

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 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED AUGUST 31, 1996

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware 73-0618660

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

Parker Building, Eight East Third Street, Tulsa, Oklahoma 74103

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code (918) 585-8221

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

N/A Name of each exchange on which registered:

(Title of class) New York Stock Exchange, Inc.

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

Common Stock, par value \$.16 2/3 per share

(Title of class)

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 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. []

As of September 30, 1996, 65,338,975 common shares were outstanding, and
the aggregate market value of the common shares (based upon the closing price
of these shares on the New York Stock Exchange) held by nonaffiliates was
\$381.3 million.

Documents Incorporated by Reference

Part III, Items 10 through 13 Portions of the Company's definitive Proxy
Statement in connection with its Annual
Meeting to be held December 18, 1996

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PART I

Item 1. BUSINESS

Parker Drilling Company is a contract drilling company that was incorporated in the state of Oklahoma in 1954 after having been established in 1934 by its founder Gifford C. Parker. The founder was the father of Robert L. Parker, the chairman and a principal stockholder, and the grandfather of Robert L. Parker Jr., president and chief executive officer. In March 1976, the state of incorporation of the Company was changed to Delaware through the merger of the Oklahoma corporation into its wholly owned subsidiary Parker Drilling Company, a Delaware corporation. Unless otherwise indicated, the term "Company" refers to Parker Drilling Company together with its subsidiaries and "Parker Drilling" refers solely to the parent, Parker Drilling Company.

The Company is a leading provider of land contract drilling services on a worldwide basis to major, independent and foreign national oil companies. Since its inception in 1934, the Company has provided drilling services throughout the United States and 46 foreign countries, giving it the broadest geographical representation of any land drilling contractor. Currently, the Company has 46 international rigs in 13 countries and 17 rigs in the United States. The Company specializes in the drilling of deep and difficult wells and drilling in remote and harsh environments. The Company also has the capability to provide a range of services that are ancillary to its principal drilling services, including engineering, logistics and construction, as well as various types of project management.

On September 14, 1996 the Company signed a definitive agreement to acquire Mallard Bay Drilling, Inc. Mallard owns 47 rigs, the majority of which are barge and platform rigs that operate primarily in the shallow coastal and offshore waters of the Gulf Coast of the U.S. It also has significant international operations utilizing barge rigs in Nigeria, platform rigs in Peru and land rigs in Argentina.

On October 7, 1996 the Company signed an agreement to acquire Quail Tools, Inc. Quail is a leading provider of specialized rental tools for drilling, workover, completion and recompletion operations in the offshore Gulf of Mexico and Gulf Coast land areas.

The Company anticipates closing both transactions in November 1996 (see Item 1. Business - Pending Acquisitions).

International Land Drilling Operations

The Company's international land drilling operations are focused primarily in South America and the Asia Pacific region, where the Company specializes in drilling that requires equipment specially designed to be transported by helicopter, water or other all-terrain vehicles into remote access areas such as jungle, mountainside or desert locations. Management believes that the Company's 23 heli-rigs, with technologically advanced pumps and power generation systems that are capable of drilling difficult wells in excess of 15,000 feet, have established the Company as the dominant operator in the heli-rig market, with a 75% worldwide market share. The Company traditionally has been a pioneer in "frontier areas" and is currently working for operators in the countries of China, Russia, Kazakstan and Vietnam.

In recent years, many major and independent oil companies have directed a greater portion of their exploration budgets to foreign markets. This is particularly true in South America and the Asia Pacific region, where the demand for land rigs has increased significantly. The Company has benefitted from this trend due to its long-standing presence in these markets and has been able to deploy rigs under longer term contracts at higher dayrates and operating margins than domestic operations. Management believes that the demand for drilling services in international markets will continue to grow as demand for oil and gas increases and countries dependent on oil and gas revenues seek to increase their production. The Company intends to capitalize on its global presence and substantial international experience to pursue growth opportunities in both current and developing markets.

