the years ended December 31, 2013 and 2014, we did not enter into any new swap agreements, nor was there any impact to our consolidated balance sheets or our consolidated statement of operations.

Note 8 — Fair Value of Financial Instruments

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, 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.

The FASB fair value measurement and disclosure guidance requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows:

- Level 1 — Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 — Direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities inactive markets or identical assets or liabilities in less active markets;
- Level 3 — Unobservable inputs that require significant judgment for which there is little or no market data.

When multiple input levels are required for a valuation, 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. The amounts reported in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. The carrying amount of our interest rate swap agreements represents the estimated fair value, measured using Level 2 inputs. As of December 31, 2013 the swap agreements had expired.

Fair value of our debt instruments is determined using Level 2 inputs. Fair values and related carrying values of our debt instruments are as follows:

| <i>Dollars in thousands</i> | December 31, 2014 | | December 31, 2013 | |
|-----------------------------|-------------------|------------|-------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term Debt | | | | |
| 6.75% Notes | \$ 360,000 | \$ 270,000 | \$ — | \$ — |
| 7.50% Notes | 225,000 | 180,000 | 225,000 | 236,250 |
| 9.125% Notes | — | — | 425,000 | 446,250 |
| Total | \$ 585,000 | \$ 450,000 | \$ 650,000 | \$ 682,500 |

The assets acquired and liabilities assumed in the ITS Acquisition were recorded at fair value in accordance with U.S. GAAP. Acquisition date fair values represent either Level 2 fair value measurements (current assets and liabilities, property, plant and equipment) or Level 3 fair value measurements (intangible assets).

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the year ended December 31, 2014.

Note 9 — Stock-Based Compensation

Stock Plan

In 2014 and 2013 stock-based compensation awards were granted to employees under the Company's 2010 Long-Term Incentive Plan, as amended and restated in May 2013 (the Stock Plan).

The Stock Plan was approved by the stockholders at the Annual Meeting of Stockholders on May 8, 2013. The Stock Plan authorizes the compensation committee or the board of directors to issue the following:

- stock options;
- stock appreciation rights;
- restricted stock awards;
- restricted stock units;
- performance based awards; and
- other types of awards in cash or stock to key employees, consultants, and directors.

The maximum number of shares that may be delivered pursuant to the awards granted under the Stock Plan is 11,000,000 shares of common stock. As of December 31, 2014 there were 3,915,594 shares remaining available under the Stock Plan.

Stock Options

As of December 31, 2014, 2013 and 2012, we had no stock options outstanding or exercisable.

Stock-Based Awards

Stock-based awards generally vest over three years. Stock-based compensation expense is recognized net of an estimated forfeiture rate, which is based on historical experience and adjusted, if necessary, in subsequent periods based on actual forfeitures. We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees. Tax deduction benefits for awards in excess of recognized compensation costs are reported as a financing cash flow.

We currently issue two types of stock-based awards: restricted stock units (RSUs) and performance share units (PSUs). RSUs entitle a grantee to receive a share of common stock on a specified vesting date. RSUs are service-based awards and compensation expense is recognized ratably over the applicable vesting period. The grant-date fair value of nonvested RSUs is determined based on the closing trading price of the company's shares on the grant date. RSUs are settled in stock upon vesting. PSUs are performance-based awards as further described under "Performance-Based Awards" below. Compensation costs for PSUs are recognized ratably over a three year performance period. PSUs vest fully at the end of the three year performance period and are typically settled in stock upon vesting.

The following table presents RSUs and PSUs granted, vested and forfeited during 2014 under the Company's Stock Plan:

| <u>Nonvested Units</u> | <u>Units</u> | <u>Weighted Average Grant-Date Fair Value</u> |
|--------------------------------|--------------|---|
| Nonvested at January 1, 2014 | 3,407,354 | \$ 4.97 |
| Granted | 1,541,395 | 6.66 |
| Vested | (1,399,874) | 5.06 |
| Forfeited | (204,062) | 5.44 |
| Nonvested at December 31, 2014 | 3,344,813 | \$ 5.66 |

In 2014, 2013, and 2012 we issued 1,541,395, 2,602,973, and 1,558,347, respectively, of RSUs to selected key personnel. On May 9, 2013 Chris Weber was elected Senior Vice President and Chief Financial Officer of the Company. As part of his employment agreement, he was granted 261,438 RSUs (included in the 2013 amount above). Also, on September 17, 2012, Gary Rich was elected as President, Chief Executive Officer and Director of the Company. As part of his employment agreement, he was granted 349,651 RSUs (included in the 2012 amount above). Both of these awards were granted outside of the Company's Stock Plan but are subject to substantially the same terms and conditions of other service-based RSUs granted by the Company to its executive officers.

Total stock-based compensation expense recognized relating to RSUs and PSUs for the years ended December 31, 2014, 2013, and 2012 was \$9.3 million, \$9.4 million, and \$7.2 million, respectively, all of which was related to nonvested RSUs and PSUs. The total fair value of the units vested during the years ended December 31, 2014, 2013, and 2012 was \$7.1 million, \$7.4 million, and \$5.2 million, respectively. The fair value of RSUs is determined based on the closing trading price of the Company's stock on the grant date. The per-share weighted-average grant-date fair value of units granted during the years 2014, 2013, and 2012 was \$6.66, \$4.77, and \$5.37, respectively. Stock-based compensation expense is included in our consolidated statements of operations in both "General and administration expense" and "Operating expenses."

Nonvested RSUs at December 31, 2014 totaled 3,344,813 and total unrecognized compensation cost related to unamortized nonvested stock awards was \$7.7 million as of December 31, 2014. The remaining unrecognized compensation cost related to non-vested stock awards will be amortized over a weighted-average vesting period of approximately 18 months.

Performance-Based Awards

Performance-based awards contain payout conditions which are based on our performance against our peers with regard to relative total shareholder return and relative return on capital employed over a three-year performance period. The effects of these conditions are reflected in the grant-date fair value of the award using a lattice model for valuation. For performance-based awards with graded vesting conditions, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. For market-based awards that vest at the end of the service period, we recognize compensation expense on a straight-line basis through the end of the service period.

In addition to PSUs, we also issue performance cash units (PCUs), which are typically settled in cash. Each PCU has a nominal value of \$100.00. A maximum of 200 percent of the number of PCUs granted may be earned if performance at the

maximum level is achieved. Both PSUs and PCUs vest to the extent earned at the end of a three year performance period. We evaluate the terms of each PSU and PCU award to determine if the award should be accounted for as equity or a liability under the stock compensation rules of U.S. GAAP. Compensation costs for PSUs and PCUs are recognized ratably over the performance period.

The following table presents PCUs granted and forfeited under the Company's Stock Plan:

| | Year ended December 31, | | |
|-----------|-------------------------|--------|--------|
| | 2014 | 2013 | 2012 |
| Granted | 16,574 | 18,000 | 38,429 |
| Forfeited | 110 | 13,358 | 3,955 |

Compensation expense recognized related to PCUs for the years ended December 31, 2014, 2013, and 2012 was \$3.9 million, \$1.8 million, and \$0.5 million, respectively.

Note 10 — Reconciliation of Income and Number of Shares Used to Calculate Basic and Diluted Earnings per Share (EPS)

| | For the Year Ended December 31, 2014 | | |
|------------------------------------|--------------------------------------|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | \$ 23,451,000 | 121,186,464 | \$ 0.19 |
| Effect of dilutive securities: | | | |
| Stock options and restricted stock | | 1,890,184 | |
| Diluted EPS | \$ 23,451,000 | 123,076,648 | \$ 0.19 |

| | For the Year Ended December 31, 2013 | | |
|------------------------------------|--------------------------------------|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | \$ 27,015,000 | 119,284,468 | \$ 0.23 |
| Effect of dilutive securities: | | | |
| Stock options and restricted stock | | 1,940,082 | \$ (0.01) |
| Diluted EPS: | \$ 27,015,000 | 121,224,550 | \$ 0.22 |

| | For the Year Ended December 31, 2012 | | |
|------------------------------------|--------------------------------------|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | \$ 37,313,000 | 117,721,135 | \$ 0.32 |
| Effect of dilutive securities: | | | |
| Stock options and restricted stock | | 1,372,455 | \$ (0.01) |
| Diluted EPS: | \$ 37,313,000 | 119,093,590 | \$ 0.31 |

For the years ended December 31, 2014 and 2013, weighted-average shares outstanding used in our computation of diluted EPS includes the dilutive effect of potential common shares. For the year ended December 31, 2012, all potential common shares have been excluded from the calculation of weighted-average shares outstanding used in our computation of diluted EPS as the company incurred a loss for that year, and therefore, inclusion of potential common shares in the calculation of diluted EPS would be anti-dilutive.

Note 11 — Employee Benefit Plan

The Company sponsors a defined contribution 401(k) plan (Plan) in which substantially all U.S. employees are eligible to participate. The Company matches 100 percent of each participant's pre-tax contributions in an amount not exceeding 4 percent of the participant's compensation and 50 percent of each participant's pre-tax contributions in an amount not exceeding 2 percent of the participant's compensation, up to the maximum amount of contributions allowed by law. The costs of our matching contributions to the Plan were \$4.7 million, \$3.6 million and \$2.8 million in 2014, 2013 and 2012, respectively. Employees become 100 percent vested in the employer match contributions immediately upon participation in the Plan.

Note 12 — Reportable Segments

Our business is comprised of two business lines: (1) Rental Tools Services and (2) Drilling Services. We report our business activities in five reportable segments: (1) Rental Tools, (2) U.S. Barge Drilling, (3) U.S. Drilling, (4) International Drilling, and (5) Technical Services. We eliminate inter-segment revenue and expenses.

The following table represents the results of operations by reportable segment:

| <i>Dollars in thousands</i> | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2014 | 2013 | 2012 |
| Revenues: | | | |
| Rental Tools ⁽¹⁾ | \$ 347,766 | \$ 310,041 | \$ 246,900 |
| U.S. Barge Drilling ⁽¹⁾ | 137,113 | 136,855 | 123,672 |
| U.S. Drilling ⁽¹⁾ | 79,984 | 66,928 | 1,387 |
| International Drilling ⁽¹⁾ | 360,588 | 333,962 | 291,772 |
| Technical Services ⁽¹⁾ | 43,233 | 26,386 | 14,030 |
| Construction Contract ⁽¹⁾ | — | — | — |
| Total revenues | 968,684 | 874,172 | 677,761 |
| Operating income: | | | |
| Rental Tools ⁽²⁾ | 72,946 | 91,164 | 113,899 |
| U.S. Barge Drilling ⁽²⁾ | 42,641 | 51,257 | 39,608 |
| U.S. Drilling ⁽²⁾ | 6,320 | (4,484) | (15,168) |
| International Drilling ⁽²⁾ | 28,966 | 23,732 | 13,138 |
| Technical Services ⁽²⁾ | 3,309 | 2,050 | 79 |
| Construction Contract ⁽²⁾ | — | 4,728 | — |
| Total operating gross margin | 154,182 | 168,447 | 151,556 |
| General and administrative expense | (35,016) | (68,025) | (46,257) |
| Provision for reduction in carrying value of certain assets | — | (2,544) | — |
| Gain on disposition of assets, net | 1,054 | 3,994 | 1,974 |
| Total operating income | 120,220 | 101,872 | 107,273 |
| Interest expense | (44,265) | (47,820) | (33,542) |
| Interest income | 195 | 2,450 | 153 |
| Loss on extinguishment of debt | (30,152) | (5,218) | (2,130) |
| Changes in fair value of derivative positions | — | 53 | 55 |
| Other income (loss) | 2,539 | 1,450 | (832) |
| Income from continuing operations before income taxes | \$ 48,537 | \$ 52,787 | \$ 70,977 |

The following table represents capital expenditures and depreciation and amortization by reportable segment:

| <i>Dollars in thousands</i> | Year Ended December 31, | | |
|--|-------------------------|-------------------|-------------------|
| | 2014 | 2013 | 2012 |
| Capital expenditures: | | | |
| Rental Tools | \$ 95,340 | \$ 76,928 | \$ 61,958 |
| U.S. Barge Drilling | 43,114 | 23,694 | 8,808 |
| U.S. Drilling | 1,159 | 1,809 | 86,786 |
| International Drilling | 25,608 | 39,115 | 15,240 |
| Corporate | 14,292 | 14,099 | 18,751 |
| Total capital expenditures | \$ 179,513 | \$ 155,645 | \$ 191,543 |
| Depreciation and amortization: | | | |
| Rental Tools | 64,177 | 55,853 | 44,117 |
| U.S. Barge Drilling | 21,118 | 14,338 | 14,492 |
| U.S. Drilling | 15,948 | 16,385 | 7,017 |
| International Drilling | 43,651 | 47,346 | 47,354 |
| Technical Services | 227 | 131 | 37 |
| Construction Contract | — | — | — |
| Total depreciation and amortization | \$ 145,121 | \$ 134,053 | \$ 113,017 |

- 1) In 2014, our largest customer, Exxon Neftegas Limited (ENL), constituted approximately 18.7 percent of our total consolidated revenues and approximately 41.4 percent of our international drilling segment and 74.3 percent of our technical services segment. In 2013, our largest customer, ENL, constituted approximately 15.6 percent of our total consolidated revenues and approximately 38.3 percent of our international drilling segment and 33.9 percent of our technical services segment. In 2012, our two largest customers, ENL and Schlumberger, constituted approximately 12.0 percent and 10.0 percent, respectively, of our total consolidated revenues and approximately 27.0 percent and 24.0 percent of our international drilling segment, respectively.
- 2) Operating income is calculated as revenues less direct operating expenses, including depreciation and amortization expense.

The following table represents identifiable assets by reportable segment:

| <i>Dollars in Thousands</i> | Year Ended December 31, | |
|---|-------------------------|---------------------|
| | 2014 | 2013 |
| Identifiable assets: | | |
| Rental Tools | \$ 444,195 | \$ 350,429 |
| U.S. Barge Drilling | 117,344 | 89,884 |
| U.S. Drilling | 308,105 | 354,208 |
| International Drilling | 451,168 | 460,461 |
| Total identifiable assets | 1,320,812 | 1,254,982 |
| Corporate and other assets ⁽¹⁾ | 199,847 | 279,774 |
| Total assets | \$ 1,520,659 | \$ 1,534,756 |

- 1) This category includes corporate assets as well as minimal assets for our technical services segment primarily related to office furniture and fixtures.

The following table represents selected geographic information:

| Operations by Geographic Area: | Year Ended December 31, | | |
|---------------------------------------|--------------------------------|----------------|----------------|
| | 2014 | 2013 | 2012 |
| <i>Dollars in Thousands</i> | | | |
| Revenues: | | | |
| Africa and Middle East | \$ 128,214 | \$ 58,416 | \$ 26,528 |
| Asia Pacific | 187,799 | 170,165 | 117,392 |
| CIS | 61,849 | 55,165 | 44,312 |
| Europe | 20,296 | 16,788 | — |
| Latin America | 86,651 | 120,261 | 103,540 |
| United States | 483,875 | 453,377 | 385,989 |
| Total revenues | 968,684 | 874,172 | 677,761 |
| Operating gross margin: | | | |
| Africa and Middle East ⁽¹⁾ | (16,973) | (383) | (2,027) |
| Asia Pacific ⁽¹⁾ | 29,769 | 21,995 | 16,550 |
| CIS ⁽¹⁾ | 19,534 | 11,888 | (9,580) |
| Europe ⁽¹⁾ | 11,534 | 274 | — |
| Latin America ⁽¹⁾ | (9,914) | 1,140 | 9,581 |
| United States ⁽¹⁾ | 120,232 | 133,533 | 137,032 |
| Total operating gross margin | 154,182 | 168,447 | 151,556 |

Long-lived assets:⁽²⁾

| | | |
|--------------------------------|-------------------|-------------------|
| Africa and Middle East | \$ 115,713 | \$ 110,336 |
| Asia Pacific | 43,252 | 44,606 |
| CIS | 49,951 | 55,722 |
| Europe | 20,140 | 82,473 |
| Latin America | 77,136 | 15,198 |
| United States | 589,748 | 563,021 |
| Total long-lived assets | \$ 895,940 | \$ 871,356 |

- 1) Operating gross margin is calculated as revenues less direct operating expenses, including depreciation and amortization expense.
- 2) Long-lived assets consist of property, plant and equipment, net.

Note 13 — Commitments and Contingencies

The Company has various lease agreements for office space, equipment, vehicles and personal property. These obligations extend through 2025 and are typically non-cancelable. Most leases contain renewal options and certain of the leases contain escalation clauses. Future minimum lease payments at December 31, 2014, under operating leases with non-cancelable terms are as follows:

| | Year Ended December 31, |
|-----------------------------|--------------------------------|
| <i>Dollars in Thousands</i> | |
| 2015 | \$ 13,188 |
| 2016 | 8,481 |
| 2017 | 7,168 |
| 2018 | 5,857 |
| 2019 | 4,504 |
| Thereafter | 8,459 |
| Total | \$ 47,657 |

Total rent expense for all operating leases amounted to \$21.8 million, \$19.9 million and \$11.8 million for 2014, 2013, and 2012, respectively.

Self Insurance

We are self-insured for certain losses relating to workers' compensation, employers' liability, general liability (for onshore liability), protection and indemnity (for offshore liability) and property damage. Our exposure (that is, the retention or deductible) per occurrence is \$250,000 for worker's compensation, employer's liability, \$500,000 general liability, protection and indemnity and maritime employers' liability (Jones Act). In addition, we assume a \$500,000 annual aggregate deductible for protection and indemnity and maritime employers' liability claims. The annual aggregate deductible is reduced by every dollar that exceeds the \$500,000 per occurrence retention. We also assume a retention for foreign casualty exposures of \$100,000 for workers' compensation, employers' liability, and \$1,000,000 for general liability losses and a \$100,000 deductible for auto liability claims. For all primary insurances mentioned above, the Company has excess coverage for those claims that exceed the retention and annual aggregate deductible. We maintain actuarially-determined accruals in our consolidated balance sheets to cover the self-insurance retentions.

We have self-insured retentions for certain other losses relating to rig, equipment, property, business interruption and political, war, and terrorism risks which vary according to the type of rig and line of coverage. Political risk insurance is procured for international operations. However, this coverage may not adequately protect us against liability from all potential consequences.

As of December 31, 2014 and 2013, our gross self-insurance accruals for workers' compensation, employers' liability, general liability, protection and indemnity and maritime employers' liability totaled \$5.9 million and \$5.7 million, respectively and the related insurance recoveries/receivables were \$2.0 million and \$1.7 million, respectively.

Other Commitments

We have entered into employment agreements with terms of one to two years with certain members of management with automatic one year renewal periods at expiration dates. The agreements provide for, among other things, compensation, benefits and severance payments. The employment agreements also provide for lump sum compensation and benefits in the event of termination within two years following a change in control of the Company.

Contingencies

We are a party to various lawsuits and claims arising out of the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount or range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ significantly from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

Customs Agent and Foreign Corrupt Practices Act (FCPA) Settlement

On April 16, 2013, the Company and the Department of Justice (DOJ) entered into a deferred prosecution agreement (DPA), under which the DOJ will defer for three years prosecuting the Company for criminal violations of the anti-bribery provisions of the FCPA relating to the Company's retention and use of an individual agent in Nigeria with respect to certain customs-related issues, in return for: (i) the Company's acceptance of responsibility for, and agreement not to contest or contradict the truthfulness of, the statement of facts and allegations that have been filed in a United States District Court concurrently with the DPA; (ii) the Company's payment of an approximately 11.76 million fine; (iii) the Company's reaffirming its commitment to compliance with the FCPA and other applicable anti-corruption laws in connection with the Company's operations, and continuing cooperation with domestic and foreign authorities in connection with the matters that are the subject of the DPA; (iv) the Company's commitment to continue to address any identified areas for improvement in the Company's internal controls, policies and procedures relating to compliance with the FCPA and other applicable anti-corruption laws if, and to the extent, not already addressed; and (v) the Company's agreement to report to the DOJ in writing annually during the term of the DPA regarding remediation of the matters that are the subject of the DPA, implementation of any enhanced internal controls, and any evidence of improper payments the Company may have discovered during the term of the agreement. If the Company remains in compliance with the terms of the DPA throughout its effective period, the charge against the Company will be dismissed with prejudice. The Company also settled a related civil complaint filed by the SEC in a United States District Court.

Demand Letter and Derivative Litigation

In April 2010, we received a demand letter from a law firm representing Ernest Maresca. The letter states that Mr. Maresca is one of our stockholders and that he believes that certain of our current and former officers and directors violated their fiduciary duties related to the issues described above under "Customs Agent and Foreign Corrupt Practices Act (FCPA) Settlement." The letter requests that our Board of Directors take action against the individuals in question. In response to this letter, the Board

formed a special committee to evaluate the issues raised by the letter and determine a course of action for the Company. The special committee engaged its own counsel for the investigation and evaluated potential claims against all individuals identified in the demand letter. The special committee considered whether pursuing each of the individuals named in the demand letter was in the best interests of the Company based upon a variety of factors, including among others, whether the Company had a potential cause of action against the individual, the defenses the individual might offer to such a claim, the ability of the individual to satisfy any judgment the Company might secure as a result of a claim asserted, and other risks to the Company of pursuing the claims. After taking various factors into account, on July 29, 2013, the special committee recommended to the Board that the Company not pursue any action against the current and former officers and directors named in the demand letter, and the Board accepted such recommendation.

On July 31, 2014, Fuchs Family Trust, a purported stockholder of the Company, filed a complaint under Section 220 of the Delaware Code seeking to inspect the Company's books and records. The action is styled *Fuchs Family Trust v. Parker Drilling Company*, Case No. 9986-VCN, and was filed in the Court of Chancery of the State of Delaware. The complaint alleges that the inspection of records is intended to investigate purported corporate wrongdoing and mismanagement related to the Company's 2013 resolutions of investigations by the U.S. Department of Justice and the Securities and Exchange Commission into certain violations of the Foreign Corrupt Practices Act by Company employees. Plaintiff seeks to compel the records inspection and requests costs, expenses, and attorneys' fees in the event inspection is permitted. The case was heard in November 2014, and the resolution is pending. We do not believe a liability is probable and estimable at this time.

ITS Pre-Acquisition Internal Controls

Our due diligence process with respect to the ITS Acquisition identified certain transactions that suggest that ITS' pre-acquisition internal controls may have failed to prevent violations of potentially applicable international trade and anti-corruption laws, including those of the United Kingdom. We have investigated such violations and have made all identified violations known to relevant authorities. During 2014, we cooperated with all ongoing investigations which resulted in the settlement with the Scottish Civil Recovery Unit of the Scottish Crown Office under United Kingdom anti-bribery laws and regulations. The Company's settlement and recovery of associated legal expenditures was originally included in our escrow account associated with the acquisition; therefore, the settlement had an inconsequential financial impact on our consolidated financial statements.

The Company continues to take proper remediation measures, including seeking any necessary government authorization, in our effort to ensure global compliance with laws and regulations. While it is possible that matters may arise where a contingency may require further accounting considerations, we do not believe that any such matters will have a material impact on our consolidated financial statements.

Note 14 — Related Party Transactions

Consulting Agreement

On December 31, 2013, Robert L. Parker, Jr., our former Executive Chairman, retired as an employee of the Company. Mr. Parker continued to serve as Chairman of the Company's board of directors until the annual meeting of stockholders held in 2014, at which time Mr. Parker was elected to the board for a three-year term.

In connection with Mr. Parker's retirement, the Company and Mr. Parker entered into a Retirement and Separation Agreement dated as of November 1, 2013 (the "Retirement Agreement"). Under the terms of the Retirement Agreement, in 2014 Mr. Parker received a cash bonus of \$411,188, a cash payment of \$1,096,687 pursuant to the 2010 Long-Term Incentive Program of the Company's Stock Plan, and a severance payment of \$2,488,024. The value of benefits provided by the Company to Mr. Parker was \$12,876.

In addition, Mr. Parker will be paid \$250,000 in each of 2015, 2016 and 2017 in exchange for his agreement to provide additional support to the Company when needed in matters where his historical and industry knowledge, client relationships and related expertise could be of particular benefit to the Company's interests.

Lease Agreement

Effective January 1, 2012, the Company entered into two separate ranch lease agreements under which the Company agreed to pay a daily usage fee per person for utilization of the Cypress Springs Ranch owned by the Robert L. Parker, Sr. and Catherine M. Parker Family Limited Partnership and the Camp Verde Ranch owned by Robert L. Parker, Jr. During 2012, the Company incurred fees of \$39,875 and \$1,650 for the Cypress Springs Ranch and Camp Verde Ranch, respectively, pursuant to the ranch lease agreements for the right to utilize the premises of the ranches for the purpose of hosting business meetings. During 2013, the Company incurred fees of \$14,281 for the Cypress Springs Ranch. Although both of the lease agreements terminated on December 31, 2013, the Company incurred fees of \$15,394 and \$3,850 in 2014 for the Cypress Springs Ranch and Camp Verde Ranch, respectively pursuant to the Company's use of the ranches for a business meeting.

Other Related Party Agreements

During 2014 and 2013, one of the Company's directors held executive positions at Apache Corporation (Apache), including the positions of President and Chief Corporate Officer, Executive Vice President and Chief Financial Officer and Chief Corporate Officer, until retiring on March 31, 2014. During 2014 and 2013, affiliates of Apache paid affiliates of the Company a total of \$34.0 million and \$40.8 million, respectively, for performance of drilling services and provision of rental tools. Also during 2013, one of our directors served on the board of directors of Gardner Denver, Inc. (GD). During 2013, affiliates of the Company paid affiliates of GD \$0.2 million for goods and services provided to the Company. This information is considered and discussed annually in connection with the Board of Directors' assessment of facts and circumstances that could preclude a determination that such director is independent under the New York Stock Exchange governance listing standards.

We also paid a monthly rental fee to Mr. Robert L. Parker Sr. for various pieces of artwork which were displayed throughout our corporate office. This agreement was terminated as of June 30, 2014. We paid Mr. Parker \$15,000 for the year ended December 31, 2014 and \$36,000 for each of the years ended December 31, 2013 and 2012 for the artwork rental.

Note 15 — Supplementary Information

The significant components of "Accrued liabilities" on our consolidated balance sheets as of December 31, 2014 and 2013 are presented below:

| <u>Dollars in Thousands</u> | Year Ended December 31, | |
|------------------------------------|-------------------------|-----------|
| | 2014 | 2013 |
| Accrued liabilities: | | |
| Accrued Payroll & Related Benefits | \$ 32,504 | \$ 35,671 |
| Accrued Interest Expense | 18,171 | 16,820 |
| Accrued Professional Fees & Other | 18,073 | 21,513 |
| Deferred Mobilization Fees | 4,245 | 8,128 |
| Workers' Compensation Liabilities | 2,710 | 2,721 |
| Total accrued liabilities | \$ 75,703 | \$ 84,853 |

Note 16 — Parent, Guarantor, Non-Guarantor Unaudited Consolidating Condensed Financial Statements

Set forth on the following pages are the consolidating condensed financial statements of Parker Drilling. The Company's 2015 Secured Credit Agreement and Senior Notes are fully and unconditionally guaranteed by substantially all of our direct and indirect domestic subsidiaries other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, subject to the following customary release provisions:

- in connection with any sale or other disposition of all or substantially all of the assets of that guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) a subsidiary of the Company;
- in connection with any sale of such amount of capital stock as would result in such guarantor no longer being a subsidiary to a person that is not (either before or after giving effect to such transaction) a subsidiary of the Company;
- if the Company designates any restricted subsidiary that is a guarantor as an unrestricted subsidiary;
- if the guarantee by a guarantor of all other indebtedness of the Company or any other guarantor is released, terminated or discharged, except by, or as a result of, payment under such guarantee; or
- upon legal defeasance or covenant defeasance (satisfaction and discharge of the indenture).

There are currently no restrictions on the ability of the restricted subsidiaries to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. Separate financial statements for each guarantor company are not provided as the company complies with the exception to Rule 3-10(a)(1) of Regulation S-X, set forth in sub-paragraph (f) of such rule. All guarantor subsidiaries are owned 100 percent by the parent company.

We are providing consolidating condensed financial information of the parent, Parker Drilling, the guarantor subsidiaries, and the non-guarantor subsidiaries as of December 31, 2014 and December 31, 2013 and for the years ended December 31, 2014, 2013, and 2012. The consolidating condensed financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

Year ended December 31, 2014

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|--|-----------|------------|---------------|--------------|--------------|
| Total revenues | \$ — | \$ 506,205 | \$ 640,147 | \$ (177,668) | \$ 968,684 |
| Operating expenses | — | 279,396 | 567,653 | (177,668) | 669,381 |
| Depreciation and amortization | — | 87,248 | 57,873 | — | 145,121 |
| Total operating gross margin | — | 139,561 | 14,621 | — | 154,182 |
| General and administration expense ⁽¹⁾ | (302) | (33,035) | (1,679) | — | (35,016) |
| Gain (loss) on disposition of assets, net | (79) | 1,156 | (23) | — | 1,054 |
| Total operating income (loss) | (381) | 107,682 | 12,919 | — | 120,220 |
| Other income and (expense): | | | | | |
| Interest expense | (46,527) | (148) | (7,692) | 10,102 | (44,265) |
| Interest income | 1,478 | 623 | 8,196 | (10,102) | 195 |
| Loss on extinguishment of debt | (30,152) | — | — | — | (30,152) |
| Other | — | 2,810 | (271) | — | 2,539 |
| Equity in net earnings of subsidiaries | 67,399 | — | — | (67,399) | — |
| Total other income (expense) | (7,802) | 3,285 | 233 | (67,399) | (71,683) |
| Income (loss) before income taxes | (8,183) | 110,967 | 13,152 | (67,399) | 48,537 |
| Income tax expense (benefit): | | | | | |
| Current | (17,702) | 24,106 | 16,163 | — | 22,567 |
| Deferred | (13,932) | 16,949 | (1,508) | — | 1,509 |
| Income tax expense (benefit) | (31,634) | 41,055 | 14,655 | — | 24,076 |
| Net income (loss) | 23,451 | 69,912 | (1,503) | (67,399) | 24,461 |
| Less: Net income attributable to noncontrolling interest | — | — | 1,010 | — | 1,010 |
| Net income (loss) attributable to controlling interest | \$ 23,451 | \$ 69,912 | \$ (2,513) | \$ (67,399) | \$ 23,451 |

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

Year ended December 31, 2013

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|---|-----------|------------|---------------|--------------|--------------|
| Total revenues | \$ — | \$ 468,073 | \$ 549,295 | \$ (143,196) | \$ 874,172 |
| Operating expenses | — | 252,211 | 462,657 | (143,196) | 571,672 |
| Depreciation and amortization | — | 77,416 | 56,637 | — | 134,053 |
| Total operating gross margin | — | 138,446 | 30,001 | — | 168,447 |
| General and administration expense ⁽¹⁾ | (202) | (67,083) | (740) | — | (68,025) |
| Provision for reduction in carrying value of certain assets | — | — | (2,544) | — | (2,544) |
| Gain on disposition of assets, net | — | 1,759 | 2,235 | — | 3,994 |
| Total operating income (loss) | (202) | 73,122 | 28,952 | — | 101,872 |
| Other income and (expense): | | | | | |
| Interest expense | (51,439) | (335) | (9,930) | 13,884 | (47,820) |
| Interest income | 3,824 | 1,761 | 10,749 | (13,884) | 2,450 |
| Loss on extinguishment of debt | (5,218) | — | — | — | (5,218) |
| Changes in fair value of derivative positions | 53 | — | — | — | 53 |
| Other | (1) | (143) | 1,594 | — | 1,450 |
| Equity in net earnings of subsidiaries | 55,430 | — | — | (55,430) | — |
| Total other income (expense) | 2,649 | 1,283 | 2,413 | (55,430) | (49,085) |
| Income (loss) before income taxes | 2,447 | 74,405 | 31,365 | (55,430) | 52,787 |
| Income tax expense (benefit): | | | | | |
| Current | (21,431) | 18,737 | 15,603 | — | 12,909 |
| Deferred | (3,137) | 19,454 | (3,618) | — | 12,699 |
| Income tax expense (benefit) | (24,568) | 38,191 | 11,985 | — | 25,608 |
| Net income (loss) | 27,015 | 36,214 | 19,380 | (55,430) | 27,179 |
| Less: Net income attributable to noncontrolling interest | — | — | 164 | — | 164 |
| Net income (loss) attributable to controlling interest | \$ 27,015 | \$ 36,214 | \$ 19,216 | \$ (55,430) | \$ 27,015 |

(1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

Year ended December 31, 2012

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|--|-----------|------------|---------------|--------------|--------------|
| Total revenues | \$ — | \$ 393,738 | \$ 385,279 | \$ (101,256) | \$ 677,761 |
| Operating expenses | — | 184,946 | 329,498 | (101,256) | 413,188 |
| Depreciation and amortization | — | 65,354 | 47,663 | — | 113,017 |
| Total operating gross margin | — | 143,438 | 8,118 | — | 151,556 |
| General and administration expense ⁽¹⁾ | (182) | (45,758) | (317) | — | (46,257) |
| Gain on disposition of assets, net | — | 775 | 1,199 | — | 1,974 |
| Total operating income (loss) | (182) | 98,455 | 9,000 | — | 107,273 |
| Other income and (expense): | | | | | |
| Interest expense | (37,326) | (151) | (8,739) | 12,674 | (33,542) |
| Interest income | 9,863 | 5,073 | 41,999 | (56,782) | 153 |
| Loss on extinguishment of debt | (2,130) | — | — | — | (2,130) |
| Changes in fair value of derivative positions | 55 | — | — | — | 55 |
| Other | — | (206) | (626) | — | (832) |
| Equity in net earnings of subsidiaries | 43,884 | — | — | (43,884) | — |
| Total other income and (expense) | 14,346 | 4,716 | 32,634 | (87,992) | (36,296) |
| Income (loss) before income taxes | 14,164 | 103,171 | 41,634 | (87,992) | 70,977 |
| Income tax expense (benefit): | | | | | |
| Current | (25,406) | 32,781 | 10,667 | — | 18,042 |
| Deferred | 2,257 | 15,429 | (1,849) | — | 15,837 |
| Total income tax expense (benefit) | (23,149) | 48,210 | 8,818 | — | 33,879 |
| Net income (loss) | 37,313 | 54,961 | 32,816 | (87,992) | 37,098 |
| Less: Net (loss) attributable to noncontrolling interest | — | — | (215) | — | (215) |
| Net income (loss) attributable to controlling interest | \$ 37,313 | \$ 54,961 | \$ 33,031 | \$ (87,992) | \$ 37,313 |

1) General and administration expenses for field operations are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

Year Ended December 31, 2014

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|---|-----------|-----------|---------------|--------------|--------------|
| Comprehensive income: | | | | | |
| Net income (loss) | \$ 23,451 | \$ 69,912 | \$ (1,503) | \$ (67,399) | \$ 24,461 |
| Other comprehensive gain (loss), net of tax: | | | | | |
| Currency translation difference on related borrowings | — | — | (4,870) | — | \$ (4,870) |
| Currency translation difference on foreign currency net investments | — | — | 2,147 | — | \$ 2,147 |
| Total other comprehensive gain (loss), net of tax: | — | — | (2,723) | — | (2,723) |
| Comprehensive income (loss) | 23,451 | 69,912 | (4,226) | (67,399) | 21,738 |
| Comprehensive (income) loss attributable to noncontrolling interest | — | — | (673) | — | (673) |
| Comprehensive income (loss) attributable to controlling interest | \$ 23,451 | \$ 69,912 | \$ (4,899) | \$ (67,399) | \$ 21,065 |

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

Year Ended December 31, 2013

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|---|-----------|-----------|---------------|--------------|--------------|
| Comprehensive income: | | | | | |
| Net income (loss) | \$ 27,015 | \$ 36,214 | \$ 19,380 | \$ (55,430) | \$ 27,179 |
| Other comprehensive gain, net of tax: | | | | | |
| Currency translation difference on related borrowings | — | — | (1,525) | — | (1,525) |
| Currency translation difference on foreign currency net investments | — | — | 3,051 | — | 3,051 |
| Total other comprehensive gain, net of tax: | — | — | 1,526 | — | 1,526 |
| Comprehensive income (loss) | 27,015 | 36,214 | 20,906 | (55,430) | 28,705 |
| Comprehensive (income) loss attributable to noncontrolling interest | — | — | 198 | — | 198 |
| Comprehensive income (loss) attributable to controlling interest | \$ 27,015 | \$ 36,214 | \$ 21,104 | \$ (55,430) | \$ 28,903 |

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)
(Unaudited)

| | Year ended December 31, 2012 | | | | |
|---|------------------------------|-----------|---------------|--------------|--------------|
| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
| Comprehensive income: | | | | | |
| Net income (loss) | \$ 37,313 | \$ 54,961 | \$ 32,816 | \$ (87,992) | \$ 37,098 |
| Other comprehensive gain, net of tax: | | | | | |
| Currency translation difference on related borrowings | — | — | — | — | — |
| Currency translation difference on foreign currency net investments | — | — | — | — | — |
| Comprehensive income (loss) | 37,313 | 54,961 | 32,816 | (87,992) | 37,098 |
| Comprehensive (income) loss attributable to noncontrolling interest | — | — | 215 | — | 215 |
| Comprehensive income (loss) attributable to controlling interest | \$ 37,313 | \$ 54,961 | \$ 33,031 | \$ (87,992) | \$ 37,313 |

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

December 31, 2014

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|--|--------------|--------------|---------------|----------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 36,728 | \$ 13,546 | \$ 58,182 | \$ — | \$ 108,456 |
| Accounts and notes receivable, net | (33) | 96,100 | 174,885 | — | 270,952 |
| Rig materials and supplies | — | (1,473) | 49,416 | — | 47,943 |
| Deferred costs | — | — | 5,673 | — | 5,673 |
| Deferred income taxes | — | 6,131 | 1,345 | — | 7,476 |
| Other tax assets | 19,885 | (18,273) | 9,111 | — | 10,723 |
| Other current assets | — | 7,999 | 10,557 | — | 18,556 |
| Total current assets | 56,580 | 104,030 | 309,169 | — | 469,779 |
| Property, plant and equipment, net | (19) | 589,055 | 306,904 | — | 895,940 |
| Investment in subsidiaries and intercompany advances | 3,060,867 | 2,441,527 | 2,464,502 | (7,966,896) | — |
| Other noncurrent assets | (440,918) | 490,597 | 272,823 | (167,562) | 154,940 |
| Total assets | \$ 2,676,510 | \$ 3,625,209 | \$ 3,353,398 | \$ (8,134,458) | \$ 1,520,659 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | \$ 10,000 | \$ — | \$ — | \$ — | 10,000 |
| Accounts payable and accrued liabilities | 77,603 | 71,645 | 309,344 | (304,113) | 154,479 |
| Accrued income taxes | (4,061) | 10,109 | 8,138 | — | 14,186 |
| Total current liabilities | 83,542 | 81,754 | 317,482 | (304,113) | 178,665 |
| Long-term debt | 605,000 | — | — | — | 605,000 |
| Other long-term liabilities | 2,867 | 7,135 | 8,663 | — | 18,665 |
| Long-term deferred tax liability | — | 56,105 | (3,990) | — | 52,115 |
| Intercompany payables | 1,322,172 | 1,311,405 | 1,204,768 | (3,838,345) | — |
| Total Liabilities | 2,013,581 | 1,456,399 | 1,526,923 | (4,142,458) | 854,445 |
| Total Equity | 662,929 | 2,168,810 | 1,826,475 | (3,992,000) | 666,214 |
| Total liabilities and stockholders' equity | \$ 2,676,510 | \$ 3,625,209 | \$ 3,353,398 | \$ (8,134,458) | \$ 1,520,659 |

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

December 31, 2013

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|--|--------------|------------|---------------|----------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 88,697 | \$ 8,310 | \$ 51,682 | \$ — | \$ 148,689 |
| Accounts and notes receivable, net | — | 101,299 | 156,590 | — | 257,889 |
| Rig materials and supplies | — | 3,002 | 38,779 | — | 41,781 |
| Deferred costs | — | — | 13,682 | — | 13,682 |
| Deferred income taxes | (57) | 8,435 | 1,562 | — | 9,940 |
| Other tax assets | 54,524 | (46,770) | 16,325 | — | 24,079 |
| Other current assets | — | 9,089 | 14,134 | — | 23,223 |
| Total current assets | 143,164 | 83,365 | 292,754 | — | 519,283 |
| Property, plant and equipment, net | 60 | 562,148 | 309,148 | — | 871,356 |
| Investment in subsidiaries and intercompany advances | 1,906,128 | (336,570) | 1,667,937 | (3,237,495) | — |
| Other noncurrent assets | (457,954) | 468,864 | 250,983 | (117,776) | 144,117 |
| Total assets | \$ 1,591,398 | \$ 777,807 | \$ 2,520,822 | \$ (3,355,271) | \$ 1,534,756 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | \$ 25,000 | \$ — | \$ — | \$ — | \$ 25,000 |
| Accounts payable and accrued liabilities | 75,268 | 92,546 | 261,436 | (254,364) | 174,886 |
| Accrued income taxes | — | 725 | 6,541 | — | 7,266 |
| Total current liabilities | 100,268 | 93,271 | 267,977 | (254,364) | 207,152 |
| Long-term debt | 628,781 | — | — | — | 628,781 |
| Other long-term liabilities | 5,037 | 6,743 | 15,134 | — | 26,914 |
| Long-term deferred tax liability | — | 51,747 | (12,980) | — | 38,767 |
| Intercompany payables | 227,504 | 291,783 | 422,645 | (941,932) | — |
| Total Liabilities | 961,590 | 443,544 | 692,776 | (1,196,296) | 901,614 |
| Total Equity | 629,808 | 334,263 | 1,828,046 | (2,158,975) | 633,142 |
| Total liabilities and stockholders' equity | \$ 1,591,398 | \$ 777,807 | \$ 2,520,822 | \$ (3,355,271) | \$ 1,534,756 |

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

Year Ended December 31, 2014

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|--|-----------|-----------|---------------|--------------|--------------|
| Cash flows from operating activities: | | | | | |
| Net income (loss) | \$ 23,451 | \$ 69,912 | \$ (1,503) | \$ (67,399) | 24,461 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | — | 87,248 | 57,873 | — | 145,121 |
| Loss on extinguishment of debt | 30,152 | — | — | — | 30,152 |
| Gain on disposition of assets | 79 | (1,156) | 23 | — | (1,054) |
| Deferred income tax expense | (13,932) | 16,949 | (1,508) | — | 1,509 |
| Expenses not requiring cash | 11,978 | (710) | 8,063 | — | 19,331 |
| Equity in net earnings of subsidiaries | (67,399) | — | — | 67,399 | — |
| Change in accounts receivable | 32 | 11,937 | (24,207) | — | (12,238) |
| Change in other assets | 35,438 | (56,673) | (3,154) | — | (24,389) |
| Change in accrued income taxes | (12,474) | 11,107 | (6,290) | — | (7,657) |
| Change in liabilities | 2,336 | (20,492) | 45,387 | — | 27,231 |
| Net cash provided by operating activities | 9,661 | 118,122 | 74,684 | — | 202,467 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | — | (125,260) | (54,253) | — | (179,513) |
| Proceeds from the sale of assets | — | 2,594 | 3,344 | — | 5,938 |
| Net cash (used in) investing activities | — | (122,666) | (50,909) | — | (173,575) |
| Cash flows from financing activities: | | | | | |
| Proceeds from debt issuance | 400,000 | — | — | — | 400,000 |
| Repayment of long term debt | (425,000) | — | — | — | (425,000) |
| Repayment of term loan | (10,000) | — | — | — | (10,000) |
| Payment of debt issuance costs | (7,630) | — | — | — | (7,630) |
| Payment of debt extinguishment costs | (26,214) | — | — | — | (26,214) |
| Excess tax benefit from stock-based compensation | (281) | — | — | — | (281) |
| Intercompany advances, net | 7,495 | 9,780 | (17,275) | — | — |
| Net cash provided by (used in) financing activities | (61,630) | 9,780 | (17,275) | — | (69,125) |
| Net change in cash and cash equivalents | (51,969) | 5,236 | 6,500 | — | (40,233) |
| Cash and cash equivalents at beginning of year | 88,697 | 8,310 | 51,682 | — | 148,689 |
| Cash and cash equivalents at end of year | \$ 36,728 | \$ 13,546 | \$ 58,182 | \$ — | \$ 108,456 |

See accompanying notes to unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

Year Ended December 31, 2013

| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
|--|-----------|-----------|---------------|--------------|--------------|
| Cash flows from operating activities: | | | | | |
| Net income (loss) | \$ 27,015 | \$ 36,214 | \$ 19,380 | \$ (55,430) | \$ 27,179 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | — | 77,416 | 56,637 | — | 134,053 |
| Loss on extinguishment of debt | 5,218 | — | — | — | 5,218 |
| Gain on disposition of assets | — | (1,759) | (2,235) | — | (3,994) |
| Deferred income tax expense | (3,137) | 19,454 | (3,618) | — | 12,699 |
| Provision for reduction in carrying value of certain assets | — | — | 2,544 | — | 2,544 |
| Expenses not requiring cash | 13,173 | 12 | 4,579 | — | 17,764 |
| Equity in net earnings of subsidiaries | (55,430) | — | — | 55,430 | — |
| Change in accounts receivable | (7) | (12,888) | (20,617) | — | (33,512) |
| Change in other assets | 74,411 | (85,520) | 487 | — | (10,622) |
| Change in accrued income taxes | 6,617 | (1,052) | 4,889 | — | 10,454 |
| Change in liabilities | 6,934 | (877) | (6,343) | — | (286) |
| Net cash provided by operating activities | 74,794 | 31,000 | 55,703 | — | 161,497 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | — | (94,269) | (61,376) | — | (155,645) |
| Proceeds from the sale of assets | — | 3,725 | 4,493 | — | 8,218 |
| Acquisition of ITS, net of cash acquired | — | (6,903) | (111,088) | — | (117,991) |
| Net cash provided by (used in) investing activities | — | (97,447) | (167,971) | — | (265,418) |
| Cash flows from financing activities: | | | | | |
| Proceeds from debt issuance | 350,000 | — | — | — | 350,000 |
| Repayment of long term debt | (125,000) | — | — | — | (125,000) |
| Repayment of term loan | (50,000) | — | — | — | (50,000) |
| Payment of debt issuance costs | (11,172) | — | — | — | (11,172) |
| Excess tax benefit from stock-based compensation | 896 | — | — | — | 896 |
| Intercompany advances, net | (193,072) | 63,734 | 129,338 | — | — |
| Net cash provided by (used in) financing activities | (28,348) | 63,734 | 129,338 | — | 164,724 |
| Net change in cash and cash equivalents | 46,446 | (2,713) | 17,070 | — | 60,803 |
| Cash and cash equivalents at beginning of year | 42,251 | 11,023 | 34,612 | — | 87,886 |
| Cash and cash equivalents at end of year | \$ 88,697 | \$ 8,310 | \$ 51,682 | \$ — | \$ 148,689 |

See accompanying notes to unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

| | Year Ended December 31, 2012 | | | | |
|--|------------------------------|-----------|---------------|--------------|--------------|
| | Parent | Guarantor | Non-Guarantor | Eliminations | Consolidated |
| Cash flows from operating activities: | | | | | |
| Net income (loss) | \$ 37,313 | \$ 54,961 | \$ 32,816 | \$ (87,992) | \$ 37,098 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | — | 65,354 | 47,663 | — | 113,017 |
| Loss on extinguishment of debt | 2,130 | — | — | — | 2,130 |
| Gain on disposition of assets | — | (775) | (1,199) | — | (1,974) |
| Deferred income tax expense | 2,257 | 15,429 | (1,849) | — | 15,837 |
| Expenses not requiring cash | 16,558 | 33,644 | (27,602) | — | 22,600 |
| Equity in net earnings of subsidiaries | (43,884) | — | — | 43,884 | — |
| Change in accounts receivable | (445) | (1,788) | 17,474 | — | 15,241 |
| Change in other assets | 1,649 | 2,060 | (9,200) | — | (5,491) |
| Change in accrued income taxes | (4,055) | 220 | (2,267) | — | (6,102) |
| Change in liabilities | 3,914 | (4,158) | (2,413) | — | (2,657) |
| Net cash provided by (used in) operating activities | 15,437 | 164,947 | 53,423 | (44,108) | 189,699 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures | — | (176,333) | (15,210) | — | (191,543) |
| Proceeds from the sale of assets | — | 2,062 | 1,875 | — | 3,937 |
| Intercompany dividend payment | (8,387) | (4,357) | (31,364) | 44,108 | — |
| Net cash provided by (used in) investing activities | (8,387) | (178,628) | (44,699) | 44,108 | (187,606) |
| Cash flows from financing activities: | | | | | |
| Proceeds from debt issuance | 130,000 | — | — | — | 130,000 |
| Proceeds from draw on revolver credit facility | 7,000 | — | — | — | 7,000 |
| Paydown on senior notes | (125,000) | — | — | — | (125,000) |
| Paydown on term note | (18,000) | — | — | — | (18,000) |
| Payment of debt issuance costs | (4,859) | — | — | — | (4,859) |
| Payment of debt extinguishment costs | (555) | — | — | — | (555) |
| Excess tax benefit from stock-based compensation | (662) | — | — | — | (662) |
| Intercompany advances, net | (8,393) | 20,492 | (12,099) | — | — |
| Net cash provided by (used in) financing activities | (20,469) | 20,492 | (12,099) | — | (12,076) |
| Net change in cash and cash equivalents | (13,419) | 6,811 | (3,375) | — | (9,983) |
| Cash and cash equivalents at beginning of year | 55,670 | 4,212 | 37,987 | — | 97,869 |
| Cash and cash equivalents at end of year | \$ 42,251 | \$ 11,023 | \$ 34,612 | \$ — | \$ 87,886 |

See accompanying notes to unaudited consolidated condensed financial statements.

Note 17 — Selected Quarterly Financial Data

| Year 2014 | Quarter | | | | |
|--|--|---------------|--------------|---------------|--------------|
| | First | Second | Third | Fourth | Total |
| | (Dollars in Thousands Except Per Share Amounts) | | | | |
| | (Unaudited) | | | | |
| Revenues | \$ 229,225 | \$ 254,234 | \$ 242,012 | \$ 243,213 | \$ 968,684 |
| Operating gross margin | \$ 28,863 | \$ 43,485 | \$ 45,066 | \$ 36,768 | \$ 154,182 |
| Operating income | \$ 19,770 | \$ 37,497 | \$ 35,239 | \$ 27,714 | \$ 120,220 |
| Net income (loss) attributable to controlling interest | \$ (12,549) | \$ 15,681 | \$ 12,566 | \$ 7,753 | \$ 23,451 |
| Basic earnings per share — net income (loss) | \$ (0.10) | \$ 0.13 | \$ 0.10 | \$ 0.06 | \$ 0.19 |
| Diluted earnings per share — net income (loss) | \$ (0.10) | \$ 0.13 | \$ 0.10 | \$ 0.06 | \$ 0.19 |
| Year 2013 | Quarter | | | | |
| | First | Second | Third | Fourth | Total |
| | (Dollars in Thousands Except Per Share Amounts) | | | | |
| | (Unaudited) | | | | |
| Revenues | \$ 167,135 | \$ 225,954 | \$ 237,762 | \$ 243,321 | \$ 874,172 |
| Operating gross margin ⁽¹⁾ | \$ 20,877 | \$ 50,273 | \$ 48,733 | \$ 48,564 | \$ 168,447 |
| Operating income | \$ 9,180 | \$ 28,587 | \$ 35,589 | \$ 28,516 | \$ 101,872 |
| Net income attributable to controlling interest | \$ 592 | \$ 8,281 | \$ 7,970 | \$ 10,172 | \$ 27,015 |
| Basic earnings per share — net income | \$ — | \$ 0.07 | \$ 0.07 | \$ 0.08 | \$ 0.23 |
| Diluted earnings per share — net income | \$ — | \$ 0.07 | \$ 0.07 | \$ 0.08 | \$ 0.22 |

- 1) Expenses related to our U.S. barge drilling segment were found to be incorrectly included in our general and administrative expense during the first through third quarters of 2013. These expenses have been appropriately reclassified to be included as part of the segment operating expenses, therefore our operating gross margin for each of the first three quarters of 2013 will not agree to the respective 10-Q reports for 2013 only.

Note 18 — Recent Accounting Pronouncements

On May 28, 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605 - Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective on January 1, 2017 and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. We are in the process of assessing the impact of the adoption of ASU 2014-09 on our financial position, results of operations and cash flows. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (NOL) carryforward, or similar tax loss or tax credit carryforward, rather than as a liability when: (1) the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and (2) the entity intends to use the deferred tax asset for that purpose. This accounting guidance was effective for our first quarter in fiscal 2014 and did not have a material impact on our condensed consolidated financial statements.

Note 19 — Subsequent Events

Subsequent to year end we increased our liquidity by entering into the 2015 Second Amended and Restated Credit Agreement on January 26, 2015. See Note 6 - Long Term Debt for further discussion.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 as amended (the Exchange Act), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, 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 December 31, 2014 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and is (2) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States,
- provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

The Company's management with the participation of the chief executive officer and chief financial officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2014 based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of the design and testing of the operational effectiveness of our internal control over financial reporting. Management reviewed the results of its assessment with the audit committee of the board of directors.

Based on that assessment and those criteria, management has concluded that our internal control over financial reporting was effective as of December 31, 2014.

KPMG LLP, our independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report Form 10-K, has issued a report with respect to our internal control over financial reporting as of December 31, 2014.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information with respect to directors can be found under the captions “Item 1 — Election of Directors” and “Board of Directors” in our 2015 Proxy Statement for the Annual Meeting of Stockholders to be held on May 7, 2015. Such information is incorporated herein by reference.

Information with respect to executive officers can be found in Item 1. Business - Executive Officers of this Form 10-K.

Information with respect to our audit committee and audit committee financial expert can be found under the caption “The Audit Committee” of our 2015 Proxy Statement for the Annual Meeting of Stockholders to be held on May 7, 2015 and is incorporated herein by reference.

The information in our 2015 Proxy Statement for the Annual Meeting of Stockholders to be held on May 7, 2015 set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” is incorporated herein by reference.