International markets differ from the domestic market in terms of competition, nature of customers, equipment and experience requirements. The majority of international drilling markets have the following characteristics: (i) a small number of competitors; (ii) customers who are major, large independent or foreign national oil companies; (iii) drilling programs in remote locations requiring drilling equipment with a large inventory of spare parts and often other ancillary equipment; and (iv) drilling of difficult wells requiring considerable experience.

South America. The Company currently has 20 rigs located in the South American drilling markets of Colombia, Argentina and Peru. The Company's rigs have been upgraded to meet the demands of deep, difficult drilling in these areas. Most of these rigs are currently under contract to major or national oil companies with attractive dayrates. The Company anticipates it will continue to relocate rigs to the South American market to meet increased demand for drilling in such countries as Colombia, Argentina, Peru and Venezuela.

Asia Pacific Region. The Company operates 15 of its fleet of 23 helicopter transportable rigs in the Asia Pacific region due to the remoteness of the mountainside and jungle drilling performed in this region. This region also contains all of the Company's present geothermal operations. The Company entered the Philippine geothermal market in 1993 and Indonesia in 1995. In 1996, the Company became the first land drilling contractor to enter the Vietnam market subsequent to the liberalization of Vietnam's trading policy and the lifting of restrictions on doing business with Vietnam. Also in 1996, the Company formed an alliance with the national drilling company in China, pursuant to which the Company will provide project management assistance and rig supervisory personnel to western oil companies in conjunction with the Company's Chinese partner. The Company has the longest presence of any foreign drilling contractor in China, beginning with its first contract in 1980.

Africa and the Former Soviet Union. Seven of the Company's rigs are currently located in the markets of Africa and the former Soviet Union. After becoming the first western drilling contractor to enter the markets of the former Soviet Union in 1991, expansion of the Company's business in this

region has been hampered by bureaucratic inefficiencies, constantly changing tax and other laws and political issues that have retarded the investment of capital by major and large independent oil companies in the former Soviet Union. The Company anticipates that the recently announced agreement regarding the pipeline to be built to accommodate incremental production from the Tengiz field in Kazakhstan will increase exploration efforts in this region; however, drilling may be delayed pending resolution of technical, logistical and other issues.

Domestic Land Drilling Operations

In the United States, the Company operates onshore rigs in the Gulf Coast, Rocky Mountain and Mid-Continent regions and the arctic region of Alaska. Within the lower 48 states, the Company traditionally has specialized in the drilling of deep gas wells, often in excess of 20,000 feet. The U.S. land drilling market is highly fragmented, with numerous competitors and an oversupply of rigs. During the past few years, this market has undergone significant consolidation; however, rig supply continues to exceed rig demand, which has resulted in depressed dayrates. The oversupply of rigs is especially prevalent in the market for mechanical rigs.

During the fourth quarter of fiscal 1996, the Company sold 22 mechanical rigs from its domestic fleet. Of the Company's remaining 17 domestic rigs, 15 are SCR electric, two are equipped with top drive units and 16 are capable of drilling in excess of 15,000 feet. Traditionally, the Company has differentiated itself from its domestic competitors by specializing in the drilling of deep and difficult wells.

Specialty Land Drilling Services

Helicopter Transportable Rigs. The Company specializes in difficult wells and drilling in remote areas and harsh environments, primarily in international locations. A significant factor contributing to the Company's success in obtaining drilling contracts in remote areas is the use of rigs that are transportable by air, land and water. These rigs have been specially designed and constructed by the Company for quick assembly and disassembly under the proprietary designations "Heli-Hoist" (Registered Trademark) rig, Transportable By Anything (Registered Trademark) ("TBA") (Registered Trademark) rig and All-Terrain ("AT2000E") (Registered Trademark) rig. Management believes that the Company's 23 helicopter transportable rigs comprise approximately 75% of the operational helicopter transportable rigs worldwide. The Heli-Hoist (Registered Trademark), TBA (Registered Trademark) and AT2000E (Registered Trademark) rigs allow the Company to perform drilling operations in remote and otherwise inaccessible locations such as jungle areas, mountainous areas and offshore platforms.

Deep Drilling. During the U.S. drilling boom of the late 1970s and early 1980s, the Company developed its specialty of deep difficult drilling, primarily in the Anadarko Basin of Western Oklahoma and the Overthrust Region in the Rocky Mountains. The majority of the expansion of the Company's domestic fleet was built around this deep gas drilling, during which time the Company established several drilling depth records approaching 30,000 feet. The Company's largest drilling rig is rated in excess of 30,000 feet.

During the last several years, drilling activity has shifted from domestic deep gas drilling to international deep oil and gas drilling. While international deep drilling is generally in the range of 15,000 feet to 20,000 feet as opposed to the domestic deep drilling which often exceeded 20,000 feet, the Company has benefitted in the international arena from the development of this expertise, particularly in the deep drilling markets of the Cusiana and Cupiagua fields of Colombia and in northern Argentina.

Arctic Drilling. The Company has been one of the pioneers in arctic drilling conditions and continues to offer new technology to meet the demand for increased drilling in an ecologically sensitive manner. The Company's most recent development has been the introduction of a self-contained mobile drilling unit capable of being moved in one unit by giant "crawlers" similar to the system used to move rocket thrusters for the space program. The environmentally sensitive rig also has a complete closed-loop mud system and cuttings processing system that eliminate the need for mud pits.

Geothermal Drilling. The Company also has developed expertise in the area of geothermal drilling. Geothermal operations involve drilling into a

pocket of geothermal energy, tapping the source of this energy in the form of steam, hot water or hot rocks and converting this heat into usable forms of energy. The market for geothermal drilling is expanding into several areas of the world, including the Philippines, New Zealand and Indonesia, as various countries elect to access this alternative form of energy.

OTHER OPERATIONS

Parker Technology, Inc. ("Partech") (Registered Trademark), a wholly owned subsidiary of the Company, is a drilling equipment and manufacturing concern which gives the Company the ability to design, construct and modify rigs to meet its own unique needs and, to a lesser extent, to construct rigs and components for other customers. Partech (Registered Trademark) successfully designed and built the first drilling rig in its AT2000E (Registered Trademark) series of heli-rigs in 1989. This all-electric rig series features a proprietary design that provides for additional power and drilling capacity in remote locations. In fiscal years 1996, 1995 and 1994, its operations accounted for less than 10 percent of the Company's total revenue.

Item 1. BUSINESS (continued)

PENDING ACQUISITIONS

The Mallard Acquisition

On September 14, 1996, the Company executed a definitive agreement with Energy Ventures, Inc. ("EVI") to acquire all of the stock of EVI's wholly owned subsidiary, Mallard Bay Drilling, Inc. ("Mallard") and certain related operations. The consideration for the Mallard Acquisition is \$338 million, consisting of \$313 million in cash, subject to adjustment for changes in Mallard's net assets prior to closing, and \$25 million in shares of the Company's convertible preferred stock. The number of shares of convertible preferred stock to be issued will be determined based upon the closing price of the Company's common stock for the ten trading days ending two trading days before the closing of the Mallard Acquisition. The shares of convertible preferred stock will automatically be converted into shares of common stock of the Company upon approval by the stockholders of the Company of an amendment to its Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 70,000,000 to 120,000,000 at the annual shareholders' meeting of the Company in December 1996. The Company will grant EVI certain registration rights for the shares of common stock issuable upon conversion of the preferred shares. If the approval of the Company's stockholders of the amendment is not obtained by January 31, 1997, the Company is obligated to redeem the convertible preferred stock for \$25 million, plus an 8% dividend that accrues from the date of issuance.