We have adopted the Parker Drilling Code of Conduct (CC) which includes a code of ethics that is applicable to the chief executive officer, chief financial officer, controller and other senior financial personnel as required by the SEC. The CC includes provisions that will ensure compliance with the code of ethics required by the SEC and with the minimum requirements under the corporate governance listing standards of the NYSE. The CC is publicly available on our website at <http://www.parkerdrilling.com>. If any waivers of the CC occur that apply to a director, the chief executive officer, the chief financial officer, the controller or senior financial personnel or if the Company materially amends the CC, we will disclose the nature of the waiver or amendment on the website and in a current report on Form 8-K within four business days.

Item 11. Executive Compensation

The information under the captions “Executive Compensation,” “Fees and Benefit Plans for Non-Employee Directors,” “2014 Director Compensation Table,” and “Compensation Committee Report” in our 2015 Proxy Statement for the Annual Meeting of Stockholders to be held on May 7, 2015 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners, Management and Related Stockholder Matters

The information required by this item is hereby incorporated by reference to the information appearing under the captions “Security Ownership of Officers, Directors and Principal Stockholders” and “Equity Compensation Plan Information” in our 2015 Proxy Statement for the Annual Meeting of Stockholders to be held on May 7, 2015.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is hereby incorporated by reference to such information appearing under the captions “Certain Relationships and Related Party Transactions” and “Director Independence Determination” in our 2015 Proxy Statement for the Annual Meeting of Stockholders to be held on May 7, 2015.

Item 14. Principal Accounting Fees and Services

The information required by this item is hereby incorporated by reference to the information appearing under the captions “Audit and Non-Audit Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm” in our 2015 Proxy Statement for the Annual Meeting of the Stockholders to be held on May 7, 2015.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements of Parker Drilling Company and subsidiaries which are included in Part II, Item 8:

| | <u>Page</u> |
|---|--------------------|
| Report of Independent Registered Public Accounting Firm | 41 |
| Consolidated Statement of Operations for the years ended December 31, 2014, 2013 and 2012 | 42 |
| Consolidated Statement of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012 | 43 |
| Consolidated Balance Sheet as of December 31, 2014 and 2013 | 44 |
| Consolidated Statement of Cash Flows for the years ended December 31, 2014, 2013 and 2012 | 45 |
| Consolidated Statement of Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012 | 46 |
| Notes to the Consolidated Financial Statements | 47 |

(2) Financial Statement Schedule:

[Schedule II — Valuation and qualifying accounts](#)

[88](#)

(3) Exhibits:

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|---|
| 2.1 | — Sale and Purchase Agreement, dated April 22, 2013, among ITS Tubular Services (Holdings) Limited, as Seller, Ian David Green, John Bruce Cartwright and Graham Douglas Frost, as joint administrators of the Seller, ITS Holdings, Inc. and PD International Holdings C.V., Parker Drilling Offshore Corporation and Parker Drilling Company (Incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K filed on April 23, 2013). |
| 3.1 | — Restated Certificate of Incorporation of the Company, as amended on May 16, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2007). |
| 3.2 | — By-laws of Parker Drilling Company, as amended and restated as of July 31, 2014 (Incorporated by reference to Exhibit 3.1 to Parker Drilling Company's Current Report on Form 8-K filed on August 1, 2014). |
| 4.1 | — Indenture, dated July 30, 2013, between Parker Drilling Company, the subsidiary guarantors from time to time parties hereto, as, collectively, Guarantors, and The Bank of New York Mellon Trust Company, N.A. as Trustee (Incorporated by reference to Exhibit 10.3 to Parker Drilling Company's Current Report on Form 8-K filed on July 25, 2013). |
| 4.2 | — Form of 7.500% Senior Note due 2020 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 31, 2013). |
| 4.3 | — Indenture, dated January 22, 2014, among Parker Drilling Company, the Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K file on January 28, 2014). |
| 4.4 | — Form of 6.750% Senior Note due 2018 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on January 28, 2014). |
| 10.1 | — Parker Drilling Company Incentive Compensation Plan (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on March 1, 2011)* |
| 10.2 | — Parker Drilling Company 2010 Long-Term Incentive Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement filed on March 16, 2010).* |

- 10.3 — Form of Parker Drilling Company Restricted Stock Unit Incentive Agreement under the 2010 LTIP (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K filed on March 1, 2011).*
- 10.4 — Form of Parker Drilling Company Performance Unit Award Incentive Agreement under the 2010 LTIP (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on March 1, 2011).*
- 10.5 — Parker Drilling Company 2010 Long-Term Incentive Plan (as amended and restated effective May 8, 2013) (incorporated by reference to Annex A to the Company's Definitive Proxy Statement filed on March 28, 2013).*
- 10.6 — Form of Parker Drilling Company Restricted Stock Unit Incentive Agreement under the 2010 LTIP (as amended and restated effective May 8, 2013).*
- 10.7 — Form of Parker Drilling Company Performance Stock Unit Award Incentive Agreement under the 2010 LTIP (as amended and restated effective May 8, 2013).*
- 10.8 — Form of Parker Drilling Company Performance Cash Unit Award Incentive Agreement under the 2010 LTIP (as amended and restated effective May 8, 2013).*
- 10.9 — Form of Indemnification Agreement entered into between Parker Drilling Company and each director and executive officer of Parker Drilling Company (incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K filed on March 20, 2003).*
- 10.10 — Employment Agreement dated December 6, 2010 between Parker Drilling Company and Philip Agnew.*
- 10.11 — Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 25, 2011).*
- 10.12 — Employment Agreement dated August 15, 2011 between Parker Drilling Company and David Farmer.*
- 10.13 — First Amendment dated August 29, 2011 to Employment Agreement between Parker Drilling Company and Philip Agnew.*
- 10.14 — First Amendment dated August 29, 2011 to Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on August 30, 2011).*
- 10.15 — Employment Agreement, dated as of September 17, 2012, by and between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 8-K filed on September 24, 2012).*
- 10.16 — Form of Restricted Stock Unit Incentive Agreement between Parker Drilling Company and Gary Rich (incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 8-K filed on September 24, 2012).*
- 10.17 — Employment Agreement dated May 3, 2013 between Parker Drilling Company and Christopher Weber (Incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K filed on May 14, 2013).*
- 10.18 — Form of Restricted Stock Unit Incentive Agreement between Parker Drilling Company and Christopher Weber (Incorporated by reference to Exhibit 10.2 to Parker Drilling Company's Current Report on Form 8-K filed on May 14, 2013).*

- 10.19 — Retirement and Separation Agreement, dated November 1, 2013, between Parker Drilling Company and Robert L. Parker, Jr. (Incorporated by reference to Exhibit 10.1 to Parker Drilling Company's Current Report on Form 8-K filed on November 4, 2013).*
- 10.20 — Second Amended and Restated Credit Agreement, dated January 26, 2015, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto.
- 12.1 — Computation of Ratio of Earnings to Fixed Charges.
- 21 — Subsidiaries of the Registrant.
- 23.1 — Consent of KPMG LLP — Independent Registered Public Accounting Firm.
- 31.1 — Gary Rich, President and Chief Executive Officer, Rule 13a-14(a)/15d-14(a) Certification.
- 31.2 — Christopher T. Weber, Senior Vice President and Chief Financial Officer, Rule 13a-14(a)/15d-14(a) Certification.
- 32.1 — Gary Rich, President and Chief Executive Officer, Section 1350 Certification.
- 32.2 — Christopher T. Weber, Senior Vice President and Chief Financial Officer, Section 1350 Certification.
- 101.INS — XBRL Instance Document.
- 101.SCH — XBRL Taxonomy Schema Document.
- 101.CAL — XBRL Calculation Linkbase Document.
- 101.LAB — XBRL Label Linkbase Document.
- 101.PRE — XBRL Presentation Linkbase Document.
- 101.DEF — XBRL Definition Linkbase Document.

* — Management contract, compensatory plan or agreement.

PARKER DRILLING COMPANY AND SUBSIDIARIES

Schedule II—Valuation and Qualifying Accounts

| Classifications | Balance at beginning of year | Charged to cost and expenses | Charged to other accounts | Deductions | Balance at end of year |
|---|-------------------------------------|-------------------------------------|----------------------------------|-------------------|-------------------------------|
| <i>Dollars in Thousands</i> | | | | | |
| Year ended December 31, 2014 | | | | | |
| Allowance for bad debt | \$ 12,853 | \$ 5,248 | \$ — | \$ (6,913) | \$ 11,188 |
| Allowance for obsolete rig materials and supplies | \$ 3,445 | — | \$ 1 | \$ (2,916) | \$ 530 |
| Deferred tax valuation allowance | \$ 6,827 | \$ 2,800 | \$ 295 | \$ — | \$ 9,922 |
| Year ended December 31, 2013 | | | | | |
| Allowance for bad debt | \$ 8,117 | \$ 5,092 | \$ 5,861 | \$ (6,217) | \$ 12,853 |
| Allowance for obsolete rig materials and supplies | \$ 312 | — | \$ 3,586 | \$ (453) | \$ 3,445 |
| Deferred tax valuation allowance | \$ 4,805 | \$ 2,010 | \$ 12 | \$ — | \$ 6,827 |
| Year ended December 31, 2012 | | | | | |
| Allowance for bad debt | \$ 1,544 | \$ 4,264 | \$ 3,195 | \$ (886) | \$ 8,117 |
| Allowance for obsolete rig materials and supplies | \$ 316 | — | — | \$ (4) | \$ 312 |
| Deferred tax valuation allowance | \$ 6,467 | \$ (1,662) | — | — | \$ 4,805 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PARKER DRILLING COMPANY

By: /s/ Christopher T. Weber
Christopher T. Weber
Senior Vice President and Chief Financial Officer

Date: February 25, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|-----|---|--|-------------------|
| By: | <u>/s/ Gary G. Rich</u> Gary G. Rich | Chairman, President, and Chief Executive Officer (Principal Executive Officer) | February 25, 2015 |
| By: | <u>/s/ Christopher T. Weber</u> Christopher T. Weber | Senior Vice President and Chief Financial Officer (Principal Financial Officer) | February 25, 2015 |
| By: | <u>/s/ Leslie K. Nagy</u> Leslie K. Nagy | Controller and Principal Accounting Officer (Principal Accounting Officer) | February 25, 2015 |
| By: | <u>/s/ Jonathan M. Clarkson</u> Jonathan M. Clarkson | Director | February 25, 2015 |
| By: | <u>/s/ George J. Donnelly</u> George J. Donnelly | Director | February 25, 2015 |
| By: | <u>/s/ Robert W. Goldman</u> Robert W. Goldman | Director | February 25, 2015 |
| By: | <u>/s/ Gary R. King</u> Gary R. King | Director | February 25, 2015 |
| By: | <u>/s/ Robert L. Parker Jr.</u> Robert L. Parker Jr. | Director | February 25, 2015 |
| By: | <u>/s/ Richard D. Paterson</u> Richard D. Paterson | Director | February 25, 2015 |
| By: | <u>/s/ Roger B. Plank</u> Roger B. Plank | Director | February 25, 2015 |
| By: | <u>/s/ R. Rudolph Reinfrank</u> R. Rudolph Reinfrank | Director | February 25, 2015 |

INDEX TO EXHIBITS

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 10.6 | — Form of Parker Drilling Company Restricted Stock Unit Incentive Agreement under the 2010 LTIP (as amended and restated effective May 8, 2013).* |
| 10.7 | — Form of Parker Drilling Company Performance Stock Unit Award Incentive Agreement under the 2010 LTIP (as amended and restated effective May 8, 2013).* |
| 10.8 | — Form of Parker Drilling Company Performance Cash Unit Award Incentive Agreement under the 2010 LTIP (as amended and restated effective May 8, 2013).* |
| 10.10 | — Employment Agreement dated December 6, 2010 between Parker Drilling Company and Philip Agnew.* |
| 10.12 | — Employment Agreement dated August 15, 2011 between Parker Drilling Company and David Farmer.* |
| 10.13 | — First Amendment dated August 29, 2011 to Employment Agreement between Parker Drilling Company and Philip Agnew.* |
| 10.20 | — Second Amended and Restated Credit Agreement, dated January 26, 2015, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto. |
| 12.1 | — Computation of Ratio of Earnings to Fixed Charges |
| 21 | — Subsidiaries of the Registrant. |
| 23.1 | — Consent of KPMG LLP — Independent Registered Public Accounting Firm. |
| 31.1 | — Gary G. Rich, President and Chief Executive Officer, Rule 13a-14(a)/15d-14(a) Certification. |
| 31.2 | — Christopher T. Weber, Senior Vice President and Chief Financial Officer, Rule 13a-14(a)/15d-14(a) Certification. |
| 32.1 | — Gary G. Rich, President and Chief Executive Officer, Section 1350 Certification. |
| 32.2 | — Christopher T. Weber, Senior Vice President and Chief Financial Officer, Section 1350 Certification. |
| 101.INS | — XBRL Instance Document. |
| 101.SCH | — XBRL Taxonomy Schema Document. |
| 101.CAL | — XBRL Calculation Linkbase Document. |
| 101.LAB | — XBRL Label Linkbase Document. |
| 101.PRE | — XBRL Presentation Linkbase Document. |
| 101.DEF | — XBRL Definition Linkbase Document. |

PARKER DRILLING COMPANY

RESTRICTED STOCK UNIT INCENTIVE AGREEMENT

THIS RESTRICTED STOCK UNIT INCENTIVE AGREEMENT (this “**Agreement**”) is made and entered into by and between Parker Drilling Company, a Delaware corporation (the “**Company**”), and _____, an individual and employee of the Company (“**Grantee**”), as of the ____ day of _____, 20__ (the “**Grant Date**”), subject to the terms and conditions of the Parker Drilling Company 2010 Long-Term Incentive Plan, as Amended and Restated, as it may be further amended from time to time thereafter (the “**Plan**”). The Plan is hereby incorporated herein in its entirety its by this reference. Capitalized terms not otherwise defined in this Agreement shall have the meaning given to such terms in the Plan.

WHEREAS, Grantee is [**title**] of the Company, and in connection therewith, the Company desires to grant Restricted Stock Units to Grantee, subject to the terms and conditions of this Agreement and the Plan, with a view to increasing Grantee’s interest in the Company’s success and growth; and

WHEREAS, Grantee desires to be the holder of Restricted Stock Units subject to the terms and conditions of this Agreement and the Plan;

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions of this Agreement and the Plan, the Company hereby grants to Grantee [**number**] Restricted Stock Units (the “**Units**”). Subject to Section 3 hereof, each Unit shall initially represent one share of the Company’s Common Stock (“**Share**”). Each Unit represents an unsecured promise of the Company to deliver one Share to the Grantee pursuant to the terms and conditions of the Plan and this Agreement. As a holder of Units, the Grantee has the rights of a general unsecured creditor of the Company until the Units are converted to Shares upon vesting and transferred to Grantee, as set forth herein.

2. Transfer Restrictions. Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, “**Transfer**”) any Units granted hereunder. Any purported Transfer of Units in breach of this Agreement shall be void and ineffective, and shall not operate to Transfer any interest or title in the purported transferee.

3. Vesting and Settlement of Units.

(a) *Vesting Dates* . Grantee’s interest in the Units granted hereunder shall vest with respect to one-third of the Units on the first anniversary of the Grant Date and an additional one-third of the Units on each of the second and third anniversaries of the Grant Date (each anniversary, a “**Vesting Date**”), provided that the Grantee is still an Employee and has continuously been an

Employee from the Grant Date through the applicable Vesting Date, except as provided in Section 4 hereof.

(b) Settlement of Units. Except with respect to Units that become vested by reason of Section 4(c), within sixty (60) days after any Units become vested, the Company shall transfer to Grantee the number of Shares for the vested Units and such Units shall expire when exchanged for such Shares. Units that become vested during a calendar year by reason of Section 4(c) shall be settled within sixty (60) days of the earlier of the close of such calendar year or termination of the Grantee's Employment. All Shares delivered to or on behalf of Grantee in exchange for vested Units shall be subject to any further transfer or other restrictions as may be required by securities law or other applicable law as determined by the Company.

(c) Dividends and Splits. If the Company (i) declares a stock dividend or makes a distribution on its Shares, (ii) subdivides or reclassifies outstanding Shares into a greater number of Shares, or (iii) combines or reclassifies outstanding Shares into a smaller number of Shares, then the number of Units granted under this Agreement shall be proportionately increased or reduced, as applicable, so as to prevent the enlargement or dilution of Grantee's rights and duties hereunder. The determination of the Committee regarding such adjustments shall be binding.

4. Termination of Employment. If Grantee's Employment is voluntarily or involuntarily terminated by the Company or Grantee, then Grantee shall immediately forfeit the outstanding Units that are not already vested as of such date, except as provided below in this Section 4. Upon the forfeiture of any Units hereunder, the Grantee shall cease to have any rights in connection with such Units as of the date of forfeiture.

(a) Termination of Employment. Except as provided in Section 4(c) and Section 4(e), if the Grantee's Employment is terminated for any reason other than due to death, Disability, or Involuntary Termination Without Cause, any non-vested Units at the time of such termination shall automatically expire and terminate and no vesting shall occur after the termination of Employment date. In such event, the Grantee will receive no payment for unvested Units.

(b) Involuntary Termination Without Cause. Except as provided in Section 4(e), in the event of the Grantee's Involuntary Termination Without Cause (as defined below), all of the restrictions and any other conditions for all Units then outstanding shall be fully satisfied on a Pro Rata Basis (as defined by the Plan), and thus only that portion of the outstanding Units shall become free of all restrictions and vested, and any remaining unvested Units shall be forfeited. For purposes of this Agreement, "**Involuntary Termination Without Cause**" means the Employment of Grantee is involuntarily terminated by the Company (or by any successor to the Company) for any reason, including, without limitation, as the result of a Change in Control, except due to death, Disability, Retirement or Cause; provided, that in the event of a dispute regarding whether Employment was terminated voluntarily or involuntarily, or with or without Cause, such dispute will be resolved by the Committee, in good faith, in the exercise of its discretion.

(c) Retirement. Except as provided in Section 4(e), upon the Grantee's satisfaction of the eligibility requirements for Retirement (as defined in the Plan), all of the restrictions and any other conditions for all Units then Outstanding shall be fully satisfied on a Pro Rata Basis, and thus

only that portion of the outstanding Units shall become free of all restrictions and vested; and any remaining outstanding Units shall continue to vest in a like manner each month until the earlier of the next Vesting Date or termination of Grantee's Employment. Any non-vested Units at the time of such termination shall automatically expire and terminate and no vesting shall occur after the termination of Employment date. In such event, the Grantee will receive no payment for unvested Units.

(d) *Disability or Death.* Upon termination of Grantee's Employment as the result of Grantee's Disability (as defined below) or death, then all of the outstanding Units shall become 100% vested and free of all restrictions on such date. For purposes of this Agreement, "**Disability**" means (i) a disability that entitles the Grantee to benefits under the Company's long-term disability plan, as may be in effect from time to time, as determined by the plan administrator of the long-term disability plan or (ii) a disability whereby the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(e) *Change in Control.* If there is a Change in Control of the Company (as defined in the Plan), then in the event of the Grantee's Involuntary Termination Without Cause within two (2) years following the effective date of the Change in Control, all the outstanding Units shall automatically become 100% vested and free of all restrictions on the Grantee's termination of Employment date.

5. Detrimental Conduct. In the event that the Committee should determine, in its sole and absolute discretion, that, during Employment or within two (2) years following Employment termination for any reason, the Grantee engaged in Detrimental Conduct (as defined below), the Committee may, in its sole and absolute discretion, if Shares have previously been transferred to the Grantee under this Agreement, direct the Company to send a notice of recapture (a "**Recapture Notice**") to such Grantee. Within ten (10) days after receiving a Recapture Notice from the Company, the Grantee will deliver to the Company either (i) the actual number of Shares that were transferred to the Grantee upon vesting of Units or (ii) a cash equivalent payment in an amount equal to the Fair Market Value of such Shares at the time when transferred to the Grantee, unless the Recapture Notice demands repayment of a lesser sum. All repayments hereunder shall be net of the taxes that were withheld by the Company when the Shares were originally transferred to Grantee following vesting of the Incentive Award. For purposes of this Agreement, a Grantee has committed "**Detrimental Conduct**" if the Grantee (a) violated a confidentiality, non-solicitation, non-competition or similar restrictive covenant between the Company or one of its Affiliates and such Grantee, including violation of a Company policy relating to such matters, or (b) engaged in willful fraud that causes harm to the Company or one of its Affiliates or that is intended to manipulate the performance results of any Incentive Award, including, without limitation, any material breach of fiduciary duty, embezzlement or similar conduct that results in a restatement of the Company's financial statements.

6. Grantee's Representations. Notwithstanding any provision hereof to the contrary, the Grantee hereby agrees and represents that Grantee will not acquire any Shares, and that the Company

will not be obligated to issue any Shares to the Grantee hereunder, if the issuance of such Shares constitutes a violation by the Grantee or the Company of any law or regulation of any governmental authority. Any determination in this regard that is made by the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and the Grantee are subject to all applicable laws and regulations.

7. Tax Withholding. To the extent that the receipt of Shares hereunder results in compensation income to Grantee for federal, state or local income tax purposes, Grantee shall deliver to Company at such time the sum that the Company requires to meet its tax withholding obligations under applicable law or regulation, and, if Grantee fails to do so, Company is authorized to (a) withhold from any cash or other remuneration (including any Shares), then or thereafter payable to Grantee, any tax required to be withheld; or (b) sell such number of Shares as is appropriate to satisfy such tax withholding requirements before transferring the resulting net number of Shares to Grantee in satisfaction of its obligations under this Agreement.

8. Independent Legal and Tax Advice. The Grantee acknowledges that (a) the Company is not providing any legal or tax advice to Grantee and (b) the Company has advised the Grantee to obtain independent legal and tax advice regarding this Agreement and any payment hereunder.

9. No Rights in Shares. The Grantee shall have no rights as a stockholder in respect of any Shares, unless and until the Grantee becomes the record holder of such Shares on the Company's records.

10. Conflicts with Plan, Correction of Errors, and Grantee's Consent. In the event that any provision of this Agreement conflicts in any way with a provision of the Plan, such provisions shall be reconciled, or such discrepancy shall be resolved, by the Committee in the exercise of its discretion. In the event that, due to administrative error, this Agreement does not accurately reflect the Units properly granted to the Grantee, the Committee reserves the right to cancel any erroneous document and, if appropriate, to replace the cancelled document with a corrected document. All determinations and computations under this Agreement shall be made by the Committee (or its authorized delegate) in its discretion as exercised in good faith.

The award of Units is intended to comply with or be exempt from Section 409A of the Internal Revenue Code and any ambiguous provisions hereof shall be interpreted accordingly. Accordingly, Grantee consents to such amendment of this Agreement as the Committee may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available, to Grantee a copy of any such amendment.

11. Miscellaneous.

(a) No Fractional Shares. All provisions of this Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded down to the next whole Share if it is less than 0.5 and rounded up to the next whole Share if it is 0.5 or more.

(b) Transferability of Units. The Units are transferable only to the extent permitted under the Plan at the time of transfer (i) by will or by the laws of descent and distribution, or (ii) by a domestic relations order in such form as is acceptable to the Company. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, obligations or torts of the Grantee or any permitted transferee thereof.

(c) Not an Employment Agreement. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create any Employment relationship between Grantee and the Company for any time period. The Employment of Grantee with the Company shall be subject to termination to the same extent as if this Agreement did not exist.

(d) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal in-hand delivery, by telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address, and to Grantee at the address indicated on the Company's records, or at such other address and number as a party has last previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by courier or delivery service, or sent by certified or registered mail, return receipt requested.

(e) Amendment, Termination and Waiver. This Agreement may be amended, modified, terminated or superseded only by written instrument executed by or on behalf of the Grantee and the Company (by action of the Committee or its delegate). Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than Grantee. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(f) No Guarantee of Tax or Other Consequences. The Company makes no commitment or guarantee that any tax treatment will apply or be available to the Grantee or any other person.

The Grantee has been advised, and provided with ample opportunity, to obtain independent legal and tax advice regarding this Agreement.

(g) Governing Law and Severability. This Agreement shall be governed by the laws of the State of Texas without regard to its conflicts of law provisions, except as preempted by controlling federal law. The invalidity of any provision of this Agreement shall not affect any other provision hereof or of ~~the Program~~ or the Plan, which shall remain in full force and effect.

(h) Successors and Assigns. This Agreement shall bind, be enforceable by, and inure to the benefit of, the Company and Grantee and any permitted successors and assigns under the Plan.

IN WITNESS WHEREOF, this Agreement is hereby approved and executed as of the date first written above.

Parker Drilling Company

By: _____

Name: _____

Title: _____

Grantee

Signature

Print Name

Grantee's Address for Notices:

PARKER DRILLING COMPANY**PERFORMANCE STOCK UNIT AWARD INCENTIVE AGREEMENT**

THIS PERFORMANCE STOCK UNIT AWARD INCENTIVE AGREEMENT (this “**Agreement**”) is made and entered into by and between Parker Drilling Company, a Delaware corporation (the “**Company**”), and _____, an individual and employee of the Company (“**Grantee**”), as of the _____ day of _____, 20__ (the “**Grant Date**”), subject to the terms and conditions of the Parker Drilling Company 2010 Long-Term Incentive Plan, as Amended and Restated, as it may be further amended from time to time thereafter (the “**Plan**”). The Plan is hereby incorporated herein in its entirety by this reference. Capitalized terms not otherwise defined in this Agreement shall have the meaning given to such terms in the Plan.

WHEREAS, Grantee is [**title**] of the Company, and in connection therewith, the Company desires to grant a Performance-Based Stock-Based Award to Grantee, subject to the terms and conditions of this Agreement and the Plan, with a view to increasing Grantee’s interest in the Company’s success and growth; and

WHEREAS, Grantee desires to be the holder of a Performance-Based Stock-Based Award subject to the terms and conditions of this Agreement and the Plan;

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions of this Agreement and the Plan, the Company hereby grants to Grantee [**number**] Performance Stock Units as described herein (the “**Performance Stock Units**”), which constitutes a Performance-Based Stock-Based Award that is referred to as a Performance-Based Award under the Plan. Each Performance Stock Unit shall initially represent the equivalent of one Share as of the Grant Date, with the actual number of Shares to be paid out to be determined under the terms and conditions of this Agreement. With respect to the Performance Stock Units granted under this Agreement, the Committee reserves the right and authority, as exercised in its discretion, to increase or decrease the size of the Incentive Award by a percentage not to exceed twenty percent (20%), in the form of either positive or negative discretion, at any time before or after the Incentive Award becomes fully vested but prior to actual payment, but subject to Section 6 for Detrimental Conduct. As a holder of Performance Stock Units, the Grantee has the rights of a general unsecured creditor of the Company unless and until the Performance Stock Units are converted to Shares upon vesting and transferred to Grantee, as set forth herein.

2. Transfer Restrictions. Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, “**Transfer**”) any Performance Stock Units granted hereunder. Any purported Transfer of Performance Stock Units in breach of this Agreement shall be void and ineffective, and shall not operate to Transfer any interest or title to the purported transferee.

3. Vesting of Performance Stock Units.

(a) *Performance Period.* For purposes of this Agreement, the performance period is the three-year period that begins on January 1, 20XX and ends on December 31, 20ZZ (the “**Performance Period**”). Subject to the terms and conditions of this Agreement, the Performance Stock Units shall vest and become payable to Grantee at the end of the Performance Period, provided that (i) Grantee is still an Employee at that time and has continuously been an Employee since the Grant Date (the “**Service Requirement**”) and (ii) the Committee has certified in writing that the performance criterion established for the Performance Period as described below (the “**Performance Criterion**”) has been achieved. All Performance Stock Units that do not become vested during or at the end of the Performance Period shall be forfeited. The Committee, in its discretion, may adjust the Performance Criterion to recognize special or non-recurring situations or circumstances with respect to the Company or any other company in the Peer Group for any year during the Performance Period arising from the acquisition or disposition of assets, costs associated with exit or disposal activities or material impairments. There is one Performance Criterion that has been established for the Performance Stock Units awarded under this Agreement, as described in subsection (b) below.

(b) *RTSR.* The Performance Criterion is the Company’s Relative Total Shareholder Return (“**RTSR**”) as defined in Exhibit A to this Agreement (the “**RTSR Criterion**”). The Company’s RTSR is compared to the RTSR of each of the peer group companies, as listed on Exhibit A to this Agreement (each a “**Peer Company**”) and as a group, the “**Peer Group**”), as of the end of each calendar year within the Performance Period to determine where the Company ranks when compared to the Peer Group. The RTSR Criterion is one-hundred percent (100%) of the total weighting for each Performance Stock Unit.

(c) *Changes in Peer Group.* When calculating RTSR for the Performance Period for the Company and the Peer Group, (i) the performance of a company in the Peer Group will not be used in calculating the RTSR of that member of the Peer Group if the company is not publicly traded (*i.e.*, has no ticker symbol) at the end of the Performance Period; (ii) the performance of any company in the Peer Group that becomes bankrupt during the Performance Period will be included in the calculation of Peer Group performance even if it has no ticker symbol at the end of the measurement period; (iii) the performance of the surviving entities will be used in the event there is a combination of any of the Peer Group companies during the measurement period; and (iv) no new companies will be added to the Peer Group during the Performance Period (including a company that is not a Peer Group member which acquires a member of the Peer Group). Notwithstanding the foregoing provisions of this subsection (c), the Committee may disregard any of these guidelines when evaluating changes in the membership of the Peer Group during the Performance Period in any particular situation, as it deems reasonable in the exercise of its discretion.

(d) *Ranking of Company as Compared to the Peer Group.* The Committee will rank the Company’s performance within the Peer Group as of December 31st of each calendar

year within the Performance Period and apply the appropriate weighting and award multiplier from the following table:

| | Description | Weighting | Ranking | Award Multiplier |
|------------|-----------------------------|-----------|---------|------------------|
| 12/31/20XX | Single Year RTSR (20XX) | ___% | 1 | 2.50 MAX |
| 12/31/20YY | Cumulative RTSR (20XX-20YY) | ___% | 2 | 2.05 |
| 12/31/20ZZ | Cumulative RTSR (20XX-20ZZ) | ___% | 3 | 1.70 |
| | | | 4 | 1.42 |
| | | | 5 | 1.21 |
| | | | 6 | 1.07 |
| | | | 7 | 1.00 TARGET |
| | | | 8 | 0.75 |
| | | | 9 | 0.50 |
| | | | 10 | 0.25 ENTRY |
| | | | 11 | 0.00 |
| | | | 12 | 0.00 |
| | | | 13 | 0.00 |

4. Termination of Employment. If Grantee's Employment is voluntarily or involuntarily terminated during the Performance Period, then Grantee shall immediately forfeit the outstanding Performance Stock Units, except as provided below in this Section 4. Upon the forfeiture of any Performance Stock Units hereunder, the Grantee shall cease to have any rights in connection with such Performance Stock Units as of the date of forfeiture.

(a) Termination of Employment. Except as provided in Section 4(c), if the Grantee's Employment is terminated for any reason, including Retirement, other than due to death or Disability during the Performance Period, any non-vested Performance Stock Units at the time of such termination shall automatically expire and terminate and no further vesting shall occur after the termination of Employment date. In such event, the Grantee will receive no payment for unvested Performance Stock Units.

(b) Disability or Death. Upon termination of Grantee's Employment as the result of Grantee's Disability (as defined below) or death during the Performance Period, then all of the outstanding Performance Stock Units shall become 100% vested on such date at the 1.0 multiplier award level. For purposes of this Agreement, "**Disability**" means (i) a disability that entitles the Grantee to benefits under the Company's long-term disability plan, as may be in effect from time to time, as determined by the plan administrator of the long-term disability plan or (ii) a disability whereby the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(c) Change in Control. If there is a Change in Control of the Company (as defined in the Plan) during the Performance Period, then in the event of the Grantee's Involuntary Termination Without Cause (as defined below) within two (2) years following the effective

date of the Change in Control and during the same Performance Period, all the outstanding Performance Stock Units shall automatically become 100% vested on the Grantee's termination of Employment date at the 1.0 multiplier award level.

(d) For purposes of this Agreement, “**Involuntary Termination Without Cause**” means the Employment of Grantee is involuntarily terminated by the Company (or by any successor to the Company) for any reason, including, without limitation, as the result of a Change in Control, except due to death, Disability, Retirement or Cause; provided, that in the event of a dispute regarding whether Employment was terminated voluntarily or involuntarily, or with or without Cause, such dispute will be resolved by the Committee, in good faith, in the exercise of its discretion.

5. Payment for Performance Stock Units. Payment for the vested Performance Stock Units subject to this Agreement shall be made to the Grantee as soon as practicable following the time such Performance Stock Units become vested in accordance with Section 3 or Section 4 prior to their expiration, but not later than sixty (60) days following the date of such vesting event. The number of Performance Stock Units that vest and are payable hereunder shall be determined by the Committee, in its discretion, in accordance with the Payout Schedule in Section 3.

The number of Shares payable to the Grantee pursuant to this Agreement shall be an amount equal to the number of vested Performance Stock Units multiplied by the award multiplier for the level of achievement of the Performance Criterion determined in Section 3(d). The maximum payout for each Performance Stock Unit is two and one-half (2.5) Shares because the maximum award multiplier on the Payout Schedule is 2.50.

Any amount paid in respect of the vested Performance Stock Units shall be payable in Shares. Prior to any payments under this Agreement, the Committee shall certify in writing, by resolution or otherwise, the amount to be paid in respect of the Performance Stock Units as a result of the achievement of the Performance Criterion.

Any Shares delivered to or on behalf of Grantee in respect of vested Performance Stock Units shall be subject to any further transfer or other restrictions as may be required by securities law or other applicable law, as determined by the Company.

6. Detrimental Conduct. In the event that the Committee should determine, in its sole and absolute discretion, that, during Employment or within two (2) years following Employment termination for any reason, the Grantee engaged in Detrimental Conduct (as defined below), the Committee may, in its sole and absolute discretion, if Shares have previously been transferred to the Grantee pursuant to Section 5 upon vesting of his Performance Stock Units, direct the Company to send a notice of recapture (a “**Recapture Notice**”) to such Grantee. Within ten (10) days after receiving a Recapture Notice from the Company, the Grantee will deliver to the Company either (i) the actual number of Shares that were transferred to the Grantee upon vesting of Performance Stock Units or (ii) a cash equivalent payment in an amount equal to the Fair Market Value of such Shares at the time when transferred to the Grantee, unless the Recapture Notice demands repayment of a lesser sum. All repayments hereunder shall be net of the taxes that were withheld by the Company when the Shares were originally transferred to Grantee following vesting of the

Performance Stock Units pursuant to Section 5. For purposes of this Agreement, a Grantee has committed “**Detrimental Conduct**” if the Grantee (a) violated a confidentiality, non-solicitation, non-competition or similar restrictive covenant between the Company or one of its Affiliates and such Grantee, including violation of a Company policy relating to such matters, or (b) engaged in willful fraud that causes harm to the Company or one of its Affiliates or that is intended to manipulate the performance results of any Incentive Award, including, without limitation, any material breach of fiduciary duty, embezzlement or similar conduct that results in a restatement of the Company’s financial statements.

7. Grantee’s Representations. Notwithstanding any provision hereof to the contrary, the Grantee hereby agrees and represents that Grantee will not acquire any Shares, and that the Company will not be obligated to issue any Shares to the Grantee hereunder, if the issuance of such Shares constitutes a violation by the Grantee or the Company of any law or regulation of any governmental authority. Any determination in this regard that is made by the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and the Grantee are subject to all applicable laws and regulations.

8. Tax Withholding. To the extent that the receipt of the payment of Shares hereunder results in compensation income to Grantee for federal, state or local income tax purposes, Grantee shall deliver to Company at such time the sum that the Company requires to meet its tax withholding obligations under applicable law or regulation, and, if Grantee fails to do so, Company is authorized to (a) withhold from any cash or other remuneration (including any Shares), then or thereafter payable to Grantee, any tax required to be withheld; or (b) sell such number of Shares as is appropriate to satisfy such tax withholding requirements before transferring the resulting net number of Shares to Grantee in satisfaction of its obligations under this Agreement.

9. Independent Legal and Tax Advice. The Grantee acknowledges that (a) the Company is not providing any legal or tax advice to Grantee and (b) the Company has advised the Grantee to obtain independent legal and tax advice regarding this Agreement and any payment hereunder.

10. No Rights in Shares. The Grantee shall have no rights as a stockholder in respect of any Shares, unless and until the Grantee becomes the record holder of such Shares on the Company’s records.

11. Conflicts with Plan, Correction of Errors, and Grantee’s Consent . In the event that any provision of this Agreement conflicts in any way with a provision of the Plan, such provisions shall be reconciled, or such discrepancy shall be resolved, by the Committee in the exercise of its discretion. In the event that, due to administrative error, this Agreement does not accurately reflect the Performance Stock Units properly granted to the Grantee, the Committee reserves the right to cancel any erroneous document and, if appropriate, to replace the cancelled document with a corrected document. All determinations and computations under this Agreement shall be made by the Committee (or its authorized delegate) in its discretion as exercised in good faith.

This Agreement and any award of Performance Stock Units or payment hereunder are intended to comply with or be exempt from Section 409A of the Internal Revenue Code and shall be interpreted accordingly. Accordingly, Grantee consents to such amendment of this Agreement

as the Committee may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available, to Grantee a copy of any such amendment.

12. Miscellaneous.

(a) No Fractional Shares. All provisions of this Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded down to the next whole Share if it is less than 0.5 and rounded up to the next whole Share if it is 0.5 or more.

(b) Transferability of Performance Stock Units. The Performance Stock Units are transferable only to the extent permitted under the Plan at the time of transfer (i) by will or by the laws of descent and distribution, or (ii) by a domestic relations order in such form as is acceptable to the Company. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, obligations or torts of the Grantee or any permitted transferee thereof.

(c) Not an Employment Agreement. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create any Employment relationship between Grantee and the Company for any time period. The Employment of Grantee with the Company shall be subject to termination to the same extent as if this Agreement did not exist.

(d) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal in-hand delivery, by telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address, and to Grantee at the address indicated on the Company's records, or at such other address and number as a party has last previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by courier or delivery service, or sent by certified or registered mail, return receipt requested.

(e) Amendment, Termination and Waiver. This Agreement may be amended, modified, terminated or superseded only by written instrument executed by or on behalf of the Grantee and the Company (by action of the Committee or its delegate). Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than Grantee. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed

to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(f) No Guarantee of Tax or Other Consequences. The Company makes no commitment or guarantee that any tax treatment will apply or be available to the Grantee or any other person. The Grantee has been advised, and provided with ample opportunity, to obtain independent legal and tax advice regarding this Agreement.

(g) Governing Law and Severability. This Agreement shall be governed by the laws of the State of Texas without regard to its conflicts of law provisions, except as preempted by controlling federal law. The invalidity of any provision of this Agreement shall not affect any other provision hereof or of the Plan, which shall remain in full force and effect.

(h) Successors and Assigns. This Agreement shall bind, be enforceable by, and inure to the benefit of, the Company and Grantee and any permitted successors and assigns under the Plan.

[Signature page follows.]

IN WITNESS WHEREOF, this Agreement is hereby approved and executed as of the date first written above.

Parker Drilling Company

By: _____

Name: _____

Title: _____

Grantee

Signature

Print Name

Grantee's Address for Notices:

EXHIBIT A

Performance Criterion

1. RTSR. RTSR is the Performance Criterion applicable to the Performance Stock Units and is determined by dividing (1) the sum of (a) the cumulative amount of the dividends of the Company or the Peer Company, as applicable, for the applicable period assuming same-day reinvestment into the corporation's common stock on the ex-dividend date and (b) the share price of such corporation at the end of the applicable period minus the share price at the beginning of the applicable period, by (2) the share price at the beginning of the applicable period. The RTSR for each Peer Company in the Peer Group will be calculated over the applicable period, annualized, and then compared with the identical calculation for the Company. The Company's RTSR is a Performance Criterion that is compared to each Peer Company's RTSR for the applicable period.

2. Peer Companies and Peer Group. The following Peer Companies comprise the Peer Group to which the Company's RTSR performance will be compared for the Performance Period:

1. BAS Basic Energy Services, Inc.
2. DWSN Dawson Geophysical Co.
3. HP Helmerich & Payne, Inc.
4. HERO Hercules Offshore, Inc.
5. KEG Key Energy Services, Inc.
6. NBR Nabors Industries Ltd.
7. NGS Natural Gas Services Group, Inc.
8. PDC Pioneer Energy Services Corp.
9. PDS Precision Drilling Corporation
10. SPN Superior Energy Services Inc.
11. TTI Tetra Technologies, Inc.
12. VTG Vantage Drilling Company

3. Alternate Payout Scales. Should the number of Peer Companies decrease during the Performance Period as described in Section 3(c) of the Agreement, then the Company's performance within the Peer Group may be measured according to one of the following alternate tables, subject to the Committee's discretion:

| Company + 11 Peers | |
|---------------------------|-------------------------|
| Ranking | Award Multiplier |
| 1 | 2.50 MAX |
| 2 | 2.00 |
| 3 | 1.60 |
| 4 | 1.30 |
| 5 | 1.10 |
| 6 | 1.00 TARGET |
| 7 | 0.75 |
| 8 | 0.50 |
| 9 | 0.25 ENTRY |
| 10 | 0.00 |
| 11 | 0.00 |
| 12 | 0.00 |
| Company + 10 Peers | |
| Ranking | Award Multiplier |
| 1 | 2.50 MAX |
| 2 | 2.00 |
| 3 | 1.60 |
| 4 | 1.30 |
| 5 | 1.10 |
| 6 | 1.00 TARGET |
| 7 | 0.75 |
| 8 | 0.50 |
| 9 | 0.25 ENTRY |
| 10 | 0.00 |
| 11 | 0.00 |

PARKER DRILLING COMPANY

PERFORMANCE CASH UNIT AWARD INCENTIVE AGREEMENT

THIS PERFORMANCE CASH UNIT AWARD INCENTIVE AGREEMENT (this “**Agreement**”) is made and entered into by and between Parker Drilling Company, a Delaware corporation (the “**Company**”), and _____, an individual and employee of the Company (“**Grantee**”), as of the ____ day of _____, 20__ (the “**Grant Date**”), subject to the terms and conditions of the Parker Drilling Company 2010 Long-Term Incentive Plan, as Amended and Restated, as it may be further amended from time to time thereafter (the “**Plan**”). The Plan is hereby incorporated herein in its entirety by this reference. Capitalized terms not otherwise defined in this Agreement shall have the meaning given to such terms in the Plan.

WHEREAS, Grantee is [title] of the Company, and in connection therewith, the Company desires to grant a Performance-Based Cash Award to Grantee, subject to the terms and conditions of this Agreement and the Plan, with a view to increasing Grantee’s interest in the Company’s success and growth; and

WHEREAS, Grantee desires to be the holder of a Performance-Based Cash Award subject to the terms and conditions of this Agreement and the Plan;

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of Performance Cash Units.

Subject to the terms and conditions of this Agreement and the Plan, the Company hereby grants to Grantee [number] Performance Cash Units as described herein (the “**Performance Cash Units**”), which constitute a Performance-Based Cash Award that is referred to as a Performance-Based Award under the Plan. Each Performance Cash Unit shall initially have a nominal value of One Hundred Dollars (\$100.00) as of the Grant Date, with the actual payout amount to be determined under the terms and conditions of this Agreement. With respect to the Performance Cash Units granted under this Agreement, the Committee reserves the right and authority, as exercised in its discretion, to increase or decrease the size of the Incentive Award by a percentage not to exceed twenty percent (20%), in the form of either positive or negative discretion, at any time before or after the Incentive Award becomes fully vested but prior to actual payment, but subject to Section 6 for Detrimental Conduct. As a holder of Performance Cash Units, the Grantee has the rights of a general unsecured creditor of the Company unless and until the Performance Cash Units are converted to cash upon vesting and transferred to Grantee, as set forth herein.

2. Transfer Restrictions. Grantee shall not

sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, "**Transfer**") any Performance Cash Units granted hereunder. Any purported Transfer of Performance Cash Units in breach of this Agreement shall be void and ineffective, and shall not operate to Transfer any interest or title to the purported transferee.

3. Vesting of Performance Cash Units.

(a) *Performance Period.* For purposes of this Agreement, the performance period is the three-year period that begins on January 1, 20XX and ends on December 31, 20Z (the “**Performance Period**”). Subject to the terms and conditions of this Agreement, the Performance Cash Units shall vest and become payable to Grantee at the end of the Performance Period, provided that (i) Grantee is still an Employee at that time and has continuously been an Employee since the Grant Date (the “**Service Requirement**”) and (ii) the Committee has certified in writing that the performance criterion established for the Performance Period as described below (the “**Performance Criterion**”) has been achieved. All Performance Cash Units that do not become vested during or at the end of the Performance Period shall be forfeited. The Committee, in its discretion, may adjust the Performance Criterion to recognize special or non-recurring situations or circumstances with respect to the Company or any other company in the Peer Group for any year during the Performance Period arising from the acquisition or disposition of assets, costs associated with exit or disposal activities or material impairments. There is one Performance Criterion that has been established for the Performance Cash Units awarded under this Agreement, as described in subsection (b) below.

(a) *ROCE.* The Performance Criterion is the Company’s Return on Capital Employed (“ROCE”) as defined in Exhibit A to this Agreement (the “**ROCE Criterion**”). The Company’s ROCE is compared to the ROCE of each of the peer group companies, as listed on Exhibit A to this Agreement (each a “Peer Company” and as a group, the “**Peer Group**”), as of the end of each calendar year within the Performance Period to determine where the Company ranks when compared to the Peer Group. The ROCE Criterion is one-hundred percent (100%) of the total weighting for each Performance Cash Unit.

(b) *Changes in Peer Group.* When calculating ROCE for the Performance Period for the Company and the Peer Group, (i) the performance of a company in the Peer Group will not be used in calculating the ROCE of that member of the Peer Group if the company is not publicly traded (*i.e.*, has no ticker symbol) at the end of the Performance Period; (ii) the performance of any company in the Peer Group that becomes bankrupt during the Performance Period will be included in the calculation of Peer Group performance even if it has no ticker symbol at the end of the measurement period; (iii) the performance of the surviving entities will

be used in the event there is a combination of any of the Peer Group companies during the measurement period; and (iv) no new companies will be added to the Peer Group during the Performance Period (including a company that is not a Peer Group member which acquires a member of the Peer Group). Notwithstanding the foregoing provisions of this subsection (c), the Committee may disregard any of these guidelines when evaluating changes in the membership of the Peer Group during the Performance Period in any particular situation, as it deems reasonable in the exercise of its discretion.

(c) Ranking of Company as Compared to the Peer Group. The Committee will rank the Company's performance within the Peer Group as of December 31st of each calendar

year within the Performance Period and apply the appropriate weighting and award multiplier from the following table:

| | Description | Weighting | Ranking | Award Multiplier |
|------------|--------------------------|-----------|---------|------------------|
| 12/31/20XX | Single Year ROCE (20XX) | ___% | 1 | 2.00 MAX |
| 12/31/20YY | Average ROCE (20XX-20YY) | ___% | 2 | 1.83 |
| 12/31/20ZZ | Average ROCE (20XX-20ZZ) | ___% | 3 | 1.67 |
| | | | 4 | 1.50 |
| | | | 5 | 1.33 |
| | | | 6 | 1.17 |
| | | | 7 | 1.00 TARGET |
| | | | 8 | 0.75 |
| | | | 9 | 0.50 |
| | | | 10 | 0.25 ENTRY |
| | | | 11 | 0.00 |
| | | | 12 | 0.00 |
| | | | 13 | 0.00 |

4. Termination of Employment. If Grantee's Employment is voluntarily or involuntarily terminated during the Performance Period, then Grantee shall immediately forfeit the outstanding Performance Cash Units, except as provided below in this Section 4. Upon the forfeiture of any Performance Cash Units hereunder, the Grantee shall cease to have any rights in connection with such Performance Cash Units as of the date of forfeiture.

(a) Termination of Employment. Except as provided in Section 4(c), if the Grantee's Employment is terminated for any reason, including Retirement, other than due to death or Disability during the Performance Period, any non-vested Performance Cash Units at the time of such termination shall automatically expire and terminate and no further vesting shall occur after the termination of Employment date. In such event, the Grantee will receive no payment for unvested Performance Cash Units.

(b) Disability or Death. Upon termination of Grantee's Employment as the result of Grantee's Disability (as defined below) or death during the Performance Period, then all of the outstanding Performance Cash Units shall become 100% vested on such date at the 1.0 multiplier award level. For purposes of this Agreement, "Disability" means (i) a disability that entitles the Grantee to benefits under the Company's long-term disability plan, as may be in effect from time to time, as determined by the plan administrator of the long-term disability plan or (ii) a disability whereby the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable

physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(c) *Change in Control*. If there is a Change in Control of the Company (as defined in the Plan) during the Performance Period, then in the event of the Grantee's Involuntary Termination Without Cause (as defined below) within two (2) years following the effective date of the Change in Control and during the same Performance Period, all the outstanding Performance Cash Units shall automatically become 100% vested on the Grantee's

termination of Employment date at the 1.0 multiplier award level. For purposes of this Agreement, "Involuntary Termination Without Cause" means the Employment of Grantee is involuntarily terminated by the Company (or by any successor to the Company) for any reason, including, without limitation, as the result of a Change in Control, except due to death, Disability, Retirement or Cause; provided, that in the event of a dispute regarding whether Employment was terminated voluntarily or involuntarily, or with or without Cause, such dispute will be resolved by the Committee, in good faith, in the exercise of its discretion.

5. Payment for Performance Cash Units.

Payment for the vested Performance Cash Units subject to this Agreement shall be made to the Grantee as soon as practicable following the time such Performance Cash Units become vested in accordance with Section 3 or Section 4 prior to their expiration, but not later than sixty (60) days following the date of such vesting event. The number of Performance Cash Units that vest and are payable hereunder shall be determined by the Committee, in its discretion, in accordance with the Payout Schedule in Section 3.

The amount payable to the Grantee pursuant to this Agreement shall be an amount equal to the number of Performance Cash Units multiplied by the product of (a) \$100 and (b) the award multiplier for the level of achievement of the Performance Criterion determined in Section 3(d). The maximum payout for each Performance Cash Unit is \$200 because the maximum award multiplier on the Payout Schedule is 2.00.

Any amount paid in respect of the vested Performance Cash Units shall be payable in cash. Prior to any payments under this Agreement, the Committee shall certify in writing, by resolution or otherwise, the amount to be paid in respect of the Performance Cash Units as a result of the achievement of the Performance Criterion.

6. Detrimental Conduct. In the event that the Committee should determine, in its sole and absolute discretion, that, during Employment or within two (2) years following Employment termination for any reason, the Grantee engaged in Detrimental Conduct (as defined below), the Committee may, in its sole and absolute discretion, if cash has previously been transferred to the Grantee pursuant to Section 5 upon vesting of his Performance Cash Units, direct the Company to send a notice of recapture (a "**Recapture Notice**") to such Grantee. Within ten (10) days after receiving a Recapture Notice from the Company, the Grantee will deliver to the Company any cash payments that were made for the vested Performance Cash Units, unless the Recapture Notice demands repayment of a lesser sum. All repayments hereunder shall be net of the taxes that were withheld by the Company when the cash

was originally transferred to Grantee following vesting of the Performance Cash Units pursuant to Section 5. For purposes of this Agreement, a Grantee has committed “Detrimental Conduct” if the Grantee (a) violated a confidentiality, non-solicitation, non-competition or similar restrictive covenant between the Company or one of its Affiliates and such Grantee, including violation of a Company policy relating to such matters, or (b) engaged in willful fraud that causes harm to the Company or one of its Affiliates or that is intended to manipulate the performance results of any Incentive Award, including, without limitation, any material breach of fiduciary duty, embezzlement or similar conduct that results in a restatement of the Company’s financial statements.

1. Tax Withholding. To the extent that the receipt of the payment of cash hereunder results in compensation income to Grantee for federal, state or local income tax purposes, Grantee shall deliver to Company at such time the sum that the Company requires to meet its tax withholding obligations under applicable law or regulation, and, if Grantee fails to do so, Company is authorized to withhold from any cash or other remuneration (including any Shares), then or thereafter payable to Grantee, any tax required to be withheld.

2. Independent Legal and Tax Advice. The Grantee acknowledges that (a) the Company is not providing any legal or tax advice to Grantee and (b) the Company has advised the Grantee to obtain independent legal and tax advice regarding this Agreement and any payment hereunder.

3. Conflicts with Plan, Correction of Errors, and Grantee's Consent. In the event that any provision of this Agreement conflicts in any way with a provision of the Plan, such provisions shall be reconciled, or such discrepancy shall be resolved, by the Committee in the exercise of its discretion. In the event that, due to administrative error, this Agreement does not accurately reflect the Performance Cash Units properly granted to the Grantee, the Committee reserves the right to cancel any erroneous document and, if appropriate, to replace the cancelled document with a corrected document. All determinations and computations under this Agreement shall be made by the Committee (or its authorized delegate) in its discretion as exercised in good faith.

This Agreement and any award of Performance Cash Units or payment hereunder are intended to comply with or be exempt from Section 409A of the Internal Revenue Code and shall be interpreted accordingly. Accordingly, Grantee consents to such amendment of this Agreement as the Committee may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available, to Grantee a copy of any such amendment.

4. Miscellaneous.

(d) Transferability of Performance Cash Units. The Performance Cash Units are transferable only to the extent permitted under the Plan at the time of transfer (i) by will or by the laws of descent and distribution, or (ii) by a domestic relations order in such form as is acceptable to the Company. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, obligations or torts of the Grantee or any permitted transferee thereof.

(e) Not an Employment Agreement. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create any

Employment relationship between Grantee and the Company for any time period. The Employment of Grantee with the Company shall be subject to termination to the same extent as if this Agreement did not exist.

(f) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal in-hand delivery, by telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address, and to Grantee at the address indicated on the Company's records, or at such other

address and number as a party has last previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by courier or delivery service, or sent by certified or registered mail, return receipt requested.

(g) Amendment, Termination and Waiver.

This Agreement may be amended, modified, terminated or superseded only by written instrument executed by or on behalf of the Grantee and the Company (by action of the Committee or its delegate). Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than Grantee. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(h) No Guarantee of Tax or Other Consequences. The Company makes no commitment or guarantee that any tax treatment will apply or be available to the Grantee or any other person. The Grantee has been advised, and provided with ample opportunity, to obtain independent legal and tax advice regarding this Agreement.