The agreement relating to the Mallard Acquisition contains certain customary representations and warranties from EVI relating to the business and operations of Mallard, including representations and warranties as to Mallard's financial statements, statements in EVI's commission filings relating to Mallard's business and financial results, the absence of material changes in Mallard's business, compliance with laws, title to property, litigation, employee benefit matters, taxes and environmental matters. The representations and warranties relating to environmental matters survive for one year after closing and the representations and warranties relating to employee benefits and taxes survive until after the expiration of the applicable statute of limitations. The other representations and warranties in the Mallard agreement do not survive the closing of the Mallard Acquisition.

Mallard owns 47 rigs, the majority of which are barge and platform rigs that operate primarily in the shallow coastal and offshore waters of the Gulf Coast of the U.S. It also has significant international operations utilizing barge rigs in Nigeria, platform rigs in Peru and land rigs in Argentina.

Mallard's barge drilling and workover operations are concentrated in the shallow coastal waters of the Gulf of Mexico and Nigeria, where conventional

jackup rigs typically are unable to operate. Mallard is the second-largest drilling contractor in the Gulf of Mexico barge market, with 15 drilling and 15 workover barges, most of which have been upgraded or refurbished since 1990. Mallard's international barge fleet is concentrated in the shallow coastal waters of Nigeria, where it is the leading barge drilling contractor with three deep drilling barges currently under contract and a fourth being upgraded to commence operations in January 1997.

Mallard has six platform rigs, three of which are located in the Gulf of Mexico, two of which are located in Peru and one of which is located in Thailand. In addition, one shallow water workover jackup rig is located in the Gulf of Mexico. One platform rig in the Gulf of Mexico has been refurbished to incorporate a modular self-erecting system that significantly improves the efficiency of rigging up and rigging down on platforms.

The closing of the Mallard Acquisition is subject to the Company's financing of the cash portion of the purchase price and certain other customary closing conditions. The closing of the Mallard Acquisition is a condition to, and will occur concurrently with, the sale of the Senior Notes and the closing of the Senior Credit Facility (see "LIQUIDITY AND CAPITAL RESOURCES"). In the event EVI terminates the agreement relating to the Mallard Acquisition because the Company has failed to obtain the necessary financing of the cash portion of the purchase price before January 31, 1997, the Company must pay \$6.25 million to EVI.

The Quail Acquisition

On October 7, 1996, the Company entered into an agreement to acquire all of the stock of Quail for \$65 million in cash. The purchase price is subject to adjustment for changes in Quail's net assets prior to closing. The agreement relating to the Quail Acquisition contains certain customary representations and warranties from the stockholders of Quail, including representations and warranties as to Quail's financial statements, the absence of material changes in Quail's business, title to and condition of Quail's property, the absence of undisclosed liabilities or litigation, compliance with laws, employee benefits, taxes and environmental matters. The representations and warranties in the Quail agreement survive for one year after closing, except for certain representations and agreements relating to taxes and employee benefit matters which survive for four years after closing. The closing of the Quail Acquisition is subject to the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and certain other customary closing conditions. Either party can terminate the agreement if the transaction is not closed on or before November 30, 1996. The closing of the Quail Acquisition is a condition to, and will occur concurrently with, the sale of the Senior Notes and the closing of the Senior Credit Facility.

Quail rents specialized equipment utilized in difficult well drilling, production and workover applications. Quail offers a full line of drill pipe, drill collars, tubing, high- and low-pressure blowout preventers and manifolds, casing scrapers and cement and junk mills. Approximately 85% of Quail's equipment is utilized in offshore and coastal water operations.

CUSTOMERS

The Company believes it has developed an international reputation for providing efficient, quality drilling services. A key for advancing the Company's business strategy is maintaining and developing relationships and strategic alliances with its customers. An increasing number of the Company's customers have been seeking to establish exploration or development drilling programs based on partnering relationships or alliances with a limited number of preferred drilling contractors. Such relationships or alliances can result in longer term work and higher efficiencies that increase profitability for drilling contractors at a lower overall well cost for oil companies. The Company is currently a preferred contractor for operators in certain domestic and international locations, which management believes is a result of the Company's quality service and experience.