(i) Governing Law and Severability. This Agreement shall be governed by the laws of the State of Texas without regard to its conflicts of law provisions, except as preempted by controlling federal law. The invalidity of any provision of this Agreement shall not affect any other provision hereof or of the Plan, which shall remain in full force and effect.

(j) Successors and Assigns. This Agreement shall bind, be enforceable by, and inure to the benefit of, the Company and Grantee and any permitted successors and assigns under the Plan.

[Signature page follows.]

IN WITNESS WHEREOF, this Agreement is hereby approved and executed as of the date first written above.

Parker Drilling Company

By: _____

Name: Gary Rich

Title: President & Chief Executive Officer

Grantee

Signature _____

Print Name _____

Grantee's Address for Notices: _____

EXHIBIT A

Performance Criterion

1. ROCE. The sum of Annual Net Income plus Tax-Adjusted Interest Expense (defined below), and then divided by the average of the beginning period and ending period balance of Total Assets less Current Liabilities of the Company, with the specific elements to be determined by the Committee on an objective basis for the applicable period. "Tax-Adjusted Interest Expense" means the interest expense for the Company or Peer Group member, as applicable, multiplied by the percentage equal to one (1.0) minus the entity's effective tax rate percentage for that year. The average of the annual ROCE values of each Peer Company will be compared to the Company's annual average ROCE over the same applicable period. The Company's ROCE is a Performance Criterion that is compared to each Peer Company's ROCE for the applicable period.

2. Peer Companies and Peer Group. The following Peer Companies comprise the Peer Group to which the Company's ROCE performance will be compared for the Performance Period:

1. BAS Basic Energy Services, Inc.
2. DWSN Dawson Geophysical Co.
3. HP Helmerich & Payne, Inc.
4. HERO Hercules Offshore, Inc.
5. KEG Key Energy Services, Inc.
6. NBR Nabors Industries Ltd.
7. NGS Natural Gas Services Group, Inc.
8. PDC Pioneer Energy Services Corp.
9. PDS Precision Drilling Corporation
10. SPN Superior Energy Services Inc.
11. TTI Tetra Technologies, Inc.
12. VTG Vantage Drilling Company

3. Alternate Payout Scales. Should the number of Peer Companies decrease during the Performance Period as described in Section 3(c) of the Agreement, then the Company's performance within the Peer Group may be

measured according to one of the following alternate tables, subject to the Committee's discretion:

| Company + 11 Peers | |
|---------------------------|-------------------------|
| Ranking | Award Multiplier |
| 1 | 2.00 MAX |
| 2 | 1.80 |
| 3 | 1.60 |
| 4 | 1.40 |
| 5 | 1.20 |
| 6 | 1.00 TARGET |
| 7 | 0.75 |
| 8 | 0.50 |
| 9 | 0.25 ENTRY |
| 10 | 0.00 |
| 11 | 0.00 |
| 12 | 0.00 |
| Company + 10 Peers | |
| Ranking | Award Multiplier |
| 1 | 2.00 MAX |
| 2 | 1.80 |
| 3 | 1.60 |
| 4 | 1.40 |
| 5 | 1.20 |
| 6 | 1.00 TARGET |
| 7 | 0.75 |
| 8 | 0.50 |
| 9 | 0.25 ENTRY |
| 10 | 0.00 |
| 11 | 0.00 |

EXHIBIT 10.10

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of December 6, 2010 (the "Effective Date"), by and between PARKER DRILLING COMPANY, a Delaware corporation (the "Company"), and PHILIP AGNEW ("Executive"), an employee of the Company. The Company and Executive may sometimes hereafter be referred to singularly as a "Party" or collectively as the "Parties." Defined terms shall have the meanings ascribed to them in Appendix A of the Agreement.

WITNESSETH :

WHEREAS, the Company desires to secure the employment services of Executive subject to the terms and conditions hereafter set forth; and

WHEREAS, Executive is willing to enter into the Agreement upon the terms and conditions set forth;

NOW, THEREFORE, in consideration of Executive's employment with the Company, and the mutual promises and agreements contained herein, the Parties hereto agree as follows:

1. Emnloymnt. During the Employment Period, the Company shall employ Executive, and Executive shall serve as Vice President Technical Services of the Company. Executive's principal place of employment shall be at the corporate offices of the Company in Houston, Texas. Executive understands and agrees that he may be required to travel from time to time for purposes of the Company's business.

2. Compensation. Compensation shall be paid or provided to Executive during the Employment Period as follows:

(a) *Base Salary.* The Company shall pay to Executive a base salary of

\$280,000 per year, payable in accordance with the Company's normal payroll schedule and procedures for its executives. Executive's Base Salary shall be subject to at least annual review and may be increased (but not decreased without Executive's express written consent or unless any decrease applies to Senior Officers). Nothing contained herein shall preclude the payment of any other compensation to Executive at any time.

(b) *Annual Bonus.* Executive shall be eligible to participate in an annual incentive plan. The annual incentive bonus target shall be not less than 50% of Executive's Base Salary and shall be subject to review and may be increased (but not decreased without

Executive's express written consent or unless any decrease applies to Senior Officers). Any annual incentive bonus shall be paid in a form in accordance with the terms of the applicable bonus plan as in effect from time to time, including any discretionary and performance provisions in such plan, and in no event later than the end of the year following the year for which the bonus was earned.

(c) *Long-Term Incentives.* Executive shall be eligible to receive grants of long-term incentives, such as stock options, stock appreciation rights, restricted stock, rights to acquire stock or other securities of the Company or cash, all as commensurate with his position, and to the extent permitted by and in accordance with the terms of the Company's long-term incentive plan or plans as in effect from time to time.

3. Duties and Responsibilities of Executive. Executive shall have responsibilities, duties and authorities reasonably accorded to, expected of, and consistent with Executive's position as Vice President Technical Services. During the Employment Period, Executive shall devote his full business time and attention to the Company's business and shall promote its success and shall perform the duties and responsibilities assigned to him by the Reporting Authority from time to time to the best of his ability and with reasonable diligence, with the primary duties and responsibilities as of the date of this Agreement as set forth in Appendix B of the Agreement. This Section 3 shall not be construed as preventing Executive from (a) serving on advisory committees or boards with the written permission of the Reporting Authority, such permission not to be unreasonably withheld or delayed; (b) engaging in reasonable volunteer services for charitable, educational or civic organizations; or (c) managing his personal investments in a form or manner that will not require Executive's services in the operation of the entities in which such investments are made. In any event, no such activity shall conflict with Executive's loyalties and duties to the Company or his ability to fulfill his duties and responsibilities hereunder. Executive shall at all times endeavor to in good faith comply with laws applicable to Executive's actions on behalf of the Company and its Affiliates.

4. Term of Employment. Executive's initial term of employment with the Company under the Agreement shall be for the period from the Effective Date through December 31, 2012 (the "Initial Term of Employment"). Thereafter, the Initial Term of Employment shall be automatically extended repetitively for an additional one-year period commencing on January 1, 2013, and each anniversary thereof, unless notice is given by either the Company or Executive to the other Party at least 90 days prior to the end of the Initial Term of Employment, or any one-year extension thereof, as applicable, that the term of employment will not be renewed. The Initial Term of Employment and any extension of the Initial Term of Employment hereunder shall each be referred to herein as a "Term of Employment." The Term of Employment shall also be extended upon a Change in Control as provided in Section 7, but shall not thereafter be extended under this Section 4. The Term of Employment shall automatically end in the event of the death or Disability of Executive. The Company and Executive shall each have the right to give Notice of Termination (pursuant to Section 8) at will, with or without cause, at any time, subject however to the terms and conditions of the Agreement regarding the rights and duties of the Parties upon termination of employment. The period from the Effective Date through the earlier of the date of Executive's termination of employment for whatever reason or the end of the Term of Employment shall be referred to herein as the "Employment Period."

5. Benefits. Subject to the terms and conditions of the Agreement, Executive shall be entitled to the following:

(a) *Ongoing Benefits.* During the Employment Period, Executive shall be entitled to the following:

(1) *Reimbursement of Expenses.* The Company shall pay or reimburse Executive for all reasonable travel, entertainment and other expenses paid or incurred by Executive in the performance of his duties hereunder. The Company shall also provide Executive with suitable office space, including staff support.

(2) *Other Employee Benefits.* Executive shall be eligible to participate in any pension, retirement, 401(k), and profit-sharing, non-qualified deferred compensation and other group retirement plans or programs of the Company, to the same extent as available to Senior Officers under the terms of such plans or programs. Executive shall also be entitled to participate in any medical, dental, life, accident, disability and other group insurance plans or programs of the Company, to the same extent as available to Senior Officers under the terms of such plans or programs.

(3) *Paid Time Off.* Executive shall be entitled to the number of hours of paid time off each year that is accorded under the Company's paid time policy for other employees of the Company of the same level, but not less than 200 hours of paid time off annually.

(b) *Payments Upon Termination.* Upon termination of employment during the Term of Employment and without requirement of execution of a Waiver and Release, Executive shall be entitled to the following minimum payments, in addition to any other payments or benefits he is entitled to receive under the terms of the Agreement and any employee benefit plan or program;

- (1) his accrued but unpaid Base Salary through his Termination Date;
- (2) his unpaid vacation pay for that year which has accrued through his Termination Date; and
- (3) reimbursement of business expenses in accordance with the Company's normal procedures.

Any such salary and accrued vacation pay shall be paid to Executive in a cash lump sum within five business days following the Termination Date.

6. **Severance Benefits Upon Certain Terminations Prior to a Change in Control.** Except in the event of termination of Executive's employment (i) due to Executive's death or Disability, (ii) due to Executive's voluntary resignation or termination, in either case without Good Reason, (iii) by the Company for Cause, or (iv) after a Change in Control under the circumstances and within the time limits provided in Section 7, and subject to the Waiver and Release requirement described in Section 6(d) and the forfeiture provision in Section 16, Executive's right to compensation and benefits for periods after the Termination Date shall be determined in accordance with this Section 6, as follows:

(a) ***Cash Payments.*** In the event that during the Term of Employment, (i) Executive's employment is terminated by the Company for any reason other than Cause, or (ii) Executive terminates his own employment hereunder for Good Reason, then in either such event under clause (i) or (ii), the following cash payments shall be provided to Executive or, in the event of his death before receiving such benefits, to his Designated Beneficiary following his death:

(!) the Company shall pay to Executive as additional compensation (the "Additional Payment"), an amount which is equal to "Total Cash" (defined below) multiplied by 1.5 (the "Severance Multiplier"). "Total Cash" means the greater of (x) or (y), where (x) equals the greater of Executive's Base Salary as in effect on the date Notice of Termination is given or on the date immediately prior to his Termination Date plus Executive's current annual incentive target bonus; and (y) equals the sum of Executive's highest Base Salary paid and highest annual incentive bonus earned

with respect to any of the three calendar years immediately preceding the year containing the Termination Date. For clauses (x) and (y) of this definition: (a) the calculation of the annual bonus of Executive shall include a calendar year during which Executive was employed by the Company and a participant in a bonus or incentive cash compensation plan even if Executive did not earn any bonus or incentive cash compensation for that calendar year and (b) the "target bonus" for Executive for the calendar year of the Company in which the Termination Date occurs shall be the amount identified in Section 2(b) as the "target", subject to adjustment as provided in Section 2(b); the Additional Payment shall be paid to Executive in a cash lump sum payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(2) a portion of his annual incentive bonus equal to the annual incentive bonus as provided in Section 2(b) based on actual performance, multiplied by a fraction, the numerator of which equals the number of days from the commencement of the year in which such termination occurs through the Termination Date, and the denominator of which equals 365; any such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year following the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(3) if his Termination Date occurs after the end of the Company's fiscal year and prior to the payment of his annual incentive bonus for such year, the same annual incentive bonus to which he would have been entitled had his employment continued through the normal bonus payment date, if any; such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired; and

(4) his Base Salary for the period commencing on the day after his Termination Date and ending on the last day of the month in which the Termination Date occurs; any such amount shall be paid to Executive in a cash lump sum payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired.

(b) ***Health and Dental Coverage.***

(1) The Company shall provide to Executive and his covered dependents, if any, coverage as in effect for Executive on the date immediately prior to the Termination Date under the Company's group health plan and group dental plan for a period of 24 months following the Termination Date; provided, however, Executive and his covered dependents, if any, shall not be required to pay any portion of the premium cost to retain such coverages except that the cost of such coverages will be imputed as income and reported as wages to Executive in the event that Company maintains a self funded group health plan and/or group dental plan and such Company-provided coverage would otherwise be discriminatory within the meaning of Code Section 105(h). In all other respects shall be treated the same as other participants under the terms of such plans.

(2) Thereafter, Executive and his covered dependents, if any, shall be entitled to elect continuation coverage under such plans pursuant to COBRA and the Company's procedures for COBRA administration ("**COBRA Coverage**"). In the event that COBRA coverage is elected, (i) the COBRA time period shall not be reduced by the post-termination continuation coverage provided pursuant to Section 6(b)(1) and (ii) Executive (and his covered dependents, if any) must pay the full COBRA premium rates as effective during the COBRA Coverage period. (In the event Executive does not satisfy the Waiver and Release requirement, he and his covered dependents, if any, shall be entitled to only COBRA Coverage after his Termination Date.)

(3) In the event of any change to the group health plan or group dental plan following the Termination Date, Executive shall be treated consistently with Senior Officers of the Company (or its successor) with respect to the terms and conditions of coverage and other substantive provisions of the plan; provided, however, no participant contributions shall be required from Executive (and his covered dependents, if any) unless COBRA Coverage is in effect. Notwithstanding the foregoing provisions of this Section 6(b)(3), the coverage of Executive (and his dependents, if any) under such health and/or dental plans maintained by the Company shall terminate in the event that

Executive becomes employed by another for-profit employer which maintains a group health plan or plans for its

employees providing group health coverage or group dental coverage, as applicable; provided, however, any COBRA Coverage shall not be terminated unless and until permitted under COBRA. For purposes of the preceding sentence, (i) the coverage of Executive (and his dependents, if any) under the health and/or dental plans maintained by the Company shall not terminate until Executive becomes eligible to participate in such group health and group dental coverage of another for-profit employer and (ii) personal coverage obtained by Executive other than through employment or coverage available by reason of Executive's performance of services as an independent contractor shall not be considered.

(4) The Company-provided coverage and the COBRA Coverage above shall be provided in a manner that is intended to either comply with Code Section 409A or satisfy an exception to Code Section 409A, and therefore not be treated as an arrangement providing for nonqualified deferred compensation that is subject to taxation under Code Section 409A, as determined by the Company in its discretion, including (1) providing such benefits on a nontaxable basis to Executive, (2) providing for the reimbursement of covered expenses incurred during the time period during which Executive would be entitled to continuation coverage under a group health plan of the Company in accordance with Code Section 4980B (*i.e.*, COBRA Coverage), (3) providing that such benefits constitute the reimbursement or provision of in-kind benefits payable at a specified time or pursuant to a fixed schedule as permitted under Code Section 409A and the authoritative guidance thereunder, and/or (4) such other manner as determined by the Company in compliance with Code Section 409A.

(c) **No Benefits.** In the event that (i) Executive voluntarily resigns or otherwise voluntarily terminates his own employment at any time, in either case without Good Reason, (ii) his employment is terminated by the Company for Cause, or (iii) his employment is terminated due to his death or Disability, then the Company shall have no obligation to provide any severance benefits under Section 6(a) or Section 6(b)(1). In any such event, Executive and his covered dependents, if any, shall be entitled to only COBRA Coverage after his Termination Date.

(d) **Waiver and Release.** Notwithstanding any provision of the Agreement to the contrary, in order to receive the severance benefits payable under any of Section 6(a), Section 6(b)(1), or Section 7, as applicable, Executive must first execute an appropriate waiver and release agreement (substantially in the form attached hereto as Appendix B) (the "Waiver and Release") whereby Executive agrees to release and waive, in return for such severance benefits, any claims that he may have against the Company including, without limitation for unlawful discrimination (including, without limitation, any claims for discrimination under any federal or state statute or regulation); provided, however, such Waiver and Release shall not release any claim or cause of action by or on behalf of Executive for any payment or vested benefit that is due under either the Agreement or any employee benefit plan or program of the Company until fully paid prior to the receipt thereof. Executive shall have 21 days after receipt of the Waiver and Release to consider and timely execute and return it to the Company. After return, Executive shall have an additional seven days in which he can revoke the Waiver and Release; thereafter, the

Waiver and Release shall be irrevocable. . The Company shall provide the Waiver and Release to Executive no later than five days after his Termination Date. If the Waiver and Release is not timely executed and returned, or it is revoked within the seven-day revocation period, no benefits shall be paid under any of Section 6(a), Section 6(b)(1), Section 7, or Section 42.

(e) **No Duplication.** The severance payments provided under the Agreement shall supersede and replace any severance payments under any severance pay plan that the Company or any Affiliate maintains for employees generally. Notwithstanding the preceding sentence, in the event that a severance payment under the Agreement would constitute a change in the form or timing of payment under Code Section 409A of any severance benefit otherwise payable to Executive under any other plan or other arrangement, then the portion of the severance payment payable under the Agreement that is equal to the amount payable under such other severance arrangement shall be paid in the form, and at the time, applicable under such other severance arrangement and, in such event, any excess severance payment as determined under the Agreement shall be paid in the time and form as specified in the Agreement.

7. **Severance Benefits Upon Certain Terminations Following a Change in Control.** Except in the event of termination of Executive's employment (i) due to Executive's death or Disability, (ii) due to Executive's voluntary resignation or termination, in either case without Good Reason, (iii) by the Company for Cause, or (iv) prior to a Change in Control under the circumstances and within the time limits provided in Section 6, and subject to the Waiver and Release requirement described in Section 6(d) and the forfeiture provision in Section 16, Executive's right to compensation and benefits for periods after the Termination Date and after a Change in Control shall be determined in

accordance with this Section 7, as follows:

(a) The provisions of this Section 7 shall not apply unless (a) there shall have been a Change in Control during the Term of Employment, and (b) Executive's employment with the Company shall have been terminated for any reason other than Cause by the Company within two years after the date of such Change in Control, or Executive shall have terminated his employment from the Company for Good Reason within two years after the date of such Change in Control. Upon the occurrence of a Change in Control, the Term of Employment shall automatically be extended so that it expires on the second anniversary of the Change in Control.

(b) If the Company terminates Executive's employment with the Company for any reason other than Cause, or if Executive terminates his employment with the Company for Good Reason prior to the second anniversary of a Change in Control, then Executive's severance benefits shall be determined in accordance with the provisions of Section 6, after taking into account the modifications in this Section 7, as follows:

(1) the Severance Multiplier for purposes of determining the amount of the Additional Payment under Section 6(a)(1) shall be two; such Additional Payment shall be paid to Executive in a lump sum cash payment on the 60th day following the

Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(2) a portion of his annual incentive bonus equal to the annual incentive bonus as provided in Section 2(b) based on actual performance, multiplied by a fraction, the numerator of which equals the number of days from the commencement of the year in which such termination occurs through the Termination Date, and the denominator of which equals 365; any such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year following the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(3) if his Termination Date occurs after the end of the Company's fiscal year and prior to the payment of his annual incentive bonus for such year, the same annual incentive bonus to which he would have been entitled had his employment continued through the normal bonus payment date, if any; such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(4) his Base Salary for the period commencing on the day after his Termination Date and ending on the last day of the month in which the Termination Date occurs; any such amount shall be paid to Executive in a lump sum cash payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(5) group health and dental benefits under Section 6(b)(1) shall be provided for 36 months from the Termination Date, provided Executive complies with the otherwise applicable requirements of Section 6 (such benefits described in this Section 7(b)(5) herein referred to as "**C<ontinuation Coverage**");

(6) the Continuation Coverage shall be provided in a manner that is intended to either comply with Code Section 409A or satisfy an exception to Code Section 409A, and therefore not treated as an arrangement providing for nonqualified deferred compensation that is subject to taxation under Code Section 409A, as determined by the Company in its discretion, including (1) providing such benefits on a nontaxable basis to Executive, (2) in the case of group health and dental benefits, providing for the reimbursement of covered expenses incurred during the time period during which Executive would be entitled to continuation coverage under a group health plan of the Company in accordance with Code Section 4980B (*i.e.*, COBRA coverage),

(3) providing that such benefits constitute the reimbursement or provision of in-kind benefits payable at a specified time or pursuant to a fixed schedule as permitted under Code Section 409A and the authoritative guidance thereunder,

and/or (4) such other manner as determined by the Company in compliance with Code Section 409A;

(7) In determining whether Executive has Good Reason to terminate his employment with the Company following a Change in Control, there shall also be treated as events of Good Reason:

(A) the events described in clause D of the definition of Good Reason without regard to whether such changes apply to Senior Officers on the same basis;

(B) the taking of any action by the Company which would adversely affect Executive's participation in or materially reduce his benefits under or deprive Executive of any material fringe benefit enjoyed by him at the time of a Change in Control, or the failure by the Company to provide Executive with the number of hours of paid time off to which he was entitled in accordance with the Company policies in effect at the time of a Change in Control;

(C) any loss of significant authority, power or control over that exercised by Executive immediately prior to the Change in Control (including a change in superior to whom Executive reports);

(D) if the Company becomes a division, a wholly or majority-owned subsidiary or other similar captive entity of another person or entity or combination thereof (*i.e.* of a "parent"); and if Executive is not placed in the identical or equivalent position within the parent person or entity, then such occurrence will be deemed to be an assignment of duties materially inconsistent with Executive's position as described above thereby constituting Good Reason; and

(E) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including any plan or arrangement to receive and exercise stock options, stock appreciation rights, restricted stock or grants thereof or to acquire stock or other securities of the Company) in which Executive is participating at the time of a Change in Control (unless substitute plans or arrangements are implemented and continued providing Executive with substantially similar benefits with respect to the Company's successor after a Change in Control) (hereinafter referred to as "**Securities Plans**") or the taking of any action by the Company which would adversely affect Executive's participation in or materially reduce his benefits under any such Securities Plan.

(c) *Expenses.* The Company shall pay to Executive all reasonable legal fees and expenses incurred by him as a result of the termination of his employment after a Change in Control other than by the Company for Cause or by reason of death incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by Section 7 of the Agreement, provided Executive establishes that his termination was covered by the provisions of this Section 7. Such reimbursements or payments shall be made upon Executive's substantiation of such legal expenses; provided, however, that in no event shall reimbursement be made later than the end of the year following the year in which Executive incurs the expenses.

(d) *No Benefits.* In the event that (i) Executive voluntarily resigns or otherwise voluntarily terminates his own employment at any time, in either case without Good Reason, (ii) his employment is terminated by the Company for Cause or (iii) his employment is terminated due to his death or Disability, then the Company shall have no obligation to provide any severance benefits under Section 7. In any such event, Executive and his covered dependents, if any, shall be entitled to only COBRA Coverage after his Termination Date.

(e) *Legal Fees and Dispute Resolution.* In the event that following a Change in Control the employment of Executive is terminated for Cause for a reason set out in Section 39, the Company will advance reasonable legal fees to Executive in the event Executive contests such termination for Cause. Notwithstanding the provisions of Section 28 otherwise requiring arbitration, Executive may at his election contest whether Cause exists by means of litigation but only in courts within Houston, Harris County, Texas. No legal fees are to be advanced to cover the costs of Executive's presentation of the matter to the Board as described in Section 39. Executive shall prepare a written estimate of legal fees expected to be incurred in the following 90 days and submit same to the Company; such estimated amount shall be paid by the Company to Executive within 10 days of receipt of the written estimate. At the end of the 90 days, and each 90 days thereafter, Executive shall prepare and submit a subsequent written estimate and copies of paid invoices for legal services rendered during such 90-day period; such subsequent estimate shall include an offset in the event

estimated fees for the preceding 90-day period exceeded actual fees incurred. The Company agrees to pay such subsequent estimates within 10 days of receipt of same. Within 10 days of resolution of the matter, Executive will submit an appropriate accounting of actual and estimated expenses and refund to the Company any amount by which the estimated fees exceeded the actual fees incurred. Unless the Executive substantially prevails in the matter, Executive will reimburse the Company for all amounts advanced hereunder within 10 days of resolution of the matter.

(f) *Potential Reduction in Payments.* Notwithstanding any other provision of the Agreement to the contrary, if any Payment would be subject to the Excise Tax, then the Payment shall be either

(1) delivered in full pursuant to the terms of this Agreement or

(2) reduced in accordance with this Section 7(f) to the extent necessary to avoid the Excise Tax,

based on which of (1) or (2) would result in the greater Net After-Tax Receipt to Executive.

For purposes of this Section 7(f):

"Payment" means any payment, distribution, or other benefit to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to

the terms of this Agreement or otherwise that constitutes a "parachute payment" within the meaning of Section 280G of the Code;

"Excise Tax" means the excise imposed by Section 4999 of the Code or any similar or successor provision thereto; and

"Net After-Tax Receipt" means the present value (as determined in accordance with Section 280G of the Code) of the payments net of all applicable federal, state and local income, employment, and other applicable taxes and the Excise Tax.

If Payments are reduced, the reduction shall be accomplished first by reducing cash Payments under this Agreement, in the order in which such cash Payments otherwise would be paid and then by forfeiting any equity-based awards that vest as a result of the Change in Control, starting with the most recently granted equity-based awards, to the extent necessary to accomplish such reduction.

All determinations under this Section 7(f) shall be made by the Company's independent accountants or compensation consultants (the "Third Party") and all such determinations shall be conclusive, final and binding on the parties hereto. The Company and Executive shall furnish to the Third Party such information and documents as the Third Party may reasonably request in order to make a determination under this Section 7(f). The Company shall bear all reasonable fees and costs of the Third Party with respect to determinations under or contemplated by this Section 7(f).

8. **Notice of Termination.** Any termination by the Company or Executive of his employment from the Company shall be communicated by Notice of Termination to the other Party hereto. For purposes of the Agreement, the term "**Notice of Termination**" means a written notice which indicates the specific termination provision of the Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

9. **Mitigation.** Executive shall not be required to mitigate the amount of any payment provided for under the Agreement by seeking other employment or in any other manner.

10. **Confidential Information.**

(a) ***Access to Confidential Information and Specialized Training.*** In connection with his employment

and continuing on an ongoing basis during employment, the Company agrees to give Executive access to Confidential Information (as defined below) (including, without limitation, Confidential Information of the Company's Affiliates and subsidiaries), which Executive did not have access to or knowledge of before Executive's employment with the Company. Executive acknowledges and agrees that, as between the Parties, all Confidential Information is and shall remain the exclusive property of the Company and that all Confidential Information is confidential and a valuable, special and unique asset of the Company that gives the Company an advantage over its actual and potential, current and future competitors. Executive further

acknowledges and agrees that Executive shall preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information may constitute "trade secrets" under applicable laws, and that unauthorized disclosure or unauthorized use of the Company's Confidential Information would irreparably injure the Company.

The Company agrees to provide Executive with initial and ongoing Specialized Training, which Executive does not have access to or knowledge of before the execution of the Agreement, and the Company agrees to continue providing such Specialized Training on an ongoing basis during employment. "Specialized Training" includes the training the Company provides to Executive that is unique to its business and enhances Executive's ability to perform his job duties effectively, which includes, without limitation, orientation training; sales methods/techniques training; operation methods training; and computer and systems training.

(b) *Agreement Not to Use or Disclose Confidential Information.* Both during the term of Executive's employment and after the termination of Executive's employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of the Company, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any person or entity (except other employees of the Company who have a need to know the information in connection with the performance of their employment duties), without the prior written consent of the Board, or permit any other person in the Executive's immediate family (which shall mean the spouse and children of the Executive) to do so; provided, however, Executive may make such disclosures to third parties where the disclosure is made during the Employment Period to third parties who have executed confidentiality agreements acceptable to the Company. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). The Agreement applies to all Confidential Information, whether now known or later to become known to Executive.

(c) *Agreement to Refrain from Derogatory Statements.* Executive shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any oral or written statements about the Company or any of its Affiliates' directors, officers, employees, agents, investors or representatives that are untruthful and harmful to the business interest or reputation of the Company or any of its Affiliates; or that disclose private or confidential information about the Company or any of its Affiliates' business affairs, directors, officers, employees, agents, investors or representatives; or that constitute an intrusion into the seclusion or private lives of the Company's or any of its Affiliates' directors, officers, employees, agents, investors or representatives; or that give rise to negative publicity about the private lives of such directors, officers, employees, agents, investors or representatives; or that place such directors, officers, employees, agents, investors or representatives in a false light before the public; or that constitute a misappropriation of the name or likeness of such directors,

officers, employees, agents, investors or representatives. A violation or threatened violation of this prohibition may be enjoined. This Section does not apply to communications with regulatory authorities or other communications protected or required by law.

(d) *Definition of Confidential Information.* As used in the Agreement, the term "Confidential Information" shall mean any information or material known to or used by or for the Company or an Affiliate (whether or not owned or developed by the Company or an Affiliate and whether or not developed by Executive) that is not generally known

to any person not employed by or acting as a director or consultant to the Company or its Affiliates. Confidential Information includes, but is not limited to, the following: all trade secrets of the Company or an Affiliate; all non-public information that the Company or an Affiliate has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all non-public information concerning the Company's or Affiliate's products, services, prospective products or services, research, product designs, prices, discounts, costs, marketing plans, marketing techniques, market studies, test data, customers, customer lists and records, suppliers and contracts; all business records and plans; all personnel files; all financial information of or concerning the Company or an Affiliate; all information relating to the Company's operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company or an Affiliate; all computer hardware or software manuals of the Company or an Affiliate; all Company or Affiliate training or instruction manuals; and all Company or Affiliate data and all computer system passwords and user codes.

11. Duty to Return Company Documents and Property. Upon the termination of Executive's employment with the Company, for any reason whatsoever, Executive shall immediately return and deliver to the Company any and all papers, books, records, documents, memoranda and manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, belonging to the Company, relating to its business or containing Confidential Information, in Executive's possession, whether prepared by Executive or others. If at any time after the Employment Period, Executive determines that he has any Confidential Information in his possession or control, Executive shall immediately return to the Company all such Confidential Information in his possession or control, including all copies and portions thereof.

12. Employee Developments.

(a) *Assignment of Employee Developments.* Executive hereby assigns to the Company, without additional compensation, all right, title and interest Executive has in and to any Employee Developments. If copyright protection is available for any Employee Development, such Employee Development will be considered a "work for hire" as that term is defined under copyright law and will be the exclusive property of the Company.

(b) *Executive Duties.* During and after Executive's employment with the Company, Executive shall, without additional compensation: (i) promptly disclose to the Company any Employee Development, specifically identifying any inventions, improvements or other portions of the Employee Development that are potential patentable or susceptible to protection as a trade secret; (ii) execute and deliver any and all applications, assignments, documents, and other instruments that the Company shall deem necessary to protect the right, title and interest of the Company or its designee in or to any Employee Development; (iii) reasonably cooperate and assist in providing information for making and completing regulatory and other filings in connection with any Employee Development; (iv) reasonably cooperate and assist in providing information for or participating in any action, threatened action, or considered action relating to any Employee Development; and (v) take any and all other actions as the Company may otherwise require with respect to any Employee Development.

(c) *Third Party Obligations.* Executive acknowledges that the Company from time to time may have agreements with other persons or entities which impose obligations or restrictions on the Company regarding development-related work made during the course of work thereunder or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions and to take all action necessary to discharge the obligations of the Company.

(d) *Definition of Employee Developments.* As used in this Agreement, the term "**Employee Developments**" shall mean all inventions, ideas, and discoveries (whether patentable or not), designs, products, processes, procedures, methods, developments, formulae, techniques, analyses, drawings, notes, documents, information, materials, and improvements, including, but not limited to, computer programs and related documentation, and all intellectual property rights therein, made, conceived, developed, or prepared, in whole or in part, by Executive during the course of employment with the Company, alone or with others, whether or not during work hours or on Company's premises, which are (i) within the scope of business operations of Company, or a reasonable or contemplated expansion thereof, (ii) related to any Company or Affiliate work or project, present, past or contemplated, (iii) created with the aid of Company's materials, equipment, facilities or personnel, or (iv) based upon information to which Executive has access

as a result of or in connection with his employment with Company. Executive recognizes that all ideas, inventions, and discoveries of the type described in this Section 12(d), conceived or made by Executive alone or with others within one year after termination of employment (voluntary or otherwise), are likely to have been conceived in significant part either while employed by the Company or as a direct result of knowledge Executive had of proprietary information or Confidential Information. Accordingly, Executive agrees that such ideas, inventions or discoveries shall be presumed to have been conceived during his employment with the Company, unless and until the contrary is clearly established by Executive, and shall be treated as Employee Developments hereunder.

13. **Non-Solicitation Restriction.** To protect the Confidential Information, and in the event of Executive's termination of employment for any reason whatsoever, whether by Executive or the Company, it is necessary to enter into the following restrictive

covenants, which are ancillary to the enforceable promises between the Company and Executive in Sections 10 through 12 of the Agreement. Executive hereby covenants and agrees that he will not, directly or indirectly, either individually or as a principal, partner, agent, consultant, contractor, employee, or as a director or officer of any corporation or association, or in any other manner or capacity whatsoever, except on behalf of the Company or an Affiliate, solicit business, or attempt to solicit business, in products or services competitive with any products or services sold (or offered for sale) by the Company or any Affiliate, from the Company's or Affiliate's customers or prospective customer, or those individuals or entities with whom the Company or Affiliate did business during the Employment Period, including, without limitation, the Company's or Affiliate's prospective or potential customers. Subject to Section 17, the prohibition set forth in this Section 13 shall remain in effect for a period of one year from the Termination Date for whatever reason.

14. **Non-Competition Restriction.** Executive hereby covenants and agrees that during his employment with the Company or any of its Affiliates, and for a period of one year following the Termination Date, Executive will not, without the prior written consent of the Board, participate in any capacity in which Executive would perform any duties similar to those performed while at the Company or an Affiliate, directly or indirectly (whether as proprietor, stockholder, director, partner, employee, agent, independent contractor, consultant, trustee, beneficiary, or in any other capacity), with any Competitor; provided, however, Executive shall not be deemed to be participating with a Competitor solely by virtue of his ownership of not more than one percent (1%) of any class of stock or other securities which are publicly traded on a national securities exchange or in a recognized over-the-counter market. For purposes of this Agreement, "Competitor" means an individual, partnership, firm, corporation or other business organization or entity that materially competes with a significant business owned or operated by the Company or one of its Affiliates as of Executive's Termination Date, the names of which shall be made available to Executive upon Executive's Termination Date and upon reasonable request. In no event shall the Competitors include more than 10 entities. As of the date of this Agreement, the definition of a Competitor includes the following entities: Allis-Chalmers, Basic Energy Services, Inc., Precision Drilling, Helmerich & Payne, Inc., Nabors Industries, Ltd., Pioneer Drilling Co., Hercules Offshore, Inc., Key Energy Services, Inc., Tetra Technologies, Inc. and Weatherford International, Inc.

15. **Non-Recruitment Restriction.** Executive agrees that during his employment with the Company or any of its Affiliates, and for a period of one year from the Termination Date for whatever reason, Executive will not, either directly, or indirectly, or by acting in concert with others, solicit or influence any employee of the Company or any Affiliate to terminate or reduce his or her employment with the Company or any Affiliate. In the event any such employee shall take such action after communicating with Executive at a time when Executive is no longer employed by the Company, a presumption of recruitment shall apply unless Executive conclusively demonstrates to the contrary.

16. **Forfeiture of Severance Payment. A "Forfeiture Event"** for purposes of the Agreement will occur if (a) Executive violates any of the covenants or restrictions contained in Sections 13 through 15, or (b) the Company learns of facts within two years following Executive's Termination Date that, if had been known by the Reporting Authority as of the Termination Date, would have resulted in the termination of Executive's employment hereunder for Cause. In the event of a Forfeiture Event, within 30 days of being notified by the Company in writing of the Forfeiture Event, Executive shall pay to the Company the full the amount of the severance payment received by Executive pursuant to Section 6(a)(1), or such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court or arbitrator. The provisions of this Section 16 are in addition to any forfeiture provisions of other Company plans, programs or agreements applicable to the Executive. Executive specifically recognizes and affirms that this Section 16 is a material part of the Agreement without which the Company would not have entered into the Agreement. Executive further covenants and agrees that should all or any part or application of this Section 16 be held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction or arbitrator in an action between Executive and the Company, then Executive shall promptly pay to the Company the amount of the severance

payment received by Executive pursuant to Section 6(a)(1), or such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court or arbitrator, as applicable.

17. **Tolling.** If Executive violates any of the restrictions contained in Sections IO through 16, the restrictive period will be suspended and will not run in favor of Executive from the time of the commencement of any violation until the time when Executive cures the violation to the Company's reasonable satisfaction.

18. **Reformation.** If a court or arbitrator concludes that any time period or the geographic area specified in any restrictive covenant in Sections 10 through 16 is unenforceable, then the time period will be reduced by the number of months, or the geographic area will be reduced by the elimination of the overbroad portion, or both, so that the restrictions shall be enforced in the geographic area and for the time to the full extent permitted by law.

19. **Conflicts of Interest.** In keeping with his fiduciary duties to the Company, Executive hereby agrees that he shall not become involved in a conflict of interest, or upon discovery thereof, allow such a conflict to continue at any time during the Employment Period. Moreover, Executive agrees that he shall immediately disclose to the Reporting Authority any known facts which might involve a conflict of interest of which the Reporting Authority is not aware.

Executive and the Company recognize and acknowledge that it is not possible to provide an exhaustive list of actions or interests which may constitute a "conflict of interest." Moreover, the Company and Executive recognize there are many borderline situations. In some instances, full disclosure of facts by Executive to the Reporting Authority may be all that is necessary to enable the Company to protect its interests. In others, if no improper motivation appears to exist and the Company's interests have not demonstrably suffered, prompt elimination of the outside interest may suffice. In egregious and

material instances it may be necessary for the Company to terminate Executive's employment for Cause; provided, however, Executive cannot be terminated for Cause

• hereunder unless the Company first provides Executive with notice and a reasonable opportunity to cure such conflict of interest pursuant to the same procedures as set forth in clause (E) of the definition of Cause.

Executive hereby agrees that any interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest could adversely affect the Company or any Affiliate, involves a possible conflict of interest. Circumstances in which a conflict of interest on the part of Executive would or might arise, and which should be reported to the Reporting Authority, include, but are not limited to, any of the following:

- (a) Ownership of more than a *de minimis* interest in any lender, supplier, contractor, customer or other entity with which Company or any Affiliate does business;
- (b) Intentional misuse of information, property or facilities to which Executive has access in a manner which is demonstrably and materially injurious to the interests of the Company or any Affiliate, including its business, reputation or goodwill; or
- (c) Materially trading in products or services connected with products or services designed or marketed by or for the Company or any Affiliate.

20. **Remedies.** Executive acknowledges that the restrictions contained in Sections 10 through 19, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, and that any violation of the Agreement would result in irreparable injury to the Company. In the event of a breach or a threatened breach by Executive of any provision of Sections 10 through 19, the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, and to recover the Company's attorneys' fees, costs and expenses related to the breach or threatened breach. Nothing contained in the Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. These covenants and disclosures shall each be construed as independent of any other provisions in the Agreement, and the existence of any claim or cause of action by Executive against the Company, whether predicated on the Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and agreements.

21. **Withholdings: Right of Offset.** The Company may withhold and deduct from any benefits and payments made or to be made pursuant to the Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling, (b) all other normal employee deductions made with respect to the Company's employees generally, and (c) any advances made to Executive and owed to the Company.

22. **Nonalienation.** The right to receive payments under the Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge or encumbrance by Executive, his dependents or beneficiaries, or to any other person who is or may become entitled to receive such payments hereunder. The right to receive payments hereunder shall not be subject to or liable for the debts, contracts, liabilities, engagements or torts of any person who is or may become entitled to receive such payments, nor may the same be subject to attachment or seizure by any creditor of such person under any circumstances, and any such attempted attachment or seizure shall be void and of no force and effect.

23. **Incompetent or Minor Payees.** Should the Reporting Authority determine, in its discretion, that any person to whom any payment is payable under the Agreement has been determined to be legally incompetent or is a minor, any payment due hereunder, notwithstanding any other provision of the Agreement to the contrary, may be made in any one or more of the following ways: (a) directly to such minor or person; (b) to the legal guardian or other duly appointed personal representative of the person or estate of such minor or person; or (c) to such adult or adults as have, in the good faith knowledge of the Reporting Authority, assumed custody and support of such minor or person; and any payment so made shall constitute full and complete discharge of any liability under the Agreement in respect to the amount paid.

24. **Indemnification.** THE COMPANY SHALL, TO THE FULL EXTENT PERMITTED BY LAW, INDEMNIFY AND HOLD HARMLESS EXECUTIVE FROM AND AGAINST ANY AND ALL LIABILITY, COSTS AND DAMAGES ARISING FROM HIS SERVICE AS AN EMPLOYEE, OFFICER OR DIRECTOR OF THE COMPANY OR ITS AFFILIATES, SPECIFICALLY INCLUDING LIABILITY, COSTS AND DAMAGES THAT ARISE IN WHOLE OR IN PART FROM ANY NEGLIGENCE OR ALLEGED NEGLIGENCE OF EXECUTIVE, EXCEPT, HOWEVER, TO THE EXTENT THAT ANY SUCH LIABILITY, COST OR DAMAGE RESULTED FROM AN ACT OR OMISSION BY EXECUTIVE THAT CONSTITUTES GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON HIS PART. Executive shall also be provided directors' and officers' liability insurance and any contractual indemnification provided to Senior Officers at any given time. To the full extent permitted by Delaware law, the Company shall retain counsel to defend Executive, or shall advance legal fees and expenses to Executive for counsel selected by Executive, in connection with any litigation or proceeding related to his service as an employee, officer and director of the Company or any Affiliate within 20 days after receipt by the Company of a written request for such advance. Such request shall include an itemized list of the costs and expenses and an undertaking by Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. This Section 24 shall be in addition to, and shall not limit in any way, the rights of Executive to any other indemnification from the Company, as a matter of law, contract or otherwise.

25. **Severability.** It is the desire of the parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction or arbitrator (pursuant to

Section 28), the parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.

26. **Title and Headings; Construction.** Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement and not to any particular provision hereof. The masculine gender is intended to include the feminine gender.

27. **Choice of Law.** EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, THE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW.

28. **Arbitration.** Subject to Section 20, any dispute or other controversy other than as provided in Section 7(e) (hereafter a "**Dispute**") arising under or in connection with the Agreement, whether in contract, in tort, statutory or otherwise, shall be finally and solely resolved by binding arbitration in Harris County, Texas, administered by the American Arbitration Association (the "AAA") in accordance with the Commercial Dispute Resolution Rules of the AAA, this Section 28 and, to the maximum extent applicable, the Federal Arbitration Act. Such arbitration shall be

conducted by a single arbitrator (the "**Arbitrator**"). If the parties cannot agree on the choice of an Arbitrator within 30 days after the Dispute has been filed with the AAA, then the Arbitrator shall be selected pursuant to the Employment Dispute Resolution Rules of the AAA. The Arbitrator may proceed to an award notwithstanding the failure of any party to participate in such proceedings. The prevailing party in the arbitration proceeding may be entitled to an award of reasonable attorneys' fees incurred in connection with the arbitration in such amount, if any, as determined by the Arbitrator in his discretion. The costs of the arbitration shall be borne equally by the parties unless otherwise determined by the Arbitrator in his discretion.

To the maximum extent practicable, an arbitration proceeding hereunder shall be concluded within 180 days of the filing of the Dispute with the AAA. The Arbitrator may allow discovery in its discretion but shall be mindful of the Parties' goal of settling disputes in the most efficient manner possible. The Arbitrator shall be empowered to impose sanctions and to take such other actions as the Arbitrator deems necessary to the same extent a judge could impose sanctions or take such other actions pursuant to the Federal Rules of Civil Procedure and applicable law. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential except for disclosure of information required by applicable law which cannot be waived.

The award of the Arbitrator shall be (a) the sole and exclusive remedy of the parties, and

(b) final and binding on the parties hereto except for any appeals provided by the Federal

Arbitration Act. Only the district courts of Texas shall have jurisdiction to enter a judgment upon any award rendered by the Arbitrator, and the parties hereby consent to the personal jurisdiction of such courts and waive any objection that such forum is inconvenient. This Section 28 shall not preclude (i) the parties at any time from agreeing to pursue non-binding mediation of the Dispute prior to arbitration hereunder or (ii) the Company from pursuing the remedies available under Section 20 in any court of competent jurisdiction.

29. Binding Effect: Third Party Beneficiaries. The Agreement shall be binding upon and inure to the benefit of the parties hereto, and to their respective heirs, executors, beneficiaries, personal representatives, successors and permitted assigns hereunder, but otherwise the Agreement shall not be for the benefit of any third parties.

30. Entire Agreement: Amendment and Termination. The Agreement contains the entire agreement of the parties with respect to Executive's employment and the other matters covered herein; moreover, the Agreement supersedes all prior and contemporaneous agreements and understandings, oral or written, between the Parties hereto concerning the subject matter hereof. Notwithstanding the foregoing, any indemnity agreement between the Company and Executive as of the Effective Date shall continue in effect until otherwise amended or superseded. The Agreement may be amended, waived or terminated only by a written instrument that is identified as an amendment or termination hereto and that is executed on behalf of both Parties.

31. Survival of Certain Provisions. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder, including but not limited to the rights and obligations set out in Sections 2, 5 through 7, 10 through 20, 24, 27, 28 and 34, shall survive any termination or expiration of the Agreement.

32. Waiver of Breach. No waiver by either Party hereto of a breach of any provision of the Agreement by any other Party, or of compliance with any condition or provision of the Agreement to be performed by such other Party, will operate or be construed as a waiver of any subsequent breach by such other Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either Party hereto to take any action by reason of any breach will not deprive such Party of the right to take action at any time while such breach continues.

33. Successors and Assigns. The Agreement shall be binding upon and inure to the benefit of the Company and its Affiliates, and its and their successors, and upon any person or entity acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the business and/or assets of the Company or its successor. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform the Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, no such assumption shall relieve the Company of its obligations hereunder.

The Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, and heirs. In the event of the death of Executive while any amount is payable hereunder including, without limitation, pursuant to Sections 2, 5, 6, and 7, all such amounts, unless otherwise specifically provided herein, shall be paid in accordance with the terms of the Agreement to the beneficiary designated by Executive in a writing delivered to the Company, or if none, to Executive's surviving spouse if any, or if not, then to the personal representative of Executive's estate.

34. **Notices.** Each notice or other communication required or permitted under the Agreement shall be in writing and transmitted, delivered, or sent by personal delivery, prepaid courier or messenger service (whether overnight or same-day), or prepaid certified United States mail (with return receipt requested), addressed (in any case) to the other Party at the address for that Party set forth below that Party's signature on the Agreement, or at such other address as the recipient has designated by Notice to the other Party. Either party may change the address for notice by notifying the other party of such change in accordance with this Section 34.

Each notice or communication so transmitted, delivered, or sent (a) in person, by courier or messenger service, or by certified United States mail shall be deemed given, received, and effective on the date delivered to or refused by the intended recipient (with the return receipt, or the equivalent record of the courier or messenger, being deemed conclusive evidence of delivery or refusal), or (b) by telecopy or facsimile shall be deemed given, received, and effective on the date of actual receipt (with the confirmation of transmission being deemed conclusive evidence of receipt, except where the intended recipient has promptly notified the other Party that the transmission is illegible). Nevertheless, if the date of delivery or transmission is not a business day, or if the delivery or transmission is after 5:00 p.m. on a business day, the notice or other communication shall be deemed given, received, and effective on the next business day.

35. **Executive Acknowledgment.** Executive acknowledges that (a) he is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (b) he has read the Agreement and understands its terms and conditions,

(c) he has had ample opportunity to discuss the Agreement with his legal counsel prior to execution, and (d) no strict rules of construction shall apply for or against the drafter or any other Party. Executive represents that he is free to enter into the Agreement including, without limitation, that he is not subject to any covenant not to compete that would conflict with his duties under the Agreement.

36. **Intention to Comply with Code Section 409A.** The Agreement is intended to comply with Code Section 409A. Executive acknowledges that if any provision of the Agreement (or of any award of compensation or benefits) would cause Executive to incur any additional tax or interest under Code Section 409A and accompanying Treasury regulations and other authoritative guidance, such additional tax and interest shall solely be his responsibility.

Pursuant to Code Section 409A, any reimbursement of expenses made under the Agreement (including reimbursement of health and dental expenses under Sections 5 through 7, shall only be made for eligible expenses incurred during the Term of Employment, and no reimbursement of any expense shall be made by the Company after December 31st of the year following the calendar year in which the expense was incurred. The amount eligible for reimbursement under the Agreement during a taxable year may not affect expenses eligible for reimbursement in any other taxable year, and the right to reimbursement under the Agreement is not subject to liquidation or exchange for another benefit.

For purposes of Code Section 409A, each payment under this Agreement shall be deemed to be a separate payment. Except as permitted under Code Section 409A, any deferred compensation (within the meaning of Code Section 409A) payable to Executive under the Agreement may not be reduced by, or offset against, any amount owing by Executive to the Company or any of its Affiliates.

37. **Six Month Delay.** Notwithstanding any provision in the Agreement to the contrary, if the payment of any benefit herein would be subject to additional taxes and interest under Code Section 409A because the timing of such payment is not delayed as provided in Code Section 409A for a "**specified employee**" (within the meaning of Code Section 409A), then if Executive is a "specified employee," any such payment that Executive would otherwise be entitled to receive during the first six months following the Termination Date shall be accumulated and paid or provided, as applicable, within 10 days after the date that is six months following the Termination Date, or such earlier date upon which such amount can be paid or provided under Code Section 409A without being subject to such

additional taxes and interest such as, for example, upon the death of Executive.

38. **Counterparts.** The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party hereto, but together signed by both parties.

39. **United States Foreign Corrupt Practices Act and Other Laws.** Executive represents that he has at all times complied with, and agrees that he shall at all times comply with, in all material respects with all laws applicable to Executive's actions on behalf of the Company, including specifically, without limitation, the United States Foreign Corrupt Practices Act, generally codified in 15 U.S.C. 78 (the "FCPA"), as the FCPA may hereafter be amended, and/or its successor statutes. If (i) Executive pleads guilty to or *nolo contendere* or admits civil or criminal liability under the PCPA, or (ii) if a court finds that Executive has personal civil or criminal liability under the PCPA, or

(iii) if the Board reasonably determines, after providing Executive, or his representative, an opportunity to present information regarding the matter to the Board, that Executive took an action or failed to take an action resulting, or that could reasonably be expected to result, in the Company or any of its subsidiaries having civil or criminal liability under the PCPA, and that Executive had knowledge that such activities would give rise to such

FCPA liability or knowledge of facts from which Executive should have reasonably inferred that activities giving rise to such FCPA liability had occurred or were likely to occur, such action or finding shall constitute "Cause" for termination under this Agreement if the Board determines by resolution that the actions or inactions by Executive in violation of the FCPA were not taken in good faith or were not in

compliance with all policies of the Company applicable at the time of the action or inaction by Executive.

40. **is, 11 I?recv4pus ,a tlvlit ll::fM J ejfs, . . ***, Executive represents that, except as disclosed in writing to the Board, he is not, and will not, be employed by or for, or in any way connected with, any previous employer or, other party to (attorney), using or disclosing any trade

secret or confidential or proprietary information in the course of his employment by the Company or (he) refrain from directly or indirectly, with the business of such previous employer or any other party, Executive further represents that his performance of all the terms of the Agreement and its work; duties the Company does not, and will not, breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to Executive's employment with the Company, and Executive will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others, . . .

for


PARKER DRILLING COMPANY

IN WITNESS WHEREOF, Executive has hereunto set his hand and Company has caused the Agreement to be executed in its name and in its behalf by its duly authorized officer, to be effective as of the Effective Date.

Signature: 
PHILIP AGNEW

EXECUTIVE

Signature: . . . [.....] . . .

. . . DA W.C, MANNON

Date: &, · Dtt - 2.0 iQ Date: ll c.: , '""'-..6.t.o.,

Address for Notices:

16003 Rustlers Trail Lane Cypress, Texas 77429

A.

*Address for
Notices:*

Patrick J. Kling Company

Ahn,
Chairman, Compensation
Committee of the Board
of Directors
5 Greenway Plaza Suite 1000
Houston, TX 77046

APPENDIX A DEFINITIONS

For purposes of the Agreement:

- (1) **"AAA"** means the American Arbitration Association.

Agreement.

(2)

"Additional Payment" is as defined in
Section 6 of the

- (3) **"Affiliate"** means any entity which owns or
controls, is owned or

controlled by, or is under common control with, the Company.

Agreement.

- (4) **"Agreement"** has the meaning given it in the first paragraph of the
- (5) **"Arbitrator"** is as defined in Section 28 of the Agreement.
- (6) **"Base Salary"** means such amount as specified in Section 2(a) and as thereafter adjusted.
- (7) **"Board"** means the Board of Directors of the Company.

in Control.

- (8) **"Business Combination"** is as defined in the definition of Change
- (9) In addition to the matters set forth in Section 39, **"Cause"** means

any of the following:

- (A) Executive's conviction by a court of competent jurisdiction as to which no further appeal can be taken of a crime involving moral turpitude or a felony or entering the plea of *nolo contendere* to such crime by Executive;
- (B) the commission by Executive of a material or intentional act of fraud upon the Company or any Affiliate;
- (C) the material misappropriation of funds or property of the Company or any Affiliate by Executive;
- (D) the knowing engagement by Executive without the written approval of the Board, in any material activity which directly competes with the business of the Company or any Affiliate, or which would directly result in a material injury to the business or reputation of the Company or any Affiliate; or
- (E) (i) material breach by Executive during the Employment Period of any of Sections 10 through 15, or Section 19, or (ii) the willful, material and repeated nonperformance of Executive's duties to the Company or any Affiliate (other than by reason of Executive's illness or incapacity), but Cause shall not exist under this

clause (E)(i) or (E)(ii) until after written notice from the Reporting Authority has been given to Executive of such material breach or nonperformance (which notice specifically identifies the manner and sets forth specific facts, circumstances and examples in which the Reporting Authority reasonably believes that Executive has breached the Agreement or not substantially performed his duties) and Executive has failed to cure such alleged breach or nonperformance within a reasonable time period set by the Reporting Authority, but in no event less than 30 business days after his receipt of such notice; and, for purposes of this clause (E), no act or failure to act on Executive's part shall

be deemed "willful" unless it is done or omitted by Executive not in good faith and without his reasonable belief that such action or omission was in the best interest of the Company (assuming disclosure of the pertinent facts, any action or omission by Executive after consultation with, and in accordance with the advice of, legal counsel reasonably acceptable to the Company shall be deemed to have been taken in good faith and to not be willful under the Agreement).

Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Executive a letter from the Reporting Authority stating that, in the good faith opinion of the Reporting Authority, Executive was guilty of actions or omissions constituting Cause and specifying the particulars thereof in detail.

(10) **"Change in Control."** For purposes of the Agreement, a "Change in Control" shall be deemed to have occurred as of any date if, after the Effective Date:

(A) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the **"Exchange Act"**) (a **"Person"**)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (i) the then outstanding shares of common stock of the Company (the **"Outstanding Company Common Stock"**) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the **"Outstanding Company Voting Securities"**); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company or any subsidiary, (ii) any acquisition by the Company or any subsidiary or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, or (iii) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar business combination involving the Company (a **"Merger"**), if, following such Merger, the conditions described in (C) (below) are satisfied;

(B) Individuals who, as of the Effective Date, constitute the Board (the **"Incumbent Board"**) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened

election contest (as such terms are used in Rule 14a-1 l of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(C) There is a consummation by the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common equity and the combined voting power of the then outstanding Voting securities entitled to vote generally in the election of directors or comparable governing persons, as the case may be, of the entity surviving or resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be;

(D) The sale or other disposition of all or substantially all of the assets of the Company, unless immediately following such sale or other disposition, (i) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to the consummation of such sale or other disposition beneficially own, directly or indirectly, more than 50% of the common stock of the corporation acquiring such assets in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to the consummation of such sale or disposition, and (ii) at least a majority of the members of the board of directors of such corporation (or its parent corporation) were members of the Incumbent Board at the time of execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company;

(E) The consummation of any plan or proposal for the complete liquidation or dissolution of

the Company; or

(F) Any other event that a majority of the Board, in its sole discretion, determines to constitute a Change in Control hereunder.

(G) Notwithstanding any other provision of the Agreement, unless otherwise agreed to by the parties in an amendment to the Agreement, if more than one event occurs after the Effective Date that constitutes a Change in Control for purposes of the Agreement, the Term of the Agreement shall not be extended as provided in Section 7 beyond the date which is two years from the date of the first such event that constitutes a Change in Control.

(11) "COBRA Coverage" is as defined in Section 6 of the Agreement.

(12) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(13) "**Code**" means the Internal Revenue Code of 1986, as amended, or its successor. References herein to any Code Section shall include any successor provisions of the Code.

corporation.

(14) "**Company**"
means Parker Drilling Company, a Delaware

(15) "**Competitor**" is as defined in Section 14 of the Agreement.

Agreement.

(16) "**Confidential Information**" is as defined in
Section 10 of the

Agreement.

(17) "**Continuation Coverage**" is as defined in
Section 7 of the

(18) "**Designated Beneficiary**" means such beneficiary as designated in writing by Executive and delivered to the Company; or if none, Executive's surviving spouse, if any. If there is no written beneficiary designation or surviving spouse at the time of Executive's death, then the Designated Beneficiary hereunder shall be the legal representative of Executive's estate for the benefit of such estate.

(19) "**Disability**" means, upon expiration of any applicable waiting/elimination period, a disability of Executive that qualifies Executive for disability benefits.

(20) "**Dispute**" means any dispute or controversy arising under or in connection with the Agreement, whether in contract, in tort, statutory or otherwise.

(21) **"Effective Date"** means December 6, 2010.

Agreement.

(22)

"Employee Developments" is as defined in Section 12(d) of the

Agreement.

(23)

"Employment Period" is as defined in Section 4 of the

(24) **"Exchange Act"** means the Securities Exchange Act of 1934.

(25) **"Excise Tax"** is as defined in Section 7 of the Agreement.

(26) **"Executive"** means PHILIP AGNEW.

(27) **"FCPA"** is as defined in Section 39 of the Agreement.

(28) **"Forfeiture Event"** is as defined in Section 16 of the Agreement.

(29) **"Good Reason"** means the occurrence of any of the following events without Executive's express written consent:

(H) a reduction in Executive's Base Salary, as in effect from time to time, or annual target incentive bonus opportunity;

(I) a relocation of Executive's principal place of employment with the Company or its successor by more than 30 miles;

(J) a substantial and adverse change in Executive's primary duties, control, authority, status or position, or the assignment to Executive of duties or responsibilities which are materially inconsistent with such status or position, or a material reduction in the primary duties and responsibilities previously exercised by Executive, except in connection with the termination of his employment for Cause;

(K) the Company or its successor fails to continue in effect any pension plan, life insurance plan, health-and-accident plan, retirement plan, disability plan, stock option or other similar plan, deferred compensation plan or executive incentive compensation plan under which Executive was receiving material benefits (unless the Company substitutes and continues other plans providing Executive with substantially similar benefits), or the taking of any action by the Company or its successor that, in any such case or cases, would materially and adversely affect Executive's participation in or materially reduce his benefits under any such plan, unless any such adverse change to any such plan applies on the same terms to Senior Officers; or

(L) any failure of any successor to the Company to have expressly assumed the Company's obligations under the Agreement as contemplated by Section 33 hereof, unless such assumption occurs by operation of law, or any other material breach by the Company or its successor of any other material provision of the Agreement.

Notwithstanding the definition of "Good Reason" for purposes of the Agreement, Executive may not terminate his employment hereunder for Good Reason unless he (i) first notifies the Board in writing of the event (or events) which Executive believes constitutes a Good Reason event and the specific paragraph of the Agreement under which such event has occurred, within 90 days from the date of such event, and (ii) provides the Company with at least 30 days to cure the Good Reason event so that it either (1) does not constitute a Good Reason event hereunder or (2) Executive reasonably agrees, in writing, that after any such modification or accommodation made by the Company that such event shall not constitute a Good Reason event hereunder.

Control.

Agreement.

(30)

(31)

(32)

(33)

"Incumbent Board" is as defined in the definition of Change in

"Initial Term of Employment" is as defined in Section 4.

"Medicare" is as defined in Section 6 of the Agreement.

"Net After-Tax Recieipt" is as defined in Section 7 of the

Agreement.

(34)

"Notice of Termination" is as defined in Section 8 of the

(35) **"Outstanding Company Common Stock"** means the then outstanding shares of common stock of the Company.

(36) **"Outstanding Company Voting Securities"** means the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors.

(37) **"Payment"** is as defined in Section 7 of the Agreement.

(38) **"Party" or "Parties"** means the Company and/or Executive.

(39) **"Person"** is as defined in the definition of Change in Control.

(40) **"Reporting Authority"** means the Chief Executive Officer.

(41) **"Securities Plans"** is as defined in Section 7 of the Agreement.

(42) **"Senior Officers"** means the employees of the Company, at the relevant time, holding one or more of the following positions or equivalent thereof of the Company: Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, General Counsel, Vice President-Technical Services, Vice President-Engineering and Vice President-Operations.

Agreement.

(43) **"Severance Multiplier"** is as defined in Section 6 of the

Agreement.

(44) **"Specialized Training"** is as defined in Section 10 of the

(45) **"Subsidiary"** means any corporation, partnership, trust or other entity controlled by the Company.

Agreement.

(46) **"Term of Employment"** is as defined in Section 4 of the

(47) **"Termination Date"** means the date on which Executive's employment with the Company terminates, whether during the Term of Employment or at any time thereafter, for whatever reason and such termination constitutes a severance from employment within the meaning of Code Section 409A.

(48) **"Total Cash"** is as defined in Section 6 of the Agreement.

Agreement.

(49)

"**Waiver and Release**" is as defined in Section 6 of the

APPENDIX B

PRIMARY DUTIES AND RESPONSIBILITIES

Primary duties and responsibilities of Executive:

- Responsible for leading, planning, developing, organizing, implementing, directing and evaluating the Company's technical services department, including engineering and project management functions.
- Provide leadership and direction to project management and engineering associated with both internal and external FEED and EPCI projects.
- Responsible for the profitable growth of FEED/EPCI projects.
- Serve as a member of the leadership team with dual responsibility to provide both departmental and corporate leadership.
- Work closely with the operational department to ensure internal projects are managed consistent with fit-for-purpose project management principals.
- Collaborate with operations and/or client's personnel to achieve Standard Operating Requirements (SORs) in accordance with expectations for each project.
- Participate in the development of the Company's plans and programs as a strategic business partner with a particular emphasis on rig optimization, rig maintenance, new build opportunities and client projects.
- Responsible for developing resource plans to identify the most cost-effective approach to project management from an engineering perspective, including staffing and consultant alternatives.
- Responsible for supervising all engineering activities of the Company.
- Responsible for the cost and schedule estimates for all projects and is responsible for the accuracy of the projections.
- Interact with business partners including general managers, operations managers, purchasing, business development and others to ensure the Company maximizes the value of its drilling rigs.
- Maintain Company records in accordance with Company policies.
- Strict adherence to the FCPA, the Code of Conduct and Company policies.

- Develop, manage, and maintain relationships with critical consulting firms and other vendors.

APPENDIX C

FORM WAIVER AND RELEASE

Pursuant to the terms of the Employment Agreement made as of ____, between Parking Drilling (the "Company") and me, and in consideration of the payments made to me and other benefits to be received by me pursuant thereto, I, ____, do freely and voluntarily enter into this WAIVER AND RELEASE (the "Release"), which shall become effective and binding on the eighth day following my signing the Release as provided herein (the "Effective Date"). It is my intent to be legally bound, according to the terms set forth below.

In exchange for the payments and other benefits to be provided to me by the Company pursuant to Section __ of the Employment Agreement (the "Separation Payment" and "Separation Benefits"), I hereby agree and state as follows:

1. I, individually and on behalf of my heirs, personal representatives, successors, and assigns, release, waive, and discharge Company, its predecessors, successors, parents, subsidiaries, merged entities, operating units, affiliates, divisions, insurers, administrators, trustees, and the agents, representatives, officers, directors, shareholders, employees and attorneys of each of the foregoing (hereinafter "Released Parties"), from all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action, whether in law or in equity, whether known or unknown, suspected or unsuspected, arising from my employment and termination from employment with Company, including but not limited to any and all claims pursuant to Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (42 U.S.C. § 2000e, *et seq.*), which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Civil Rights Act of 1866 (42 U.S.C. §§1981, 1983 and 1985), which prohibits violations of civil rights; the Age Discrimination in Employment Act of 1967, as amended, and as further amended by the Older Workers Benefit Protection Act (29 U.S.C. §621, *et seq.*), which prohibits age discrimination in employment; the Employee Retirement Income Security Act of 1974, as amended (29 U.S.C. § 1001, *et seq.*), which protects certain employee benefits; the Americans with Disabilities Act of 1990, as amended (42 U.S.C. § 12101, *et seq.*), which prohibits discrimination against the disabled; the Family and Medical Leave Act of 1993 (29 U.S.C. § 2601, *et seq.*), which provides medical and family leave; the Fair Labor Standards Act (29 U.S.C. § 201, *et seq.*), including the wage and hour laws relating to payment of wages; and all other federal, state and local laws and regulations prohibiting employment discrimination. This Release also includes, but is not limited to, a release of any claims for breach of contract, mental pain, suffering and anguish, emotional upset, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, wrongful termination, wrongful discharge in violation of public policy, breach of any express or implied covenant of good faith and fair dealing, that Company has dealt with me unfairly or in bad faith, and all other common law contract and tort claims.

Notwithstanding the foregoing, I am not waiving any rights or claims that may arise after this Release is signed by me. Moreover, this Release does not apply to any claims or rights which, by operation of law, cannot be waived, including the right to file an administrative charge or participate in an administrative investigation or proceeding; however, by signing this Release I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Nothing in this Release shall affect in any way my rights of indemnification and directors and officers liability insurance coverage provided to me pursuant to the Company's by-laws, my employment agreement, and/or pursuant to any other agreements or policies in effect prior to the effective date of my termination, which shall continue in full force and effect, in accordance with their terms, following the effective date of this Waiver and Release.

2. I forever waive and relinquish any right or claim to reinstatement to active employment with Company, its affiliates, subsidiaries, divisions, parent, and successors. I further acknowledge that Company has no obligation to rehire or return me to active duty at any time in the future.

3. I acknowledge that all agreements applicable to my employment respecting non-competition, non-solicitation, non-recruitment, derogatory statements, and the confidential or proprietary information of the Company shall continue in full force and effect as described in the Employment Agreement.
4. I hereby acknowledge and affirm as follows:
 - a. I have been advised to consult with an attorney prior to signing this Release.
 - b. I have been extended a period of 21 days in which to consider this Release.
 - c. I understand that for a period of seven days following my execution of this Release, I may revoke the Release by notifying Company, in writing, of my desire to do so. I understand that after the seven-day period has elapsed and I have not revoked the Release, it shall then become effective and enforceable. I understand that the Separation Payment will not be made under the Employment Agreement and I will not be entitled to the Severance Benefits made under the Employment Agreement until after the seven-day period has elapsed and I have not revoked the Release.
 - d. I acknowledge that I have received payment for all wages due at time of my employment termination, including any reimbursement for any and all business related expenses. I further acknowledge that the Separation Payment and the Separation Benefits are consideration to which I am not otherwise entitled under any Company plan, program, or prior agreement.
 - e. I certify that I have returned all property of the Company, including but not limited to, keys, credit and fuel cards, files, lists, and documents of all kinds regardless of the medium in which they are maintained.
 - f. I have carefully read the contents of this Release and I understand its contents. I am executing this Release voluntarily, knowingly, and without any duress or coercion.
5. I acknowledge that this Release shall not be construed as an admission by any of the Released Parties of any liability whatsoever, or as an admission by any of the Released Parties of any violation of my rights or of any other person, or any violation of any order, law, statute, duty or contract.
6. I agree that the terms and conditions of this Release are confidential and that I will not, directly or indirectly, disclose the existence of or terms of this Release to anyone other than my attorney or tax advisor, except to the extent such disclosure may be required for accounting or tax reporting purposes or otherwise be required by law or direction of a court. Nothing in this provision shall be construed to prohibit me from disclosing this Release to the Equal Employment Opportunity Commission in connection with any complaint or charge submitted to that agency.
7. In the event that any provision of this Release should be held void, voidable, or unenforceable, the remaining portions shall remain in full force and effect.
8. I hereby declare that this Release constitutes the entire and final settlement between me and the Company, superseding any and all prior agreements, and that the Company has not made any promise or offered any other agreement, except those expressed in this Release, to induce or persuade me to enter into this Release.

IN WITNESS WHEREOF, I have signed this Release
on the _ day of __

20 .

[INSERT NAME]

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**") is made and entered into as of **August 15th, 2011** (the "**Effective Date**"), by and between PARKER DRILLING COMPANY, a Delaware corporation (the "**Company**"), and DAVID R. FARMER ("**Executive**"), an employee of the Company. The Company and Executive may sometimes hereafter be referred to singularly as a "**Party**" or collectively as the "**Parties**." Defined terms shall have the meanings ascribed to them in Appendix A of the Agreement.

WITNESSETH:

WHEREAS, the Company desires to secure the employment services of Executive subject to the terms and conditions hereafter set forth; and

WHEREAS, Executive is willing to enter into the Agreement upon the terms and conditions set forth;

NOW, THEREFORE, in consideration of Executive's employment with the Company, and the mutual promises and agreements contained herein, the Parties hereto agree as follows:

1. **Employment.** During the Employment Period, the Company shall employ Executive, and Executive shall serve as Vice President Operations of the Company. Executive's principal place of employment shall be at the corporate offices of the Company in Houston, Texas. Executive understands and agrees that he may be required to travel from time to time for purposes of the Company's business.

2. **Compensation.** Compensation shall be paid or provided to Executive during the Employment Period as follows:

(a) **Base Salary.** The Company shall pay to Executive a base salary of \$325,000 per year, payable in accordance with the Company's normal payroll schedule and procedures for its executives. Executive's Base Salary shall be subject to at least annual review and may be increased (but not decreased without Executive's express written consent or unless any decrease applies to Senior Officers). Nothing contained herein shall preclude the payment of any other compensation to Executive at any time.

(b) **Annual Bonus.** Executive shall be eligible to participate in an annual incentive plan. The annual incentive bonus target shall be not less than 50% of Executive's Base Salary and shall be subject to review and may be increased (but not decreased without Executive's express written consent or unless any decrease applies to Senior Officers). Any annual incentive bonus shall be paid in a form in accordance with the terms of the applicable bonus plan as in effect from time to time, including any discretionary and performance provisions in such plan, and in no event later than the end of the year following the year for which the bonus was earned.

(c) **Long-Term Incentives.** Executive shall be eligible to receive grants of long-term incentives, such as stock options, stock appreciation rights, restricted stock, rights to acquire stock or other securities of the Company or cash, all as commensurate with his position, and to the extent permitted by and in accordance with the terms of the Company's long-term incentive plan or plans as in effect from time to time.

3. **Duties and Responsibilities of Executive.** Executive shall have responsibilities, duties and authorities reasonably accorded to, expected of, and consistent with Executive's position as Vice President Operations. During the Employment Period, Executive shall devote his full business time and attention to the Company's business and shall promote its success and shall perform the duties and responsibilities assigned to him by the Reporting Authority from time to time to the best of his ability and with reasonable diligence, with the primary duties and responsibilities as of the date of this Agreement as set forth in Appendix B of the Agreement. This Section 3 shall not be construed as preventing Executive from (a) serving on advisory committees or boards with the written permission of the Reporting Authority, such permission not to be unreasonably withheld or delayed; (b) engaging in reasonable volunteer services for charitable, educational or civic organizations; or (c) managing his personal investments in a form or manner that will not require Executive's services in the operation of the entities in which such investments are made. In any event, no such activity shall conflict with Executive's loyalties and duties to the Company or his ability to fulfill his duties and responsibilities hereunder. Executive shall at all times endeavor to in good faith comply with laws applicable to Executive's actions on behalf of the Company and its Affiliates.

4. **Term of Employment.** Executive's initial term of employment with the Company under the Agreement shall be for the period from the Effective Date through April 30, 2013 (the "**Initial Term of Employment**"). Thereafter, the Initial Term of Employment shall be automatically extended repetitively for an additional one-year period commencing on May 1, 2013, and each anniversary thereof, unless notice is given by either the Company or Executive to the other Party at least 60 days prior to the end of the Initial Term of Employment, or any one-year extension thereof, as applicable, that the term of employment will not be renewed. The Initial Term of Employment and any extension of the Initial Term of Employment hereunder shall each be referred to herein as a "**Term of Employment.**" The Term of Employment shall also be extended upon a Change in Control as provided in Section 7, but shall not thereafter be extended under this Section 4. The Term of Employment shall automatically end in the event of the death or Disability of Executive. The Company and Executive shall each have the right to give Notice of Termination (pursuant to Section 8) at will, with or without cause, at any time, subject however to the terms and conditions of the Agreement regarding the rights and duties of the Parties upon termination of employment. The period from the Effective Date through the earlier of the date of Executive's termination of employment for whatever reason or the end of the Term of Employment shall be referred to herein as the "**Employment Period.**"

5. **Benefits.** Subject to the terms and conditions of the Agreement, Executive shall be entitled to the following:

(a) **Ongoing Benefits.** During the Employment Period, Executive shall be entitled to the following:

(1) **Reimbursement of Expenses.** The Company shall pay or reimburse Executive for all reasonable travel, entertainment and other expenses paid or incurred by Executive in the performance of his duties hereunder. The Company shall also provide Executive with suitable office space, including staff support.

(2) **Other Employee Benefits.** Executive shall be eligible to participate in any pension, retirement, 401(k), and profit-sharing, non-qualified deferred compensation and other group retirement plans or programs of the Company, to the same extent as available to Senior Officers under the terms of such plans or programs. Executive shall also be entitled to participate in any medical, dental, life, accident, disability and other group insurance plans or programs of the Company, to the same extent as available to Senior Officers under the terms of such plans or programs.

(3) **Paid Time Off.** Beginning January 1, 2012, Executive shall be entitled to the number of hours of paid time off each year that is accorded under the Company's paid time policy for other employees of the Company of the same level, but not less than 200 hours of paid time off annually.

(b) **Payments Upon Termination.** Upon termination of employment during the Term of Employment and without requirement of execution of a Waiver and Release, Executive shall be entitled to the following minimum payments, in addition to any other payments or benefits he is entitled to receive under the terms of the Agreement and any employee benefit plan or program;

- (1) his accrued but unpaid Base Salary through his Termination Date;
- (2) his unpaid vacation pay for that year which has accrued through his Termination Date; and
- (3) reimbursement of business expenses in accordance with the Company's normal procedures.

Any such salary and accrued vacation pay shall be paid to Executive in a cash lump sum within five business days following the Termination Date.

6. **Severance Benefits Upon Certain Terminations Prior to a Change in Control**. Except in the event of termination of Executive's employment (i) due to Executive's death or Disability, (ii) due to Executive's voluntary resignation or termination, in either case without Good Reason, (iii) by the Company for Cause, or (iv) after a Change in Control under the circumstances and within the time limits provided in Section 7, and subject to the Waiver and Release requirement described in Section 6(d) and the forfeiture provision in Section 16, Executive's right to compensation and benefits for periods after the Termination Date shall be determined in accordance with this Section 6, as follows:

(a) **Cash Payments**. In the event that during the Term of Employment, (i) Executive's employment is terminated by the Company for any reason other than Cause, or (ii) Executive terminates his own employment hereunder for Good Reason, then in either such event under clause (i) or (ii), the following cash payments shall be provided to Executive or, in the event of his death before receiving such benefits, to his Designated Beneficiary following his death:

(4) the Company shall pay to Executive as additional compensation (the "Additional Payment"), an amount which is equal to "Total Cash" (defined below) multiplied by 1.5 (the "Severance Multiplier"). "Total Cash" means the greater of (x) or (y), where (x) equals the greater of Executive's Base Salary as in effect on the date Notice of Termination is given or on the date immediately prior to his Termination Date plus Executive's current annual incentive target bonus; and (y) equals the sum of Executive's highest Base Salary paid and highest annual incentive bonus earned with respect to any of the three calendar years immediately preceding the year containing the Termination Date. For clauses (x) and (y) of this definition: (a) the calculation of the annual bonus of Executive shall include a calendar year during which Executive was employed by the Company and a participant in a bonus or incentive cash compensation plan even if Executive did not earn any bonus or incentive cash compensation for that calendar year and (b) the "target bonus" for Executive for the calendar year of the Company in which the Termination Date occurs shall be the amount identified in Section 2(b) as the "target", subject to adjustment as provided in Section 2(b); the Additional Payment shall be paid to Executive in a cash lump sum payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(5) a portion of his annual incentive bonus equal to the annual incentive bonus as provided in Section 2(b) based on actual performance, multiplied by a fraction, the numerator of which equals the number of days from the commencement of the year in which such termination occurs through the Termination Date, and the denominator of which equals 365; any such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year following the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(6) if his Termination Date occurs after the end of the Company's fiscal year and prior to the payment of his annual incentive bonus for such year, the same annual incentive bonus to which he would have been entitled had his employment continued through the normal bonus payment date, if any; such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired; and

(7) his Base Salary for the period commencing on the day after his Termination Date and ending on the last day of the month in which the Termination Date occurs; any such amount shall be paid to Executive in a cash lump sum payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired.

(b) ***Health and Dental Coverage.***

(1) The Company shall provide to Executive and his covered dependents, if any, coverage as in effect for Executive on the date immediately prior to the Termination Date under the Company's group health plan and group dental plan for a period of 24 months following the Termination Date; provided, however, Executive and his covered dependents, if any, shall not be required to pay any portion of the premium cost to retain such coverages except that the cost of such coverages will be imputed as income and reported as wages to Executive in the event that Company maintains a self-funded group health plan and/or group dental plan and such Company-provided coverage would otherwise be discriminatory within the meaning of Code Section 105(h). In all other respects Executive shall be treated the same as other participants under the terms of such plans.

(2) Thereafter, Executive and his covered dependents, if any, shall be entitled to elect continuation coverage under such plans pursuant to COBRA and the Company's procedures for COBRA administration ("**COBRA Coverage**"). In the event that COBRA coverage is elected, (i) the COBRA time period shall not be reduced by the post-termination continuation coverage provided pursuant to Section 6(b)(1) and (ii) Executive (and his covered dependents, if any) must pay the full COBRA premium rates as effective during the COBRA Coverage period. (In the event Executive does not satisfy the Waiver and Release requirement, he and his covered dependents, if any, shall be entitled to only COBRA Coverage after his Termination Date.)

(3) In the event of any change to the group health plan or group dental plan following the Termination Date, Executive shall be treated consistently with Senior Officers of the Company (or its successor) with respect to the terms and conditions of coverage and other substantive provisions of the plan; provided, however, no participant contributions shall be required from Executive (and his covered dependents, if any) unless COBRA Coverage is in effect. Notwithstanding the foregoing provisions of this Section 6(b)(3), the coverage of Executive (and his dependents, if any) under such health and/or dental plans maintained by the Company shall terminate in the event that Executive becomes

employed by another for-profit employer which maintains a group health plan or plans for its employees providing group health coverage or group dental coverage, as applicable; provided, however, any COBRA Coverage shall not be terminated unless and until permitted under COBRA. For purposes of the preceding sentence, (i) the coverage of Executive (and his dependents, if any) under the health and/or dental plans maintained by the Company shall not terminate during the 24-month period until Executive becomes eligible to participate in such group health and group dental coverage of another for-profit employer and (ii) personal coverage obtained by Executive other than through employment or coverage available by reason of Executive's performance of services as an independent contractor shall not be considered.

(4) The Company-provided coverage and the COBRA Coverage above shall be provided in a manner that is intended to either comply with Code Section 409A or satisfy an exception to Code Section 409A, and therefore not be treated as an arrangement providing for nonqualified deferred compensation that is subject to taxation under Code Section 409A, as determined by the Company in its discretion, including (1) providing such benefits on a nontaxable basis to Executive, (2) providing for the reimbursement of covered expenses incurred during the time period during which Executive would be entitled to continuation coverage under a group health plan of the Company in accordance with Code Section 4980B (*i.e.*, COBRA Coverage), (3) providing that such benefits constitute the reimbursement or provision of in-kind benefits payable at a specified time or pursuant to a fixed schedule as permitted under Code Section 409A and the authoritative guidance thereunder, and/or (4) such other manner as determined by the Company in compliance with Code Section 409A.

(c) **No Benefits.** In the event that (i) Executive voluntarily resigns or otherwise voluntarily terminates his own employment at any time, in either case without Good Reason, (ii) his employment is terminated by the Company for Cause, or (iii) his employment is terminated due to his death or Disability, then the Company shall have no obligation to provide any severance benefits under Section 6(a) or Section 6(b)(1). In any such event, Executive and his covered dependents, if any, shall be entitled to only COBRA Coverage after his Termination Date.

(d) **Waiver and Release.** Notwithstanding any provision of the Agreement to the contrary, in order to receive the severance benefits payable under any of Section 6(a), Section 6(b)(1), or Section 7, as applicable, Executive must first execute an appropriate waiver and release agreement (substantially in the form attached hereto as Appendix C) (the "Waiver and Release") whereby Executive agrees to release and waive, in return for such severance benefits, any claims that he may have against the Company including, without limitation for unlawful discrimination (including, without limitation, any claims for discrimination under any federal or state statute or regulation); provided, however, such Waiver and Release shall not release any claim or cause of action by or on behalf of Executive for any payment or vested benefit that is due under either the Agreement or any employee benefit plan or program of the Company until fully paid prior to the receipt thereof. Executive shall have 21 days after receipt of the Waiver and Release to consider and timely execute

and return it to the Company. After return, Executive shall have an additional seven days in which he can revoke the Waiver and Release; thereafter, the Waiver and Release shall be irrevocable. The Company shall provide the Waiver and Release to Executive no later than five days after his Termination Date. If the Waiver and Release is not timely executed and returned, or it is revoked within the seven-day revocation period, no benefits shall be paid under any of Section 6(a), Section 6(b)(1), Section 7, or Section 42.

(e) **No Duplication.** The severance payments provided under the Agreement shall supersede and replace any severance payments under any severance pay plan that the Company or any Affiliate maintains for employees generally. Notwithstanding the preceding sentence, in the event that a severance payment under the Agreement would constitute a change in the form or timing of payment under Code Section 409A of any severance benefit otherwise payable to Executive under any other plan or other arrangement, then the portion of the severance payment payable under the Agreement that is equal to the amount payable under such other severance arrangement shall be paid in the form, and at the time, applicable under such other severance arrangement and, in such event, any excess severance payment as determined under the Agreement shall be paid in the time and form as specified in the Agreement.

7. Severance Benefits Upon Certain Terminations Following a Change in Control . Except in the event of termination of Executive's employment (i) due to Executive's death or Disability, (ii) due to Executive's voluntary resignation or termination, in either case without Good Reason, (iii) by the Company for Cause, or (iv) prior to a Change in Control under the circumstances and within the time limits provided in Section 6, and subject to the Waiver and Release requirement described in Section 6(d) and the forfeiture provision in Section 16, Executive's right to compensation and benefits for periods after the Termination Date and after a Change in Control shall be determined in accordance with this Section 7, as follows:

(a) The provisions of this Section 7 shall not apply unless (a) there shall have been a Change in Control during the Term of Employment, and (b) Executive's employment with the Company shall have been terminated for any reason other than Cause by the Company within two years after the date of such Change in Control, or Executive shall have terminated his employment from the Company for Good Reason within two years after the date of such Change in Control. Upon the occurrence of a Change in Control, the Term of Employment shall automatically be extended so that it expires on the second anniversary of the Change in Control.

(b) If the Company terminates Executive's employment with the Company for any reason other than Cause, or if Executive terminates his employment with the Company for Good Reason prior to the second anniversary of a Change in Control, then Executive's severance benefits shall be determined in accordance with the provisions of Section 6, after taking into account the modifications in this Section 7, as follows:

(1) the Severance Multiplier for purposes of determining the amount of the Additional Payment under Section 6(a)(1) shall be two; such Additional Payment shall

be paid to Executive in a lump sum cash payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(2) a portion of his annual incentive bonus equal to the annual incentive bonus as provided in Section 2(b) based on actual performance, multiplied by a fraction, the numerator of which equals the number of days from the commencement of the year in which such termination occurs through the Termination Date, and the denominator of which equals 365; any such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year following the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(3) if his Termination Date occurs after the end of the Company's fiscal year and prior to the payment of his annual incentive bonus for such year, the same annual incentive bonus to which he would have been entitled had his employment continued through the normal bonus payment date, if any; such annual incentive bonus shall be paid in a cash lump sum on the normal bonus payment date for Senior Officers whose employment has continued, and in no event later than the end of the year in which the Termination Date occurs, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(4) his Base Salary for the period commencing on the day after his Termination Date and ending on the last day of the month in which the Termination Date occurs; any such amount shall be paid to Executive in a lump sum cash payment on the 60th day following the Termination Date, but only if the Waiver and Release has been timely executed and returned and the revocation period has expired;

(5) group health and dental benefits under Section 6(b)(1) shall be provided for 36 months from the Termination Date, provided Executive complies with the otherwise applicable requirements of Section 6 (such benefits described in this Section 7(b)(5) herein referred to as "**Continuation Coverage**");

(6) the Continuation Coverage shall be provided in a manner that is intended to either comply with Code Section 409A or satisfy an exception to Code Section 409A, and therefore not treated as an arrangement providing for nonqualified deferred compensation that is subject to taxation under Code Section 409A, as determined by the Company in its discretion, including (1) providing such benefits on a nontaxable basis to Executive, (2) in the case of group health and dental benefits, providing for the reimbursement of covered expenses incurred during the time period during which Executive would be entitled to continuation coverage under a group health plan of the Company in accordance with Code Section 4980B (*i.e.*, COBRA coverage), (3) providing that such benefits constitute the reimbursement or provision of in-kind benefits payable at a specified time or pursuant to a fixed schedule as permitted under Code Section 409A and the

authoritative guidance thereunder, and/or (4) such other manner as determined by the Company in compliance with Code Section 409A;

(7) In determining whether Executive has Good Reason to terminate his employment with the Company following a Change in Control, there shall also be treated as events of Good Reason:

(A) the events described in clause D of the definition of Good Reason without regard to whether such changes apply to Senior Officers on the same basis;

(B) the taking of any action by the Company which would adversely affect Executive's participation in or materially reduce his benefits under or deprive Executive of any material fringe benefit enjoyed by him at the time of a Change in Control, or the failure by the Company to provide Executive with the number of hours of paid time off to which he was entitled in accordance with the Company policies in effect at the time of a Change in Control;

(C) any loss of significant authority, power or control over that exercised by Executive immediately prior to the Change in Control (including a change in superior to whom Executive reports);

(D) if the Company becomes a division, a wholly or majority-owned subsidiary or other similar captive entity of another person or entity or combination thereof (*i.e.* of a "parent"); and if Executive is not placed in the identical or equivalent position within the parent person or entity, then such occurrence will be deemed to be an assignment of duties materially inconsistent with Executive's position as described above thereby constituting Good Reason; and

(E) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including any plan or arrangement to receive and exercise stock options, stock appreciation rights, restricted stock or grants thereof or to acquire stock or other securities of the Company) in which Executive is participating at the time of a Change in Control (unless substitute plans or arrangements are implemented and continued providing Executive with substantially similar benefits with respect to the Company's successor after a Change in Control) (hereinafter referred to as "**Securities Plans**") or the taking of any action by the Company which would adversely affect Executive's participation in or materially reduce his benefits under any such Securities Plan.

(c) **Expenses.** The Company shall pay to Executive all reasonable legal fees and expenses incurred by him as a result of the termination of his employment after a Change in Control other than by the Company for Cause or by reason of death incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by Section 7 of the Agreement, provided Executive establishes that his termination was covered by the provisions of this Section 7. Such reimbursements or payments shall be made upon Executive's substantiation of such legal expenses; provided, however, that

in no event shall reimbursement be made later than the end of the year following the year in which Executive incurs the expenses.

(d) **No Benefits.** In the event that (i) Executive voluntarily resigns or otherwise voluntarily terminates his own employment at any time, in either case without Good Reason, (ii) his employment is terminated by the Company for Cause or (iii) his employment is terminated due to his death or Disability, then the Company shall have no obligation to provide any severance benefits under Section 7. In any such event, Executive and his covered dependents, if any, shall be entitled to only COBRA Coverage after his Termination Date.

(e) **Legal Fees and Dispute Resolution.** In the event that following a Change in Control the employment of Executive is terminated for Cause for a reason set out in Section 39, the Company will advance reasonable legal fees to Executive in the event Executive contests such termination for Cause. Notwithstanding the provisions of Section 28 otherwise requiring arbitration, Executive may at his election contest whether Cause exists by means of litigation but only in courts within Houston, Harris County, Texas. No legal fees are to be advanced to cover the costs of Executive's presentation of the matter to the Board as described in Section 39. Executive shall prepare a written estimate of legal fees expected to be incurred in the following 90 days and submit same to the Company; such estimated amount shall be paid by the Company to Executive within 10 days of receipt of the written estimate. At the end of the 90 days, and each 90 days thereafter, Executive shall prepare and submit a subsequent written estimate and copies of paid invoices for legal services rendered during such 90-day period; such subsequent estimate shall include an offset in the event estimated fees for the preceding 90-day period exceeded actual fees incurred. The Company agrees to pay such subsequent estimates within 10 days of receipt of same. Within 10 days of resolution of the matter, Executive will submit an appropriate accounting of actual and estimated expenses and refund to the Company any amount by which the estimated fees exceeded the actual fees incurred. Unless the Executive substantially prevails in the matter, Executive will reimburse the Company for all amounts advanced hereunder within 10 days of resolution of the matter.

(f) **Potential Reduction in Payments.** Notwithstanding any other provision of the Agreement to the contrary, if any Payment would be subject to the Excise Tax, then the Payment shall be either

- (1) delivered in full pursuant to the terms of this Agreement or
- (2) reduced in accordance with this Section 7(f) to the extent necessary to avoid the Excise Tax,

based on which of (1) or (2) would result in the greater Net After-Tax Receipt to Executive.

For purposes of this Section 7(f):

"Payment" means any payment, distribution, or other benefit to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the

terms of this Agreement or otherwise that constitutes a “parachute payment” within the meaning of Section 280G of the Code;

“Excise Tax” means the excise imposed by Section 4999 of the Code or any similar or successor provision thereto; and

“Net After-Tax Receipt” means the present value (as determined in accordance with Section 280G of the Code) of the payments net of all applicable federal, state and local income, employment, and other applicable taxes and the Excise Tax.

If Payments are reduced, the reduction shall be accomplished first by reducing cash Payments under this Agreement, in the order in which such cash Payments otherwise would be paid and then by forfeiting any equity-based awards that vest as a result of the Change in Control, starting with the most recently granted equity-based awards, to the extent necessary to accomplish such reduction.

All determinations under this Section 7(f) shall be made by the Company’s independent accountants or compensation consultants (the “Third Party”) and all such determinations shall be conclusive, final and binding on the parties hereto. The Company and Executive shall furnish to the Third Party such information and documents as the Third Party may reasonably request in order to make a determination under this Section 7(f). The Company shall bear all reasonable fees and costs of the Third Party with respect to determinations under or contemplated by this Section 7(f).

8. **Notice of Termination.** Any termination by the Company or Executive of his employment from the Company shall be communicated by Notice of Termination to the other Party hereto. For purposes of the Agreement, the term “**Notice of Termination**” means a written notice which indicates the specific termination provision of the Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated.

9. **Mitigation.** Executive shall not be required to mitigate the amount of any payment provided for under the Agreement by seeking other employment or in any other manner.

10. **Confidential Information.**

(a) **Access to Confidential Information and Specialized Training.** In connection with his employment and continuing on an ongoing basis during employment, the Company agrees to give Executive access to Confidential Information (as defined below) (including, without limitation, Confidential Information of the Company’s Affiliates and subsidiaries), which Executive did not have access to or knowledge of before Executive’s employment with the Company. Executive acknowledges and agrees that, as between the Parties, all Confidential Information is and shall remain the exclusive property of the Company and that all Confidential Information is confidential and a valuable, special and unique asset of the Company that gives the Company an advantage over its actual and potential, current and future competitors. Executive further acknowledges and agrees that

Executive shall preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information may constitute “trade secrets” under applicable laws, and that unauthorized disclosure or unauthorized use of the Company’s Confidential Information would irreparably injure the Company.

The Company agrees to provide Executive with initial and ongoing Specialized Training, which Executive does not have access to or knowledge of before the execution of the Agreement, and the Company agrees to continue providing such Specialized Training on an ongoing basis during employment. “**Specialized Training**” includes the training the Company provides to Executive that is unique to its business and enhances Executive’s ability to perform his job duties effectively, which includes, without limitation, orientation training; sales methods/techniques training; operation methods training; and computer and systems training.

(b) **Agreement Not to Use or Disclose Confidential Information** . Both during the term of Executive’s employment and after the termination of Executive’s employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of the Company, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive’s employment), disclose any Confidential Information to any person or entity (except other employees of the Company who have a need to know the information in connection with the performance of their employment duties), without the prior written consent of the Board, or permit any other person in the Executive’s immediate family (which shall mean the spouse and children of the Executive) to do so; provided, however, Executive may make such disclosures to third parties where the disclosure is made during the Employment Period to third parties who have executed confidentiality agreements acceptable to the Company. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). The Agreement applies to all Confidential Information, whether now known or later to become known to Executive.

(c) **Agreement to Refrain from Derogatory Statements** . Executive shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any oral or written statements about the Company or any of its Affiliates’ directors, officers, employees, agents, investors or representatives that are untruthful and harmful to the business interest or reputation of the Company or any of its Affiliates; or that disclose private or confidential information about the Company or any of its Affiliates’ business affairs, directors, officers, employees, agents, investors or representatives; or that constitute an intrusion into the seclusion or private lives of the Company’s or any of its Affiliates’ directors, officers, employees, agents, investors or representatives; or that give rise to negative publicity about the private lives of such directors, officers, employees, agents, investors or representatives; or that place such directors, officers, employees, agents, investors or representatives in a false light before the public; or that constitute a misappropriation of the name or likeness of such directors, officers, employees, agents,

investors or representatives. A violation or threatened violation of this prohibition may be enjoined. This Section does not apply to communications with regulatory authorities or other communications protected or required by law.

(d) **Definition of Confidential Information.** As used in the Agreement, the term “**Confidential Information**” shall mean any information or material known to or used by or for the Company or an Affiliate (whether or not owned or developed by the Company or an Affiliate and whether or not developed by Executive) that is not generally known to any person not employed by or acting as a director or consultant to the Company or its Affiliates. Confidential Information includes, but is not limited to, the following: all trade secrets of the Company or an Affiliate; all non-public information that the Company or an Affiliate has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all non-public information concerning the Company’s or Affiliate’s products, services, prospective products or services, research, product designs, prices, discounts, costs, marketing plans, marketing techniques, market studies, test data, customers, customer lists and records, suppliers and contracts; all business records and plans; all personnel files; all financial information of or concerning the Company or an Affiliate; all information relating to the Company’s operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company or an Affiliate; all computer hardware or software manuals of the Company or an Affiliate; all Company or Affiliate training or instruction manuals; and all Company or Affiliate data and all computer system passwords and user codes.

11. **Duty to Return Company Documents and Property.** Upon the termination of Executive’s employment with the Company, for any reason whatsoever, Executive shall immediately return and deliver to the Company any and all papers, books, records, documents, memoranda and manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, belonging to the Company, relating to its business or containing Confidential Information, in Executive’s possession, whether prepared by Executive or others. If at any time after the Employment Period, Executive determines that he has any Confidential Information in his possession or control, Executive shall immediately return to the Company all such Confidential Information in his possession or control, including all copies and portions thereof.

12. **Employee Developments.**

(a) **Assignment of Employee Developments.** Executive hereby assigns to the Company, without additional compensation, all right, title and interest Executive has in and to any Employee Developments. If copyright protection is available for any Employee Development, such Employee Development will be considered a “work for hire” as that term is defined under copyright law and will be the exclusive property of the Company.

(b) **Executive Duties.** During and after Executive’s employment with the Company, Executive shall, without additional compensation: (i) promptly disclose to the

Company any Employee Development, specifically identifying any inventions, improvements or other portions of the Employee Development that are potential patentable or susceptible to protection as a trade secret; (ii) execute and deliver any and all applications, assignments, documents, and other instruments that the Company shall deem necessary to protect the right, title and interest of the Company or its designee in or to any Employee Development; (iii) reasonably cooperate and assist in providing information for making and completing regulatory and other filings in connection with any Employee Development; (iv) reasonably cooperate and assist in providing information for or participating in any action, threatened action, or considered action relating to any Employee Development; and (v) take any and all other actions as the Company may otherwise require with respect to any Employee Development.

(c) **Third Party Obligations.** Executive acknowledges that the Company from time to time may have agreements with other persons or entities which impose obligations or restrictions on the Company regarding development-related work made during the course of work thereunder or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions and to take all action necessary to discharge the obligations of the Company.

(d) **Definition of Employee Developments.** As used in this Agreement, the term “**Employee Developments**” shall mean all inventions, ideas, and discoveries (whether patentable or not), designs, products, processes, procedures, methods, developments, formulae, techniques, analyses, drawings, notes, documents, information, materials, and improvements, including, but not limited to, computer programs and related documentation, and all intellectual property rights therein, made, conceived, developed, or prepared, in whole or in part, by Executive during the course of employment with the Company, alone or with others, whether or not during work hours or on Company’s premises, which are (i) within the scope of business operations of Company, or a reasonable or contemplated expansion thereof, (ii) related to any Company or Affiliate work or project, present, past or contemplated, (iii) created with the aid of Company’s materials, equipment, facilities or personnel, or (iv) based upon information to which Executive has access as a result of or in connection with his employment with Company. Executive recognizes that all ideas, inventions, and discoveries of the type described in this Section 12(d), conceived or made by Executive alone or with others within one year after termination of employment (voluntary or otherwise), are likely to have been conceived in significant part either while employed by the Company or as a direct result of knowledge Executive had of proprietary information or Confidential Information. Accordingly, Executive agrees that such ideas, inventions or discoveries shall be presumed to have been conceived during his employment with the Company, unless and until the contrary is clearly established by Executive, and shall be treated as Employee Developments hereunder.

13. **Non-Solicitation Restriction.** To protect the Confidential Information, and in the event of Executive’s termination of employment for any reason whatsoever, whether by Executive or the Company, it is necessary to enter into the following restrictive covenants, which are ancillary to the enforceable promises between the Company and Executive in

Sections 10 through 12 of the Agreement. Executive hereby covenants and agrees that he will not, directly or indirectly, either individually or as a principal, partner, agent, consultant, contractor, employee, or as a director or officer of any corporation or association, or in any other manner or capacity whatsoever, except on behalf of the Company or an Affiliate, solicit business, or attempt to solicit business, in products or services competitive with any products or services sold (or offered for sale) by the Company or any Affiliate, from the Company's or Affiliate's customers or prospective customer, or those individuals or entities with whom the Company or Affiliate did business during the Employment Period, including, without limitation, the Company's or Affiliate's prospective or potential customers. Subject to Section 17, the prohibition set forth in this Section 13 shall remain in effect for a period of one year from the Termination Date for whatever reason.

14. **Non-Competition Restriction.** Executive hereby covenants and agrees that during his employment with the Company or any of its Affiliates, and for a period of one year following the Termination Date, Executive will not, without the prior written consent of the Board, participate in any capacity in which Executive would perform any duties similar to those performed while at the Company or an Affiliate, directly or indirectly (whether as proprietor, stockholder, director, partner, employee, agent, independent contractor, consultant, trustee, beneficiary, or in any other capacity), with any Competitor; provided, however, Executive shall not be deemed to be participating with a Competitor solely by virtue of his ownership of not more than one percent (1%) of any class of stock or other securities which are publicly traded on a national securities exchange or in a recognized over-the-counter market. For purposes of this Agreement, "Competitor" means an individual, partnership, firm, corporation or other business organization or entity that materially competes with a significant business owned or operated by the Company or one of its Affiliates as of Executive's Termination Date, the names of which shall be made available to Executive upon Executive's Termination Date and upon reasonable request. In no event shall the Competitors include more than 10 entities. As of the date of this Agreement, the definition of a Competitor includes the following entities: Basic Energy Services, Inc.; Precision Drilling Trust; Helmerich & Payne, Inc.; Nabors Industries, Ltd.; Pioneer Drilling Company; Hercules Offshore, Inc.; Key Energy Services, Inc.; Superior Energy Services; and Trinidad Drilling Ltd.

15. **Non-Recruitment Restriction.** Executive agrees that during his employment with the Company or any of its Affiliates, and for a period of one year from the Termination Date for whatever reason, Executive will not, either directly or indirectly, or by acting in concert with others, solicit or influence any employee of the Company or any Affiliate to terminate or reduce his or her employment with the Company or any Affiliate. In the event any such employee shall take such action after communicating with Executive at a time when Executive is no longer employed by the Company, a presumption of recruitment shall apply unless Executive conclusively demonstrates to the contrary.

16. **Forfeiture of Severance Payment.** A "Forfeiture Event" for purposes of the Agreement will occur if (a) Executive violates any of the covenants or restrictions contained in Sections 13 through 15, or (b) the Company learns of facts within two years following

Executive's Termination Date that, if had been known by the Reporting Authority as of the Termination Date, would have resulted in the termination of Executive's employment hereunder for Cause. In the event of a Forfeiture Event, within 30 days of being notified by the Company in writing of the Forfeiture Event, Executive shall pay to the Company the full the amount of the severance payment received by Executive pursuant to Section 6(a)(1), or such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court or arbitrator. The provisions of this Section 16 are in addition to any forfeiture provisions of other Company plans, programs or agreements applicable to the Executive. Executive specifically recognizes and affirms that this Section 16 is a material part of the Agreement without which the Company would not have entered into the Agreement. Executive further covenants and agrees that should all or any part or application of this Section 16 be held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction or arbitrator in an action between Executive and the Company, then Executive shall promptly pay to the Company the amount of the severance payment received by Executive pursuant to Section 6(a)(1), or such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court or arbitrator, as applicable.

17. **Tolling.** If Executive violates any of the restrictions contained in Sections 10 through 16, the restrictive period will be suspended and will not run in favor of Executive from the time of the commencement of any violation until the time when Executive cures the violation to the Company's reasonable satisfaction.

18. **Reformation.** If a court or arbitrator concludes that any time period or the geographic area specified in any restrictive covenant in Sections 10 through 16 is unenforceable, then the time period will be reduced by the number of months, or the geographic area will be reduced by the elimination of the overbroad portion, or both, so that the restrictions shall be enforced in the geographic area and for the time to the full extent permitted by law.

19. **Conflicts of Interest.** In keeping with his fiduciary duties to the Company, Executive hereby agrees that he shall not become involved in a conflict of interest, or upon discovery thereof, allow such a conflict to continue at any time during the Employment Period. Moreover, Executive agrees that he shall immediately disclose to the Reporting Authority any known facts which might involve a conflict of interest of which the Reporting Authority is not aware.

Executive and the Company recognize and acknowledge that it is not possible to provide an exhaustive list of actions or interests which may constitute a "conflict of interest." Moreover, the Company and Executive recognize there are many borderline situations. In some instances, full disclosure of facts by Executive to the Reporting Authority may be all that is necessary to enable the Company to protect its interests. In others, if no improper motivation appears to exist and the Company's interests have not demonstrably suffered, prompt elimination of the outside interest may suffice. In egregious and material instances it may be necessary for the Company to terminate Executive's employment for Cause; provided, however, Executive cannot be terminated for Cause hereunder unless the Company

first provides Executive with notice and a reasonable opportunity to cure such conflict of interest pursuant to the same procedures as set forth in clause (E) of the definition of Cause.

Executive hereby agrees that any interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest could adversely affect the Company or any Affiliate, involves a possible conflict of interest. Circumstances in which a conflict of interest on the part of Executive would or might arise, and which should be reported to the Reporting Authority, include, but are not limited to, any of the following:

- (a) Ownership of more than a *de minimis* interest in any lender, supplier, contractor, customer or other entity with which Company or any Affiliate does business;
- (b) Intentional misuse of information, property or facilities to which Executive has access in a manner which is demonstrably and materially injurious to the interests of the Company or any Affiliate, including its business, reputation or goodwill; or
- (c) Materially trading in products or services connected with products or services designed or marketed by or for the Company or any Affiliate.

20. **Remedies.** Executive acknowledges that the restrictions contained in Sections 10 through 19, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, and that any violation of the Agreement would result in irreparable injury to the Company. In the event of a breach or a threatened breach by Executive of any provision of Sections 10 through 19, the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, and to recover the Company's attorneys' fees, costs and expenses related to the breach or threatened breach. Nothing contained in the Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. These covenants and disclosures shall each be construed as independent of any other provisions in the Agreement, and the existence of any claim or cause of action by Executive against the Company, whether predicated on the Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and agreements.

21. **Withholdings: Right of Offset.** The Company may withhold and deduct from any benefits and payments made or to be made pursuant to the Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling, (b) all other normal employee deductions made with respect to the Company's employees generally, and (c) any advances made to Executive and owed to the Company.

22. **Non-alienation.** The right to receive payments under the Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge or encumbrance by Executive, his dependents or beneficiaries, or to any other person who is or may become entitled to receive such payments hereunder. The right to receive payments hereunder shall not be subject to or liable for the debts, contracts, liabilities, engagements

or torts of any person who is or may become entitled to receive such payments, nor may the same be subject to attachment or seizure by any creditor of such person under any circumstances, and any such attempted attachment or seizure shall be void and of no force and effect.

23. **Incompetent or Minor Payees.** Should the Reporting Authority determine, in its discretion, that any person to whom any payment is payable under the Agreement has been determined to be legally incompetent or is a minor, any payment due hereunder, notwithstanding any other provision of the Agreement to the contrary, may be made in any one or more of the following ways: (a) directly to such minor or person; (b) to the legal guardian or other duly appointed personal representative of the person or estate of such minor or person; or (c) to such adult or adults as have, in the good faith knowledge of the Reporting Authority, assumed custody and support of such minor or person; and any payment so made shall constitute full and complete discharge of any liability under the Agreement in respect to the amount paid.

24. **Indemnification.** THE COMPANY SHALL, TO THE FULL EXTENT PERMITTED BY LAW, INDEMNIFY AND HOLD HARMLESS EXECUTIVE FROM AND AGAINST ANY AND ALL LIABILITY, COSTS AND DAMAGES ARISING FROM HIS SERVICE AS AN EMPLOYEE, OFFICER OR DIRECTOR OF THE COMPANY OR ITS AFFILIATES, SPECIFICALLY INCLUDING LIABILITY, COSTS AND DAMAGES THAT ARISE IN WHOLE OR IN PART FROM ANY NEGLIGENCE OR ALLEGED NEGLIGENCE OF EXECUTIVE, EXCEPT, HOWEVER, TO THE EXTENT THAT ANY SUCH LIABILITY, COST OR DAMAGE RESULTED FROM AN ACT OR OMISSION BY EXECUTIVE THAT CONSTITUTES GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON HIS PART. Executive shall also be provided directors' and officers' liability insurance and any contractual indemnification provided to Senior Officers at any given time. To the full extent permitted by Delaware law, the Company shall retain counsel to defend Executive, or shall advance legal fees and expenses to Executive for counsel selected by Executive, in connection with any litigation or proceeding related to his service as an employee, officer and director of the Company or any Affiliate within 20 days after receipt by the Company of a written request for such advance. Such request shall include an itemized list of the costs and expenses and an undertaking by Executive to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. This Section 24 shall be in addition to, and shall not limit in any way, the rights of Executive to any other indemnification from the Company, as a matter of law, contract or otherwise.

25. **Severability.** It is the desire of the parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction or arbitrator (pursuant to Section 28), the parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed

by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.

26. **Title and Headings; Construction.** Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. The words “herein”, “hereof”, “hereunder” and other compounds of the word “here” shall refer to the entire Agreement and not to any particular provision hereof. The masculine gender is intended to include the feminine gender.

27. **Choice of Law.** EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, THE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW.

28. **Arbitration.** Subject to Section 20, any dispute or other controversy other than as provided in Section 7(e) (hereafter a “**Dispute**”) arising under or in connection with the Agreement, whether in contract, in tort, statutory or otherwise, shall be finally and solely resolved by binding arbitration in Harris County, Texas, administered by the American Arbitration Association (the “**AAA**”) in accordance with the Commercial Dispute Resolution Rules of the AAA, this Section 28 and, to the maximum extent applicable, the Federal Arbitration Act. Such arbitration shall be conducted by a single arbitrator (the “**Arbitrator**”). If the parties cannot agree on the choice of an Arbitrator within 30 days after the Dispute has been filed with the AAA, then the Arbitrator shall be selected pursuant to the Employment Dispute Resolution Rules of the AAA. The Arbitrator may proceed to an award notwithstanding the failure of any party to participate in such proceedings. The prevailing party in the arbitration proceeding may be entitled to an award of reasonable attorneys’ fees incurred in connection with the arbitration in such amount, if any, as determined by the Arbitrator in his discretion. The costs of the arbitration shall be borne equally by the parties unless otherwise determined by the Arbitrator in his discretion.

To the maximum extent practicable, an arbitration proceeding hereunder shall be concluded within 180 days of the filing of the Dispute with the AAA. The Arbitrator may allow discovery in its discretion but shall be mindful of the Parties’ goal of settling disputes in the most efficient manner possible. The Arbitrator shall be empowered to impose sanctions and to take such other actions as the Arbitrator deems necessary to the same extent a judge could impose sanctions or take such other actions pursuant to the Federal Rules of Civil Procedure and applicable law. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential except for disclosure of information required by applicable law which cannot be waived.

The award of the Arbitrator shall be (a) the sole and exclusive remedy of the parties, and (b) final and binding on the parties hereto except for any appeals provided by the Federal Arbitration Act. Only the district courts of Texas shall have jurisdiction to enter a judgment upon any award rendered by the Arbitrator, and the parties hereby consent to the personal jurisdiction of such courts and waive any objection that such forum is inconvenient. This Section 28 shall not preclude (i) the parties at any time from agreeing to pursue non-binding

mediation of the Dispute prior to arbitration hereunder or (ii) the Company from pursuing the remedies available under Section 20 in any court of competent jurisdiction.

29. **Binding Effect: Third Party Beneficiaries**. The Agreement shall be binding upon and inure to the benefit of the parties hereto, and to their respective heirs, executors, beneficiaries, personal representatives, successors and permitted assigns hereunder, but otherwise the Agreement shall not be for the benefit of any third parties.

30. **Entire Agreement; Amendment and Termination**. The Agreement contains the entire agreement of the parties with respect to Executive's employment and the other matters covered herein; moreover, the Agreement supersedes all prior and contemporaneous agreements and understandings, oral or written, between the Parties hereto concerning the subject matter hereof. Notwithstanding the foregoing, any indemnity agreement between the Company and Executive as of the Effective Date shall continue in effect until otherwise amended or superseded. The Agreement may be amended, waived or terminated only by a written instrument that is identified as an amendment or termination hereto and that is executed on behalf of both Parties.

31. **Survival of Certain Provisions**. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder, including but not limited to the rights and obligations set out in Sections 2, 5 through 7, 10 through 20, 24, 27, 28 and 34, shall survive any termination or expiration of the Agreement.

32. **Waiver of Breach**. No waiver by either Party hereto of a breach of any provision of the Agreement by any other Party, or of compliance with any condition or provision of the Agreement to be performed by such other Party, will operate or be construed as a waiver of any subsequent breach by such other Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either Party hereto to take any action by reason of any breach will not deprive such Party of the right to take action at any time while such breach continues.

33. **Successors and Assigns**. The Agreement shall be binding upon and inure to the benefit of the Company and its Affiliates, and its and their successors, and upon any person or entity acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the business and/or assets of the Company or its successor. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform the Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, no such assumption shall relieve the Company of its obligations hereunder.

The Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representative, executors, administrators, successors, and heirs. In the event of the death of Executive while any amount is payable hereunder including, without limitation, pursuant to Sections 2, 5, 6, and 7, all such amounts, unless otherwise specifically provided

herein, shall be paid in accordance with the terms of the Agreement to the beneficiary designated by Executive in a writing delivered to the Company, or if none, to Executive's surviving spouse if any, or if not, then to the personal representative of Executive's estate.

34. **Notices.** Each notice or other communication required or permitted under the Agreement shall be in writing and transmitted, delivered, or sent by personal delivery, prepaid courier or messenger service (whether overnight or same-day), or prepaid certified United States mail (with return receipt requested), addressed (in any case) to the other Party at the address for that Party set forth below that Party's signature on the Agreement, or at such other address as the recipient has designated by Notice to the other Party. Either party may change the address for notice by notifying the other party of such change in accordance with this Section 34.

Each notice or communication so transmitted, delivered, or sent (a) in person, by courier or messenger service, or by certified United States mail shall be deemed given, received, and effective on the date delivered to or refused by the intended recipient (with the return receipt, or the equivalent record of the courier or messenger, being deemed conclusive evidence of delivery or refusal), or (b) by telecopy or facsimile shall be deemed given, received, and effective on the date of actual receipt (with the confirmation of transmission being deemed conclusive evidence of receipt, except where the intended recipient has promptly notified the other Party that the transmission is illegible). Nevertheless, if the date of delivery or transmission is not a business day, or if the delivery or transmission is after 5:00 p.m. on a business day, the notice or other communication shall be deemed given, received, and effective on the next business day.

35. **Executive Acknowledgment.** Executive acknowledges that (a) he is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (b) he has read the Agreement and understands its terms and conditions, (c) he has had ample opportunity to discuss the Agreement with his legal counsel prior to execution, and (d) no strict rules of construction shall apply for or against the drafter or any other Party. Executive represents that he is free to enter into the Agreement including, without limitation, that he is not subject to any covenant not to compete that would conflict with his duties under the Agreement.

36. **Intention to Comply with Code Section 409A.** The Agreement is intended to comply with Code Section 409A. Executive acknowledges that if any provision of the Agreement (or of any award of compensation or benefits) would cause Executive to incur any additional tax or interest under Code Section 409A and accompanying Treasury regulations and other authoritative guidance, such additional tax and interest shall solely be his responsibility.

Pursuant to Code Section 409A, any reimbursement of expenses made under the Agreement (including reimbursement of health and dental expenses under Sections 5 through 7), shall only be made for eligible expenses incurred during the Term of Employment, and no reimbursement of any expense shall be made by the Company after December 31st of the year following the calendar year in which the expense was incurred. The amount eligible

for reimbursement under the Agreement during a taxable year may not affect expenses eligible for reimbursement in any other taxable year, and the right to reimbursement under the Agreement is not subject to liquidation or exchange for another benefit.

For purposes of Code Section 409A, each payment under this Agreement shall be deemed to be a separate payment. Except as permitted under Code Section 409A, any deferred compensation (within the meaning of Code Section 409A) payable to Executive under the Agreement may not be reduced by, or offset against, any amount owing by Executive to the Company or any of its Affiliates.

37. **Six-Month Delay.** Notwithstanding any provision in the Agreement to the contrary, if the payment of any benefit herein would be subject to additional taxes and interest under Code Section 409A because the timing of such payment is not delayed as provided in Code Section 409A for a “**specified employee**” (within the meaning of Code Section 409A), then if Executive is a “specified employee,” any such payment that Executive would otherwise be entitled to receive during the first six months following the Termination Date shall be accumulated and paid or provided, as applicable, within 10 days after the date that is six months following the Termination Date, or such earlier date upon which such amount can be paid or provided under Code Section 409A without being subject to such additional taxes and interest such as, for example, upon the death of Executive.

38. **Counterparts.** The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party hereto, but together signed by both parties.

39. **United States Foreign Corrupt Practices Act and Other Laws.** Executive represents that he has at all times complied with, and agrees that he shall at all times comply with, in all material respects with all laws applicable to Executive’s actions on behalf of the Company, including specifically, without limitation, the United States Foreign Corrupt Practices Act, generally codified in 15 U.S.C. 78 (the “**FCPA**”), as the FCPA may hereafter be amended, and/or its successor statutes. If (i) Executive pleads guilty to or *nolo contendere* or admits civil or criminal liability under the FCPA, or (ii) if a court finds that Executive has personal civil or criminal liability under the FCPA, or (iii) if the Board reasonably determines, after providing Executive, or his representative, an opportunity to present information regarding the matter to the Board, that Executive took an action or failed to take an action resulting, or that could reasonably be expected to result, in the Company or any of its subsidiaries having civil or criminal liability under the FCPA, and that Executive had knowledge that such activities would give rise to such FCPA liability or knowledge of facts from which Executive should have reasonably inferred that activities giving rise to such FCPA liability had occurred or were likely to occur, such action or finding shall constitute “Cause” for termination under this Agreement if the Board determines by resolution that the actions or inactions by Executive in violation of the FCPA were not taken in good faith

or were not in compliance with all policies of the Company applicable at the time of the action or inaction by Executive.

40. **No Previous Restrictive Agreements.** Executive represents that, except as disclosed in writing to the Company, he is not bound by the terms of any agreement with any previous employer or other party to (a) refrain from using or disclosing any trade secret or confidential or proprietary information in the course of Executive's employment by the Company or (b) refrain from competing, directly or indirectly, with the business of such previous employer or any other party. Executive further represents that his performance of all the terms of the Agreement and his work duties for the Company does not, and will not, breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to Executive's employment with the Company, and Executive will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

IN WITNESS WHEREOF, Executive has hereunto set his hand and Company has caused the Agreement to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the Effective Date.

[Signature page follows]

EXECUTIVE:

Signature: _____
DAVID R. FARMER

Date: _____

Address for Notices:

PARKER DRILLING COMPANY:

By: _____
DAVID C. MANNON
President and Chief Executive Officer

Date: _____

Address for Notices:

Parker Drilling Company
Attn: Chairman, Compensation Committee of the Board of Directors
5 Greenway Plaza
Suite 100
Houston, TX 77046

APPENDIX A

DEFINITIONS

For purposes of the Agreement:

- (1) “**AAA**” means the American Arbitration Association.
- (2) “**Additional Payment**” is as defined in Section 6 of the Agreement.
- (3) “**Affiliate**” means any entity which owns or controls, is owned or controlled by, or is under common control with, the Company.
- (4) “**Agreement**” has the meaning given it in the first paragraph of the Agreement.
- (5) “**Arbitrator**” is as defined in Section 28 of the Agreement.
- (6) “**Base Salary**” means such amount as specified in Section 2(a) and as thereafter adjusted.
- (7) “**Board**” means the Board of Directors of the Company.
- (8) “**Business Combination**” is as defined in the definition of Change in Control.
- (9) In addition to the matters set forth in Section 39, “**Cause**” means any of the following:

(A) Executive’s conviction by a court of competent jurisdiction as to which no further appeal can be taken of a crime involving moral turpitude or a felony or entering the plea of *nolo contendere* to such crime by Executive;

(B) the commission by Executive of a material or intentional act of fraud upon the Company or any Affiliate;

(C) the material misappropriation of funds or property of the Company or any Affiliate by Executive;

(D) the knowing engagement by Executive without the written approval of the Board, in any material activity which directly competes with the business of the Company or any Affiliate, or which would directly result in a material injury to the business or reputation of the Company or any Affiliate; or

(E) (i) material breach by Executive during the Employment Period of any of Sections 10 through 15, or Section 19, or (ii) the willful, material and repeated nonperformance of Executive’s duties to the Company or any Affiliate (other than

by reason of Executive's illness or incapacity), but Cause shall not exist under this clause (E)(i) or (E)(ii) until after written notice from the Reporting Authority has been given to Executive of such material breach or nonperformance (which notice specifically identifies the manner and sets forth specific facts, circumstances and examples in which the Reporting Authority reasonably believes that Executive has breached the Agreement or not substantially performed his duties) and Executive has failed to cure such alleged breach or nonperformance within a reasonable time period set by the Reporting Authority, but in no event less than 30 business days after his receipt of such notice; and, for purposes of this clause (E), no act or failure to act on Executive's part shall be deemed "willful" unless it is done or omitted by Executive not in good faith and without his reasonable belief that such action or omission was in the best interest of the Company (assuming disclosure of the pertinent facts, any action or omission by Executive after consultation with, and in accordance with the advice of, legal counsel reasonably acceptable to the Company shall be deemed to have been taken in good faith and to not be willful under the Agreement).

Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Executive a letter from the Reporting Authority stating that, in the good faith opinion of the Reporting Authority, Executive was guilty of actions or omissions constituting Cause and specifying the particulars thereof in detail.

(10) **"Change in Control."** For purposes of the Agreement, a "Change in Control" shall be deemed to have occurred as of any date if, after the Effective Date:

(A) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the **"Exchange Act"**) (a **"Person"**)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (i) the then outstanding shares of common stock of the Company (the **"Outstanding Company Common Stock"**) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the **"Outstanding Company Voting Securities"**); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company or any subsidiary, (ii) any acquisition by the Company or any subsidiary or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, or (iii) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar business combination involving the Company (a **"Merger"**), if, following such Merger, the conditions described in (C) (below) are satisfied;

(B) Individuals who, as of the Effective Date, constitute the Board (the **"Incumbent Board"**) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs

as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(C) There is a consummation by the Company of a reorganization, merger or consolidation (a “ **Business Combination**”), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common equity and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or comparable governing persons, as the case may be, of the entity surviving or resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be;

(D) The sale or other disposition of all or substantially all of the assets of the Company, unless immediately following such sale or other disposition, (i) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to the consummation of such sale or other disposition beneficially own, directly or indirectly, more than 50% of the common stock of the corporation acquiring such assets in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to the consummation of such sale or disposition, and (ii) at least a majority of the members of the board of directors of such corporation (or its parent corporation) were members of the Incumbent Board at the time of execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company;

(E) The consummation of any plan or proposal for the complete liquidation or dissolution of the Company; or

(F) Any other event that a majority of the Board, in its sole discretion, determines to constitute a Change in Control hereunder.

(G) Notwithstanding any other provision of the Agreement, unless otherwise agreed to by the parties in an amendment to the Agreement, if more than one event occurs after the Effective Date that constitutes a Change in Control for purposes of the Agreement, the Term of the Agreement shall not be extended as provided in Section 7 beyond the date which is two years from the date of the first such event that constitutes a Change in Control.

(11) “**COBRA Coverage**” is as defined in Section 6 of the Agreement.

(12) “**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

- (13) “**Code**” means the Internal Revenue Code of 1986, as amended, or its successor. References herein to any Code Section shall include any successor provisions of the Code.
- (14) “**Company**” means Parker Drilling Company, a Delaware corporation.
- (15) “**Competitor**” is as defined in Section 14 of the Agreement.
- (16) “**Confidential Information**” is as defined in Section 10 of the Agreement.
- (17) “**Continuation Coverage**” is as defined in Section 7 of the Agreement.
- (18) “**Designated Beneficiary**” means such beneficiary as designated in writing by Executive and delivered to the Company; or if none, Executive’s surviving spouse, if any. If there is no written beneficiary designation or surviving spouse at the time of Executive’s death, then the Designated Beneficiary hereunder shall be the legal representative of Executive’s estate for the benefit of such estate.
- (19) “**Disability**” means, upon expiration of any applicable waiting/elimination period, a disability of Executive that qualifies Executive for disability benefits.
- (20) “**Dispute**” means any dispute or controversy arising under or in connection with the Agreement, whether in contract, in tort, statutory or otherwise.
- (21) “**Effective Date**” means August 15, 2011.
- (22) “**Employee Developments**” is as defined in Section 12(d) of the Agreement.
- (23) “**Employment Period**” is as defined in Section 4 of the Agreement.
- (24) “**Exchange Act**” means the Securities Exchange Act of 1934.
- (25) “**Excise Tax**” is as defined in Section 7 of the Agreement.
- (26) “**Executive**” means DAVID R. FARMER.
- (27) “**FCPA**” is as defined in Section 39 of the Agreement.
- (28) “**Forfeiture Event**” is as defined in Section 16 of the Agreement.
- (29) “**Good Reason**” means the occurrence of any of the following events without Executive’s express written consent:

(A) a reduction in Executive's Base Salary, as in effect from time to time, or annual target incentive bonus opportunity;

(B) a relocation of Executive's principal place of employment with the Company or its successor by more than 30 miles;

(C) a substantial and adverse change in Executive's primary duties, control, authority, status or position, or the assignment to Executive of duties or responsibilities which are materially inconsistent with such status or position, or a material reduction in the primary duties and responsibilities previously exercised by Executive, except in connection with the termination of his employment for Cause;

(D) the Company or its successor fails to continue in effect any pension plan, life insurance plan, health-and-accident plan, retirement plan, disability plan, stock option or other similar plan, deferred compensation plan or executive incentive compensation plan under which Executive was receiving material benefits (unless the Company substitutes and continues other plans providing Executive with substantially similar benefits), or the taking of any action by the Company or its successor that, in any such case or cases, would materially and adversely affect Executive's participation in or materially reduce his benefits under any such plan, unless any such adverse change to any such plan applies on the same terms to Senior Officers; or

(E) any failure of any successor to the Company to have expressly assumed the Company's obligations under the Agreement as contemplated by Section 33 hereof, unless such assumption occurs by operation of law, or any other material breach by the Company or its successor of any other material provision of the Agreement.

Notwithstanding the definition of "Good Reason" for purposes of the Agreement, Executive may not terminate his employment hereunder for Good Reason unless he (i) first notifies the Board in writing of the event (or events) which Executive believes constitutes a Good Reason event and the specific paragraph of the Agreement under which such event has occurred, within 90 days from the date of such event, and (ii) provides the Company with at least 30 days to cure the Good Reason event so that it either (1) does not constitute a Good Reason event hereunder or (2) Executive reasonably agrees, in writing, that after any such modification or accommodation made by the Company that such event shall not constitute a Good Reason event hereunder.

(30) "**Incumbent Board**" is as defined in the definition of Change in Control.

(31) "**Initial Term of Employment**" is as defined in Section 4.

(32) "**Medicare**" is as defined in Section 6 of the Agreement.

(33) "**Net After-Tax Receipt**" is as defined in Section 7 of the Agreement.

- (34) “**Notice of Termination**” is as defined in Section 8 of the Agreement.
- (35) “**Outstanding Company Common Stock**” means the then outstanding shares of common stock of the Company.
- (36) “**Outstanding Company Voting Securities**” means the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors.
- (37) “**Party**” or “**Parties**” means the Company and/or Executive.
- (38) “**Payment**” is as defined in Section 7 of the Agreement.
- (39) “**Person**” is as defined in the definition of Change in Control.
- (40) “**Reporting Authority**” means the Chief Executive Officer.
- (41) “**Securities Plans**” is as defined in Section 7 of the Agreement.
- (42) “**Senior Officers**” means the employees of the Company, at the relevant time, holding one or more of the following positions or equivalent thereof of the Company: Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, General Counsel, Vice President-Technical Services, Vice President-Engineering and Vice President-Operations.
- (43) “**Severance Multiplier**” is as defined in Section 6 of the Agreement.
- (44) “**Specialized Training**” is as defined in Section 10 of the Agreement.
- (45) “**Subsidiary**” means any corporation, partnership, trust or other entity controlled by the Company.
- (46) “**Term of Employment**” is as defined in Section 4 of the Agreement.
- (47) “**Termination Date**” means the date on which Executive’s employment with the Company terminates, whether during the Term of Employment or at any time thereafter, for whatever reason and such termination constitutes a severance from employment within the meaning of Code Section 409A.
- (48) “**Total Cash**” is as defined in Section 6 of the Agreement.
- (49) “**Waiver and Release**” is as defined in Section 6 of the Agreement.

APPENDIX B

PRIMARY DUTIES AND RESPONSIBILITIES

- Responsible for P&L for all operational business units.
- Responsible for developing the business unit’s strategic plan.
- Responsible for developing the business unit’s annual operating budget.
- Responsible for developing the annual capital spending and AFE budget.
- Responsible for overseeing the day-to-day business operations
- Maintains company assets and records in accordance with company policies.
- Leads HSE commitment for all operational business units.
- Ensures strict adherence to FCPA, the Code of Conduct and company policies.
- Develops and maintains local relationships (customer, vendors, and government) critical to the success of the operation.
- Leads and manages area marketing, customer interaction, and business development in coordination with corporate Business Development. Interacts with key customers as necessary to ensure business is maintained and/or developed.
- Reviews contracts to ensure company’s interests are maintained.
- Ensures that appropriate inventories are maintained throughout the region.
- Oversees major equipment moves in countries within the region.
- Leads employee development, training efforts, and succession planning.
- Monitors and manages preventative maintenance and approved capital spending.
- Ensures that proper coordination takes place between area administrative functions and corporate staff functions.
- Responsible for inventory turnover and its maintenance.
- Evaluate competitor actions; recommend actions necessary for Parker Drilling to achieve business objectives.
- Ensure there is ongoing communication to personnel at all of the region’s locations.
- Perform regional assessment of workforce; identify strengths, weaknesses and gaps. Prepare recommendations to address issues.

APPENDIX C

FORM WAIVER AND RELEASE

Pursuant to the terms of the Employment Agreement made as of _____, _____, between Parking Drilling (the "Company") and me, and in consideration of the payments made to me and other benefits to be received by me pursuant thereto, I, _____, do freely and voluntarily enter into this WAIVER AND RELEASE (the "Release"), which shall become effective and binding on the eighth day following my signing the Release as provided herein (the "Effective Date"). It is my intent to be legally bound, according to the terms set forth below.

In exchange for the payments and other benefits to be provided to me by the Company pursuant to Section ____ of the Employment Agreement (the "Separation Payment" and "Separation Benefits"), I hereby agree and state as follows:

1. I, individually and on behalf of my heirs, personal representatives, successors, and assigns, release, waive, and discharge Company, its predecessors, successors, parents, subsidiaries, merged entities, operating units, affiliates, divisions, insurers, administrators, trustees, and the agents, representatives, officers, directors, shareholders, employees and attorneys of each of the foregoing (hereinafter "Released Parties"), from all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action, whether in law or in equity, whether known or unknown, suspected or unsuspected, arising from my employment and termination from employment with Company, including but not limited to any and all claims pursuant to Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991 (42 U.S.C. § 2000e, *et seq.*), which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Civil Rights Act of 1866 (42 U.S.C. §§1981, 1983 and 1985), which prohibits violations of civil rights; the Age Discrimination in Employment Act of 1967, as amended, and as further amended by the Older Workers Benefit Protection Act (29 U.S.C. §621, *et seq.*), which prohibits age discrimination in employment; the Employee Retirement Income Security Act of 1974, as amended (29 U.S.C. § 1001, *et seq.*), which protects certain employee benefits; the Americans with Disabilities Act of 1990, as amended (42 U.S.C. § 12101, *et seq.*), which prohibits discrimination against the disabled; the Family and Medical Leave Act of 1993 (29 U.S.C. § 2601, *et seq.*), which provides medical and family leave; the Fair Labor Standards Act (29 U.S.C. § 201, *et seq.*), including the wage and hour laws relating to payment of wages; and all other federal, state and local laws and regulations prohibiting employment discrimination. This Release also includes, but is not limited to, a release of any claims for breach of contract, mental pain, suffering and anguish, emotional upset, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, wrongful termination, wrongful discharge in violation of public policy, breach of any express or implied covenant of good faith and fair dealing, that Company has dealt with me unfairly or in bad faith, and all other common law contract and tort claims.

Notwithstanding the foregoing, I am not waiving any rights or claims that may arise after this Release is signed by me. Moreover, this Release does not apply to any claims or rights which, by operation of law, cannot be waived, including the right to file an administrative charge or participate in an administrative investigation or proceeding; however, by signing this Release I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Nothing in this Release shall affect in any way my rights of indemnification and directors and officers liability insurance coverage provided to me pursuant to the Company's by-laws, my employment agreement, and/or pursuant to any other agreements or policies in effect prior to the effective date of my termination, which shall continue in full force and effect, in accordance with their terms, following the effective date of this Waiver and Release.

2. I forever waive and relinquish any right or claim to reinstatement to active employment with Company, its affiliates, subsidiaries, divisions, parent, and successors. I further acknowledge that Company has no obligation to rehire or return me to active duty at any time in the future.
3. I acknowledge that all agreements applicable to my employment respecting non-competition, non-solicitation, non-recruitment, derogatory statements, and the confidential or proprietary information of the Company shall continue in full force and effect as described in the Employment Agreement.
4. I hereby acknowledge and affirm as follows:
 - a. I have been advised to consult with an attorney prior to signing this Release.
 - b. I have been extended a period of 21 days in which to consider this Release.
 - c. I understand that for a period of seven days following my execution of this Release, I may revoke the Release by notifying Company, in writing, of my desire to do so. I understand that after the seven-day period has elapsed and I have not revoked the Release, it shall then become effective and enforceable. I understand that the Separation Payment will not be made under the Employment Agreement and I will not be entitled to the Severance Benefits made under the Employment Agreement until after the seven-day period has elapsed and I have not revoked the Release.
 - d. I acknowledge that I have received payment for all wages due at time of my employment termination, including any reimbursement for any and all business related expenses. I further acknowledge that the Separation Payment and the Separation Benefits are consideration to which I am not otherwise entitled under any Company plan, program, or prior agreement.
 - e. I certify that I have returned all property of the Company, including but not limited to, keys, credit and fuel cards, files, lists, and documents of all kinds regardless of the medium in which they are maintained.

f. I have carefully read the contents of this Release and I understand its contents. I am executing this Release voluntarily, knowingly, and without any duress or coercion.

5. I acknowledge that this Release shall not be construed as an admission by any of the Released Parties of any liability whatsoever, or as an admission by any of the Released Parties of any violation of my rights or of any other person, or any violation of any order, law, statute, duty or contract.
6. I agree that the terms and conditions of this Release are confidential and that I will not, directly or indirectly, disclose the existence of or terms of this Release to anyone other than my attorney or tax advisor, except to the extent such disclosure may be required for accounting or tax reporting purposes or otherwise be required by law or direction of a court. Nothing in this provision shall be construed to prohibit me from disclosing this Release to the Equal Employment Opportunity Commission in connection with any complaint or charge submitted to that agency.
7. In the event that any provision of this Release should be held void, voidable, or unenforceable, the remaining portions shall remain in full force and effect.
8. I hereby declare that this Release constitutes the entire and final settlement between me and the Company, superseding any and all prior agreements, and that the Company has not made any promise or offered any other agreement, except those expressed in this Release, to induce or persuade me to enter into this Release.

IN WITNESS WHEREOF, I have signed this Release on the ___ day of _____, 20__.

[INSERT NAME]

EXHIBIT 10.13

EMPLOYMENT AGREEMENT

First Amendment

WHEREAS, Parker Drilling Company, a Delaware corporation (the "Company") and Philip Agnew (the "Executive") have entered into an Employment Agreement, effective as of December 6, 2010 (the "Employment Agreement");

WHEREAS, the Company and the Executive desire to enter into this amendment to the Employment Agreement to shorten the notice requirement with regard to automatic renewal of the term of the Employment Agreement.

NOW, THEREFORE, in consideration of Executive's employment with the Company, and the mutual promises and agreements contained herein, the parties hereto agree as follows:

I. Section 4 of the Employment Agreement is hereby replaced in its entirety, effective as of August 29, 2011, with the following:

"Executive's initial term of employment with the Company under the Agreement shall be for the period from the Effective Date through December 31, 2012 (the '**Initial Term of Employment**'). Unless notice is given by either the Company or Executive to the other Party at least 90 days prior to December 31, 2012 that the term of employment will not be renewed, the Initial Term of Employment shall be automatically extended for one four-month period commencing on January 1, 2013 and ending on April 30, 2013. Unless notice is given by either the Company or Executive to the other Party at least 60 days prior to April 30, 2013 that the term of employment will not be renewed, the Initial Term of Employment shall be automatically extended for a one-year period commencing on May 1, 2013 and ending on April 30, 2014. Thereafter, the Initial Term of Employment shall be automatically extended repetitively for an additional one-year period commencing on May 1, 2014 and each anniversary thereof, unless notice is given by either the Company or Executive to the other Party at least 60 days prior to the end of such extended Initial Term of Employment, or any subsequent one-year extension thereof, as applicable, that the term of employment will not be renewed. The Initial Term of Employment and any extension of the Initial Term of Employment hereunder shall each be referred to herein as a "**Term of Employment.**" The Term of Employment shall also be extended upon a Change in Control as provided in Section 7, but shall not thereafter be extended under this Section 4. The Term of Employment shall automatically end in the event of the death or Disability of Executive. The Company and Executive shall each have the right to give Notice of Termination

(pursuant to Section 8) at will, with or without cause, at any time, subject however to the terms and conditions of the Agreement regarding the rights and duties of the Parties upon termination of employment. The period from the Effective Date through the earlier of the date of Executive's termination of employment for whatever reason or the end of the Term of Employment shall be referred to herein as the "**Employment Period.**"

2. Except as otherwise set forth in paragraph 1 above, the terms of the Employment Agreement shall continue in effect.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this amendment, which may be sufficiently evidenced by any executed copy hereof, on this 29th day of August, 2011, but effective as of the date set forth above.

PARKER DRILLING COMPANY

By: _____

David C. Mannon

President & Chief Executive Officer

EXECUTIVE

Philip Agnew

Published CUSIP Number: _____

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of January 26, 2015

among

PARKER DRILLING COMPANY,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent and L/C Issuer,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Syndication Agent

BARCLAYS BANK PLC,
as Documentation Agent,

and

THE OTHER LENDERS AND L/C ISSUERS
from time to time party hereto

Merrill Lynch, Pierce, Fenner & Smith Incorporated
and
Wells Fargo Securities, LLC

as

Joint Lead Arrangers and Joint Bookrunners

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-v-

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this “Agreement”) is entered into as of January 26, 2015, among PARKER DRILLING COMPANY, a Delaware corporation (the “Borrower”), each lender from time to time party hereto (collectively, the “Lenders” and, individually, a “Lender”), BANK OF AMERICA, N.A., as the Administrative Agent and an L/C Issuer, WELLS FARGO BANK, NATIONAL ASSOCIATION, as Syndication Agent, and BARCLAYS BANK PLC, as Documentation Agent.

PRELIMINARY STATEMENTS:

The Borrower heretofore entered into that certain Credit Agreement dated as of May 15, 2008, by and among the Borrower, Bank of America, as the administrative agent thereunder, the lenders party thereto, Bank of America, as an issuer of letters of credit thereunder, and the other parties thereto, as amended by the Amendment dated as of June 30, 2008, the Second Amendment dated as of January 15, 2010, the Third Amendment dated as of April 1, 2011 and the Fourth Amendment dated as of April 9, 2012, as further amended and restated by the Amended and Restated Credit Agreement dated as of December 14, 2012, by and among the Borrower, Bank of America, as the administrative agent thereunder, the lenders party thereto (the “Existing Lenders”), Bank of America, as an issuer of letters of credit thereunder, and the other parties thereto, as amended by the First Amendment dated as of July 19, 2013 (as so amended and as otherwise heretofore supplemented or modified, the “Existing Credit Agreement”).

The “Obligations” (as defined in the Existing Credit Agreement) of the Loan Parties under the Existing Credit Agreement are secured by certain mortgages, guaranties, security agreements, instruments and other documents heretofore executed (specifically those agreements, instruments and documents listed in Schedule I, the “Existing Collateral Documents”).

The parties hereto have agreed to enter into this Agreement to amend, restate, extend, renew and continue, but not to extinguish, terminate or novate, the Loans and the Letters of Credit under the Existing Credit Agreement.

In consideration of the mutual covenants and agreements herein contained, the parties hereto hereby amend and restate the Existing Credit Agreement in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

“Accounts” means accounts receivable of the Borrower or any of its Subsidiaries arising out of the sales or leasing of goods or services made by the Borrower or any of its Subsidiaries in the ordinary course of business.

“Additional Senior Notes” means additional unsecured notes of the Borrower or any of its Subsidiaries (other than Immaterial Subsidiaries) in an aggregate principal amount not to exceed \$250,000,000 at any one time outstanding; provided that any such notes shall (w) have a scheduled maturity occurring after the Maturity Date, (x) contain terms (including covenants and events of default) no more restrictive, taken as a whole, to the Borrower and its Subsidiaries than those contained in this Agreement, (y) have no scheduled amortization, no sinking fund requirements and no maintenance financial covenants and (z) no Default or Event of Default shall have occurred and be continuing immediately before and after the incurrence of such Additional Senior Notes.

“Administrative Agent” means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in substantially the form of Exhibit E-2 or any other form approved by the Administrative Agent.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or

more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agents” means, collectively, the Administrative Agent, the Syndication Agent, and the Documentation Agent.

“Aggregate Commitments” means the Commitments of all the Lenders.

“Agreement” has the meaning specified in the introductory paragraph hereto.

“Alternative Currency” means each currency (other than Dollars) that is approved in accordance with Section 1.06.

“Alternative Currency Equivalent” means, at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in the applicable Alternative Currency as determined by the Administrative Agent or an L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of such Alternative Currency with Dollars.

“Applicable Fee Rate” means 0.50% per annum.

“Applicable Percentage” means, with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender’s Commitment at such time. If the Aggregate Commitments have been terminated or expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption (or such other instrument) pursuant to which such Lender becomes a party hereto, as applicable.

“Applicable Rate” means (a) from the Closing Date to the date on which the Administrative Agent receives a Compliance Certificate pursuant to Section 6.02(b) for the fiscal quarter ending December 31, 2014, 1.50% per annum for Base Rate Loans and 2.50% per annum for Eurodollar Rate Loans, and (b) thereafter, the applicable percentage per annum set forth below determined by reference to the Consolidated Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(b):

| Pricing Level | Applicable Rate | |
|---------------|-----------------------------|---|
| | Consolidated Leverage Ratio | Eurodollar Rate Loans and Letters of Credit Base Rate Loans |
| 1 | < 2.50:1 | 2.50 % 1.50 % |
| 2 | ≥ 2.50:1 but < 3.50:1 | 2.75 % 1.75 % |
| 3 | ≥ 3.50:1 | 3.00 % 2.00 % |

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Level 3 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b).

“Applicable Time” means, with respect to any payments in any Alternative Currency, the local time in the place of settlement for such Alternative Currency as may be determined by the Administrative Agent or the applicable L/C Issuer, as the case may be, to be necessary for timely settlement on the relevant date in accordance with normal banking procedures in the place of payment.

“Appropriate Lender” means, at any time, (a) a Lender that has a Commitment or holds a Loan at such time and (b) with respect to the Letter of Credit Sublimit, (i) the L/C Issuers and (ii) if any Letters of Credit have been issued pursuant to Section 2.03(a), the Lenders.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arrangers” means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC in its capacity as a joint lead arranger and joint bookrunner.

“Asset Coverage Ratio” means, as of any date of determination, the quotient resulting from (a) the sum of (i) 85% of the aggregate Net Amount of Eligible Domestic Accounts Receivable plus (ii) 50% of the (x) Net Equipment OLV plus (y) Net Specified Rigs OLV divided by (b) Total Outstandings, in each case, at such date. The Asset Coverage Ratio shall take into account acquisitions (in the case of Eligible Rental Equipment and Eligible Specified Rigs, only to the extent supported by a recent appraisal prepared by a third-party collateral appraiser selected by the Administrative Agent in its sole reasonable discretion), Dispositions and Casualty Events made on or prior to the date of determination (and, in the case of a calculation made on a pro forma basis, shall take into account (subject to the appraisal requirement for acquired Property set forth above) the other transactions occurring substantially contemporaneously with and giving rise to the requirement for such calculation). The impact of a Casualty Loss on the calculation of the Asset Coverage Ratio shall be reasonably determined by the Borrower acting in good faith, it being understood that Property that has suffered a total loss will be entirely disregarded in the numerator of the Asset Coverage Ratio. For the avoidance of doubt, notwithstanding anything else to the contrary in this Agreement, if the Borrower can demonstrate compliance with the Asset Coverage Ratio without including the portion of the numerator resulting from the aggregate Net Amount of the Eligible Domestic Accounts Receivable, then the Borrower shall not be required to include such portion of the calculation or provide supporting information related thereto.

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E-1 or any other form (including electronic documentation generated by use of an electronic platform) approved by the Administrative Agent.

“Attributable Indebtedness” means, on any date, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease or similar payments under the relevant lease or other applicable agreement or instrument that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement or instrument were accounted for as a Capitalized Lease and (c) all Synthetic Debt of such Person.

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for each of the fiscal years ended on December 31, 2012 and December 31, 2013, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal years of the Borrower and its Subsidiaries, including the notes thereto.

“Auto-Extension Letter of Credit” has the meaning specified in Section 2.03(b)(iii).

“Availability Period” means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Commitments pursuant to Section 2.06, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the L/C Issuers to make L/C Credit Extensions pursuant to Section 8.02.

“Bank of America” means Bank of America, N.A. and its successors.

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate”, and (c) the Eurodollar Rate plus 1.00%; and if Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement. The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 6.02.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01(b).

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks

are authorized to close under the Laws of, or are in fact closed in, New York or the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Capitalized Leases” means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

“Cash Collateralize” has the meaning specified in Section 2.03(g).

“Cash Equivalents” means any of the following:

(a) readily marketable obligations issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than 360 days from the date of acquisition thereof; provided that the full faith and credit of the United States of America is pledged in support thereof;

(b) time deposits, Euro time deposits or overnight bank deposits with, or insured certificates of deposit or bankers' acceptances of, any commercial bank that (i) (A) is a Lender or (B) is organized under the laws of the United States of America, any state thereof or the District of Columbia or is the principal banking subsidiary of a bank holding company organized under the laws of the United States of America, any state thereof or the District of Columbia, and is a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) of this definition and (iii) has combined capital and surplus of at least \$500,000,000, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(c) commercial paper issued by any Person organized under the laws of any state of the United States of America and rated at least “Prime-2” (or the then equivalent grade) by Moody's or at least “A-2” (or the then equivalent grade) by S&P, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government;

(e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's;

(f) securities with maturities of 180 days or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition;

(g) Investments, classified in accordance with GAAP as current assets of the Borrower or any of its Subsidiaries, in money market investment programs which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to Investments of the character, quality and maturity described in clauses (a) through (f) of this definition; and

(h) shares of the Columbia Cash Reserves fund for which an affiliate of Bank of America provides investment advisory services.

“Cash Management Agreement” means any agreement to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

“Cash Management Bank” means (a) any Person that, at the time it enters into a Cash Management Agreement, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Cash Management Agreement and (b) any Lender or Affiliate of a Lender that is party to a Cash Management Agreement with the Borrower or one of its Subsidiaries as of the Closing Date or the date that such Person or such Person's Affiliate becomes a Lender hereunder.

“Casualty Event” means any loss, casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any Property or asset of the Borrower or any of its Material Subsidiaries in which the fair market value of the loss of such Property shall be in excess of \$10,000,000 (or its equivalent in other currencies).

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and any successor statute.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”)), directly or indirectly, of 35% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the Closing Date, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors); or

(c) a “Change of Control”, or like event, as defined in any of the Indentures, shall have occurred.

“Closing Date” means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

“Code” means the Internal Revenue Code of 1986.

“Collateral” means all of the “Collateral” and “Vessels” referred to in the Collateral Documents and all of the other Property of the Loan Parties, now owned or hereafter acquired, that is or is intended under the terms of the Collateral Documents to be subject to Liens in favor of the Administrative Agent for the benefit of the Secured Parties (and excluding, for the avoidance of doubt, any Excluded Assets (as defined in the Security Agreement)).

“Collateral Documents” means, collectively, the Security Agreement, the Mortgages, each of the supplements (or amendments, as applicable) to any of the foregoing, the Lockbox Agreements, the Control Agreements, mortgages, collateral assignments, Security Agreement Supplements, security agreements (including intellectual property security agreements), pledge agreements or other similar agreements, instruments, filings or recordings (and amendments to the foregoing, as applicable) delivered to the Administrative Agent pursuant to Section 6.09, and each of the other agreements, instruments, documents, filings or recordings that creates or purports to create (or continue) a Lien in favor of the Administrative Agent for the benefit of the Secured Parties. For the avoidance of doubt, the Omnibus Amendment to Collateral Documents and the Second Omnibus Amendment to Collateral Documents are each Collateral Documents.

“Commitment” means, as to each Lender, its obligation to (a) make Loans to the Borrower pursuant to

Section 2.01(b), and (b) purchase participations in L/C Obligations, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 under the caption "Commitment" or opposite such caption in the Assignment and Assumption (or such other instrument) pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Commitment Increase" has the meaning assigned to such term in Section 2.14(a).

"Commitment Increase Effective Date" has the meaning specified in Section 2.14(d).

"Committed Loan Notice" means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit A or such other form as may be approved by the Administrative Agent (including any form of an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

"Compliance Certificate" means a certificate duly executed by a Responsible Officer of the Borrower substantially in the form of Exhibit D.

"Concentration Account" means one or more bank accounts maintained by the Administrative Agent, over which the Administrative Agent shall have sole dominion and control (or otherwise control within the meaning of Section 9-104 or 8-106 of the UCC, as applicable), into which proceeds of Collateral shall be transferred from other accounts maintained by the Borrower and the Subsidiary Guarantors, in the event that the Administrative Agent requires such transfer during the existence of an Event of Default.

"Consolidated EBITDA" means, at any date of determination, for any period, an amount equal to Consolidated Net Income of the Borrower and its Subsidiaries on a consolidated basis for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts, and other fees and charges associated with Indebtedness for such period, (ii) the provision for Federal, state, local and foreign income taxes payable by the Borrower and its Subsidiaries for such period, (iii) depreciation and amortization expense, (iv) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (v) other extraordinary, unusual or non-recurring expenses or losses of the Borrower and its Subsidiaries reducing such Consolidated Net Income (including, whether or not otherwise includable as a separate item in the statement of Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business), provided that, in the case of such extraordinary, unusual or non-recurring expenses or losses, such additions are found to be acceptable by the Administrative Agent, acting reasonably, and (vi) other non-cash charges and minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits of the Borrower and its Subsidiaries for such period, (ii) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business), provided that, in the case of such extraordinary, unusual or non-recurring income or gains, such deductions are found to be acceptable by the Administrative Agent, acting reasonably, (iii) any other non-cash income, all as determined on a consolidated basis and (iv) the amount of any cash expenditures during such period in respect of items that were added as non-cash charges in determining Consolidated EBITDA for a prior period.

"Consolidated Interest Charges" means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the sum of total interest expense (including that attributable under Capitalized Leases) for such period with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries (including, without limitation, all commissions, discounts and other fees and charges owed by the Borrower or its Subsidiaries with respect to letters of credit and bankers' acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"Consolidated Interest Coverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the period of the four prior fiscal quarters ending on such date to (b) Consolidated Interest Charges for such period.

"Consolidated Leverage Ratio" means, as of the last day of any period of four consecutive fiscal quarters, the ratio of (a) Consolidated Total Debt as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended; provided that for purposes of calculating Consolidated EBITDA for any period, (i) the Consolidated EBITDA of any Person (it being understood that for purposes of this proviso, the reference to Consolidated EBITDA of such Person (and the component definitions thereof) are to be read mutatis mutandis with

respect to such Person) acquired by the Borrower or its Subsidiaries during such period shall be included on a pro forma basis for such period (assuming the consummation of such acquisition and the incurrence or assumption of any Indebtedness in connection therewith occurred on the first day of such period) if the consolidated balance sheet of such acquired Person and its consolidated Subsidiaries as at the end of the period preceding the acquisition of such Person and the related consolidated statements of income and stockholders' equity and of cash flows for the period in respect of which Consolidated EBITDA is to be calculated (x) have been previously provided to the Administrative Agent and the Lenders and (y) either (1) have been reported on without a qualification arising out of the scope of the audit by independent certified public accountants of nationally recognized standing or (2) have been found acceptable by the Administrative Agent and (ii) the Consolidated EBITDA of any Person Disposed of by the Borrower or its Subsidiaries during such period shall be excluded for such period (assuming the consummation of such Disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period).

"Consolidated Net Income" means, for any period, for the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP, the consolidated net income (or loss) of the Borrower and its Subsidiaries for that period; provided, that in calculating Consolidated Net Income of the Borrower and its consolidated Subsidiaries for any period, there shall be excluded (a) the net income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the net income (or deficit) of any Person (other than a Subsidiary of the Borrower) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such net income is actually received by the Borrower or such Subsidiary in the form of cash dividends or similar cash distributions and (c) the net income of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary (provided that, 100% of any net losses of such Subsidiary shall be included).

"Consolidated Senior Secured Debt" means all Consolidated Total Debt that is secured by a Lien on any Property of the Borrower or any of its Subsidiaries.

"Consolidated Senior Secured Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Senior Secured Debt as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended; provided that for purposes of calculating Consolidated EBITDA of the Borrower and its Subsidiaries for any period, the Consolidated EBITDA of any Person acquired by the Borrower or its Subsidiaries during such period and the Consolidated EBITDA of any Person Disposed of by the Borrower or its Subsidiaries during such period shall be included or excluded, as applicable, as provided in the proviso set forth in the definition of Consolidated Leverage Ratio.

"Consolidated Tangible Assets" means, with respect to any Person as of any date of determination, the amount which, in accordance with GAAP, would be set forth under the caption "Total Assets" (or any like caption) on a consolidated balance sheet of such Person and its Subsidiaries, less all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP.

"Consolidated Total Debt" means, as of any date of determination, for the Borrower and its Subsidiaries on a consolidated basis, the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries as of such date (other than Indebtedness of the type described in clause (f) of the definition of "Indebtedness", except to the extent such facilities have been drawn and not reimbursed), determined on a consolidated basis in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Control Agreement" means in respect of each deposit account, securities account, lockbox account, concentration account, collection account or disbursement account, in each case other than any Immaterial Account or Excluded Account, in the United States existing and maintained for any Loan Party as of the Closing Date and each account identified to the Administrative Agent pursuant to Section 6.11(a), a Control Agreement, in form and substance reasonably satisfactory to the Administrative Agent and the Borrower, pursuant to which (a) the Loan Party that is the owner of such account irrevocably instructs the bank or securities intermediary that maintains such account that such bank or securities intermediary shall follow the instructions or entitlement orders, as the case may be, of the Administrative Agent without further consent of such Loan Party and (b) the Administrative Agent agrees that it will

not give any instructions or entitlement orders, as the case may be, in respect of such account unless an Event of Default has occurred and is continuing. Each Control Agreement shall contain such other terms as shall be customary for agreements of such type.

“Convertible Debt” means any convertible subordinated debentures or note created, issued or assumed by the Borrower which have all of the following characteristics:

(a) an initial final maturity or due date in respect of repayment of principal extending beyond the Maturity Date under this Agreement in effect at the time such debentures or notes are created, issued or assumed;

(b) no scheduled or mandatory payment or repurchase of principal thereunder (other than acceleration following any event of default in regard thereto or payment which can be satisfied by the delivery of shares as contemplated in paragraph (f) of this definition and other than on a change of control of the Borrower where a Change of Control also occurs under this Agreement) prior to the Maturity Date under this Agreement in effect at the time such debentures or notes are created, issued or assumed;

(c) upon and during the continuance of a Default, an Event of Default or acceleration of the time for repayment of any Obligations which has not been rescinded, (i) all amounts payable in respect of principal, premium (if any) or interest under such debentures or notes are subordinate and junior in right of payment to the Obligations and (ii) no enforcement steps or enforcement proceedings may be commenced in respect of such debentures or notes;

(d) such debentures or notes shall be unsecured and shall provide that upon distribution of the assets of the Borrower on any dissolution, winding up, total liquidation or reorganization of the Borrower (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of such person, or otherwise), all Obligations shall first be paid in full in cash, or provisions made for such payment, before any payment is made on account of principal, premium (if any) or interest payable in regard to such debentures or notes;

(e) the occurrence of a Default or Event of Default under this Agreement or the acceleration of the time for repayment of any of the Obligations or enforcement of the rights and remedies of the Administrative Agent and the Secured Parties hereunder or under any other Loan Document shall not in and of themselves:

(i) cause a default or event of default (with the passage of time or otherwise) under such debentures or notes or the indenture governing the same; or

(ii) cause or permit the obligations under such debentures or notes to be due and payable prior to the stated maturity thereof; and

(f) payments of interest or principal due and payable under such debentures or notes can be satisfied, at the option of the Borrower, by delivering shares of the Borrower (or cash in lieu of fractional shares) in accordance with the indenture or agreement governing such debentures or notes (whether such shares are received by the holders of such debentures or notes as payment or are sold by a trustee or representative under such indenture or agreement to provide cash for payment to holders of such debentures or notes).

“Credit Extension” means each of the following: (a) the making of a Loan and (b) an L/C Credit Extension.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and

(b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.

“Defaulting Lender” means, subject to Section 2.16(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the L/C Issuer or any Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or the L/C Issuer in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.16(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower, any L/C Issuer, and each other Lender promptly following such determination.

“Derivatives Counterparty” has the meaning specified in Section 7.06.

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any Property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Disqualified Stock” means any Equity Interests that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Equity Interests), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Equity Interests, in whole or in part, in each case, on or prior to the date that is 91 days after the date (a) which is the Maturity Date or (b) on which there are no Obligations outstanding; provided that only the portion of Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; provided, further, that if such Equity Interests is issued to any employee or to any plan for the benefit of employees of the Borrower or its Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Borrower in order to satisfy applicable statutory or regulatory obligations or as a result of such employee’s termination, death or disability; provided, further, that any class of Equity Interests of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Equity Interests that is not Disqualified Stock shall not be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Equity Interests that would constitute Disqualified Stock solely because the holders of the Equity Interests have the right to require the Borrower to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock if the terms of such Equity Interests provide that the Borrower may not repurchase or redeem any such Equity Interests pursuant to such provisions prior to obtaining any waiver or amendment to this Agreement required to permit such repurchase or redemption.

“Documentation Agent” means Barclays Bank PLC in its capacity as documentation agent under any of the Loan Documents, or any successor documentation agent.

“Dollar” and “\$” mean lawful money of the United States.

“Dollar Equivalent” means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any Alternative Currency, the equivalent amount thereof in Dollars as determined by the Administrative Agent or the applicable L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with such Alternative Currency.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any political subdivision of the United States.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.06(b)(iv), (v) and (vi) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

“Eligible Domestic Accounts Receivable” means Accounts of the Borrower and the Subsidiary Guarantors payable in Dollars. In determining the amount to be so included, the face amount of such Accounts shall exclude any such Accounts that the Administrative Agent determines to be ineligible in its reasonable discretion. Unless otherwise approved in writing by the Administrative Agent, no Account of the Borrower or its Subsidiaries shall be deemed to be an Eligible Domestic Account Receivable if:

(a) it arises out of a sale made by such Borrower or any of its Subsidiaries to an Affiliate; or

(b) (i) in the case of any Account due to the Borrower or any Subsidiary Guarantor from an account debtor other than a Qualified Account Debtor, the Account is unpaid more than (A) 60 days after the original payment due date and/or (B) 90 days after the original invoice date and (ii) in the case of Accounts due to the Borrower or any Subsidiary Guarantor from account debtors whose long-term unsecured debt obligations are rated at least A by Moody’s or A2 by S&P (each, a “Qualified Account Debtor”), the Account is unpaid more than (A) 90 days after the original payment due date and/or (B) 120 days after the original invoice date; or

(c) it is from the same account debtor (or any Affiliate thereof) and fifty percent (50%) or more, in face amount, of all Accounts from such account debtor (and any Affiliate thereof) due to the Borrower and the Subsidiary Guarantors are ineligible pursuant to clause (b) above; or

(d) the Account due to the Borrower or any Subsidiary Guarantor, when aggregated with all other Accounts of such account debtor (and any Affiliate thereof) due to the Borrower and the Subsidiary Guarantors, exceeds fifteen percent (15%) in face value of all Eligible Domestic Accounts Receivable of the Borrower and its Subsidiary Guarantors combined then outstanding, to the extent of such excess, provided, to the extent that such Accounts are otherwise deemed to be an Eligible Domestic Account Receivable, that (i) Accounts supported or secured by an irrevocable letter of credit in form and substance reasonably satisfactory to the Administrative Agent, issued or confirmed by a financial institution reasonably satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent) shall be excluded to the extent of the face amount of such letter of credit for the purposes of such calculation; and (ii) with respect to the account debtors listed on Schedule 1.01(b) attached hereto (and any Affiliate thereof), the percentage referred to above shall be deemed to be the percentage set forth on such Schedule opposite the name of such account debtor; or

(e) (i) the account debtor is also a creditor of the Borrower or such Subsidiary Guarantor, (ii) the account debtor has disputed its liability on, or the account debtor has made any claim with respect to, such Account or any other Account due from such account debtor to the Borrower or such Subsidiary Guarantor, which has not been resolved or (iii) the Account otherwise is or may reasonably be expected to become subject to any right of setoff by the account debtor or with respect to which any other claim, counterclaim, chargeback, rebate, allowance or offset has been asserted; provided that any Account deemed ineligible pursuant to this clause (e) shall only be ineligible to the extent of the amount owed by the Borrower or such Subsidiary Guarantor to the account debtor, the amount of such dispute or claim, or the amount of such setoff, other claim, counterclaim, chargeback, rebate, allowance or offset, as applicable; provided, further, that the portion of any Account that would otherwise be deemed ineligible pursuant to this clause (e) shall not be deemed ineligible pursuant to this clause (e) to the extent (i) supported or secured by an irrevocable letter of credit in form and substance reasonably satisfactory to the Administrative Agent, issued or confirmed by a financial institution reasonably satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent) or (ii) subject to a no-offset

letter in form and substance reasonably satisfactory to the Administrative Agent; or

(f) the account debtor has commenced a voluntary case under any Debtor Relief Law, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or if a decree or order for relief has been entered by a court having jurisdiction over the account debtor in an involuntary case under any Debtor Relief Law, as now constituted or hereafter amended, or if any other petition or other application for relief under any Debtor Relief Law has been filed by or against the account debtor, or if the account debtor has filed a certificate of dissolution under applicable state law or shall be liquidated, dissolved or wound-up, or shall authorize or commence any action or proceeding for dissolution, winding-up or liquidation, or if the account debtor has failed, suspended business, declared itself to be insolvent, is generally not paying its debts as they become due or has consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs (any such act or event an “Act of Bankruptcy”), unless (i) the payment of Accounts from such account debtor is secured by assets of, or guaranteed by, in either case in a manner reasonably satisfactory to the Administrative Agent, a Person with respect to which an Act of Bankruptcy has not occurred and that is reasonably acceptable to the Administrative Agent; (ii) if the Account from such account debtor arises subsequent to a decree or order for relief with respect to such account debtor under any Debtor Relief Law, as now or hereafter in effect, the Administrative Agent shall have determined that the timely payment and collection of such Account will not be impaired; or (iii) the payment of such Account is supported or secured by an irrevocable letter of credit in form and substance reasonably satisfactory to the Administrative Agent, issued or confirmed by a financial institution reasonably satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent); or

(g) the sale is to an account debtor outside of the United States or Puerto Rico; or

(h) the sale to the account debtor is on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval or consignment basis or made pursuant to any other written agreement providing for repurchase or return; or

(i) the Administrative Agent determines in its reasonable discretion in good faith that collection of such Account is insecure or that such Account may not be paid by reason of the account debtor’s financial inability to pay; or

(j) the account debtor is the United States of America, any State or any political subdivision, department, agency or instrumentality thereof, unless the Borrower or such Subsidiary Guarantor duly assigns its rights to payment of such Account to the Agent pursuant to the Collateral Assignment of Claims Act of 1940 (31 U.S.C. § 3727 *et seq.*) or complies with any similar State or local law as the Administrative Agent shall require; or

(k) the goods giving rise to such Account have not been shipped and delivered to and accepted by the account debtor or the services giving rise to such Account have not been performed by the Borrower or such Subsidiary Guarantor and accepted by the account debtor or the Account otherwise does not represent a final sale (except to the extent that such Account arises from a leasing transaction); or

(l) any documentation relating to the Account fails to comply in any material respect with all applicable legal requirements, including, where applicable, the Federal Consumer Credit Protection Act, the Federal Truth in Lending Act and Regulation Z of the Board of Governors of the Federal Reserve System; or

(m) the Administrative Agent does not have a valid and perfected first priority security interest in such Account (other than Permitted Liens) or the Account does not otherwise conform to the representations and warranties contained in the Credit Agreement, any Collateral Document or any of the other Loan Documents with respect to Accounts; or

(n) the Accounts are subject to any adverse security deposit, progress payment or other similar advance made by or for the benefit of the applicable account debtor; provided, that any Account deemed ineligible pursuant to this clause (n) shall only be ineligible to the extent of the amount of any such deposit, payment or other similar advance; or

(o) the Accounts are evidenced by or arise under any instrument or chattel paper unless such instruments or chattel paper have been pledged to the Administrative Agent containing such endorsement as the Administrative Agent shall require; or

(p) the account debtor has a presence in a State requiring the filing of Notice of Business Activities Report or similar report in order to permit the Borrower or such Subsidiary to seek judicial enforcement in such State of payment of such Account unless the Borrower or such Subsidiary Guarantor has qualified to do business in such State or has filed a Notice of Business Activities Report or equivalent report for the then current year or such failure to file and inability to seek judicial enforcement is capable of being remedied without any material delay or material cost;

(q) the Account arises from progress billings or other billing arrangements such that the obligation of the account debtor with respect to such Account is conditioned upon the Borrower's or such Subsidiary Guarantor's satisfactory completion of any further performance under the agreement giving rise thereto; or

(r) the Account is deemed by the Administrative Agent in its Permitted Discretion to be otherwise ineligible.