Item 1. BUSINESS (continued)

The Company's drilling customer base consists of major, independent and foreign national oil and gas companies. The Company's 20 largest customers

accounted for approximately 89% of total revenue during fiscal 1996. During 1996, two customers accounted for approximately 19% and 18% of total revenue. During 1995, two customers accounted for approximately 22% and 13% of total revenue. In fiscal 1994, three customers accounted for approximately 14%, 12% and 11% of total revenue.

CONTRACTS

The Company generally obtains drilling contracts through competitive bidding. Under most contracts the Company is paid a daily fee, or dayrate. The dayrate received is based on several factors, including: type of equipment, services and personnel furnished; investment required to perform the contract; location of the well; term of the contract; and competitive market forces. Meterage rate contracts are occasionally accepted in which the Company is paid a rate per meter drilled upon reaching a specified depth.

The Company generally receives a lump sum fee to move its equipment to the drilling site, which in most cases approximates the cost incurred by the Company. Domestic contracts are generally for one well, while international contracts are more likely to be for multi-well programs. The Company continues to obtain contracts under which the Company provides drilling engineering and integrated project management services. The Company provides drilling project services ranging from well design and engineering expertise to site preparation and road construction in an effort to help customers eliminate or reduce management overhead which would otherwise be necessary to supervise such services.

While oil and gas exploration efforts have remained stable or increased in many areas outside the United States, domestic drilling programs have remained relatively depressed. Dayrates on domestic contracts currently cover cash operating costs and local overhead but provide minimal cash profit margins. The Company has redeployed six of its domestic rigs to the active Gulf Coast Market where dayrates and profit margins are more attractive. International dayrates and profit margins continue to be more favorable than those for domestic operations. Because of the difficult remote drilling sites encountered internationally, specialized equipment is often required, sometimes resulting in additional modification or construction costs which are generally offset by favorable dayrates for the Company. Substantially all the international contracts provide for payment in U.S. dollars, with a minimum local currency portion to cover local expenditures.

COMPETITION

The land drilling market is highly competitive, reflecting the continuing oversupply of drilling rigs, although this oversupply is more pronounced in shallow domestic than deep domestic and international markets. Drilling contracts are generally awarded on a competitive bid basis and, while an operator may consider factors such as quality of service and type and location of equipment as well as the ability to provide ancillary services, price is generally the primary factor in determining which contractor is awarded a job.

In international markets, experience in operating in certain environments and customer alliances have also been factors in the selection of the Company in certain cases, as well as the Company's patented drilling equipment for remote drilling projects. The Company believes that the market for land drilling contracts will continue to be highly competitive for the foreseeable future because of the worldwide oversupply of drilling rigs. Certain of the Company's competitors have greater financial resources than the Company, which may enable them to better withstand industry downturns, to compete more effectively on the basis of price, to build new rigs or to acquire existing rigs.

RESEARCH AND DEVELOPMENT

In response to the customers' need for reducing the overall drilling costs, the Company is developing a versatile All Terrain Modular (ATM) Rig System. The new series of modular compact components will provide an expandable, upgradeable, concept to fit almost any drilling, transporting, and environmental requirement. The ATM Rig System also will provide some of the latest drilling equipment technology as well as maximum power capabilities for

fast, safe, and efficient drilling. Several proprietary designs will make the modular rig system unique in capacity and transportability.

Twenty-three employees are involved in the Company's research and development activities. The costs associated with the Company's research and development efforts are not significant.

<TABLE>

EMPLOYEES

At August 31, 1996, the Company employed 1,993 persons, down 16% from the 2,360 employed at August 31, 1995. The following table sets forth the composition of the Company's employees:

<CAPTION>

	August 31,	
	1996	1995
<S>	<C>	<C>
International Drilling Operations	1,458	1,840
Domestic Drilling Operations	331	309
Corporate and Other Domestic	204	211

</TABLE>

RISKS AND ENVIRONMENTAL CONSIDERATIONS

Certain political and economic risks are inherent in international operations. These risks include expropriation of equipment, currency rate fluctuations, foreign currency conversion restrictions and local tax regulations. The Company minimizes the potential impact of these risks by operating in several geographical areas and by generally entering contracts which are denominated in U.S. dollars. Additionally, the Company seeks to obtain contractual indemnification from operators against certain of these risks. The Company carries political risk insurance covering its equipment in most foreign locations.