"Eligible Rental Equipment" means the Rental Equipment of Quail Tools. Unless otherwise approved in writing by the Administrative Agent, no Rental Equipment shall be Eligible Rental Equipment unless: (i) it is owned solely by Quail Tools and Quail Tools has good, valid and marketable title thereto; (ii) it is at all times subject to the Administrative Agent's valid and duly perfected first priority security interest granted pursuant to the Security Agreement and no other Lien (other than (x) any Permitted Liens referred to in Section 7.01(a) or (y) any landlord's Lien unless a rent reserve with respect to the relevant leased property has been applied in accordance with clause (ii) of the following sentence); (iii) Quail Tools shall at all times have title to such Rental Equipment and shall have the ability to direct the disposition thereof (subject only to the rights of any lessee under any lease in effect with respect to such Rental Equipment) and it is not located outside the continental United States, Alaska or the Gulf of Mexico waters subject to U.S. state or federal jurisdiction; (iv) it is not obsolete, unmerchantable or slow moving, as determined by the Administrative Agent in its reasonable credit judgment; and (v) it conforms in all respects to the warranties and representations set forth in this Agreement with respect to Rental Equipment. In no event shall Eligible Rental Equipment include (i) any Rental Equipment held under a Vendor Lease, (ii) any Rental Equipment held at a leased property (other than Rental Equipment on active lease located at customer locations in the ordinary course of business) unless a landlord lien waiver satisfactory in all respects to the Administrative Agent has been obtained with respect thereto (or, if no landlord lien waiver has been obtained, a rent reserve equal to three months' rent on such leased property has, if elected by the Administrative Agent in its sole discretion, been applied) or (iii) any Rental Equipment otherwise deemed ineligible by the Administrative Agent in its Permitted Discretion, constitute Eligible Rental Equipment.

"Eligible Specified Rigs" means the Specified Rigs of the Borrower and Subsidiary Guarantors. Unless otherwise approved in writing by the Administrative Agent, no Specified Rigs shall be an Eligible Specified Rig unless: (i) it is owned solely by the Borrower or another Loan Party and such Loan Party has good, valid and marketable title thereto; (ii) it is at all times subject to the Administrative Agent's valid and duly perfected first priority Lien granted pursuant to the Security Agreement or the Mortgages (as applicable) and no other Lien (other than any Permitted Liens referred to in Section 7.01(a), (b), (h), (k), (v) or (z)); (iii) a Loan Party shall at all times have title to such Specified Rig and shall have the ability to direct the disposition thereof (subject only to the rights of any charterer under any charter in effect with respect to any Specified Barge Rig) and (A) in the case of a Specified Barge Rig, it is located and operating in and along the inland waterways and coast of the continental United States or the Gulf of Mexico waters subject to U.S. state or federal jurisdiction or (B) in the case of a Specified Land Rig, it is located and operating in the continental United States or Alaska; (iv) it is not obsolete, as determined by the Administrative Agent in its reasonable credit judgment; and (v) it conforms in all respects to the warranties and representations set forth in the Credit Agreement and applicable Mortgage with respect to Specified Rigs of its type and is fully insured in the manner required by the Credit Agreement and, in the case of Specified Barge Rigs, the applicable Mortgage. In no event shall any Specified Rig otherwise deemed ineligible by the Administrative Agent in its Permitted Discretion, constitute Eligible Specified Rigs.

"EMU Legislation" means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, codes, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any

Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 or 430 of the Code or Section 302 or 303 of ERISA).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Euro” and “EUR” mean the lawful currency of the Participating Member States introduced in accordance with the EMU Legislation.

“Eurodollar Base Rate” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the London Interbank Offered Rate (“LIBOR”) or a comparable or successor rate, which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Base Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(b) for any rate calculation with respect to a Base Rate Loan on any date, the rate per annum equal to LIBOR, at or about 11:00 a.m., London time determined two Business Days prior to such date for U.S. Dollar deposits with a term of one month commencing that day;

provided that to the extent a comparable or successor rate is approved by the Administrative Agent in connection with any rate set forth in this definition, the approved rate shall be applied in a manner consistent with market practice; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

“Eurodollar Rate” means for any Interest Period with respect to a Eurodollar Rate Loan, or a Base Rate Loan the interest rate on which is determined by reference to the Eurodollar Rate component of the Base Rate, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

provided that, if the Eurodollar Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Eurodollar Reserve Percentage” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

“Eurodollar Rate Loan” means a Loan that bears interest at a rate based on the Eurodollar Rate.

“Event of Default” has the meaning specified in Section 8.01.

“Excluded Account” means (i) any deposit account, securities account or commodities account exclusively used for payroll, payroll taxes and other employee wage and benefit payment to or for the benefit of the Borrower’s or any Subsidiary’s salaried employees in each case as long as such account remains a zero-balance account or, with respect to any such account maintained in Louisiana, constitutes an Immaterial Account on each Business Day other than the Business Day immediately preceding the payment of payroll and (ii) any deposit accounts, trust accounts, escrow accounts or security deposits established pursuant to statutory obligations or for the payment of taxes or holding funds in trust for third parties not affiliated with the Borrower in the ordinary course of business or in connection with acquisitions, investments or dispositions permitted under this Agreement, deposits in the ordinary course of business in connection with workers’ unemployment insurance and other types of social security, reserve accounts, and escrow accounts established pursuant to contractual obligations to third parties not affiliated with the Borrower for casualty payments and insurance proceeds.

“Excluded Subsidiaries” means: (a) Parker Drilling Investment Company, an Oklahoma corporation, (b) PKD Sales Corporation, an Oklahoma corporation, (c) any Foreign Subsidiary, (d) any Domestic Subsidiary owned by any Foreign Subsidiary, and (e) any Domestic Subsidiary designated by the Borrower by written notice to the Administrative Agent as an “Excluded Subsidiary” and certified by a Responsible Officer of the Borrower to the Administrative Agent that (i) such Domestic Subsidiary has no material assets other than Equity Interests of one or more other Excluded Subsidiaries or (ii) substantially all of such Domestic Subsidiary’s revenues for the fiscal year most recently ended were generated (or, in the case of a newly-formed or acquired Subsidiary, are intended by the Borrower to be generated in the current fiscal year) from assets, including rigs and equipment, located outside of the United States (including located outside the territorial waters of the United States) and/or contracts performed primarily outside of the United States (including performed outside of the territorial waters of the United States); provided, that a Subsidiary shall cease to be an Excluded Subsidiary if (and for so long as) either (x) it provides a guaranty of the obligations under any Indenture, (y) ceases to satisfy the requirements set forth in clause (e)(i) or (ii) above, or (z) in the case of each of Parker Drilling Investment Company and PKD Sales Corporation, it ceases to be an “Unrestricted Subsidiary” under the Indentures.

“Excluded Swap Obligation” means, with respect to any Subsidiary Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Subsidiary Guaranty of such Subsidiary Guarantor of, or the grant by such Subsidiary Guarantor of a security interest to secure, such Swap Obligation (or any Subsidiary Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Subsidiary Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder (determined after giving effect to Section 3.08 and any other “keepwell, support or other agreement” for the benefit of such Subsidiary Guarantor and any and all Guaranties of such Subsidiary Guarantor’s Swap Obligations by other Loan Parties) at the time of the Subsidiary Guaranty of such Subsidiary Guarantor, or a grant by such Subsidiary Guarantor of a security interest, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Subsidiary Guaranty or security interest is or becomes excluded in accordance with the first sentence of this definition.

“Excluded Taxes” means, with respect to the Administrative Agent, any Lender, any L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), branch profits taxes, and franchise taxes, in each case, (i) imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under

the Laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender or L/C Issuer, in which its applicable Lending Office is located or (ii) that are Other Connection Taxes, (b) any backup withholding tax that is required by the Code to be withheld from amounts payable to a Lender or L/C Issuer that has failed to comply with clause (A) of Section 3.01(e)(ii), or has so complied but is otherwise subject to backup withholding, (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any United States withholding tax that (i) is required to be imposed on amounts payable to such Foreign Lender pursuant to the Laws in force at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or (ii) is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with clause (B) of Section 3.01(e)(ii), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a)(ii) or (iii), and (d) any Taxes imposed by FATCA.

"Existing Collateral Documents" has the meaning set forth in the introductory paragraph hereof.

"Existing Credit Agreement" has the meaning set forth in the introductory paragraph hereof.

"Existing Lenders" has the meaning set forth in the introductory paragraph hereof.

"Existing Letters of Credit" means each letter of credit described in Schedule 1.01(a) attached hereto.

"Existing Mortgage" means that certain First Preferred Fleet Mortgage executed as of May 14, 2008 and effective as of May 15, 2008, executed by Parker Drilling Offshore USA, L.L.C. in favor of the Administrative Agent, as trustee, as amended, supplemented or otherwise modified prior to the Closing Date.

"Existing Senior Notes" means (a) the Existing 6.75% Senior Notes and (b) the Existing 7.50% Senior Notes.

"Existing Senior Notes Indentures" means (a) the Existing 6.75% Senior Notes Indentures and (b) the Existing 7.50% Senior Notes Indenture.

"Existing 6.75% Senior Notes" means the \$360,000,000 aggregate principal amount of senior unsecured notes of the Borrower issued pursuant to the Existing 6.75% Senior Notes Indenture.

"Existing 7.50% Senior Notes" means the \$225,000,000 aggregate principal amount of senior unsecured notes of the Borrower issued pursuant to the Existing 7.50% Senior Notes Indenture.

"Existing 6.75% Senior Notes Indenture" means that certain Indenture, dated as of January 22, 2014, in respect of the Existing 6.75% Senior Notes, together with all instruments and other agreements entered into by the Borrower or its Subsidiaries in connection therewith.

"Existing 7.50% Senior Notes Indenture" means that certain Indenture, dated as of July 30, 2013, in respect of the Existing 7.50% Senior Notes, together with all instruments and other agreements entered into by the Borrower or its Subsidiaries in connection therewith.

"Existing Term Loan" has the meaning set forth in Section 2.01(a).

"Exiting Lender" means each Existing Lender signatory hereto as an "Exiting Lender".

"FASB ASC" means the Accounting Standards Codification of the Financial Accounting Standards Board.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

“Fee Letter” means the letter agreement, dated December 23, 2014, among the Borrower, the Administrative Agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Foreign Benefit Event” means, with respect to any Foreign Plan or Foreign Government Scheme or Arrangement, (i) the failure to make or, if applicable, accrue in accordance with normal accounting practices, any employer or employee contributions required by applicable law or by the terms of such Foreign Plan or Foreign Government Scheme or Arrangement; (ii) the failure to register or loss of good standing (if applicable) with applicable regulatory authorities of any such Foreign Plan or Foreign Government Scheme or Arrangement required to be registered; or (iii) the failure of any Foreign Plan or Foreign Government Scheme or Arrangement to comply with any provisions of applicable law and regulations or with the terms of such Foreign Plan or Foreign Benefit Arrangement.

“Foreign Government Scheme or Arrangement” has the meaning specified in Section 5.12(d).

“Foreign Lender” means, with respect to the Borrower, any Lender that is organized under the Laws of a jurisdiction other than that in which the Borrower is resident for tax purposes (including such a Lender when acting in the capacity of an L/C Issuer). For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“Foreign Plan” has the meaning specified in Section 5.12(d).

“Foreign Subsidiary” means any Subsidiary that is organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia.

“Fourth Mortgage Amendment” means that certain Fourth Amendment to the Existing Mortgage dated as of the date hereof, substantially in the form of Exhibit F attached hereto.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fronting Exposure” means, at any time there is a Defaulting Lender, with respect to the L/C Issuer, such Defaulting Lender’s Applicable Percentage of the Outstanding Amount of all outstanding L/C Obligations other than L/C Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, any (a) obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided, however, that the term Guarantee shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or

determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to, or could give rise to liability under, any Environmental Law.

“Hedge Bank” means (a) any Person that, at the time it enters into a Swap Contract permitted under Article VI or VII, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Swap Contract and (b) any Lender or Affiliate of a Lender that is party to a Swap Contract with the Borrower or one of its Subsidiaries as of the Closing Date or the date that such Person or such Person’s Affiliate becomes a Lender hereunder.

“Honor Date” has the meaning specified in Section 2.03(c)(i).

“Immaterial Account” means any account in which the aggregate amount on deposit (or, in the case of any securities account, the total fair market value of all securities held in such account) does not at any time exceed \$25,000.

“Immaterial Subsidiary” means any Subsidiary designated by the Borrower, by written notice to the Administrative Agent, as an “Immaterial Subsidiary”; provided, that (a) no Subsidiary may be so designated unless such Subsidiary (i) had assets having an aggregate book value, as of the end of the fiscal year most recently ended, not exceeding \$5,000,000 and (ii) had net income not exceeding \$1,000,000 for such fiscal year and (b) any Subsidiary shall automatically cease to be an Immaterial Subsidiary if at the end of any subsequent fiscal year such Subsidiary would not meet the requirements set forth in the foregoing clause (a).

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all obligations of such Person for borrowed money;
- (b) all obligations of such Person for the deferred purchase price of Property or services (other than (i) trade payables incurred in the ordinary course of such Person’s business, and (ii) any earn-out obligation until such obligation becomes a liability on the balance sheet or such Person in accordance with GAAP and if not paid after becoming due and payable);
- (c) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property);
- (e) all Attributable Indebtedness in respect of Capitalized Leases and Synthetic Lease Obligations of such Person and all Synthetic Debt of such Person;
- (f) the maximum amount of all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities;
- (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire, defease or otherwise acquire for value (other than through the issuance of common stock of such Person) any Equity Interest in such Person or any other Person, other than any such obligations the payment of which would be permitted by Section 7.06(c) or (d); provided that such obligations to acquire Equity Interests after 91 days after the Maturity Date shall not be Indebtedness for purposes of this clause (g);
- (h) all Guarantees of such Person in respect of any of the foregoing;
- (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person (other than a Lien of the type described in Section 7.01(t)), whether or not such Person has assumed or become liable for the payment of such obligation; provided, however, if such Indebtedness is limited in recourse solely to such Property, then the amount of such Indebtedness for purposes of this Agreement will not exceed the fair market value of such Property; and

(j) for purposes of Section 8.01(e) only, net obligations of such Person under any Swap Contract.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. Notwithstanding the foregoing, Indebtedness shall not include any indebtedness which has been defeased in accordance with GAAP or defeased pursuant to the deposit of cash or Cash Equivalents (in an amount sufficient to satisfy all such indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness, and subject to no other Liens, or as to which the proceeds of Refinancing Debt have been deposited in a designated account in compliance with the definition thereof.

“Indemnified Taxes” means (a) Taxes other than Excluded Taxes and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitees” has the meaning specified in Section 10.04(b).

“Indentures” means the Senior Notes Indentures, the indenture or other similar instrument then governing any Refinancing Debt incurred with respect to the Senior Notes or any Refinancing Debt with respect thereto, respectively.

“Information” has the meaning specified in Section 10.07.

“Initial Appraisal Report” means, collectively, (a) that certain energy equipment appraisal report, dated as of October 10, 2014, on Quail Tools, (b) that certain energy equipment appraisal report, dated as of October 10, 2014, on 13 Inland Drilling Barge Rigs, described in such report as being owned by “Parker USA Drilling Company” (it being understood that such rigs are in fact owned by Parker Drilling Offshore USA, L.L.C.) and (c) that certain restricted appraisal report, dated as of October 10, 2014, on Arctic Land Drilling Rigs #272 and #273, described in such report as being owned by “Parker Drilling Company” and “Parker Drilling Arctic Operating, Inc.” (it being understood that such rigs are in fact owned by Parker Drilling Arctic Operating LLC).

“Initial Projections” has the meaning specified in Section 4.01(a)(xiii).

“Intellectual Property” means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, trade dress, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date” means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each March, June, September and December and the Maturity Date.

“Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice; provided that:

- (i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;
- (ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and
- (iii) no Interest Period shall extend beyond the Maturity Date.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity

participation or interest in, another Person (including by way of Guarantee or otherwise), or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit or all or a substantial part of the business of, such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“IRS” means the United States Internal Revenue Service.

“ISP” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance).

“Issuer Documents” means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the applicable L/C Issuer and the Borrower (or any Subsidiary) or in favor of such L/C Issuer and relating to any such Letter of Credit.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements or determination of an arbitration with, any Governmental Authority, in each case whether or not having the force of law.

“L/C Advance” means, with respect to each Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage. All L/C Advances shall be denominated in Dollars.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing. All L/C Borrowings shall be denominated in Dollars.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

“L/C Issuer” means (a) in respect of the Existing Letters of Credit only, Bank of America; (b) in respect of each Letter of Credit issued hereunder on or after the Closing Date, Bank of America in its capacity as issuer of Letters of Credit hereunder, (c) any Lender from time to time designated by the Borrower as an L/C Issuer with the consent of such Lender and the Administrative Agent, or (d) any successor issuer of Letters of Credit hereunder.

“L/C Obligations” means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“Lender” has the meaning specified in the introductory paragraph hereto.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Letter of Credit” means any letter of credit issued hereunder and shall be deemed to include the Existing Letters of Credit. A Letter of Credit maybe a standby letter of credit or a commercial letter of credit payable upon presentation of appropriate supporting documentation. Letters of Credit may be issued in Dollars or in an Alternative Currency.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the relevant L/C Issuer.

“Letter of Credit Expiration Date” means the day that is seven days prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Fee” has the meaning specified in Section 2.03(i).

“Letter of Credit Sublimit” means an amount equal to \$50,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments hereunder.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” has the meaning specified in Section 2.01(b).

“Loan Documents” means, collectively, this Agreement, the Notes, the Subsidiary Guaranty, the Collateral Documents, the Fee Letter and each Issuer Document, and, in each case, all other agreements and certificates (including, without limitation, any perfection certificates) executed by a Loan Party in connection with this Agreement (exclusive of commitment letters and term sheets pertaining to this Agreement as in effect on the Closing Date, and, for the avoidance of doubt, any Secured Cash Management Agreement and any Secured Hedge Agreement).

“Loan Parties” means, collectively, the Borrower and each Subsidiary Guarantor.

“Lockbox Agreement” means in respect of each lockbox account, and related lockbox and collection account, an agreement, in form and substance reasonably satisfactory to the Administrative Agent and the Borrower, pursuant to which the bank that maintains such account and the Borrower or the Subsidiary Guarantor, as the case may be, that is the named owner of such account shall agree with the Administrative Agent (a) that such lockbox and accounts shall be used solely for the collection and deposit of proceeds of Collateral, (b) that, upon notice from the Administrative Agent, such bank shall transfer at the end of each business day all collected funds in any such account to a Concentration Account and (c) the Administrative Agent agrees that it will not give the notice described in the foregoing clause (b) unless an Event of Default has occurred and is continuing. Each Lockbox Agreement shall contain such other terms as shall be customary for agreements of such type.

“Material Adverse Effect” means any event, development or circumstance that has had or could reasonably be expected to have (a) a material adverse effect upon the business, assets, properties or financial condition of the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document or of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity or enforceability against any Loan Party of any material provision of any Loan Document to which it is a party.

“Material Subsidiary” means each Domestic Subsidiary that is not an Immaterial Subsidiary.

“Maturity Date” means January 26, 2020; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Mortgage” means either (a) the Existing Mortgage, as amended by the Fourth Mortgage Amendment, or (b) any other first preferred fleet mortgage on substantially the same terms as the Existing Mortgage (as amended from time to time) executed and recorded after the date hereof over a Specified Barge Rig which is pledged to the Administrative Agent, as trustee, for security of the Obligations, in each case, as applicable and as may be amended, restated, supplemented or otherwise modified from time to time.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Net Amount” means with respect to any Account at any time, the face amount of such Account on any date less (to the extent not otherwise deducted pursuant to the definition of “Eligible Domestic Accounts Receivable”) any and all returns, rebates, discounts (which may, at the Administrative Agent’s option, be calculated on shortest terms), credits, allowances or taxes (including any sales, excise or other taxes) at any time issued, owing, claimed by any account debtor, granted, outstanding or payable in connection with, or any interest accrued on the amount of, such Account at such time.

“Net Cash Proceeds” means, in connection with any issuance or sale of debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of attorneys’ fees, investment banking fees, accountants’ fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

“Net Equipment OLV” means, as reasonably determined by the Administrative Agent in good faith based on the Initial Appraisal Report or the most recent appraisal conducted pursuant to Section 6.12, the Value of the Eligible Rental Equipment that is estimated to be recoverable in an orderly liquidation of such equipment (less applicable freight and duty charges, if any), net of liquidation expenses.

“Net Loss Proceeds” means, in connection with any Casualty Event, all insurance proceeds or other amounts actually received, less any deductibles applied or to be paid and any costs and expenses incurred in the collection thereof.

“Net Specified Rigs OLV” means, as reasonably determined by the Administrative Agent in good faith based upon the Initial Appraisal Report or the most recent appraisal conducted pursuant to Section 6.12, as applicable, the value of the Eligible Specified Rigs that is estimated to be recoverable in an orderly liquidation of such Eligible Specified Rigs (less applicable freight and duty charges, if any), net of estimated liquidation expenses.

“New Collateral Documents” has the meaning set forth in the introductory paragraph hereof.

“Non-Consenting Lender” has the meaning set forth in Section 10.01.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Non-Extension Notice Date” has the meaning specified in Section 2.03(b)(iii).

“Non-Recourse Debt” means Indebtedness and other obligations of the Borrower or any Subsidiary incurred for the purpose of financing all or any part of the purchase price or cost of construction, design, repair, replacement, installation, or improvement of property, plant or equipment used in the business of the Borrower or such Subsidiary with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles) and other obligations, and neither the Borrower nor any Subsidiary (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is otherwise directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of the Borrower or such Subsidiary equal to or in excess of the Threshold Amount to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or scheduled maturity.

“Note” means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit C.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, Letter of Credit, Secured Cash Management Agreement or Secured Hedge Agreement, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding; provided, that (a) obligations of the Borrower or any Subsidiary under any Secured Cash Management Agreement or Secured Hedge Agreement shall constitute “Obligations” hereunder only until the Termination Date, (b) any release of Collateral or Subsidiary Guarantors effected in the manner permitted by this Agreement shall not require the consent of holders of obligations under the Secured Cash Management Agreements and Secured Hedge Agreements, and (c) the Obligations shall exclude any Excluded Swap Obligations.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Omnibus Amendment to Collateral Documents” means that certain Omnibus Amendment to Collateral Documents entered into as of December 14, 2012 by the Borrower in favor of the Administrative Agent.

“Ordinary Course of Business” means with respect to any transaction involving any Person, the ordinary course of such Person’s business, as conducted by such Person in accordance with past practices and undertaken by such Person in good faith and not for the purpose of evading any covenant or restriction in any Loan Document.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, limited partnership, joint venture, trust or other form of business entity, the partnership, limited partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means, with respect to any Lender or L/C Issuer, taxes imposed as a result of a present or former connection between such Lender or L/C Issuer and the jurisdiction imposing such tax (other than connections arising from such Lender or L/C Issuer having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Outstanding Amount” means (a) with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Loans occurring on such date; (b) with respect to any L/C Obligations on any date, the Dollar Equivalent of the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Participant” has the meaning specified in Section 10.06(d).

“Participating Member State” means any member state of the European Union that has the Euro as its lawful currency in accordance with any EMU Legislation.

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Permitted Discretion” means the Administrative Agent’s judgment exercised in good faith based upon its consideration of any factor which the Administrative Agent believes in good faith: (a) will or reasonably could be expected to adversely affect the value of the Collateral, the enforceability or priority of the Administrative Agent’s Liens thereon or the amount which the Administrative Agent, the Lenders, any L/C Issuer or any other Secured Party would be likely to receive (after giving consideration to delays in payment and costs of enforcement) in the liquidation of such Collateral; (b) suggests that any collateral report of financial information delivered to the Administrative Agent by any Person, with respect to the Collateral is incomplete, inaccurate or misleading in any material respect; (c) materially increases the likelihood of a bankruptcy, reorganization or other insolvency proceeding involving any Loan Party or any of the Collateral; or (d) creates or reasonably could be expected to create a Default or Event of Default. In exercising such judgment, the Administrative Agent may consider such factors already included in or tested by the definition of Eligible Domestic Accounts Receivable, Eligible Rental Equipment or Eligible Specified Rigs, as well as any of the following: (i) the changes in collection history and dilution with respect to the Accounts; (ii) changes in demand for, pricing of, or product mix of Rental Equipment or Specified Rigs; (iii) changes in any concentration of risk with respect to the Borrower’s or any of its Subsidiaries’ Accounts, Rental Equipment or Specified Rigs; and (iv) any other factors that change in any material respect the credit risk of lending to the Borrower on the security of the Borrower’s or any of its Subsidiaries Accounts, Rental Equipment or Specified Rigs. The burden of establishing lack of good faith hereunder shall be on the Borrower.

“Permitted Liens” means, (a) as used in the definition of Eligible Domestic Accounts Receivable, any Liens permitted by Section 7.01 (other than pursuant to Section 7.01(g), (j), (o), (p) or (r)) or, (b) for other purposes, any Liens permitted by Section 7.01.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or any of its Subsidiaries or, with respect to any such plan that is subject to Section 412 or 403 of the Code or Section 302 or 303 or Title IV of ERISA, any ERISA Affiliate.

“Platform” has the meaning specified in Section 6.02.

“Pledged Equity Interests” has the meaning specified in the Security Agreement.

“Project Finance Subsidiary” means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

“Project Financing” means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under Section 7.01(g) and (c) constitute Non-Recourse Debt (other than recourse to the assets of, and Equity Interests in, such Project Finance Subsidiary).

“Projections” has the meaning specified in Section 6.02(c) and includes the Initial Projections.

“Property” means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Equity Interests.

“Public Lender” has the meaning specified in Section 6.02.

“Quail Tools” means Quail Tools, L.P. an Oklahoma limited partnership.

“Qualified ECP Guarantor” shall mean, at any time, each Loan Party with total assets exceeding \$10,000,000 or that qualifies at such time as an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” at such time by entering into a keepwell under § 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Refinanced Indebtedness” has the meaning specified in Section 7.03(g).

“Refinancing” means the occurrence of the Closing Date and the amendment and restatement of the Existing Credit Agreement pursuant to this Agreement.

“Refinancing Debt” has the meaning specified in Section 7.03(g).

“Register” has the meaning specified in Section 10.06(c).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, advisors and representatives of such Person and of such Person’s Affiliates.

“Removal Effective Date” has the meaning specified in Section 9.06.

“Rental Equipment” means Inventory (as defined in the UCC) which is of a type offered for lease in the Ordinary Course of Business as conducted on the Closing Date.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Required Lenders” means, as of any date of determination, Lenders holding more than 50% of the Aggregate Commitments or, if the Aggregate Commitments have expired or terminated, Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender’s risk participation and funded participation in L/C Obligations being deemed “held” by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Requirement of Law” means as to any Person, any Law applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“Resignation Effective Date” has the meaning specified in Section 9.06.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, or controller of a Loan Party and (i) solely for purposes of delivery of incumbency certificates pursuant to Section 4.01, the secretary or any assistant secretary of such Loan Party, (ii) with respect to financial matters, the chief financial officer of such Loan Party, (iii) in the case of Compliance Certificates, the chief financial officer, controller or the treasurer of such Loan Party and (iv) solely for purposes of notices given pursuant to Article II, any other officer or employee of the applicable Loan Party designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer or employee of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and the Administrative Agent (and, in each case, for any Loan Party that is a limited partnership, the foregoing individuals of its general partner). Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” has the meaning specified in Section 7.06.

“Revaluation Date” means with respect to any Letter of Credit, each of the following: (a) each date of issuance of a Letter of Credit denominated in an Alternative Currency, (b) each date of an amendment of any such Letter of Credit having the effect of increasing the amount thereof (solely with respect to the increased amount), (c) each date of any payment by the applicable L/C Issuer under any Letter of Credit denominated in an Alternative Currency, (d) in the case of all Existing Letters of Credit denominated in Alternative Currencies, the fifth day of the month immediately following the month that includes the Closing Date and (e) such additional dates as the Administrative Agent or the applicable L/C Issuer shall determine or the Required Lenders shall require.

“Revolving Facility Obligations” means all Obligations, other than Obligations in respect of any Secured Cash Management Agreement or Secured Hedge Agreement.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

“Sanction(s)” means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, or Her Majesty’s Treasury (“HMT”).

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Second Omnibus Amendment to Collateral Documents” means that certain Second Omnibus Amendment to Collateral Documents entered into as of the Closing Date among the Loan Parties in favor of the Administrative Agent.

“Secured Cash Management Agreement” means any Cash Management Agreement that is entered into by and between any Loan Party and any Cash Management Bank.

“Secured Hedge Agreement” means any Swap Contract permitted under Article VI or VII that is entered into by and between any Loan Party and any Hedge Bank.

“Secured Parties” means, collectively, the Administrative Agent, each other Agent, the Lenders, the L/C Issuers, the Hedge Banks, the Cash Management Banks, each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 9.05, and the other Persons the Obligations owing to which are or are purported to be secured by the Collateral under the terms of the Collateral Documents.

“Security Agreement” means that certain Irrevocable Proxy, Pledge and Security Agreement dated as of May 15, 2008 (as amended, restated, supplemented or otherwise modified from time to time) made by the Loan Parties from time to time party thereto in favor of the Administrative Agent.

“Security Agreement Supplement” has the meaning specified in the Security Agreement.

“Senior Notes” means, collectively, (i) the Existing Senior Notes and (ii) any Additional Senior Notes.

“Senior Notes Indentures” means, collectively, (i) the Existing Senior Notes Indentures and (ii) any other indenture or other similar instrument governing any Additional Senior Notes, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 7.07.

“Solvent” and “Solvency” mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability

“Specified Barge Rig” has the meaning set forth in the definition of Specified Rigs.

“Specified Land Rig” has the meaning set forth in the definition of Specified Rigs.

“Specified Personal Property” means any Property of a type in which a Lien is purported to be granted pursuant to the Security Agreement or any Mortgage.

“Specified Rigs” means (a) each of the barge rigs, located and operating in and along the inland waterways and coast of the continental United States or in Gulf of Mexico waters subject to U.S. state or federal jurisdiction, owned by the Borrower or any Subsidiary Guarantor (each, a “Specified Barge Rig”) and (b) each of the land rigs located and operating in the continental United States or Alaska, owned by the Borrower or any Subsidiary Guarantor (each, a “Specified Land Rig”). Each Specified Barge Rig and each Specified Land Rig as of the Closing Date are set forth on Schedule 5.07(A) and Schedule 5.07(B), respectively.

“Spot Rate” for a currency means the rate determined by the Administrative Agent or the relevant L/C Issuer, as applicable, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date as of which the foreign exchange computation is made; provided that the Administrative Agent or the relevant L/C Issuer may obtain such spot rate from another financial institution designated by the Administrative Agent or the relevant L/C Issuer if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency; and provided further that the relevant L/C Issuer may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in an Alternative Currency.

“Subordinated Debt” means Indebtedness of the Borrower or any Subsidiary which meets all the requirements of the definition of “Convertible Debt” other than clause (f) of the definition thereof.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Subsidiary Guarantors” means, collectively, at any time, (a) each Material Subsidiary of the Borrower other than any Excluded Subsidiary or Project Finance Subsidiary, (b) Quail USA, LLC, (c) Anachoreta, Inc., in each case, to the extent such Person is a party to the Subsidiary Guaranty at such time and (d) any other Subsidiary otherwise party to the Subsidiary Guaranty at such time.

“Subsidiary Guaranty” means that certain Subsidiary Guaranty dated as of May 15, 2008 (as amended, restated, supplemented or otherwise modified from time to time), made by the Subsidiary Guarantors from time to time party thereto in favor of the Administrative Agent, together with each other guaranty and guaranty supplement delivered pursuant to Section 6.09.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master

agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Obligations” means with respect to any Subsidiary Guarantor any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

“Syndication Agent” means Wells Fargo Bank, National Association, in its capacity as syndication agent under any of the Loan Documents, or any successor syndication agent.

“Synthetic Debt” means, with respect to any Person as of any date of determination thereof, all obligations of such Person in respect of transactions entered into by such Person that are intended to function primarily as a borrowing of funds but are not otherwise included in the definition of “Indebtedness” or as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with GAAP.

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property (including sale and leaseback transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any Debtor Relief Laws to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Termination Date” means such time as when (a) all Commitments have been terminated or expired, (b) all Revolving Facility Obligations have been paid in full in cash (other than indemnification obligations and other contingent obligations not then due and payable and as to which no claim has been made as at the time of determination) and (c) all Letters of Credit have terminated or expired (other than Letters of Credit as to which cash collateral has been provided to the applicable L/C Issuer in an amount equal to the amount of such outstanding Letters of Credit or other arrangements satisfactory to the applicable L/C Issuer (in the sole discretion of such L/C Issuer) have been made).

“Threshold Amount” means \$20,000,000.

“Total Outstandings” means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“UCC” means the Uniform Commercial Code as in effect in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“United States” and “U.S.” mean the United States of America.

“Unreimbursed Amount” has the meaning specified in Section 2.03(c)(i).

“U.S. Tax Compliance Certificate” has the meaning specified in Section 3.01(e)(ii)(B)(III).

“Value” means with reference to the value of the Rental Equipment, value determined on the basis of the lower of cost or market of such Rental Equipment in accordance with GAAP, with the cost thereof calculated on a first-in, first-out basis determined in accordance with GAAP.

“Vendor Lease” means a lease pursuant to which Goods (as defined in the UCC) are leased from a Vendor Lessor, whether or not such lease constitutes an operating or a capital lease under GAAP and whether or not such lease constitutes a true lease or a secured transaction under the UCC or any other Requirement of Law.

“Vendor Lessor” means a Person who leases Goods (as defined in the UCC) to another Person pursuant to a Vendor Lease.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the Audited Financial Statements as of and for the fiscal year ended December 31, 2013 for all purposes of this Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

Section 1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 Exchange Rates; Currency Equivalents. The Administrative Agent or the relevant L/C Issuer, as applicable, shall determine the Spot Rates as of each Revaluation Date to be used for calculating Dollar Equivalent amounts of L/C Credit Extensions and Outstanding Amounts denominated in Alternative Currencies. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur. Except for purposes of financial statements delivered by Loan Parties hereunder or calculating financial covenants hereunder or except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Loan Documents shall be such Dollar Equivalent amount as so determined by the Administrative Agent or the relevant L/C Issuer, as applicable.

(a) Wherever in this Agreement in connection with the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Letter of Credit is denominated in an Alternative Currency, such amount shall be the relevant Alternative Currency Equivalent of such Dollar amount (rounded to the nearest unit of such Alternative Currency, with 0.5 of a unit being rounded upward), as determined by the Administrative Agent or the relevant L/C Issuer, as the case may be.

(b) The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of "Eurodollar Rate" or with respect to any comparable or successor rate thereto.

Section 1.06 Alternative Currencies. The Borrower may from time to time request that Letters of Credit be issued in a currency other than Dollars; provided that such requested currency is a lawful currency (other than Dollars) that is readily available and freely transferable and convertible into Dollars. In the case of any such request with respect to the issuance of Letters of Credit, such request shall be subject to the approval of the Administrative Agent and the L/C Issuer that is to issue such Letter of Credit.

(a) Any such request shall be made to the Administrative Agent not later than 10:00 a.m., 20 Business Days prior to the date of the desired L/C Credit Extension (or such other time or date as may be agreed by the Administrative Agent and the applicable L/C Issuer, in their sole discretion). In the case of any such request pertaining to Letters of Credit, the Administrative Agent shall promptly notify each L/C Issuer thereof. Each L/C Issuer shall notify the Administrative Agent, not later than 10:00 a.m., ten Business Days after receipt of such request whether it consents, in its sole discretion, to the issuance of Letters of Credit in such requested currency.

(b) Any failure by an L/C Issuer to respond to such request within the time period specified in the preceding sentence shall be deemed to be a refusal by such L/C Issuer to permit Letters of Credit to be issued in such requested currency. If the Administrative Agent and any L/C Issuer consent to the issuance of Letters of Credit in such requested currency, the Administrative Agent shall so notify the Borrower and such currency shall thereupon be deemed for all purposes to be an Alternative Currency hereunder for purposes of any Letter of Credit issuances. If the Administrative Agent shall fail to obtain consent to any request for an additional currency under this Section 1.06, the Administrative Agent shall promptly so notify the Borrower.

Section 1.07 Change of Currency. Each obligation of the Borrower to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euro at the time of such adoption (in accordance with the EMU Legislation). If, in relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency.

(a) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

(b) Each provision of this Agreement also shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect a change in currency of any other country and any relevant market conventions or practices relating to the change in currency.

Section 1.08 Times of Day. Unless otherwise specified, all references herein to times of day shall be

references to Central time (daylight or standard, as applicable).

Section 1.09 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the Dollar Equivalent of the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the Dollar Equivalent of the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

ARTICLE II

THE COMMITMENTS AND CREDIT EXTENSIONS

Section 2.01 The Loans.

(d) Existing Term Loans. The parties hereto acknowledge and agree that (i) as of the date hereof, immediately before the effectiveness of this Agreement, the Existing Lenders had outstanding to the Borrower under the Existing Credit Agreement Term Loans (as defined in the Existing Credit Agreement) in the aggregate principal amount of \$30,000,000 (the "Existing Term Loans") and (ii) as of the Closing Date, immediately after giving effect to Section 10.20, the Borrower has repaid in full such Existing Term Loans and all obligations owing in connection therewith with the proceeds of Loans made hereunder.

(e) Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make revolving loans (each such loan, a "Loan") to the Borrower in Dollars from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided, however, that immediately after giving effect to any Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments and (ii) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations shall not exceed such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01(b), prepay under Section 2.05, and reborrow under this Section 2.01(b). Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein. The parties hereto acknowledge and agree that, as of the date hereof, immediately before the effectiveness of this Agreement, no Revolving Credit Loans (as defined in the Existing Credit Agreement) were outstanding.

Section 2.02 Borrowings, Conversions and Continuations of Loans. Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by (A) telephone or (B) a Committed Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Administrative Agent of a written Committed Loan Notice. Each such Committed Loan Notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans and (ii) on the requested date of any Borrowing of Base Rate Loans. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Except as provided in Sections 2.03(c), each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Committed Loan Notice shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(c) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans as described in the preceding subsection. In the case of a Borrowing, each Appropriate Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 2:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such

Borrowing is the initial Credit Extension, Section 4.01), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided, however, that if, on the date a Committed Loan Notice with respect to a Borrowing is given by the Borrower, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and, second, shall be made available to the Borrower as provided above.

(d) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of an Event of Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders.

(e) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(f) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than eight Interest Periods in effect.

(g) Notwithstanding anything to the contrary in this Agreement, any Lender may exchange, continue or rollover all of the portion of its Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Borrower, the Administrative Agent, and such Lender.

Section 2.03 Letters of Credit.

(a) The Letter of Credit Commitment. Subject to the terms and conditions set forth herein, (A) each L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit denominated in Dollars or in one or more Alternative Currencies for the account of the Borrower or its Subsidiaries, and to amend or extend Letters of Credit previously issued by it, in accordance with Section 2.03(b), and (2) to honor drawings under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower or its Subsidiaries and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (x) the Total Outstandings shall not exceed the Aggregate Commitments, (y) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations shall not exceed such Lender's Commitment and (z) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit. Each request by the Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(i) No L/C Issuer shall issue any Letter of Credit if:

(A) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension, unless the Required Lenders have approved such expiry date; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(ii) No L/C Issuer shall be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or request that such L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or

shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date (or, if different, the date on which such L/C Issuer became an L/C Issuer hereunder) and which such L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate one or more policies of such L/C Issuer applicable to letters of credit generally;

(C) except as otherwise agreed by the Administrative Agent and such L/C Issuer, such Letter of Credit is in an initial stated amount less than \$25,000;

(D) except as otherwise agreed by the Administrative Agent and such L/C Issuer, such Letter of Credit is to be denominated in a currency other than Dollars or an Alternative Currency;

(E) such L/C Issuer does not as of the issuance date of such requested Letter of Credit issue Letters of Credit in the requested currency;

(F) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(G) a default of any Lender's obligations to fund under Section 2.03(c) exists or any Lender is at such time a Defaulting Lender hereunder, unless the applicable L/C Issuer has entered into arrangements satisfactory to the L/C Issuer with the Borrower or such Lender to eliminate such L/C Issuer's risk with respect to such Lender.

(iii) No L/C Issuer shall amend any Letter of Credit if such L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(iv) No L/C Issuer shall be under any obligation to amend any Letter of Credit if (A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(v) Each L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article IX with respect to any acts taken or omissions suffered by such L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article IX included such L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to each L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit .

Subject to Section 1.06:

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the applicable L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by the applicable L/C Issuer and the Administrative Agent not later than 10:00 a.m. at least two Business Days (or such later date and time as the Administrative Agent and such L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the applicable L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount and currency thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature of the requested Letter of Credit; and (H) such other matters as the applicable L/C Issuer may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the applicable L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day); (3) the nature of the proposed amendment; and (4) such other matters as such L/C Issuer may reasonably require. Additionally, the Borrower shall furnish to the applicable L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer

Documents, as such L/C Issuer or the Administrative Agent may reasonably require.

(ii) Promptly after receipt of any Letter of Credit Application, the applicable L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such L/C Issuer will provide the Administrative Agent with a copy thereof. Unless such L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, such L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower (or the applicable Subsidiary) or enter into the applicable amendment, as the case may be, in each case in accordance with such L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the applicable L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable L/C Issuer, the Borrower shall not be required to make a specific request to such L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the applicable L/C Issuer shall not permit any such extension if (A) such L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such L/C Issuer not to permit such extension.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment. On a monthly basis, each L/C Issuer shall deliver to the Administrative Agent a complete list of all outstanding Letters of Credit issued by such L/C Issuer as provided in Section 2.03(f).

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable L/C Issuer shall notify the Borrower and the Administrative Agent thereof. In the case of a Letter of Credit denominated in an Alternative Currency, the Borrower shall reimburse the applicable L/C Issuer in such Alternative Currency, unless (A) such L/C Issuer (at its option) shall have specified in such notice that it will require reimbursement in Dollars, or (B) in the absence of any such requirement for reimbursement in Dollars, the Borrower shall have notified such L/C Issuer promptly following receipt of the notice of drawing that the Borrower will reimburse such L/C Issuer in Dollars. In the case of any such reimbursement in Dollars of a drawing under a Letter of Credit denominated in an Alternative Currency, the applicable L/C Issuer shall notify the Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. Not later than (x) 12:30 p.m. on the date of any payment by the applicable L/C Issuer under a Letter of Credit (each such date, an "Honor Date") if the Borrower shall have received notice of such payment prior to 10:00 a.m. on such date or (y) if such notice has not been received by the Borrower prior to such time on the Honor Date, then 12:30 p.m. on the Business Day immediately following the day that the Borrower receive such notice, the Borrower shall reimburse the applicable L/C Issuer in an amount equal to the amount of such drawing and in the applicable currency. If the Borrower fails to so reimburse the applicable L/C Issuer by such time, such L/C Issuer shall promptly notify the Administrative Agent, who shall then promptly notify each Lender, of the Honor Date, the amount of the unreimbursed drawing (expressed in Dollars in the amount of the Dollar Equivalent thereof in the case of a Letter of Credit denominated in an Alternative Currency) (the "Unreimbursed Amount"), and the amount of such Lender's Applicable Percentage thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on

the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice). Any notice given by an L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the applicable L/C Issuer, in Dollars, at the Administrative Agent's Office in an amount equal to its Applicable Percentage of the Unreimbursed Amount not later than 12:00 noon on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the applicable L/C Issuer in Dollars.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the applicable L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the applicable L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Applicable Percentage of such amount shall be solely for the account of such L/C Issuer.

(v) Each Lender's obligation to make Loans or L/C Advances to reimburse each L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against any L/C Issuer, the Borrower, any Subsidiary or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the Borrower of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse each L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the applicable L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such L/C Issuer at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by such L/C Issuer in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by such L/C Issuer in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the relevant L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this Section 2.03(c)(vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after any L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of any L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Percentage thereof in Dollars and in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of any L/C Issuer pursuant

to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the applicable L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of the Borrower to reimburse each L/C Issuer for each drawing under each Letter of Credit issued by such L/C Issuer and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Borrower or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), any L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the applicable L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by such L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;

(v) any adverse change in the relevant exchange rates or in the availability of the relevant Alternative Currency to the Borrower or any Subsidiary or in the relevant currency markets generally; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any Subsidiary.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will promptly, but in any event, within three Business Days of receipt of such copy, notify the applicable L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against such L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of the L/C Issuers. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuers shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of any L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of any L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the applicable L/C Issuer, and the applicable L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the

Borrower which the Borrower proves were caused by such L/C Issuer's willful misconduct or gross negligence or such L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, each L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and no L/C Issuer shall be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral.

(i) Upon the request of the Administrative Agent, (A) if any L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing or (B) if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Borrower shall, in each case, immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations.

(ii) The Administrative Agent may, with respect to outstanding Letters of Credit issued in an Alternative Currency, at any time and from time to time after the initial deposit of Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of exchange rate fluctuations.

(iii) Sections 2.05, 2.16 and 8.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05, Section 2.16 and Section 8.02(c), "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the L/C Issuers (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked deposit accounts at Bank of America. Reasonable interest shall accrue on any such cash deposit, which accrued interest shall be for the account of the Borrower, subject to this Agreement. If at any time the Administrative Agent determines that any funds held as Cash Collateral are subject to any right or claim of any Person other than the Administrative Agent or that the total amount of such funds is less than the aggregate Outstanding Amount of all L/C Obligations, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited as Cash Collateral, an amount equal to the excess of (x) such aggregate Outstanding Amount over (y) the total amount of funds, if any, then held as Cash Collateral that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit as Cash Collateral, such funds shall be applied, to the extent permitted under applicable Laws, to reimburse the applicable L/C Issuer.

(h) Applicability of ISP and UCP. Unless otherwise expressly agreed by the applicable L/C Issuer and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

(i) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, in Dollars, a Letter of Credit fee (the "Letter of Credit Fee") (i) for each commercial Letter of Credit equal to 0.125 of 1% times the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit and (ii) for each standby Letter of Credit equal to the Applicable Rate times the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. Letter of Credit Fees shall be (A) due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand and (B) computed on a quarterly basis in arrears. If there is any change in the Applicable Rate during any quarter, the daily amount available to be drawn under each standby Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. Notwithstanding anything to the contrary contained herein, while any Letter of Credit Fee is not paid when due, all such overdue Letter of Credit Fees shall accrue at the Default Rate.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the applicable L/C Issuer for its own account, in Dollars, a fronting fee (i) with respect to each commercial Letter of Credit or any amendment of a commercial Letter of Credit increasing the amount of such Letter of

Credit, at a rate and on terms separately agreed in writing between the Borrower and the applicable L/C Issuer (including, without limitation, as to the time of payment of such fee), and (ii) with respect to each standby Letter of Credit, at the rate per annum agreed upon from time to time in writing between the Borrower and such L/C Issuer (which in the case of Bank of America as L/C Issuer shall be the rate specified in the Fee Letter), computed on the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit on a quarterly basis in arrears. Such fronting fee for each standby Letter of Credit shall be due and payable on the last Business Day of each March, June, September and December in respect of the most recently-ended quarterly period (or portion thereof, in the case of the first payment), commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. In addition, the Borrower shall pay directly to each L/C Issuer for its own account, in Dollars, the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Issuer Documents. In the event of any conflict or inconsistency between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

(l) Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the applicable L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

Section 2.04 [Reserved].

Section 2.05 Prepayments.

(c) Optional. The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (i) such notice must be in a form reasonably acceptable to the Administrative Agent and be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the prepayment amount specified in such notice shall be due and payable on the date specified therein, provided, however, that notwithstanding anything to the contrary contained herein, any such prepayment notice may be conditioned upon the effectiveness of other credit facilities or the closing of one or more securities offerings or other transactions; provided further, that, the Borrower must affirmatively rescind any such prepayment notice by a subsequent written notice to the Administrative Agent, if the condition in an original prepayment notice shall fail to be satisfied by the proposed effective date of such prepayment, and upon the Administrative Agent's receipt of such rescinding notice, shall have no obligation to make any prepayment in respect of such earlier prepayment notice. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05.

(d) Mandatory.

(i) If for any reason the Total Outstandings at any time exceed the Aggregate Commitments at such time, the Borrower shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations (other than the L/C Borrowings) in an aggregate amount equal to such excess. The Administrative Agent may, at any time and from time to time after the initial deposit of such Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of further exchange rate fluctuations.

(ii) Each prepayment of Loans pursuant to the foregoing Section 2.05(b)(i) shall be applied in the following manner: first, ratably to the L/C Borrowings, second, ratably to the outstanding Loans, and, third, to Cash Collateralize the remaining L/C Obligations. Upon the drawing of any Letter of Credit that has been Cash Collateralized, the funds held as Cash Collateral shall be applied (without any further action by or notice to or from the Borrower or any other Loan Party) to reimburse the relevant L/C Issuer or the Lenders, as applicable.

Section 2.06 Termination or Reduction of Commitments.

(c) Optional. The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments or Letter of Credit Sublimit, or from time to time permanently reduce the Aggregate Commitments or the Letter of Credit Sublimit; provided that (i) any such notice shall be received by the Administrative Agent not later than 10:00 a.m. three Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof, (iii) the Borrower shall not terminate or reduce (A) the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Aggregate Commitments, (B) the Letter of Credit Sublimit if, after giving effect thereto, the Outstanding Amount of L/C Obligations not fully Cash Collateralized hereunder would exceed the Letter of Credit Sublimit, and (iv) if, after giving effect to any reduction of the Aggregate Commitments, the Letter of Credit Sublimit exceeds the amount of the Aggregate Commitments, the Letter of Credit Sublimit shall be automatically reduced by the amount of such excess.

(d) [Reserved].

(e) Application of Commitment Reductions; Payment of Fees. The Administrative Agent will promptly notify the Lenders of any termination or reduction of the Letter of Credit Sublimit or the Commitments under this Section 2.06. Upon any reduction of the Aggregate Commitments, the Commitment of each Lender shall be reduced by such Lender's Applicable Percentage of such reduction amount. All fees accrued hereunder until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

Section 2.07 Repayment of Loans. The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of all Loans outstanding on such date.

Section 2.08 Interest. Subject to the provisions of Section 2.08(b), (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

(a) (a) If any amount of principal of any Loan or L/C Borrowing is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, all outstanding Loans and L/C Borrowings (whether or not overdue) shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws until such amount is paid in full (after as well as before judgment).

(iii) If any amount (other than principal of any Loan or L/C Borrowing) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then such overdue amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws until such amount is paid in full (after as well as before judgment).

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(b) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Notwithstanding anything else to the contrary contained herein, interest hereunder shall be due no less frequently than quarterly. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

Section 2.09 Fees. In addition to certain fees described in Sections 2.03(i) and (j):

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a commitment fee equal to the Applicable Fee Rate times the actual daily amount by which the Aggregate Commitments exceeds the Total Outstandings. The commitment fee described in this Section 2.09(a) shall accrue at all times during the relevant Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and, in the case of the commitment fee with respect to the Aggregate Commitments, on the last day of the Availability Period. The commitment fee described in this Section 2.09(a) shall be calculated quarterly in arrears.

(b) Other Fees.

(i) The Borrower shall pay to the Arranger and the Administrative Agent for their own respective accounts, in Dollars, fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(ii) The Borrower shall pay to the Lenders, in Dollars, such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

Section 2.10 Computation of Interest and Fees; Retroactive Adjustments of Applicable Rate. All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the Eurodollar Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year) or, in the case of interest in respect of Loans denominated in Alternative Currencies as to which market practice differs from the foregoing, in accordance with such market practice. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(a) If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or for any other reason, the Borrower or the Lenders determine that (i) the Consolidated Leverage Ratio as calculated by the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Consolidated Leverage Ratio would have resulted in higher pricing for such period, the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders or the L/C Issuers, as the case may be, promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, automatically and without further action by the Administrative Agent, any Lender or any L/C Issuer), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Lender or any L/C Issuer, as the case may be, under Section 2.03(c)(iii), 2.03(i) or 2.08(b) or under Article VIII. The Borrower's obligations under this paragraph shall survive the termination of the Aggregate Commitments and the repayment of all other Obligations hereunder.

Section 2.11 Evidence of Debt. The Credit Extensions made by each Lender or L/C Issuer shall be evidenced by one or more accounts or records maintained by such Lender or such L/C Issuer, as applicable, and by the Administrative Agent in the ordinary course of business. Such accounts or records maintained by the Administrative Agent and each Lender or L/C Issuer, as applicable, shall be conclusive absent manifest error of the amount of the applicable Credit Extensions to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender or any L/C Issuer and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount, and maturity of its Loans and payments with respect thereto.

(a) In addition to the accounts and records referred to in Section 2.11(a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

Section 2.12 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. If, for any reason, the Borrower is prohibited by any Law from making any required payment hereunder in an Alternative Currency, the Borrower shall make such payment in Dollars in the Dollar

Equivalent of the Alternative Currency payment amount. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent (i) after 2:00 p.m., in the case of payments in Dollars, or (ii) after the Applicable Time specified by the Administrative Agent in the case of payments in an Alternative Currency, shall in each case be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. The Borrower agrees that, if an Event of Default shall have occurred and is continuing, the Administrative Agent may (and, at the request of the Required Lenders, the Administrative Agent shall) (A) cause each bank that maintains any account subject to a Control Agreement or a Lockbox Agreement to transfer, on a daily basis, all collected funds in any such account to a Concentration Account and (B) apply any amounts on deposit in a Concentration Account to repay Loans whenever any Loans are outstanding.

(b) (a) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurodollar Rate Loans (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(i) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuers hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Appropriate Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Appropriate Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such L/C Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender to the Borrower as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, L/C Borrowings, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal and L/C Borrowings then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and L/C Borrowings then due to such parties.

Section 2.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) Revolving Facility Obligations due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Revolving Facility Obligations due and payable to such Lender at such time to (ii) the aggregate amount of the Revolving Facility Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Revolving Facility Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Revolving Facility Obligations owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Revolving Facility Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the Revolving Facility Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time) of payment on account of the Revolving Facility Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and subparticipations in L/C Obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Revolving Facility Obligations then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(ii) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(iii) the provisions of this Section shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 2.14 Increase in Aggregate Commitments.

(a) Request for Increase. Provided (i) no Event of Default has occurred and is continuing and (ii) the Borrower is in pro forma compliance with all financial covenants set forth in Section 7.02 after giving effect to such Commitment Increase and all amounts borrowed in connection therewith (it being understood that for this purpose, solely with respect to the Asset Coverage Ratio, the denominator of such ratio shall be determined based on the full amount of all Commitments after giving effect to the applicable Commitment Increase and not Total Outstandings), upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Borrower may from time to time (including on the Closing Date), request an increase in the Aggregate Commitments (each such increase, a "Commitment Increase"); provided, however, that (x) any such request for an increase shall be in a minimum amount of \$15,000,000, (y) the Borrower may make a maximum of four (4) such requests, and (z) after giving effect to such increase, the aggregate amount of increases to the Aggregate Commitments pursuant to this Section 2.14(a) shall not be in excess of \$75,000,000.

(b) Lender Elections to Increase. Each Lender shall notify the Administrative Agent whether or not it agrees to increase its Commitment and, if so, whether by an amount equal to, greater than, or less than its Applicable Percentage of such requested increase. No Lender shall be required to participate in any increase in the Aggregate

Commitments. Any Lender that does not respond to the Administrative Agent within a reasonable period of time (as determined by the Administrative Agent) following any request for a Commitment Increase shall be deemed to have declined to increase its Commitment.

(c) Notification by Administrative Agent; Additional Lenders. The Administrative Agent shall notify the Borrower and each Lender of the Lenders' responses to each request for a Commitment Increase. To achieve the full amount of a requested increase, and subject to the approval of the Administrative Agent and the L/C Issuers to the extent such approval would be required if an assignment of Commitments were being made to such Eligible Assignee (which approvals shall not be unreasonably withheld), the Borrower may also invite additional Eligible Assignees to become Lenders pursuant to a joinder agreement in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(d) Effective Date and Allocations. If the Aggregate Commitments are increased in accordance with this Section, the Administrative Agent and the Borrower shall determine the effective date (the "Commitment Increase Effective Date") and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrower and the Lenders of the final allocation of such increase and the Commitment Increase Effective Date.

(e) Conditions to Effectiveness of Increase. As a condition precedent to any Commitment Increase, the Borrower shall deliver to the Administrative Agent a certificate of the Borrower dated as of the Commitment Increase Effective Date (in sufficient copies for each Lender, to the extent requested by the Administrative Agent or any Lender), signed by a Responsible Officer of the Borrower (i) certifying and attaching the resolutions adopted by each Loan Party approving or consenting to such increase, and (ii) certifying that, immediately before and after giving effect to such increase, (A) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects) on and as of the Commitment Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section 2.14, the representations and warranties contained in Section 5.05(a) and (b) shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01(a) and (b), respectively, and (B) no Event of Default has occurred or is continuing. The Borrower shall prepay any Loans outstanding on the Commitment Increase Effective Date (and pay any additional amounts required pursuant to Section 3.05) to the extent necessary to keep the outstanding Loans ratable with any revised Applicable Percentages arising from any nonratable increase in the Commitments under this Section. The Borrower shall also deliver to any requesting Lender a replacement Note (upon the Borrower's receipt of the replaced Note) or a new Note evidencing the incremental amount of such increase, as applicable, in accordance with Section 2.11.

(f) Mortgage Amendments. Promptly upon the reasonable request (from the perspective of a secured lender) by the Administrative Agent or the Required Lenders through the Administrative Agent, the Borrower shall execute and deliver (or shall cause any other applicable Loan Party to execute and deliver) any amendment or other modification to any Mortgage as may be necessary to reflect the maximum amount of the Aggregate Commitments hereunder (including, without limitation, as may be increased pursuant to this Section 2.14) and pay or make arrangements satisfactory to the Administrative Agent to pay all applicable recording taxes, fees, charges, costs and expenses required for the filing or recording of any such amendment or modifications.

(g) Conflicting Provisions. This Section shall supersede any provisions in Section 2.13 or 10.01 to the contrary.

Section 2.15 [Reserved].

Section 2.16 Defaulting Lenders.

(a) Amendments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 10.01.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payments of any amounts owing by such Defaulting Lender to the

Administrative Agent hereunder; second, to the payment on a *pro rata* basis of any amounts owing by such Defaulting Lender to the L/C Issuer hereunder; third, to Cash Collateralize the L/C Issuer's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.03(g), fourth, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released *pro rata* in order to (A) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (B) Cash Collateralize the L/C Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.03(g), sixth, to the payment of any amounts owing to the Lenders, or the L/C Issuer as a result of any final and nonappealable judgment of a court of competent jurisdiction obtained by any Lender or the L/C Issuer against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any final and nonappealable judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Borrowings in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a *pro rata* basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations are held by the Lenders *pro rata* in accordance with the Commitments hereunder without giving effect to Section 2.16(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.16(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) No Defaulting Lender shall be entitled to receive any fee payable under Section 2.09(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive Letter of Credit Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.03.

(C) With respect to any fee payable under Section 2.09 or any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (I) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (II) pay to the L/C Issuer the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such L/C Issuer's Fronting Exposure to such Defaulting Lender, and (III) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Applicable Percentages to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that such reallocation does not cause the aggregate Outstanding Amount of the Loans of such Non-Defaulting Lender, plus such Non-Defaulting Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations to exceed such Non-Defaulting Lender's Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender's having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral. If the reallocation described in clause (a)(iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under applicable Law, Cash Collateralize the L/C Issuer's Fronting Exposure in accordance with the procedures set forth in Section 2.03(g).

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and the L/C Issuers agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held on a *pro rata* basis by the Lenders in accordance with their Commitments (without giving effect to Section 2.18(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

Section 3.01 Taxes.

(h) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(iv) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable Laws require the Borrower or the Administrative Agent to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined by the Borrower or the Administrative Agent, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(v) If the Borrower or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(vi) If the Borrower or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) the Borrower or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Borrower or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount so withheld or deducted by it to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(i) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Laws.

(j) Tax Indemnifications.

(i) Without limiting the provisions of subsection (a) or (b) above, the Borrower shall, and does hereby, indemnify the Administrative Agent, each Lender and each L/C Issuer, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by the Administrative Agent, such Lender or such L/C Issuer, as the case may be, and any penalties, interest and

reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The Borrower shall also, and does hereby, indemnify the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender or L/C Issuer for any reason fails to pay indefeasibly to the Administrative Agent as required by clause (ii) of this subsection. A certificate as to the amount of any such payment or liability delivered to the Borrower by a Lender or L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or L/C Issuer, shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, each Lender and L/C Issuer shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, the Administrative Agent, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel) incurred by or asserted against the Administrative Agent by any Governmental Authority as a result of the failure by such Lender or such L/C Issuer, as the case may be, to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender or such L/C Issuer, as the case may be, to the Administrative Agent pursuant to subsection (e). A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender and each L/C Issuer hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender or such L/C Issuer, as the case may be, under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii). The agreements in this clause (ii) shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender or any L/C Issuer, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all other Obligations.

(k) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority as provided in this Section 3.01, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(l) Status of Lenders; Tax Documentation.

(a) Each Lender and L/C Issuer shall deliver to the Borrower and to the Administrative Agent, at the time or times prescribed by applicable Laws or when reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable Laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit the Borrower or the Administrative Agent, as the case may be, to determine

(A) whether or not payments made by the Borrower hereunder or under any other Loan Document are subject to Taxes, withholding, or deduction and if applicable, the required rate of withholding or deduction,

(B) whether or not such Lender or L/C Issuer is subject to information reporting requirements, and

(C) such Lender's or L/C Issuer's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender or L/C Issuer by the Borrower pursuant to this Agreement or otherwise to establish such Lender's or L/C Issuer's status for withholding tax purposes in the applicable jurisdictions.

Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01(ii)(A), (ii)(B) and (v) below) shall not be required if in the Lender's or L/C Issuer's reasonable judgment such completion, execution or submission would subject such Lender or L/C Issuer to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender or L/C Issuer.

(i) Without limiting the generality of the foregoing, if the Borrower is a "United States person," within the meaning of Section 7701(a)(30) of the Code,

(A) any Lender or L/C Issuer that is a "United States person," within the meaning of Section 7701(a)(30) of the Code, shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender or L/C Issuer becomes a Lender or L/C Issuer under this Agreement (and from time to time thereafter upon reasonable request of the Borrower or the Administrative Agent)

executed copies of IRS Form W-9 certifying that such Lender or L/C Issuer is exempt from United States federal backup withholding; and

(B) each Foreign Lender that is entitled under the Code or any applicable treaty to an exemption from or reduction of withholding tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender or L/C Issuer under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming benefits of any income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of United States federal withholding tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, United States federal withholding tax pursuant to the “business profits” or “other income” article of such tax treaty,

(II) executed copies of IRS Form W-8ECI,

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit B-1 to the effect that such Foreign Lender is not (A) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code (a “U.S. Compliance Certificate”) and (y) executed copies of Internal Revenue Service Form W-8BEN-E (or W-8BEN, as applicable),

(IV) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a U.S. Compliance Certificate substantially in the form of Exhibit B-2 or Exhibit B-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit B-4 on behalf of each such direct and indirect partner, or

(V) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative on or prior to the date on which such Foreign Lender becomes a Lender or L/C Issuer under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in United States federal withholding tax together with such supplementary documentation as may be prescribed by applicable Laws to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made.

(ii) Each Lender and L/C Issuer shall promptly (A) update and deliver any such form or certificate it previously delivered that has expired or become obsolete or inaccurate in any respect or notify the Borrower and the Administrative Agent in writing of its legal inability to do so, (B) notify the Borrower and the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) take any other such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender or L/C Issuer, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws of any jurisdiction that the Borrower or the Administrative Agent make any withholding or deduction for taxes from amounts payable to such Lender or L/C Issuer.

(iii) The Borrower shall promptly deliver to the Administrative Agent, any Lender or any L/C Issuer, as the Administrative Agent, such Lender, or such L/C Issuer shall reasonably request, on or prior to the Closing Date, and in a timely fashion thereafter, such documents and forms required by any relevant taxing authorities under the Laws of any jurisdiction, duly executed and completed by the Borrower, as are required to be furnished by such Lender, such L/C Issuer or the Administrative Agent under such Laws in connection with any payment by the Administrative Agent or any Lender of Taxes or Other Taxes, or otherwise in connection with

the Loan Documents, with respect to such jurisdiction.

(iv) Each Lender or L/C Issuer shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code), and such additional documentation reasonably requested by the Borrower or the Administrative Agent, in each case, as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender or L/C Issuer has complied with such Lender's or L/C Issuer's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (v), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. For purposes of determining withholding Taxes imposed under FATCA, from and after the Closing Date, the Borrower and the Administrative Agent shall treat (and the Lenders and L/C Issuers hereby authorize the Administrative Agent to treat) the Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i)."

(m) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender or an L/C Issuer, or have any obligation to pay to any Lender or any L/C Issuer, any refund of Taxes withheld or deducted from funds paid for the account of such Lender or such L/C Issuer, as the case may be. If the Administrative Agent, any Lender or any L/C Issuer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses and net of any loss or gain realized in the conversion of such funds from or to another currency incurred by the Administrative Agent, such Lender or any L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent, such Lender or such L/C Issuer, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or such L/C Issuer in the event the Administrative Agent, such Lender or such L/C Issuer is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any Lender or any L/C Issuer to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(n) Survival. Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender or the L/C Issuer, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

Section 3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to perform any of its obligations hereunder or make, maintain or fund or charge interest with respect to any Credit Extension, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to issue, make, maintain, fund or charge interest with respect to any such Credit Extension or to convert Base Rate Loans to Eurodollar Rate Loans, shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all such Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

Section 3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing

of Base Rate Loans in the amount specified therein.

Section 3.04 Increased Costs.

(e) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurodollar Rate) or any L/C Issuer;

(ii) subject the Administrative Agent, any Lender or any L/C Issuer to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurodollar Rate Loan made by it, or change the basis of taxation of payments to such Lender or such L/C Issuer in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.01 and the imposition of, or any change in the rate of, any Excluded Tax payable by the Administrative Agent, such Lender or such L/C Issuer); or

(iii) impose on any Lender or any L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or such L/C Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or such L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or such L/C Issuer, the Borrower will pay to such Lender or such L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or such L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(f) Capital Requirements. If any Lender or any L/C Issuer determines that any Change in Law affecting such Lender or such L/C Issuer or any Lending Office of such Lender or such Lender's or such L/C Issuer's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such L/C Issuer's capital or on the capital of such Lender's or such L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such L/C Issuer, to a level below that which such Lender or such L/C Issuer or such Lender's or such L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such L/C Issuer's policies and the policies of such Lender's or such L/C Issuer's holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to such Lender or such L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or such L/C Issuer or such Lender's or such L/C Issuer's holding company for any such reduction suffered.

(g) Certificates for Reimbursement. A certificate of a Lender or L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or such L/C Issuer or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or such L/C Issuer, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(h) Delay in Requests. Failure or delay on the part of any Lender or any L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or such L/C Issuer's right to demand such compensation, provided that no Borrower shall be required to compensate a Lender or L/C Issuer pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or such L/C Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(f) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(g) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower;

(h) any failure by the Borrower to make payment of drawing under any Letter of Credit (or interest due thereon) denominated in an Alternative Currency on its scheduled due date or any payment thereof in a different currency; or

(i) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.13;

excluding any loss of anticipated profits, but including any foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan, from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

Section 3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrower is required to pay any additional amount to any Lender, any L/C Issuer, or any Governmental Authority for the account of any Lender or any L/C Issuer pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then, at the request of Borrower, such Lender or such L/C Issuer shall, as applicable, use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender or such L/C Issuer, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender or such L/C Issuer, as the case may be, to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender or such L/C Issuer, as the case may be. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or any L/C Issuer in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, and in each case, such Lender has declined or is unable to designate a different Lending Office in accordance with Section 3.06(a), or if any Lender is a Non-Consenting Lender or a Defaulting Lender or otherwise gives notice pursuant to Section 3.02, the Borrower may replace such Lender in accordance with Section 10.13.

Section 3.07 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments, repayment of all other Obligations hereunder, and resignation of the Administrative Agent.

Section 3.08 Keepwell. Each Loan Party that is a Qualified ECP Guarantor at the time the Subsidiary Guaranty, or the grant of the security interest under any Loan Document, by such Loan Party, becomes effective with respect to any Secured Hedge Agreement, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed by each other Loan Party from time to time to honor all of its obligations under its Subsidiary Guaranty and the other Loan Documents in respect of such Secured Hedge Agreement (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Section voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each Qualified ECP Guarantor intends this Section to constitute, and this Section shall be deemed to constitute, a Guaranty of the obligations of, and a "keepwell,

support, or other agreement” for the benefit of, each Secured Party for all purposes of the Commodity Exchange Act.

ARTICLE IV

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

Section 4.01 Conditions of Initial Credit Extension. The obligation of each L/C Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(m) The Administrative Agent’s receipt of the following, each of which shall be originals, teletypes or electronic copies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Arranger, Administrative Agent and each of the Lenders:

(i) executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note;

(iii) executed counterparts of the Second Omnibus Amendment to Collateral Documents, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower, together with:

(A) certificates representing the Pledged Equity Interests accompanied by undated transfer powers executed in blank or, if any of the Pledged Equity Interests shall be uncertificated securities (as defined in Article 8 of the UCC), confirmation and evidence satisfactory to the Administrative Agent that the security interest in such uncertificated securities has been transferred to and perfected by the Administrative Agent for the benefit of the Secured Parties in accordance with Section 9-106 of the Uniform Commercial Code, and instruments evidencing the debt instruments pledged pursuant to the Collateral Documents, if any, indorsed in blank;

(B) proper financing statements in form appropriate for filing under the Uniform Commercial Code of all jurisdictions that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created under the Security Agreement, covering the Collateral described in the Security Agreement (as amended, including, without limitation, by the Second Omnibus Amendment to Collateral Documents);

(C) copies of any other Uniform Commercial Code, judgment, tax lien, intellectual property, or other searches reasonably requested by the Administrative Agent with respect to the Collateral, together with copies of the financing statements (or similar documents) disclosed by such searches, and accompanied by evidence that any Liens indicated in any such financing statement that are not permitted by Section 7.01 have been or contemporaneously will be released or terminated (or otherwise provided for in a manner reasonably acceptable to the Administrative Agent); and

(D) evidence that all other action, recordings and filings that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created under the Collateral Documents have been taken (including receipt of duly executed payoff letters, UCC-3 termination statements and consent agreements) or arrangements therefor satisfactory to the Administrative Agent shall have been made;

(iv) the Fourth Mortgage Amendment, covering each of the Specified Barge Rigs listed on Schedule 5.07(A) (other than Parker Drilling 30-B), duly executed by the appropriate Loan Party, together with:

(D) evidence that counterparts of the Fourth Mortgage Amendment have been duly executed, acknowledged and delivered and are in form suitable for filing or recording with the United States Coast Guard and all other filing or recording offices that the Administrative Agent may deem necessary or desirable in order to create a valid first and subsisting Lien on the Specified Barge Rigs described therein in favor of the Administrative Agent for the benefit of the Secured Parties and that all filing, documentary, stamp, intangible and recording taxes and fees have been paid (or arrangements for such payment satisfactory to the Administrative Agent shall have been made); and

(E) evidence that all other action that the Administrative Agent may deem necessary or desirable in order to create valid first and subsisting Liens on the property described in the Mortgages has been

taken, including delivery of an abstract of title, certificate of ownership, copy of certificate of documentation, and copy of certificate of financial responsibility (for each jurisdiction where applicable) with respect to each Specified Barge Rig;

(v) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to be a party;

(vi) such documents, agreements and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each of the Borrower and each Subsidiary Guarantor is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(vii) a favorable opinion of Baker Botts L.L.P., counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, covering such customary matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(viii) a favorable opinion of J. Edward Menger, deputy general counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, covering such customary matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(ix) a certificate of a Responsible Officer of the Borrower either (1) attaching copies of all consents (including, without limitation, from any Governmental Authority, shareholder or other third-party), licenses and approvals required in connection with the execution, delivery and performance by any Loan Party and the validity against any Loan Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect (except that the following consents do not need to be attached to such certificate to the extent delivered to the Administrative Agent as attachments to any other certificate delivered on the Closing Date: (A) any consents of a member or partner of a Loan Party that is required with respect to the pledge of equity under such Loan Party's Organization Documents and (B) any resolutions by each Loan Party's governing body authorizing and approving the Loan Documents), or (2) stating that no such consents, licenses or approvals are so required;

(x) a certificate of a Responsible Officer certifying that there are (1) no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened in writing or (2) ongoing, pending or threatened investigation known to the Borrower, in each case, in any court or conducted before or by any arbitrator or Governmental Authority, by or against the Borrower or any of its Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or the extensions of credit contemplated hereby, or (b) either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect;

(xi) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since December 31, 2013 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(xii) copies of the Audited Financial Statements and unaudited interim consolidated financial statements of the Borrower and its consolidated Subsidiaries for each fiscal quarterly period ended subsequent to December 31, 2013 as to which such financial statements are available, accompanied by a certificate of a Responsible Officer of the Borrower;

(xiii) projections of the revenues, expenses, and cash flows of the Borrower covering the period from January 1, 2015 through December 31, 2019, prepared on a quarterly basis for the fiscal year ending on December 31, 2015 and an annual basis for each fiscal year December 31, 2016, December 31, 2017, December 31, 2018 and December 31, 2019 (the "Initial Projections"), prepared by a Responsible Officer of the Borrower having responsibility over financial matters, all in form and substance satisfactory to the Administrative Agent;

(xiv) the Initial Appraisal Report;

(xv) a certificate from the chief financial officer of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent, certifying that, as of the Closing Date, the Loan Parties, on a

consolidated basis, are, and immediately after giving effect to the transactions contemplated by this Agreement and the incurrence of all Indebtedness and obligations being incurred in connection herewith will be, Solvent;

(xvi) [reserved];

(xvii) all documentation and other information with respect to the Loan Parties required by regulatory authorities under applicable “know-your-customer” and anti-money laundering rules and regulations, including without limitation the USA Patriot Act;

(xviii) evidence and documentation (including payoff letters, if applicable) satisfactory to the Administrative Agent that, prior to or substantially concurrently with the Closing Date, the Refinancing has occurred in a manner and pursuant to documentation satisfactory to the Administrative Agent in its reasonable discretion; and

(xix) such other assurances, certificates (including a perfection certificate, if requested), documents, reports (including any environmental reports), consents or opinions as the Administrative Agent, the L/C Issuers, or any Lender reasonably may require.

(n) The Administrative Agent, Lenders and Arranger shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, without limitation, all filing and recording fees and Taxes and, to the extent invoiced prior to the Closing Date, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder (including all such reasonable fees, charges and disbursements of counsel to the Administrative Agent, paid directly to such counsel if requested by the Administrative Agent).

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document (a draft of which such Lender has reviewed) or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 4.02 Conditions to all Credit Extensions. The obligation of each Lender and of each L/C Issuer to make any Credit Extension is subject to the following conditions precedent:

(c) The representations and warranties of the Borrower and each other Loan Party contained in Article V or any other Loan Document, shall be true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects) on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects) as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in Section 5.05(a) and (b) shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01(a) and (b), respectively.

(d) No Default then exists, or would result from such proposed Credit Extension or the application of the proceeds thereof.

(e) In the case of any request for a Borrowing, the Administrative Agent shall have received a Committed Loan Notice, and in the case of any request for an L/C Credit Extension, the Administrative Agent and the applicable L/C Issuer shall have received a Letter of Credit Application, in each case, in accordance with the requirements hereof.

(f) In the case of a Credit Extension in the form of any Letter of Credit to be denominated in an Alternative Currency, there shall not have occurred any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Administrative Agent or the applicable L/C Issuer would make it impracticable for such Credit Extension to be denominated in the relevant Alternative Currency.

Each request for a Credit Extension submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

Section 5.01 Existence; Compliance with Law. Each Loan Party (a) is duly organized or formed, validly existing and, as applicable, in good standing under the laws of the jurisdiction of its organization or formation, (b) has the requisite power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified and licensed and, as applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification except to the extent that the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.02 Power; Authorization; Enforceable Obligations. Each Loan Party has the requisite power and authority to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Loan Party has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to, approval or other act by or in respect of, any Governmental Authority or any other Person is required in connection with (a) the borrowings hereunder or the consummation of the Refinancing, (b) the execution, delivery, performance, validity or enforceability against any Loan Party of this Agreement or any of the other Loan Documents, (c) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (d) the perfection or maintenance of the Liens created under the Collateral Documents (including the first priority nature thereof) or (e) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except, in each case, (i) consents, authorizations, filings and notices described in Schedule 5.02, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect (except as noted on Schedule 5.02), (ii) the filings referred to in Section 5.18, (iii) in the case of any authorization, approval, action, notice or filing from or with a Person other than a Governmental Authority, the failure to have could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iv) for matters that may be required after the Closing Date in the ordinary course of conducting the business of the Borrower or any Subsidiary thereof. Each Loan Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 5.03 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law nor any material Contractual Obligation of the Borrower or any of its Subsidiaries, including, without limitation, arising under any of the Indentures or other material debt instrument, and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Collateral Documents). No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.04 No Material Litigation. No litigation, investigation, claim or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower after due and diligent investigation, threatened by or against the Borrower or any of its Subsidiaries or against any of their respective properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document or any of the transactions contemplated hereby or thereby, or (b) except as specifically disclosed in Schedule 5.04, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and there has been no adverse change in the status, or financial effect on any Loan Party or any Subsidiary thereof, of the matters described in Schedule 5.04.

Section 5.05 Financial Statements; No Material Adverse Effect. The Audited Financial Statements, reported on by and accompanied by an unqualified report from an independent certified public accounting firm of national reputation, present fairly in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at December 31, 2012 and December 31, 2013, as applicable, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended.

(c) The unaudited consolidated balance sheet of the Borrower and its Subsidiaries at September 30, 2014, and the related unaudited consolidated statements of income and cash flows for the period ended on such date, present fairly in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the quarterly period then ended

(subject to the absence of footnotes and normal year-end audit adjustments).

(d) All such financial statements described in subsections (a) and (b) of this Section, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the applicable accounting firm and disclosed therein). As of the Closing Date, the Borrower and its Subsidiaries do not have any material Guarantees, contingent liabilities and liabilities for taxes (except for any such tax liabilities to taxing authorities outside of the United States which are not, in the aggregate, material to the Borrower and its Subsidiaries taken as a whole) or any long-term leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the unaudited consolidated balance sheet of the Borrower and its Subsidiaries at September 30, 2014, and the related unaudited consolidated statements of income and cash flows for the period ended on such date, and which should be so reflected in accordance with GAAP. During the period from December 31, 2013 to and including the Closing Date, there has been no Disposition by the Borrower or any of its Subsidiaries of any material part of its business or Property, except as reflected in the financial statements described in subsections (a) and (b) of this Section which were delivered prior to the Closing Date.

(e) Since December 31, 2013, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(f) The Projections which have been furnished to the Administrative Agent and/or the Lenders have been prepared in good faith based upon reasonable assumptions at the time such Projections were prepared, it being understood by the Lenders that such Projections are as to future events and are not to be viewed as facts, that such Projections are subject to significant uncertainties and contingencies, many of which are beyond the Borrower's control, that no assurance can be given by the Borrower that any of such Projections will be realized and that actual results during the period or periods covered by such Projections may differ significantly from the projected results and such differences may be material.

Section 5.06 No Default. Neither any Loan Party nor any Subsidiary thereof is in default under or with respect to any of its Contractual Obligations in any respect that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

Section 5.07 Ownership of Property; Liens. Each Loan Party has good record and marketable title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material Property, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and none of such Property is subject to any Lien except Liens permitted by Section 7.01. Schedule 5.07 sets forth a complete and accurate list, as of the Closing Date, of all land rigs and barge rigs located and operating in the continental United States, Alaska or Gulf of Mexico waters subject to U.S. state or federal jurisdiction owned by each Loan Party and each of its Subsidiaries, showing as of the Closing Date the record owner and registration number as presented on any certificate of title or contained in the official records of the National Vessel Documentation Center of the United States Coast Guard, as applicable.

Section 5.08 Intellectual Property. Each Loan Party owns, or is licensed to use, all material Intellectual Property necessary for the conduct of its business as currently conducted; no material claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Borrower know of any valid basis for any such claim; and the use of such Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person in any material respect.

Section 5.09 Taxes. Each of the Borrower and each of its Subsidiaries has filed or caused to be filed all material Federal, state and other tax returns and reports that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings diligently conducted in each case, with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be); and no tax Lien has been filed (except as permitted by Section 7.01(a)), and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge (other than any such Liens and claims in favor of taxing authorities outside of the United States which are not, in the aggregate, material to the Borrower and its Subsidiaries taken as a whole). Neither the Borrower nor any Subsidiary thereof is party to any tax sharing agreement.

Section 5.10 Federal Regulations. No part of the proceeds of any Loans or drawings under any Letter of Credit will be used in violation of Regulation U issued by the FRB as now and from time to time hereafter in effect or for any purpose that violates the provisions of the regulations of the FRB. No Loan Party is engaged or will engage,

principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB).

Section 5.11 Labor Matters. There are no strikes or other labor disputes against the Borrower or any of its Subsidiaries pending or, to the knowledge of the Borrower, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Borrower and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from the Borrower or any of its Subsidiaries on account of employee health and welfare insurance that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of the Borrower or the relevant Subsidiary.

Section 5.12 ERISA Compliance. Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws, except where such non-compliance has not had and could not reasonably be expected to have a Material Adverse Effect. The base prototype plan document which each Plan that is intended to qualify under Section 401(a) of the Code uses an opinion letter from the IRS, or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect, the Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(a) There are no pending or, to the knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(b) Except to the extent such event could not reasonably be expected to have a Material Adverse Effect: (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

(c) With respect to each scheme or arrangement mandated by a government other than the United States (a “Foreign Government Scheme or Arrangement”) and with respect to each employee benefit plan maintained or contributed to by any Loan Party or any Subsidiary of any Loan Party that is not subject to United States law (a “Foreign Plan”), each Foreign Plan is in compliance in all material respects with the provisions of the applicable law or terms of the applicable Foreign Government Scheme or Arrangement and no Foreign Benefit Event has occurred or is reasonably expected to occur, except where such non-compliance or occurrence has not had and could not reasonably be expected to have a Material Adverse Effect.

Section 5.13 Investment Company Act; Other Regulations. No Loan Party is an “investment company”, or a company “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the FRB) which limits its ability to incur Indebtedness.

Section 5.14 Subsidiaries. The Subsidiaries listed on Schedule 5.14 constitute all of the Subsidiaries of the Borrower at the Closing Date. Schedule 5.14 sets forth as of the Closing Date the name and jurisdiction of incorporation and, in the case of each Loan Party, the U.S. taxpayer identification number of each such Subsidiary and, as to each, the percentage of each class of Equity Interest owned by each Loan Party. All of the outstanding Equity Interests in the Subsidiaries of the Borrower have been validly issued, and (to the extent applicable) fully paid and non-assessable. All of the outstanding Pledged Equity Interests that are Collateral are owned free and clear of all Liens except those created under the Collateral Documents. As of the Closing Date, the Borrower does not directly or indirectly own any Equity Interest in any corporation, limited partnership or limited liability company (or other business entity) other than those specifically disclosed in Schedule 5.14. Schedule 5.14 identifies as of the Closing Date each Material Subsidiary, Immaterial Subsidiary, Project Finance Subsidiary and Excluded Subsidiary.

(a) As of the Closing Date, there are no outstanding subscriptions, options, warrants, calls, rights or

other agreements or commitments (other than Equity Interests granted to employees and/or directors) of any nature relating to any Equity Interests of the Borrower or any Subsidiary, except as disclosed on Schedule 5.14.

Section 5.15 Use of Proceeds. The proceeds of the Loans, and the Letters of Credit, shall be used for the (i) retirement of certain indebtedness in relation to the Existing Credit Agreement and (ii) to provide liquidity for capital expenditures, working capital and for ongoing general corporate purposes for the Borrower and its Subsidiaries not in contravention of any Law.

Section 5.16 Environmental Matters. Other than as set forth on Schedule 5.16 and exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) The Borrower and its Subsidiaries: (i) are, and within the period of all applicable statutes of limitation have been, in compliance with all applicable Environmental Laws; (ii) hold all Environmental Permits (each of which is in full force and effect) required for any of their current or intended operations or for any property owned, leased, licensed or otherwise operated by any of them; (iii) are, and within the period of all applicable statutes of limitation have been, in compliance with all of their Environmental Permits; and (iv) reasonably believe that: each of their Environmental Permits will be timely renewed and complied with, without material expense; any additional Environmental Permits that may be required of any of them will be timely obtained and complied with, without material expense; and compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense.

(b) Hazardous Materials are not present at, on, under, in, or about any real property now or formerly owned, leased, licensed or operated by the Borrower or any of its Subsidiaries, or at any other location (including, without limitation, any location to which Hazardous Materials have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of the Borrower or any of its Subsidiaries under any applicable Environmental Law or otherwise result in costs to the Borrower or any of its Subsidiaries, or (ii) interfere with the Borrower's or any of its Subsidiaries' continued operations, or (iii) impair the fair saleable value of any real property owned or leased by the Borrower or any of its Subsidiaries.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which the Borrower or any of its Subsidiaries is, or to the knowledge of the Borrower or any of its Subsidiaries will be, named as a party that is pending or, to the knowledge of the Borrower or any of its Subsidiaries, threatened in writing.

(d) Neither the Borrower nor any of its Subsidiaries has received any written request for information, or been notified that it is a potentially responsible party under or relating to the CERCLA or any similar Environmental Law, or with respect to any Hazardous Material.

(e) Neither the Borrower nor any of its Subsidiaries has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(f) Neither the Borrower nor any of its Subsidiaries has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Hazardous Material other than indemnity obligations in the ordinary course of business.

Section 5.17 Accuracy of Information, etc. No written statement or information contained in this Agreement, any other Loan Document or any other document, certificate or written statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated hereby and the negotiation of this Agreement or the other Loan Documents or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished), contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein, taken as a whole, not materially misleading in light of the circumstances under which made; provided that with respect to the Projections, the Borrower only makes the representation and warranty set forth in Section 5.05(e).

Section 5.18 Collateral Documents. The provisions of the Collateral Documents are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable Lien on all right, title and interest of the respective Loan Parties in the Collateral described therein and proceeds thereof. As applicable to Loan Parties on the Closing Date, when financing statements in appropriate form are filed in the offices specified on Schedule 5.18, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral (other than the Specified Barge Rigs covered by a Mortgage) and the proceeds thereof, as security for the Secured Obligations (as defined in the Security Agreement), in

each case prior and superior in right to any other Person (except Liens permitted by Section 7.01), to the extent such security interest can be perfected by any filing of UCC financing statements. When any Mortgage is filed for recording in the National Vessel Documentation Center of the United States Coast Guard located in Falling Waters, West Virginia, such Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Specified Barge Rigs and such other Collateral described therein and the proceeds thereof, as security for the Secured Obligations (as defined in the applicable Mortgage), in each case prior and superior in right to any other Person (except Liens permitted by Section 7.01).

Section 5.19 Solvency. As of the Closing Date, the Loan Parties, on a consolidated basis, are, and immediately after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be, Solvent.

Section 5.20 Insurance. The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates, except to the extent that reasonable self-insurance meeting the same standards is maintained with respect to such risks, and which insurance meets the requirements of the Mortgages.

Section 5.21 OFAC/Sanctions. Except as described on Schedule 5.21, no Loan Party, nor, to the knowledge of any Loan Party, any Related Party, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, (iii) is located, organized or residing in any Designated Jurisdiction, or (iv) is or has been (within the previous five years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction. No Loan or Letter of Credit, nor the proceeds from any Loan or Letter of Credit, has been used, directly or indirectly, to lend, contribute, provide or has otherwise made available to fund any activity or business in any Designated Jurisdiction or to fund any activity or business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions, or in any other manner that will result in any violation by any Person (including any Lender, the Arranger, the Administrative Agent or the L/C Issuer) of Sanctions.

Section 5.22 Anti-Corruption Laws. Except as previously disclosed by Borrower and its Subsidiaries in public filings, the Loan Parties have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar applicable anti-corruption legislation in other jurisdictions in all material respects and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

ARTICLE VI

AFFIRMATIVE COVENANTS

Until the Termination Date, the Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, and 6.03) cause each Subsidiary (other than any Immaterial Subsidiary) to:

Section 6.01 Financial Statements. Deliver to the Administrative Agent (which shall promptly furnish to each Lender), in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(i) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing; and

(j) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of footnotes);

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail

and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

As to any information contained in materials furnished pursuant to Section 6.02(e), the Borrower shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in Section 6.01(a) and (b) above at the times specified therein.

Section 6.02 Certificates; Other Information. Deliver to the Administrative Agent (which shall promptly furnish to each Lender), or, in the case of clause (f), to the relevant Lender (and/or Administrative Agent if making such request itself), in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(j) concurrently with the delivery of the financial statements referred to in Section 6.01(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate (it being understood that such certificate shall be limited to the items that independent certified public accountants are permitted to cover in such certificates pursuant to their professional standards and customs of the profession);

(k) concurrently with the delivery of any financial statements pursuant to Section 6.01, a duly completed and executed Compliance Certificate; provided that, it is understood such Compliance Certificate shall, among other provisions, contain certifications of a Responsible Officer of the Borrower stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate.

(l) as soon as available, and in any event no later than 45 days after the end of each fiscal year of the Borrower, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, and the related consolidated statements of projected cash flow, projected changes in financial position and projected income), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively and together with the Initial Projections, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections comply with the representations set forth in Section 5.05(e);

(m) no later than three (3) Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Indentures;

(n) within five days after the same are sent, copies of all financial statements and reports that the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that the Borrower may make to, or file with, the SEC;

(o) backup information in respect of the calculation of the Asset Coverage Ratio as the Administrative Agent may from time to time reasonably request; and

(p) promptly, such additional financial and other information as any Lender through the Administrative Agent or the Administrative Agent itself may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(e) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) if so requested by the Administrative Agent or any Lender, the Borrower shall deliver paper copies of such documents to the Administrative Agent or such Lender until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (*i.e.*, soft copies) of such documents. If so requested by the Administrative Agent or any Lender, the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(b) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders and the L/C Issuers materials, projections and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on SyndTrak, ClearPar, IntraLinks or a substantially similar electronic transmission system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to any of the Borrower or its respective Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (i) all such Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (ii) by marking Borrower Materials "PUBLIC," the Borrowers shall be deemed to have authorized the Administrative Agent, the Arranger, the L/C Issuers and the Lenders to treat the Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrowers or their respective securities for purposes of United States Federal and state securities laws (provided, however, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 10.07); (iii) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (iv) the Administrative Agent and the Arranger shall be entitled to treat the Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

Section 6.03 Notices. Promptly notify the Administrative Agent (which shall promptly furnish such notice to each Lender) of:

(c) the occurrence of any Default or Event of Default;

(d) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority that, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(e) any litigation, investigation by a third-party (excluding, for the avoidance of doubt, any internal investigations) or proceeding affecting the Borrower or any of its Subsidiaries (i) in which the amount involved is \$10,000,000 or more and not covered by insurance or (ii) in which injunctive or similar relief is sought which, if granted, could reasonably be expected to have a Material Adverse Effect;

(f) as soon as possible and in any event within 10 days after the Borrower knows or has reason to know of the occurrence of any ERISA Event or Foreign Benefit Event that has had or could reasonably be expected to have a Material Adverse Effect; and

(g) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 6.03 shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower or relevant Subsidiary has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

Section 6.04 Conduct of Business and Maintenance of Existence, etc. (a) (i) Preserve, renew and keep in full force and effect its legal existence (except as otherwise permitted under this Agreement) and (ii) take all reasonable action to maintain all rights, privileges and franchises useful and necessary in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.04 and except, in the case of the foregoing clause (ii), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.05 Maintenance of Property; Insurance. (a) Keep all material Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain with financially sound and reputable insurance companies insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability and product liability) as are usually insured against in the same general area by companies engaged in the same or a similar business. The Borrower shall furnish certificates, policies and endorsements to Administrative Agent as Administrative Agent shall reasonably require as proof of such insurance, and, if the Borrower fails to do so, Administrative Agent is authorized, but not required, to

obtain such insurance at the expense of the Borrower. All policies shall provide for at least thirty (30) days prior written notice to Administrative Agent of any cancellation or reduction of coverage and that Administrative Agent may act as attorney-in-fact for the Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. The Borrower shall cause Administrative Agent to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and the Borrower shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Administrative Agent. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Administrative Agent, for the ratable benefit of the Secured Parties, as its interests may appear and further specify that Administrative Agent shall be paid regardless of any act or omission by the Borrower or any of its Affiliates. The Administrative Agent, at its option, may apply any insurance proceeds received by Administrative Agent at any time while any Event of Default shall have occurred and be continuing to the cost of repairs or replacement of Collateral and/or, to payment of the Obligations, whether or not then due, in any order and in such manner as Administrative Agent may determine or hold such proceeds as cash collateral for the Obligations.

Section 6.06 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit the Administrative Agent and any Lender (accompanied by any other Lender that so elects) to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time, upon reasonable prior notice, and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants (it being understood that all such notices shall be given through the Administrative Agent and shall be coordinated with any other such notices to the extent reasonably possible), in each case no more often than twice in any calendar year in the aggregate for all Lenders unless an Event of Default shall have occurred and be continuing. The chief financial officer (or other Responsible Officer) of the Borrower and/or his or her designee shall be afforded the opportunity to be present at any meeting of the Administrative Agent or the Lenders and such accountants.

Section 6.07 Environmental Laws. Comply in all respects with, and take all reasonable action to ensure compliance in all respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all respects with and maintain, and take all reasonable action to ensure that all tenants and subtenants obtain and comply in all respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, except to the extent that any failures to so comply or maintain could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 6.08 Payment of Obligations. Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all material tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary; (b) all other lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness, in each case, where non-payment thereof could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 6.09 Additional Collateral; Additional Subsidiary Guarantors. With respect to any Specified Personal Property acquired after the Closing Date as to which the Administrative Agent, for the benefit of the Secured Parties, does not have a perfected Lien, promptly following such acquisition (i) execute and deliver to the Administrative Agent such amendments or supplements to the Security Agreement or Mortgages or such other documents as the Administrative Agent reasonably deems necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a Lien in such Property, (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority Lien in such Property, subject to Permitted Liens, including without limitation, the filing of UCC financing statements in such jurisdictions as may be required by the Security Agreement or by Law or as may be requested by the Administrative Agent and the recording of such amendment or supplement with the United States Coast Guard, if applicable, and (iii) if reasonably requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(b) With respect to any new Material Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) created or acquired after the Closing Date (which, for the purposes of this paragraph, shall include (1) any existing Material Subsidiary that ceases to be an Excluded Subsidiary and a Project Finance Subsidiary and (2) any existing Subsidiary (that is not an Excluded Subsidiary or a Project Finance Subsidiary) that ceases to be an Immaterial Subsidiary), by the Borrower or any of the Subsidiary Guarantors, promptly following such creation or acquisition, (i) cause such Subsidiary (A) to become a party to the Subsidiary Guaranty and the Security Agreement, (B) in the case of any such Subsidiary owning a Specified Barge Rig, to execute and deliver a new Mortgage or an amendment to any existing Mortgage to include as covering such Specified Barge Rig, and (C) in the case of any

Domestic Subsidiary, to take such actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority Lien in the Collateral described in the Security Agreement or the applicable Mortgage (or amendment to an existing Mortgage), as the case may be, with respect to such Subsidiary (subject to Permitted Liens), including, without limitation, the filing of UCC financing statements in such jurisdictions as may be required by the Security Agreement or by law or as may be reasonably requested by the Administrative Agent and the recording of such Mortgage or amendment to a Mortgage with the United States Coast Guard, if applicable, and (ii) if reasonably requested by the Administrative Agent deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

Section 6.10 [Reserved].

Section 6.11 Cash Management Systems. Within 30 days after the opening by the Borrower or any Subsidiary Guarantor of any deposit account, securities account, lockbox account, concentration account, collection account or disbursement account, in each case other than any Immaterial Account or Excluded Account, in the United States, deliver to the Administrative Agent a schedule (a "Supplemental Account Identification Schedule") which provides, in respect of each such account opened since the Closing Date (i) the name and location of each bank and securities intermediary at which the Borrower or such Subsidiary Guarantor maintains a deposit account, securities account, lockbox account, concentration account, collection account or disbursement account in the United States and (ii) the account number and account name or other relevant descriptive data with respect to each such account and such other information with respect to each such account as the Administrative Agent shall reasonably request.

(d) On or before the date which is 30 days after the delivery of any Supplemental Account Identification Schedule, or such longer period as agreed to by the Administrative Agent, cause to be delivered to the Administrative Agent a Control Agreement and/or a Lockbox Agreement with respect to each account described in such Supplemental Account Identification Schedule which the Administrative Agent reasonably requires in its sole discretion to be subject to such an agreement, in each case duly executed and delivered by the Borrower or the relevant Subsidiary Guarantor and by the bank or securities intermediary that maintains such account.

(e) Cause all proceeds of any Collateral in every form, including, without limitation, cash, checks, wire transfers and other forms of receipts, to be deposited promptly in a collection account or lockbox account (i) in respect of which a Control Agreement and/or Lockbox Agreement, as appropriate, is in effect and (ii) which, at any time after an Event of Default has occurred and is continuing, is used solely for the purpose of receiving proceeds of Collateral.

Section 6.12 Appraisal of Collateral. Permit the Administrative Agent to, at the times set forth in the next sentence, require an appraisal of the Collateral at the Borrower's expense with such appraisal to be prepared by a third-party collateral appraiser selected by the Administrative Agent in its sole reasonable discretion. On or following the date that is 18 months after the Closing Date, the Administrative Agent may (or shall at the request of any Lender) request such an appraisal to be delivered within 60 days of such request (or such longer period of time as the Administrative Agent may agree in its sole discretion) and the Administrative Agent may (or shall at the request of any Lender) make a similar request on or following every 18 month anniversary of the Closing Date thereafter. For the avoidance of doubt, this Section 6.12 shall not prohibit the Borrower from requesting additional third-party appraisals of specific acquired assets in interim periods between any requests made pursuant to the preceding sentence, subject to the approval of and selection of an appraiser by the Administrative Agent, in each case in its sole reasonable discretion.

Section 6.13 Casualty and Condemnation. (a) Furnish to the Administrative Agent written notice promptly, and in any event within five (5) Business Days of the occurrence, of any Casualty Event affecting Collateral reasonably expected by the Borrower to result in Net Loss Proceeds in excess of \$5,000,000 and (b) ensure that the Net Loss Proceeds of any such event (whether in the form of insurance proceeds or otherwise) are collected and applied in accordance with the applicable provisions of the Loan Documents.

Section 6.14 Anti-Corruption Laws; Sanctions. Except as previously disclosed by Borrower and its Subsidiaries in public filings, ensure that the Borrower and its Subsidiaries have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar applicable anti-corruption legislation in other jurisdictions in all material respects and have instituted and maintained policies and procedures designed to promote and achieve compliance with such Laws.

Section 6.15 Further Assurances; Post-Closing Deliveries. (a) Deliver all of the Collateral Documents, and any other document, instrument, agreement, recording or filing listed on Schedule 6.15 within the timeframe indicated therein and (b) from time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agent and the Lenders with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or

assets hereafter acquired by any Loan Party which may be deemed to be part of the Collateral) pursuant hereto or thereto. The Borrower agrees to execute, deliver and cause to be recorded such amendments to the Mortgages as the Hedge Banks or Cash Managements Banks may reasonably request to secure the Obligations under the Secured Hedge Agreements and Secured Cash Management Agreements, respectively, by the Mortgages. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, the Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lender may be required to obtain from the Borrower or any of its Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

ARTICLE VII

NEGATIVE COVENANTS

Until the Termination Date, the Borrower shall not, nor shall it permit any Subsidiary (other than any Immaterial Subsidiary) to, directly or indirectly:

Section 7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(q) Liens for taxes, assessments or governmental charges or claims not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(r) Landlords', carriers', warehousemen's, mechanics', repairmen's, laborers', seamen's, preferred maritime and materialmen's liens or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(s) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(t) deposits to secure the payment or performance of bids, tenders, government contracts, trade contracts (other than for borrowed money), leases, statutory or regulatory obligations, surety and appeal bonds, performance bonds, insurance obligations and other obligations of a like nature incurred in the ordinary course of business;

(u) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(v) Liens in existence on the date hereof listed on Schedule 7.01(f), securing Indebtedness permitted by Section 7.03(d), provided that no such Lien is spread to cover any additional Property after the Closing Date other than all or part of the same property or assets (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof) that secured or, under the written arrangements under which the original Lien arose, could secure the Indebtedness;

(w) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 7.03(c) incurred for the purpose of financing all or any part of the acquisition purchase price or cost of construction, design, repair, replacement, installation, or improvement of property, plant or equipment used in the business of the Borrower or such Subsidiary (whether through the direct purchase of such assets or the Equity Interests of the Person owning such assets (but no other material assets)), provided that (i) such Liens shall be created prior to or within 120 days after such acquisition, construction or other event, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof) and (iii) the amount of Indebtedness secured thereby is not increased;

(x) Liens created pursuant to the Collateral Documents;

(y) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(z) Liens not otherwise permitted by this Section 7.01 so long as the aggregate outstanding principal

amount of the obligations secured thereby does not exceed (as to the Borrower and all Subsidiaries) \$20,000,000 at any one time; provided that no such Lien shall extend to or cover any Eligible Domestic Accounts Receivable, Eligible Rental Equipment, Eligible Specified Rigs, or Equity Interests comprising Collateral;

(aa) judgment Liens not giving rise to an Event of Default under Section 8.01(h);

(bb) Liens upon specific items of inventory or other goods of the Borrower or any Subsidiary securing such Person's obligations in respect of bankers acceptances issued or created for the account of such Person to facilitate the purchase, shipment, or storage of such inventory or other goods;

(cc) Liens securing reimbursement obligations with respect to commercial letters of credit that encumber documents and other property or assets relating to such letters of credit and products and proceeds thereof;

(dd) Liens on assets of Excluded Subsidiaries to secure Indebtedness and related obligations of such Excluded Subsidiary; provided that the Indebtedness is permitted by the terms of Section 7.03(c), (d), (f) or (g) of this Agreement to be incurred by such Excluded Subsidiary;

(ee) Liens on Property of a Person existing at the time such Person is merged with or into or consolidated with the Borrower or any Subsidiary of the Borrower or otherwise becomes a Subsidiary of the Borrower; provided that such Liens were in existence prior to the contemplation of such merger or consolidation or such Person becoming a Subsidiary of the Borrower and do not extend to any assets other than those of such Person;

(ff) Liens on Property existing at the time of acquisition of the Property by the Borrower or any Subsidiary of the Borrower; provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any assets other than such acquired property (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof);

(gg) Liens securing Refinancing Debt incurred to refinance Indebtedness that was previously so secured; provided that (i) no such Lien is on Collateral and (ii) any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or distributions and related general intangibles in respect thereof) that secured the Indebtedness being refinanced;

(hh) Liens that secure Non-Recourse Debt that encumber the Property financed by such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof);

(ii) Liens on the assets of any Project Finance Subsidiary;

(jj) Liens on and pledges of the Equity Interests of any joint venture or Project Finance Subsidiary owned by the Borrower or any Subsidiary of the Borrower to the extent securing Indebtedness or other obligations of such joint venture or Project Finance Subsidiary;

(kk) Liens arising from the deposit of funds or securities in trust for the purpose of defeasing Indebtedness;

(ll) Liens permitted under the Mortgages;

(mm) Liens on Property or assets under construction (and related rights) in favor of the contractor or developer;

(nn) Liens arising under the Senior Notes Indentures in favor of the trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under this Agreement, provided that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of such Indebtedness;

(oo) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by the Borrower or any Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; provided that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness; and

(pp) maritime liens for crew wages or for salvage and general average and similar liens, each of which is in respect of obligations that are not delinquent for a period of more than 30 days or are being contested in good faith

by appropriate proceedings;

provided, however, nothing in this Section 7.01 shall in and of itself constitute or be deemed to constitute an agreement or acknowledgment by the Administrative Agent or any Lender that any Indebtedness subject to or secured by any Lien, right or other interest permitted under subsections (a) through (z) above ranks in priority to any Obligation.

Section 7.02 Financial Condition Covenants.

(h) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 4.00:1.00.

(i) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to be less than 2.50:1.00.

(j) Consolidated Senior Secured Leverage Ratio. Permit the Consolidated Senior Secured Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 1.50:1.00.

(k) Asset Coverage Ratio. Permit the Asset Coverage Ratio as at the last day of each fiscal quarter of the Borrower to be less than 1.25:1.00.

Section 7.03 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(g) Indebtedness of any Loan Party pursuant to any Loan Document;

(h) Indebtedness (i) of the Borrower to any Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) and of any Subsidiary Guarantor to the Borrower or any other Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) and (ii) of any Subsidiary to any Loan Party or other Subsidiary;

(i) Indebtedness (including, without limitation, in respect of Capitalized Leases and Synthetic Lease Obligations) secured by Liens permitted by Section 7.01(g), (i) of the Borrower or any of its Subsidiaries (excluding Foreign Subsidiaries and Project Finance Subsidiaries) in an aggregate principal amount not to exceed the greater of \$50,000,000 and 5.00% of Consolidated Tangible Assets at any one time outstanding and (ii) of any Foreign Subsidiaries (excluding Project Finance Subsidiaries), in an aggregate principal amount not to exceed \$150,000,000 at any time outstanding; provided that, with respect to this clause (ii), as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Senior Secured Leveraged Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 1.00:1.00;

(j) Indebtedness outstanding on the date hereof and listed on Schedule 7.03(d);

(k) Guarantees of the Borrower or any Subsidiary in respect of Indebtedness permitted under this Section 7.03 (excluding (A) Guarantees of Indebtedness permitted under Section 7.03(h) and (i) and (B) Guarantees by the Borrower or any Subsidiary Guarantor of Indebtedness permitted by Section 7.03(c)(ii));

(l) Indebtedness represented by agreements of the Borrower or any Subsidiary providing for indemnification, adjustment of purchase price, or similar obligations, in each case, incurred or assumed in connection with the Disposition of any business, assets, or Equity Interests of the Borrower or any Subsidiary; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Borrower and its Subsidiaries in connection with such Disposition;

(m) any Indebtedness (the "Refinancing Debt") the Net Cash Proceeds of which are to be used (A) to redeem, refinance, replace, defease, discharge, refund, renew, extend or otherwise retire for value any Indebtedness referred to in clauses (c), (d) or (m) or any Refinancing Debt incurred pursuant to this Section 7.03(g), without any shortening of the maturity of any principal amount of the Indebtedness refinanced (the "Refinanced Indebtedness") or (B) to pay premiums, fees or expenses payable in connection with any such refinancing, refunding, renewal or extension. The proceeds of the Refinancing Debt shall be used substantially concurrently with the incurrence thereof to redeem, refinance, replace, defease, discharge, renew, extend, refund or otherwise retire for value the Refinanced Indebtedness, unless the Refinanced Indebtedness is not then due and is not redeemable or prepayable at the option of the obligor thereof or is redeemable or prepayable only with notice, in which case such proceeds shall be held in a segregated account of the obligor of the Refinanced Indebtedness until the Refinanced Indebtedness becomes due or redeemable or prepayable or such notice period lapses and then shall be used to refinance the Refinanced Indebtedness;

(n) Non-Recourse Debt;

(o) Project Financing incurred by Project Finance Subsidiaries;

(p) Subordinated Debt, provided that, as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Leverage Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 3.00:1.00;

(q) Convertible Debt, provided that, as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Leverage Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 3.00:1.00;

(r) additional unsecured Indebtedness of the Borrower or any of its Subsidiaries (other than Immaterial Subsidiaries) in an aggregate principal amount (for the Borrower and all such Subsidiaries) not to exceed \$125,000,000 at any one time outstanding, as long such Indebtedness: (i) has a scheduled maturity occurring after the Maturity Date, (ii) contains terms (including covenants and events of default) no more restrictive, taken as a whole, to the Borrower and its Subsidiaries than those contained in this Agreement, and (iii) has no scheduled amortization occurring prior to the Maturity Date;

(s) the Senior Notes; and

(t) Indebtedness in respect of Swap Contracts permitted under Section 7.13 and Cash Management Agreements.

Section 7.04 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business except that:

(c) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving Person) or with or into any Subsidiary Guarantor (provided that (i) the Subsidiary Guarantor shall be the continuing or surviving Person or (ii) simultaneously with such transaction, the continuing or surviving Person shall become a Subsidiary Guarantor and the Borrower shall comply with Section 6.09 in connection therewith);

(d) any Subsidiary may merge with any other Subsidiary (or any Person that becomes a Subsidiary contemporaneously with such merger) so long as, in the case of any merger involving a Subsidiary Guarantor, the surviving Person shall be (or shall contemporaneously become) a Subsidiary Guarantor;

(e) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Subsidiary (so long as, in the case of any such Disposition by a Subsidiary Guarantor, the Subsidiary to whom such assets are disposed of is a Subsidiary Guarantor) and may be dissolved following such Disposition;

(f) any Excluded Subsidiary or Immaterial Subsidiary may Dispose of any or all of its assets and may be dissolved following such Disposition;

(g) the Equity Interests of any Excluded Subsidiary or Immaterial Subsidiary may be Disposed of or issued to any other Person; and

(h) the Borrower and any Subsidiary may merge or consolidate with any other Person (other than the Borrower or any Subsidiary) provided that, with respect to each merger or consolidation made pursuant to this Section 7.04(f):

(i) no Default exists or would result therefrom;

(ii) the merger or consolidation is not hostile;

(iii) the lines of business of the Person to be (or the property of which is to be) so purchased or otherwise acquired shall be substantially the same lines of business as one or more of the principal businesses of the Borrower and its Subsidiaries in the ordinary course;

(iv) the requirements of Section 6.09 are satisfied;

(v) the Borrower or such Subsidiary shall be the survivor; and

(vi) the Borrower shall have delivered to the Administrative Agent, at least five Business Days prior to the date on which any such merger or consolidation is to be consummated (or such shorter period of time as

may be agreed to by the Administrative Agent in its sole discretion), a certificate of a Responsible Officer, in form and substance reasonably satisfactory to the Administrative Agent, certifying that all of the requirements set forth in this Section 7.04(f) have been satisfied or will be satisfied on or prior to the date on which such merger or consolidation is consummated;

provided, further, that, for avoidance of doubt, any such merger or consolidation that would result in a Change of Control shall cause a Default under Section 8.01(k).

Section 7.05 Disposition of Property. Dispose of (i) any Eligible Specified Rig, (ii) any Eligible Domestic Accounts Receivable or (iii) any Eligible Rental Equipment, in each case whether now owned or hereafter acquired, or issue or Dispose of any Equity Interest of any Person that directly or indirectly owns any of the foregoing, except:

- (b) Dispositions permitted by Section 7.04;
- (c) the Disposition of obsolete or worn out property, or property that is no longer used or useful in such Person's business, in the ordinary course of business;
- (d) the Disposition of inventory or other assets in the ordinary course of business or consistent with past practice;
- (e) Dispositions of cash or Cash Equivalents;
- (f) the sale or issuance of any Subsidiary's Equity Interests to the Borrower or any Subsidiary Guarantor;
- (g) transfers of assets between or among the Borrower and the Subsidiary Guarantors;
- (h) any Dispositions constituted by the granting of Liens permitted by Section 7.01;
- (i) any lease of drill pipe by Quail Tools to a customer located outside of the United States and any subsequent sale to such customer of any such drill pipe;
- (j) any sale by the Borrower or any Subsidiary to its customers of drill pipe, tools, and associated drilling equipment utilized in connection with a drilling contract for the employment of a drilling rig in the ordinary course of business and consistent with past practice;
- (k) Dispositions of Property described on Schedule 7.05(j); and
- (l) any other Disposition of Property with a fair market value not to exceed \$25,000,000 per calendar year, so long as immediately after giving effect thereto and any substantially concurrent repayment of the Obligations, the Asset Coverage Ratio is not less than 1.25:1.00 on a pro forma basis.

Section 7.06 Restricted Payments. (i) Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Equity Interests of the Borrower or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary, or enter into any derivatives or other transaction with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating the Borrower or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any such Equity Interests or (ii) Invest in Project Finance Subsidiaries (collectively, "Restricted Payments"), except that:

- (b) any Subsidiary may make Restricted Payments to the holders of its Equity Interests on a *pro rata* basis, or a more favorable basis to any such holder which is a Loan Party or a Subsidiary of a Loan Party;
- (c) the Borrower may make Restricted Payments in the form of common stock of the Borrower;
- (d) the Borrower may make Restricted Payments in the form of Equity Interests (other than Disqualified Stock) in connection with the conversion, redemption, or repurchase of the Convertible Debt, and in connection therewith may make payment in cash in lieu of fractional shares;
- (e) so long as no Event of Default has occurred and is continuing or would be caused thereby, the Borrower or any Subsidiary may repurchase, redeem, or otherwise acquire or retire any Equity Interests of the Borrower or any Subsidiary held by any existing or former director, officer or employee of the Borrower or any Subsidiary (or their transferees, estates or beneficiaries) pursuant to any employment agreement, equity subscription

agreement, stock option agreement, or similar agreement, provided, that the aggregate amount of payments under this paragraph subsequent to the date hereof (net of any proceeds received by the Borrower subsequent to the date hereof in connection with resales of any common stock or common stock options so purchased) shall not exceed \$5,000,000 in any 12 month period;

(f) the Borrower may acquire Equity Interests in connection with the exercise of stock options or stock appreciation rights by way of cashless exercise or in connection with the satisfaction of withholding tax obligations;

(e) the Borrower may make any Restricted Payment in exchange for, or in an amount not to exceed the net cash proceeds of a substantially concurrent sale (other than to a Subsidiary of the Borrower) of, Equity Interests of the Borrower (other than Disqualified Stock), or from the substantially concurrent contribution of common equity capital to the Borrower, with a sale and contribution being deemed substantially concurrent if such Restricted Payment occurs not more than 120 days after such sale or contribution; provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment shall be excluded from clause (B) of Section 7.06(h)(iii)(B);

(g) the Borrower or any Subsidiary may make any defeasance, redemption, repurchase or other acquisition of Disqualified Stock of the Borrower or any Subsidiary in an amount not to exceed the net cash proceeds from a substantially concurrent incurrence of, or exchange for, Refinancing Debt;

(h) the Borrower may make Restricted Payments provided that:

(i) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(ii) the Borrower would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in Section 7.02(b); and

(iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Borrower and its Subsidiaries after the Closing Date pursuant to this Section 7.06(h) is less than, at the date of determination, the sum, without duplication, of

(A) 50% of the Consolidated Net Income of the Borrower for the period (taken as one accounting period) from October 1, 2014 to the end of the Borrower's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus

(B) 100% of the aggregate net cash proceeds (or the fair market value of any Equity Interests of Persons or assets to the extent acquired in consideration of Equity Interests (other than Disqualified Stock) of the Borrower) received by the Borrower or its Subsidiaries since the Closing Date as a contribution to its common equity capital or from the issue or sale of Equity Interests after the Closing Date of the Borrower (other than Disqualified Stock) or from the issue or sale after the Closing Date of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Borrower or its Subsidiaries that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Borrower), or received upon the exercise of any options, warrants or rights to purchase Equity Interests (other than Disqualified Stock) of the Borrower, plus

(C) the amount by which Indebtedness or Disqualified Stock of the Borrower or its Subsidiaries is reduced on the Borrower's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Borrower) subsequent to the Closing Date of any Indebtedness or Disqualified Stock of the Borrower or its Subsidiaries convertible into or exchangeable for Equity Interests of the Borrower (other than Disqualified Stock) (less the amount of cash, or the fair market value of any other property, distributed by the Borrower upon such conversion or exchange); and

(i) the Borrower may make the payment of any dividend or consummate any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Agreement;

(j) Investments in Project Finance Subsidiaries not to exceed \$25,000,000 outstanding in the aggregate for all such Investments on or after the date hereof, it being understood that if such Project Finance Subsidiary repays such Investment in full in cash or if the Borrower shall sell such Project Finance Subsidiary in full for cash, such

Investment will no longer be outstanding for purposes hereof to the extent of such cash received; and

(k) other Restricted Payments not to exceed \$35,000,000 in the aggregate on or after the date hereof so long as no Default or Event of Default shall have occurred and be continuing or shall result therefrom.

Section 7.07 Modifications of Debt Instruments, etc. (a) Amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Convertible Debt, the Senior Notes or any Refinancing Debt to the extent that any such amendment, modification, waiver or other change would shorten the maturity or increase the amount of any payment of principal thereof, increase the interest rate or shorten the date for payment of interest thereon or make any covenant or other restriction applicable to the Borrower or any of its Subsidiaries materially more restrictive or (b) amend its Organization Documents in any manner adverse to the Administrative Agent or the Lenders.

Section 7.08 Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Subsidiary Guarantor or (ii) in the case of any Excluded Subsidiary, any other Excluded Subsidiary) unless such transaction is (a) otherwise permitted under this Agreement, and (b) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate, except for transactions permitted by the following sentence. This Section 7.08 shall not apply to the following transactions: (i) any employment agreement entered into by the Borrower or any of its Subsidiaries in the ordinary course of business and consistent with past practices, (ii) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Borrower, (iii) sales of Equity Interests of the Borrower to Affiliates of the Borrower, (iv) any Restricted Payment otherwise permitted under Section 7.06 or any Investment, (v) indemnification agreements with, and payments made, to officers, directors, and employees of the Borrower or any Subsidiary pursuant to charter, bylaw, statutory, or contractual provisions, (vi) the performance of obligations of the Borrower or any Subsidiary under the terms of any agreement to which the Borrower or any Subsidiary is a party as of the date of this Agreement, and any amendments, modifications, supplements, extensions, or renewals of such agreements; provided that any such amendments, modifications, supplements, extensions, or renewals of such agreements are not materially more disadvantageous, taken as a whole, to the Administrative Agent and the Lenders than the terms of such agreements as in effect on the date of this Agreement, (vii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements or stock option or stock ownership plans approved by the board of directors of the Borrower, (viii) loans or advances to employees in the ordinary course of business and consistent with past practices, but in any event not to exceed \$2,000,000 in the aggregate outstanding at any one time, (ix) transactions entered into by a Person prior to the time such Person becomes a Subsidiary or is merged or consolidated into the Borrower or a Subsidiary (provided such transaction is not entered into in contemplation of such event), (x) any transaction in which the Borrower or any of its Subsidiaries, as the case may be, delivers to the trustee a letter from an accounting, appraisal or investment banking firm of national standing stating that such transaction is fair to the Borrower or such Subsidiary from a financial point of view or that such transaction meets the requirements of the first sentence of this paragraph, (xi) dividends and distributions to the Borrower and its Subsidiaries by any Affiliate, (xii) (a) guarantees of performance by the Borrower and its Subsidiaries of Subsidiaries in the ordinary course of business, except for guarantees of Indebtedness; (xiii) any transaction where the only consideration paid by the Borrower or Subsidiary is Equity Interests of the Borrower (other than Disqualified Stock); and (xiv) transactions between the Borrower or any Subsidiary and any Person, a director of which is also a director of the Borrower or any direct or indirect parent company of the Borrower, and such director is the sole cause for such Person to be deemed an Affiliate of the Borrower or any Subsidiary; provided, however, that such director shall abstain from voting as a director of the Borrower or such direct or indirect parent company, as the case may be, on any matter involving such other Person.

Section 7.09 Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

Section 7.10 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of the Borrower or any of its Material Subsidiaries (other than Excluded Subsidiaries and Project Finance Subsidiaries) to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any Subsidiary Guarantor, its obligations under the Subsidiary Guaranty, other than (a) this Agreement and the other Loan Documents, (b) the Indentures or any indenture or similar instrument governing any Refinancing Debt, (c) any agreements governing any purchase money Liens or Capitalized Leases or other secured Indebtedness otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby or securing such Indebtedness), (d) customary non-assignment provisions in any contract or lease entered into in the ordinary course of business and consistent with past practices, (e) applicable law or any applicable rule, regulation, or order of any Governmental Authority, (f) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements, and other similar agreements, (g) restrictions on cash

or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, (h) any agreement in effect at the time such Subsidiary becomes a Subsidiary of Borrower, so long as such agreement was not entered into in connection with or in contemplation of such Person becoming a Subsidiary of Borrower and is not applicable to any Person, or the properties or assets of any Person, other than such Subsidiary or such Subsidiary's properties and assets, and (i) any instrument governing Indebtedness assumed in connection with any acquisition of any Person or asset and not incurred in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired.

Section 7.11 Restrictions on Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary (other than Excluded Subsidiaries and Project Finance Subsidiaries) to (a) make Restricted Payments in respect of any Equity Interests of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary (it being understood that (i) the priority of any preferred equity in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common equity shall not be deemed a restriction on the ability to make distributions on Equity Interests and (ii) the subordination of loans or advances made to the Borrower or any Subsidiary to other Indebtedness incurred by the Borrower or any Subsidiary shall not be deemed a restriction on the ability to pay loans or advances), (b) make Investments in the Borrower or any Subsidiary Guarantor or (c) transfer any of its assets to the Borrower or any Subsidiary Guarantor, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Equity Interests or assets of such Subsidiary, (iii) any restrictions imposed pursuant to agreements governing any purchase money Liens or Capitalized Leases or other secured Indebtedness otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective as to transfers of the assets financed thereby or securing such Indebtedness), (iv) customary non-assignment provisions in any contract or lease entered into in the ordinary course of business and consistent with past practices, (v) applicable law or any applicable rule, regulation, or order of any Governmental Authority, (vi) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements, and other similar agreements, provided that such provisions apply only to the assets subject to such agreements, (vii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, (viii) any agreement in effect at the time such Subsidiary becomes a Subsidiary of Borrower, so long as such agreement was not entered into in connection with or in contemplation of such Person becoming a Subsidiary of Borrower and is not applicable to any Person, or the properties or assets of any Person, other than such Subsidiary or such Subsidiary's properties and assets, and (vix) any instrument governing Indebtedness assumed in connection with any acquisition of any Person or asset and not incurred in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired.

Section 7.12 Lines of Business. Enter into any material business except for those businesses directly relating to the oil services industry in which the Borrower and its Subsidiaries have previously engaged or are engaged on the Closing Date or that are incidental or reasonably related thereto or that are a reasonable extension thereof, as determined in good faith by the Borrower or applicable Subsidiary.

Section 7.13 Swap Contracts. Enter into any Swap Contract other than Swap Contracts entered into in the ordinary course of business, and not for speculative purposes, to protect against changes in interest rates or foreign exchange rates.

Section 7.14 Anti-Corruption Laws. (a) Directly or indirectly use the proceeds of any Credit Extension for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar applicable anti-corruption legislation in other jurisdictions in any material respects. (b) Cause or permit any of the funds of any Loan Party that are used to repay the Loans to be derived from any unlawful activity with the result that the making of the Loans would be in violation of any Law.

Section 7.15 Sanctions. Directly or indirectly, use the proceeds of any Credit Extension, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual, entity or other Person, for the purpose of funding any activities of or business with any individual, entity or other Person, or in any country or territory, in a manner that will result in a violation of applicable Sanctions, or in any other manner that will result in a violation by any individual, entity or other Person (including any individual, entity or other Person participating in the transaction, whether as underwriter, advisor, investor, Lender, Arranger, Administrative Agent, L/C Issuer or otherwise) of applicable Sanctions.

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES

Section 8.01 Events of Default. Any of the following shall constitute an Event of Default:

(l) Non-Payment. The Borrower or any other Loan Party fails to (i) pay when and as required to be paid herein, and in the currency required hereunder, any amount of principal of any Loan or any L/C Obligation or deposit any funds as Cash Collateral in respect of L/C Obligations, or (ii) pay within three Business Days after the same becomes due, any interest on any Loan or on any L/C Obligation, any fee due hereunder, or any other amount payable hereunder or under any other Loan Document; or

(m) Specific Covenants. (i) Any Loan Party shall default in the observance or performance of any agreement contained in Section 6.04(a)(i) or (ii) (with respect to the Borrower only), Section 6.03(a) or Article VII, or in Article IV of the Security Agreement or (ii) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.01, Section 6.09(a)(i) or Section 6.09(b) and such default shall continue unremedied for a period of 10 days; or

(n) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in Sections 8.01(a) or (b) above or (d) below) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after the earlier to occur of (i) written notice thereof from the Administrative Agent to the Borrower (which notice may be given by the Administrative Agent and will be given at the request of the Required Lenders) or (ii) a Responsible Officer of the Borrower or any Subsidiary Guarantor otherwise becoming aware of such default or any "Event of Default" under any Loan Document (other than this Agreement) shall occur and continue to exist beyond any applicable grace period set forth in such Loan Document; or

(o) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(p) Cross-Default. (i) The Borrower or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; provided, however, this clause (e) shall not apply to (i) voluntary prepayments and redemptions, (ii) the conversion of Convertible Debt or the payment thereof pursuant to clause (f) of the definition thereof, (iii) any Non-Recourse Debt or Project Financing or (iv) any repurchase or redemption of Indebtedness in connection with a change of control offer or asset sale offer or other similar mandatory prepayment; or

(q) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries (other than any Immaterial Subsidiary) institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(r) Inability to Pay Debts; Attachment. (i) The Borrower or any Subsidiary (other than any Immaterial Subsidiary) becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(s) Judgments. One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving, for the Borrower and its Subsidiaries taken as a whole, a liability (not paid or fully covered by independent third party insurance as to which the relevant insurance company has acknowledged coverage) in an aggregate amount in excess of the Threshold Amount, and all such judgments or decrees shall not have been paid, vacated, discharged, stayed or bonded pending appeal by the earlier of (i) the date which 60 days from the entry thereof and (ii) the date on which the relevant judgment creditor(s) has begun to enforce such judgment(s) or decree(s); or

(t) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount that could reasonably be expected to have a Material Adverse Effect, (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount that could reasonably be expected to have a Material Adverse Effect or (iii) a Foreign Benefit Event occurs which has resulted or could reasonably be expected to result in liability of the Borrower or one of its Subsidiaries in an aggregate amount that could reasonably be expected to have a Material Adverse Effect; or

(u) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or the occurrence of the Termination Date, ceases to be in full force and effect; or any Loan Party contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(v) Change of Control. There occurs any Change of Control; or

(w) Collateral Documents. Any Collateral Document after delivery thereof shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien (subject to Liens permitted by Section 7.01) on the Collateral purported to be covered thereby having a fair market value in excess of \$5,000,000 that is purported to be covered thereby unless such occurrence results solely from action of the Administrative Agent or any Lender (or any failure of the Administrative Agent or any Lender to file or record any financing statements (or amendments or continuations thereof), intellectual property security agreements (or amendments or supplements thereto) and/or mortgages (or amendments or supplements thereto)) and involves no Default by the Borrower or any Guarantor hereunder or under any Collateral Document.

Section 8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(u) declare the commitment of each Lender to make Loans and any obligation of each L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(v) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(w) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof; provided, however, that the Administrative Agent or applicable L/C Issuer may, at any time and from time to time after the initial deposit of Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of exchange rate fluctuations and the Borrower shall deposit such additional Cash Collateral); and

(x) exercise on behalf of itself, the Lenders and the L/C Issuers all rights and remedies available to it, the Lenders and the L/C Issuers under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of each L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

Section 8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically

been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III but excluding any principal, interest and Letter of Credit Fees) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders and the L/C Issuers (including fees, charges and disbursements of counsel to the respective Lenders and the L/C Issuers (including fees and time charges for attorneys who may be employees of any Lender or any L/C Issuer) arising under the Loan Documents and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Loans, L/C Borrowings and other Obligations arising under the Loan Documents, ratably among the Lenders and the L/C Issuers in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, L/C Borrowings and Obligations then owing under Secured Hedge Agreements and Secured Cash Management Agreements, ratably among the Lenders, the L/C Issuers, the Hedge Banks and the Cash Management Banks in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the L/C Issuers, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Subject to Section 2.03(c), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fifth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above. Excluded Swap Obligations with respect to any Subsidiary Guarantor shall not be paid with amounts received from such Subsidiary Guarantor, but appropriate adjustments shall be made with respect to payments from other Loan Parties to preserve the allocation to the Obligations otherwise set forth above in this Section.

Notwithstanding the foregoing, Obligations arising under Secured Cash Management Agreements and Secured Hedge Agreements shall be excluded from the application described above if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank or Hedge Bank, as the case may be. Each Cash Management Bank or Hedge Bank not a party to the Credit Agreement that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of the Administrative Agent pursuant to the terms of Article IX hereof for itself and its Affiliates as if a "Lender" party hereto.

ARTICLE IX

ADMINISTRATIVE AGENT

Section 9.01 Appointment and Authority. Each of the Lenders and the L/C Issuers hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article, other than the final sentence of Section 9.10, are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuers, and the Borrower shall not have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with reference to the Agents is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

(y) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and

each of the Lenders (including in its capacities as a potential Cash Management Bank and a potential Hedge Bank and on behalf of each of its Affiliates that is or may be a Cash Management Bank or Hedge Bank) and each L/C Issuer hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and such L/C Issuer for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In furtherance thereon, each of the Lenders (including in its capacities as a potential Cash Management Bank and a potential Hedge Bank and on behalf of each of its Affiliates that is or may be a Cash Management Bank or Hedge Bank) and each L/C Issuer hereby irrevocably appoints and authorizes the Administrative Agent (or any sub-agent of the Administrative Agent appointed pursuant to Section 9.05), as “collateral agent” to act as trustee on their behalf solely for the purpose of acting as mortgagee under Mortgages and holding the first preferred mortgage interest in each Specified Rig granted to the Administrative Agent, as “collateral agent”, as trustee pursuant to the respective Mortgage. The Administrative Agent hereby accepts such trust and declares that, as trustee, it will hold each Mortgage for the sole use and benefit of the Lenders and each L/C Issuer and shall, on behalf of the trust created hereby, perform its obligations hereunder, but only upon the terms and conditions of this Agreement. In connection with all of the foregoing, the Administrative Agent, as “collateral agent” and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent), shall be entitled to the benefits of all provisions of this Article IX and Article X (including Section 10.04(c), as though such co-agents, sub-agents and attorneys-in-fact were the “collateral agent” under the Loan Documents) as if set forth in full herein with respect thereto.

Section 9.02 Rights as a Lender. The Person serving as the Administrative Agent, Syndication Agent or a Documentation Agent, as applicable, hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, Syndication Agent or a Documentation Agent, as applicable, and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent, Syndication Agent or Documentation Agent, as applicable, hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent, Syndication Agent or Documentation Agent, as applicable, hereunder and without any duty to account therefor to the Lenders.

Section 9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and each Agent’s duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(m) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(n) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(o) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by a final nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or an L/C Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan

Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Collateral Documents, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the applicable L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or such L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or such L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. No Agent shall be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final nonappealable judgment that such Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 9.06 Resignation of Administrative Agent.

(c) The Administrative Agent may at any time give notice of its resignation to the Lenders, the L/C Issuers and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders and the L/C Issuers, appoint a successor Administrative Agent meeting the qualifications set forth above, provided that in no event shall any such successor Administrative Agent be a Defaulting Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed).

(d) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed).

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2)

except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the L/C Issuer directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.01(g) and other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

(d) Any resignation or removal by Bank of America as Administrative Agent pursuant to this Section shall also constitute its resignation as L/C Issuer. If Bank of America resigns as an L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto, including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c). Upon the appointment by the Borrower of a successor L/C Issuer hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender) and the acceptance by such successor L/C Issuer of the rights, duties and obligations of such capacity hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer, (b) the retiring L/C Issuer shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents, and (c) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America to effectively assume the obligations of Bank of America with respect to such Letters of Credit.

Section 9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and each L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and each L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the "Bookrunners" or "Arrangers" or the Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or an L/C Issuer hereunder.

Section 9.09 Administrative Agent May File Proofs of Claim; Credit Bidding. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise.

(c) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuers and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuers and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuers and the Administrative Agent under Sections 2.03(i) and (j), 2.09 and 10.04) allowed in such judicial proceeding; and

(d) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any

such judicial proceeding is hereby authorized by each Lender and each L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuers, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or any L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or any L/C Issuer to authorize the Administrative Agent to vote in respect of the claim of any Lender or any L/C Issuer or in any such proceeding.

The Secured Parties hereby irrevocably authorize the Administrative Agent, at the direction of the Required Lenders, to credit bid all or any portion of the Obligations (including accepting some or all of the Collateral in satisfaction of some or all of the Obligations pursuant to a deed in lieu of foreclosure or otherwise) and in such manner purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (a) at any sale thereof conducted under the provisions of the Bankruptcy Code of the United States, including under Sections 363, 1123 or 1129 of the Bankruptcy Code of the United States, or any similar Laws in any other jurisdictions to which a Loan Party is subject, or (b) at any other sale or foreclosure or acceptance of collateral in lieu of debt conducted by (or with the consent or at the direction of) the Administrative Agent (whether by judicial action or otherwise) in accordance with any applicable Law. In connection with any such credit bid and purchase, the Obligations owed to the Secured Parties shall be entitled to be, and shall be, credit bid on a ratable basis (with Obligations with respect to contingent or unliquidated claims receiving contingent interests in the acquired assets on a ratable basis that would vest upon the liquidation of such claims in an amount proportional to the liquidated portion of the contingent claim amount used in allocating the contingent interests) in the asset or assets so purchased (or in the Equity Interests or debt instruments of the acquisition vehicle or vehicles that are used to consummate such purchase). In connection with any such bid (i) the Administrative Agent shall be authorized to form one or more acquisition vehicles to make a bid, (ii) to adopt documents providing for the governance of the acquisition vehicle or vehicles (provided that any actions by the Administrative Agent with respect to such acquisition vehicle or vehicles, including any disposition of the assets or Equity Interests thereof shall be governed, directly or indirectly, by the vote of the Required Lenders, irrespective of the termination of this Agreement and without giving effect to the limitations on actions by the Required Lenders contained in Section 10.01, (iii) the Administrative Agent shall be authorized to assign the relevant Obligations to any such acquisition vehicle pro rata by the Lenders, as a result of which each of the Lenders shall be deemed to have received a pro rata portion of any Equity Interests and/or debt instruments issued by such an acquisition vehicle on account of the assignment of the Obligations to be credit bid, all without the need for any Secured Party or acquisition vehicle to take any further action, and (iv) to the extent that Obligations that are assigned to an acquisition vehicle are not used to acquire Collateral for any reason (as a result of another bid being higher or better, because the amount of Obligations assigned to the acquisition vehicle exceeds the amount of debt credit bid by the acquisition vehicle or otherwise), such Obligations shall automatically be reassigned to the Lenders pro rata and the Equity Interests and/or debt instruments issued by any acquisition vehicle on account of the Obligations that had been assigned to the acquisition vehicle shall automatically be cancelled, without the need for any Secured Party or any acquisition vehicle to take any further action.

Section 9.10 Collateral and Guaranty Matters. Each of the Lenders (including in its capacities as a potential Cash Management Bank and a potential Hedge Bank and for on behalf of each of its Affiliates that is or may be a Cash Management Bank or Hedge Bank) and each L/C Issuer irrevocably authorize the Administrative Agent, at its option and in its discretion, to (a) upon request therefor from the Borrower, release any Collateral described on Schedule 7.05(j) from the Liens created by the Collateral Documents, (b) release any and all Collateral from the Liens created by the Collateral Documents, subordinate any Lien on any and all such Collateral and/or release any and all Subsidiary Guarantors from their respective obligations under the Subsidiary Guaranty at any time and from time to time in accordance with the provisions of the Collateral Documents and Section 10.21, (c) execute and deliver, and take any action referred to in Section 10.21 to evidence any such release or subordination and (d) enter into any amendments of the Collateral Documents dated on and as of even date herewith deemed reasonably necessary or appropriate by the Administrative Agent in order to evidence the amendment and restatement of the Existing Credit Agreement, the extension, renewal and continuation of the Obligations secured by such Collateral Documents and for any other related purpose.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty pursuant to Section 9.10 or Section 10.21. The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral. In addition, the Administrative Agent will have no obligation to conduct any

independent evaluation or appraisal of the assets or liabilities of the Borrower, or any other party, or opine or advise on any related Solvency issues.

Section 9.11 Secured Cash Management Agreements and Secured Hedge Agreements . No Cash Management Bank or Hedge Bank that obtains the benefits of Section 8.03, the Subsidiary Guaranty or any Collateral by virtue of the provisions hereof or of the Subsidiary Guaranty or any Collateral Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this Article IX to the contrary, the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Obligations arising under Secured Cash Management Agreements and Secured Hedge Agreements unless the Administrative Agent has received written notice of such Obligations, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank or Hedge Bank, as the case may be.

ARTICLE X

MISCELLANEOUS

Section 10.01 Amendments, Etc. Any provision of the Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (I) in the case of this Agreement, the Borrower and the Required Lenders and acknowledged by the Administrative Agent, and (II) in the case of any other Loan Document, each party thereto and the Administrative Agent (with the consent of the Required Lenders, or otherwise in accordance with the express terms thereof or pursuant to any Loan Document), and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(i) waive any condition set forth in Section 4.01 (other than Section 4.01(b)), or, in the case of the initial Credit Extension, Section 4.02, without the written consent of each Lender;

(j) without limiting the generality of clause (a) above, waive any condition set forth in Section 4.02 as to any Credit Extension without the written consent of the Required Lenders;

(k) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(l) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under such other Loan Document without the written consent of each Lender entitled to such payment;

(m) reduce or forgive the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate or (ii) to change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Rate even if the effect of such amendment would be to reduce the interest rate on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

(n) change the definition of "Applicable Percentage", Section 2.12(a), Section 2.12(f), Section 2.13 or Section 8.03 in a manner that would alter the *pro rata* sharing of payments required thereby without the written consent of each Lender affected thereby;

(o) amend Section 1.06 or the definition of "Alternative Currency" without the written consent of each L/C Issuer;

(p) change (i) any provision of this Section 10.01 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder, without the written consent of each Lender;

(q) release all or substantially all of the Collateral in any transaction or series of related transactions, without the written consent of each Lender (except any such release in accordance with a transaction permitted under the Loan Documents);

(r) release all or substantially all of the value of the Subsidiary Guaranty without the written consent of each Lender (except any such release in accordance with a transaction permitted under the Loan Documents); or

(s) amend the penultimate paragraph of Section 9.09 without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by each L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuers under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it (and, notwithstanding anything to the contrary contained herein, any term of any Issuer Document may be amended, waived or otherwise modified with only the consent of only the applicable L/C Issuer and the Borrower); (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document and (iii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that (x) the Commitment of such Lender may not be increased or extended, nor the principal owed to such Lender reduced or the final maturity thereof extended, without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender.

If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender and that has been approved by the Required Lenders (excluding any increase pursuant to Section 2.14 or 2.15) (a “Non-Consenting Lender”), the Borrower may replace such Non-Consenting Lender in accordance with Section 10.13; provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

Section 10.02 Notices; Effectiveness; Electronic Communication.

(p) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, or Bank of America as an L/C Issuer, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender or L/C Issuer, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(q) Electronic Communications. Notices and other communications to the Lenders and the L/C Issuers hereunder may be delivered or furnished by electronic communication (including e-mail, FpML messaging and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or any L/C Issuer pursuant to Article II if such Lender or such L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent, any L/C Issuer or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender’s receipt of an acknowledgement from the intended recipient (such as by the “return receipt requested” function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the

recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(r) The Platform. THE PLATFORM IS PROVIDED “AS IS” AND “AS AVAILABLE.” THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the “Agent Parties”) have any liability to the Borrower, any Lender, any L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower’s or the Administrative Agent’s transmission of Borrower Materials or notices through the Platform, any other electronic platform or electronic messaging service, or through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender, any L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(s) Change of Address, Etc . Each of the Borrower, the Administrative Agent and Bank of America as an L/C Issuer may change its address (including its address for electronic communications), telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender or L/C Issuer may change its address (including its address for electronic communications), telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent and the other L/C Issuers. In addition, each Lender and each L/C Issuer (other than Bank of America) agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the “Private Side Information” or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender’s compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the “Public Side Information” portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

(t) Reliance by Administrative Agent, L/C Issuers and Lenders . The Administrative Agent, the L/C Issuers and the Lenders shall be entitled to rely and act upon any notices (including telephonic or electronic notices, Committed Loan Notices or Letter of Credit Applications) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

Section 10.03 No Waiver; Cumulative Remedies; Enforcement. No failure by any Lender, any L/C Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Secured Parties; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) each L/C Issuer from exercising the rights and remedies

that inure to its benefit (solely in its capacity as an L/C Issuer) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 10.08 (subject to the terms of Section 2.13), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Section 10.04 Expenses; Indemnity; Damage Waiver.

(g) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Arranger and their Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and the Arranger), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by each L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Arranger, any Lender or any L/C Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, the Arranger, any Lender or any L/C Issuer), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, the Arranger any Lender or any L/C Issuer, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(h) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each other Agent, the Arranger, each Lender and each L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents (including in respect of any matters addressed in Section 3.01), (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party or any of the Borrower’s or such Loan Party’s directors, shareholders or creditors, and regardless of whether any Indemnitee is a party thereto, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE** ; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder or under any other Loan Document, if the Borrower or such other Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This Section 10.04(b) shall not apply with respect to taxes other than any taxes that represent losses, claims, damages, liabilities or related expenses arising from any non-tax claim.

(i) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), each other Agent, any L/C Issuer or any Related Party of any of the foregoing (and without limiting the Borrower’s obligation to do so), each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such other Agent, such L/C Issuer or such Related Party, as the case may be, such Lender’s Applicable

Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), any other Agent or any L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), any other Agent or any L/C Issuer in connection with such capacity; and provided further that the obligation to indemnify the L/C Issuers hereunder shall be limited solely to the Lenders. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(j) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(k) Payments. All amounts due under this Section shall be payable not later than thirty days after written demand therefor (or such later time as the applicable payee shall agree to in writing in its sole discretion).

(l) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent and each L/C Issuer, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

Section 10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, any L/C Issuer or any Lender, or the Administrative Agent, any L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, such L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and each L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect, in the applicable currency of such recovery or payment. The obligations of the Lenders and the L/C Issuers under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 10.06 Successors and Assigns.

(h) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuers and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(i) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of any Commitment if such assignment is to a Person that is not a Lender with a Commitment, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(C) the consent of each L/C Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding).

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower or Defaulting Lender. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries or to any Defaulting Lender or any of a Defaulting Lender's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural person).

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be

treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(j) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy (or the equivalent thereof in electronic form) of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(k) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural person, or the Borrower or any of the Borrower's Affiliates or Subsidiaries or to any Defaulting Lender or any of a Defaulting Lender's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the L/C Issuers shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01 (subject to the requirements and limitations therein, including the requirements under Section 3.01(e) (it being understood that the documentation required under Section 3.01(e) shall be delivered to the participating Lender)), 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a nonfiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(l) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(m) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(n) Resignation as L/C Issuer after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Bank of America acting as an L/C Issuer or other Lender that has issued a then-outstanding Letter of Credit assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America or such other Lender, as applicable, may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as an L/C Issuer. In the event of any such resignation as L/C Issuer, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall

affect the resignation of Bank of America or such other assigning Lender as L/C Issuer, as the case may be. If Bank of America or such other assigning Lender resigns as an L/C Issuer, it shall retain all the rights, powers, privileges and duties of an L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as an L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). Upon the appointment of a successor L/C Issuer, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer, and (b) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America or such other retiring L/C Issuer, as the case may be, to effectively assume the obligations of Bank of America or such other retiring L/C Issuer, as the case may be, with respect to such Letters of Credit.

Section 10.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent, the other Agents, the Lenders and the L/C Issuers agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors, independent auditors, legal counsel and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal or administrative process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or any Eligible Assignee invited to be a Lender pursuant to Section 2.14(c) or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations hereunder, (g) with the consent of the Borrower, (h) for purposes of establishing a "due diligence" defense or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, (y) becomes available to the Administrative Agent, any other Agent, any Lender, any L/C Issuer or any of their respective Affiliates (and the successors and assigns of the foregoing) on a nonconfidential basis from a source other than the Borrower or (z) is independently developed by the Administrative Agent, any other Agent, any Lender, any L/C Issuer or any of their respective Affiliates (and the successors and assigns of the foregoing). In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Agents and the Lenders in connection with the administration of this Agreement, the other Loan Documents, and the Commitments.

For purposes of this Section, "Information" means all information received from any Loan Party or any Subsidiary thereof relating to any Loan Party or any Subsidiary thereof or any of their respective businesses, other than any such information that is available to the Administrative Agent, any other Agent, any Lender or any L/C Issuer on a nonconfidential basis prior to disclosure by any Loan Party or any Subsidiary thereof, provided that, in the case of information received from a Loan Party or any such Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the other Agents, the Lenders and the L/C Issuers acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

Section 10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, each L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, such L/C Issuer or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or such L/C Issuer, irrespective of whether or not such Lender or such L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmaturing or are owed to a branch or office of such Lender or such L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff hereunder, (i) all amounts so set off shall be paid over immediately to the

Administrative Agent for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the L/C Issuer and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender, such L/C Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, such L/C Issuer or their respective Affiliates may have. Each Lender and each L/C Issuer agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

Section 10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means (e.g., ".pdf" or ".tiff") shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect until the Termination Date.

Section 10.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, if any Lender is a Non-Consenting Lender or a Defaulting Lender, or if any other circumstance exists hereunder that gives the Borrower the right to replace a Lender as a party hereto, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such

outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable Laws; and

(e) in connection with any such replacement, if any such Non-Consenting Lender or Defaulting Lender does not execute and deliver to the Administrative Agent a duly executed Assignment and Assumption reflecting such replacement within five (5) Business Days of the date on which the assignee Lender executes and delivers such Assignment and Assumption to such Non-Consenting Lender or Defaulting Lender, then such Non-Consenting Lender or Defaulting Lender shall be deemed to have executed and delivered such Assignment and Assumption without any action on the part of the Non-Consenting Lender or Defaulting Lender.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER, THE L/C ISSUER, OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH

PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.16 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Arranger are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Arranger, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and the Arranger each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor the Arranger has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor the Arranger has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent and the Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 10.17 Electronic Execution of Assignments and Certain Other Documents. The words "execution," "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation any Assignment and Assumption, any amendment or other modification hereof (including waivers and consents), amendments or other modifications, Committed Loan Notices, or Letter of Credit Applications) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary neither the Administrative Agent, the L/C Issuer nor any Lender is under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent, the L/C Issuer or such Lender pursuant to procedures approved by it and provided further without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

Section 10.18 USA PATRIOT Act. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower and each other Loan Party that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower and each other Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

Section 10.19 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or any Lender hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Lender, as the case may be, may in accordance with normal

banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Lender from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Lender, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Lender in such currency, the Administrative Agent or such Lender, as the case may be, agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable law).

Section 10.20 Assignment and Reallocation of Commitments, Etc. (a) On the Closing Date, each of the Existing Lenders (including each Exiting Lender) under the Existing Credit Agreement hereby sells, assigns, transfers and conveys to the Lenders hereunder, and each of the Lenders hereunder hereby purchases and accepts, so much of the aggregate commitments under, and loans and participations in letters of credit outstanding under, the Existing Credit Agreement such that, immediately after giving effect to the effectiveness of this Agreement (including any increase of the commitments effectuated hereby), the relevant Commitments of each Lender, shall be as set forth on Schedule 2.01 hereto (it being understood that (i) if any Letters of Credit are outstanding under the Existing Credit Agreement as of the Closing Date, then each of the Lenders shall have purchased and accepted from the Existing Lenders, a participation in such outstanding Letters of Credit based on its respective Applicable Percentage and (ii) the Borrower has repaid the Existing Term Loans and all obligations owing in connection therewith with the proceeds of Loans made hereunder). The foregoing assignments, transfers and conveyances are without recourse to any Existing Lender and without any warranties whatsoever by the Administrative Agent, the L/C Issuer or any Existing Lender as to title, enforceability, collectability, documentation or freedom from liens or encumbrances, in whole or in part, other than that the warranty of any such Existing Lender that it has not previously sold, transferred, conveyed or encumbered such interests. The Existing Lenders and the Lenders shall, if appropriate, make all appropriate adjustments in payments under the Existing Credit Agreement, the "Notes" and the other "Loan Documents" thereunder for periods prior to the adjustment date among themselves, but in no event shall any such adjustment of Eurodollar Rate Loans (i) constitute a payment or prepayment of all or a portion of any Eurodollar Rate Loans or (ii) entitle any Lender to any reimbursement under Section 3.05 hereof or Section 3.05 of the Existing Credit Agreement. As of the Closing Date, any "Note" under the Existing Credit Agreement issued to any Existing Lender that is also a Lender shall be deemed for all purposes superseded and replaced by the Note (if any) issued to such Lender under this Agreement, without further action required by any payee thereof, and all "Notes" under the Existing Credit Agreement shall be of no further force and effect.

(a) On the Closing Date, the Existing Credit Agreement shall be amended and restated in its entirety by this Agreement, and the Existing Credit Agreement shall thereafter be of no further force and effect, except that the Borrower, the Administrative Agent and the Lenders agree that (i) the incurrence by the Borrower of the "Obligations" in respect of the "Facilities" (in each case as defined in the Existing Credit Agreement), whether or not such "Obligations" are contingent as of the Closing Date, shall continue to exist under and be evidenced by this Agreement and the other Loan Documents, (ii) except as expressly stated herein or amended, the other Loan Documents are ratified and confirmed as remaining unmodified and in full force and effect with respect to all Obligations and (iii) the provisions of the Existing Credit Agreement pertaining to indemnity and reimbursement of costs and expenses shall continue to be in full force and effect for periods prior to the Closing Date with such obligations under those provisions surviving hereafter. This Agreement is not in any way intended to constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement or evidence payment of all or any portion of such obligations and liabilities. Each Exiting Lender consents to the amendment and restatement of the Existing Credit Agreement contemplated by this Agreement and is signatory hereto solely for purposes of effectuating (i) such amendment and restatement and (ii) the assignments and reallocations contemplated by Section 10.20(a).

(b) This amendment and restatement is limited as written and is not a consent to any other amendment, restatement or waiver, whether or not similar and, except as expressly provided herein or in any other Loan Document, all terms and conditions of the Loan Documents remain in full force and effect unless specifically amended hereby or by any other Loan Document.

Section 10.21 Release of Collateral and Subsidiary Guarantors.

(a) Any Lien on any Collateral granted to or held by the Administrative Agent under any Loan Document shall automatically be released, terminated and discharged in full (as used in this Section 10.21, "released") without the need for any further action by any Person: (i) upon the Termination Date, (ii) with respect to any such Lien, in the event that any asset constituting Collateral is, or is to be, Disposed of as part of, or in connection with, any transaction not prohibited hereunder or under any other Loan Document or (iii) if approved, authorized or ratified in writing in accordance with Section 10.01.

(b) The Administrative Agent, as applicable, shall, without the need for any further action by any Person, subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(g), (r) or (t).

(c) Any Subsidiary Guarantor shall be automatically released from its obligations under the Subsidiary Guaranty and Collateral Documents upon (i) such Person ceasing to be a Subsidiary as a result of a transaction permitted hereunder or otherwise in accordance with the terms hereof and (ii) written notice received by the Administrative Agent executed by a Responsible Officer of the Borrower describing the circumstances giving rise to such claim for release. In addition, (i) if a Subsidiary Guarantor has become an Excluded Subsidiary or (ii) if a Subsidiary Guarantor ceases to be a Material Subsidiary, in each case, as a result of a transaction permitted hereunder or otherwise in accordance with the terms hereof, then automatically upon the receipt by the Administrative Agent of written notice from a Responsible Officer of the Borrower (providing sufficient factual detail supporting a claim for release consistent with this sentence) such Subsidiary Guarantor shall be released from its Subsidiary Guaranty.

(d) In the case of any release or subordination described in this Section 10.21, the Administrative Agent shall, at the Borrower's expense, execute and deliver to the Borrower such documents or evidence of such release or subordination as the Borrower may reasonably request to evidence the release or subordination of such item of Collateral from the assignment and security interest granted under the Collateral Documents, or to substantiate its interest in such item, in each case in accordance with the terms of the Loan Documents and this Section 10.21.

(e) Upon the occurrence of the Closing Date, Parker-VSE, LLC is hereby automatically released as a Subsidiary Guarantor and its obligations under the Subsidiary Guaranty and the Security Agreement shall be of no further force and effect thereafter. The Borrower represents that, as of the Closing Date, Parker-VSE, LLC has less than \$10,000 of assets.

Section 10.22 **ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

(Signature pages begin on following page)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

PARKER DRILLING COMPANY,
as the Borrower

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name:

Title:

[Signature Page to Credit Agreement]

BANK OF AMERICA, N.A., as a Lender and an L/C Issuer

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

BARCLAYS BANK PLC, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

WELLS FARGO BANK N.A., as Syndication Agent and a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

DEUTSCHE BANK AG, NEW YORK BRANCH, as a Lender

By: _____

Name:

Title:

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

GOLDMAN SACHS BANK USA, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

WHITNEY BANK, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

HSBC BANK USA, N.A., as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

NORTHRIM BANK, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

CATERPILLAR FINANCIAL SERVICES CORPORATION, as an
Exiting Lender, solely for purposes of effectuating (i) the amendment and
restatement of the Existing Credit Agreement contemplated by this
Agreement and (ii) the assignments and reallocations contemplated by
Section 10.20(a) of this Agreement

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

NATIXIS, NEW YORK BRANCH, as an Exiting Lender, solely for purposes of effectuating (i) the amendment and restatement of the Existing Credit Agreement contemplated by this Agreement and (ii) the assignments and reallocations contemplated by Section 10.20(a) of this Agreement

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

Parker Drilling Company
Computation of Ratio of Earnings to Fixed Charges

| | Fiscal Year Ended December 31, | | | | |
|--|--------------------------------|-------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Pretax Income | 48,537,886 | 52,787,710 | 70,977,206 | (65,411,628) | 11,504,903 |
| Fixed Charges | 45,435,694 | 50,195,954 | 43,782,341 | 41,864,658 | 40,294,016 |
| Amortization of Capitalized Interest | 3,938,569 | 4,058,459 | 1,886,832 | 1,556,952 | 1,819,086 |
| Capitalized Interest | (1,170,730) | (2,375,946) | (10,240,245) | (19,271,105) | (13,488,684) |
| Earnings before Income Tax & Fixed Charges | 96,741,419 | 104,666,177 | 106,406,135 | (41,261,123) | 40,129,321 |
| Interest Expense | 44,264,964 | 47,820,008 | 33,542,096 | 22,593,553 | 26,805,332 |
| Capitalized Interest | 1,170,730 | 2,375,946 | 10,240,245 | 19,271,105 | 13,488,684 |
| Total Fixed Charges | 45,435,694 | 50,195,954 | 43,782,341 | 41,864,658 | 40,294,016 |
| Ratio of Earnings to Fixed Charges | 2.1x | 2.1x | 2.4x | (1) | 1x |

(1) For the year ended December 31, 2011, earnings were deficient to cover fixed charges by \$41.3 million, which was primarily due to a pre-tax, non-cash charge to earnings of \$170.0 million related to the impairment of our two Alaska rigs.

SUBSIDIARIES OF THE REGISTRANT

The following is a list of significant subsidiaries of the Registrant:

- 1 Parker North America Operations, Inc. (Nevada)-100% direct subsidiary.
- 2 Parker Drilling International Holding Company, LLC (Delaware)-100% direct subsidiary.
- 3 Parker Technology, Inc. (Oklahoma)-100% direct subsidiary.
Parker Drilling Offshore USA, L.L.C. (Oklahoma)-100% indirect subsidiary-owned by Parker Drilling Offshore Corporation
- 4 (100%).
- 5 Parker Drilling Company International Limited (Nevada)-100% indirect subsidiary-owned by Parker Drilling Eurasia, Inc. (100%)
Parker Drilling Eastern Hemisphere, Ltd. Co. (Oklahoma)-100% indirect subsidiary-owned by Parker Drilling Eurasia, Inc.
- 6 (100%).
- 7 Parker Drilling Netherlands B.V. (Netherlands)-100% indirect subsidiary-owned by PD Selective Holdings C.V. (100%).
- 8 Parker Drilling Russia B.V. (Netherlands)-100% indirect subsidiary-owned by Parker Drilling Netherlands B.V. (100%).
- 9 Parker Drilling Company of Sakhalin (Netherlands)-100% indirect subsidiary-owned by Parker Drilling Netherlands B.V. (100%).
- 10 Parker Drilling Overseas B.V. (Netherlands)-100% indirect subsidiary-owned by Parker Drilling Netherlands B.V. (100%).
Parker Central Europe Rig Holdings LLC (Hungary)-100% indirect subsidiary-owned by Parker Drilling (Kazakhstan), LLC
- 11 (100%).
Primorsky Drill Rig Services BV (Netherlands)-100% indirect subsidiary-owned by Parker Drilling International Holding Co LLC
- 12 (100%).
- 13 Parker Drilling Management Services, Inc. (Nevada)-100% indirect subsidiary-owned by Parker North America Operations, Inc. (100%).
- 14 Parker Drilling Arctic Operating, Inc. (Delaware)-100% indirect subsidiary-owned by Parker North America Operations, Inc. (100%).
- 15 International Tubulars FZE (United Emirates)-100% indirect subsidiary-owned by International Tubular Services Limited (100%).
- 16 Quail Tools, L.P. (Oklahoma)-100% indirect subsidiary-owned by Parker Tools, LLC (99%) and Quail USA LLC (1%).
International Tubular Services De Mexico, S. De R.I. De C.V. (Mexico)-100% indirect subsidiary-owned by PD International
- 17 Holdings C.V. (99%) and International Tubular Services Limited (1%).
- 18 Parker Drilling Eurasia, Inc. (Delaware)-100% indirect subsidiary-owned by Parker Drilling International Holding Co LLC (64.8%) and Parker Drilling Offshore Corporation (35.2%).

Note: Certain subsidiaries have been omitted from the list since they would not, even if considered in the aggregate, constitute a significant subsidiary. All subsidiaries are included in the consolidated financial statements.

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Parker Drilling Company:

We consent to the incorporation by reference in the registration statement (No. 333-197977) on Form S-3, in registration statements (Nos. 333-188754, 333-184230, 333-167695) on Form S-8 of Parker Drilling Company of our report dated February 25, 2015, with respect to the consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appears in the December 31, 2014 annual report on Form 10-K of Parker Drilling Company.

/s/ KPMG LLP

Houston, TX

February 25, 2015

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Gary G. Rich, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2014, of Parker Drilling Company (the registrant);
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(s) 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 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - 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.

Date: February 25, 2015

/s/ Gary G. Rich

Gary G. Rich

Chairman, President and Chief Executive Officer

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Christopher T. Weber, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2014, of Parker Drilling Company (the registrant);
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(s) 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 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - 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.

Date: February 25, 2015

/s/ Christopher T. Weber

Christopher T. Weber
Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2014 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 25, 2015

/s/ Gary G. Rich

Gary G. Rich

Chairman, President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2014 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 25, 2015

/s/ Christopher T. Weber

Christopher T. Weber
Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.