The United States and various other countries have enacted legislation or adopted regulations controlling the discharge of materials into the environment. Such legislation provides for the imposition of penalties and liabilities and indemnification for clean-up costs, regardless of fault, for hazardous waste and chemical discharges. In certain circumstances, the Department of the Interior is authorized to suspend operations that threaten to harm life, property or the environment. Under most of the Company's contracts, the Company is indemnified from environmental damages except in certain cases of pollution that originates above the surface from equipment operation and maintenance. The Company purchases limited pollution insurance to cover costs associated with clean-up of sudden and accidental spills. In those contracts where the Company accepts liability for pollution caused by its negligence or is not covered by insurance, the amount of the Company's financial exposure is generally restricted in the contract.

The Company believes that it substantially complies with all environmental legislation and regulations. Compliance with such provisions and regulations has not had a material effect upon the Company's operations; however, the effect of any future environmental enactments cannot be predicted.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company historically has operated in only one segment, land-based contract drilling services. The Mallard and Quail Acquisitions will significantly diversify the Company's businesses, and will thereby give rise to multi-segment reporting requirements in the future. Information about the Company's land-based contract drilling operations by geographic areas for the three years ended August 31, 1996, is set forth in Note 6 of Notes to

<TABLE>

Item 2. PROPERTIES

The Company owns and occupies a ten-story building in downtown Tulsa, Oklahoma, as its home office. Additionally, the Company owns and leases office space and operating facilities in various locations, but only to the extent necessary for administrative and operational functions.

During fiscal 1996, the Company acquired one international rig, retired six rigs in southern Argentina and sold 22 domestic mechanical rigs. The following table shows, as of August 31, 1996, the locations and drilling depth ratings of the Company's remaining 63 rigs:

<CAPTION>

	Drilling Depth Rating in Feet					
	10,000 or less	15,000	20,000	Over 25,000	25,000	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INTERNATIONAL:						
South America		1	2	9	3	5 20
Asia Pacific	4	4	9	2	-	19
Africa and the Former Soviet Union	3	2	2	-	-	7
	--	--	--	--	--	--
Total International		8	8	20	5	5 46
	--	--	--	--	--	--
DOMESTIC:						
Gulf Coast	-	-	2	-	4	6
Rocky Mountains		1	-	3	-	2 6
Mid-Continent	-	-	4	-	-	4
Alaska	-	-	-	-	1	1
	--	--	--	--	--	---
Total Domestic		1	-	9	-	7 17
	--	--	--	--	--	---
TOTAL		9	8	29	5	12 63
	--	--	--	--	--	---
	--	--	--	--	--	---

</TABLE>

The following table sets forth the utilization rates during each of the previous three years. The six southern Argentina rigs and the 22 domestic mechanical rigs have been treated as removed from the rig fleet as of the first day of fiscal 1996. For comparison purposes the domestic and overall utilization numbers for 1995 and 1994 have been restated to remove the 22 domestic rigs. Additionally, fiscal 1994 utilization numbers have been restated to remove 16 domestic rigs that were retired at the end of that year.

<TABLE>

<CAPTION>

	Average Utilization for the Years Ended August 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
International Utilization	55%	54%	56%
Domestic Utilization	56%	46%	45%
Overall Utilization	55%	52%	53%

</TABLE>

Item 3. LEGAL PROCEEDINGS

A judgment in the amount of \$4,860,000 was entered against a subsidiary of the Company by a judge of the First Civil Specialized Court in Maynas, Peru on May 10, 1996. The judgment was based on a \$22,000,000 claim by former union employees of the Company's subsidiary alleging that such subsidiary impaired their employment opportunities with that subsidiary and other employers. The Company disputed the basis for the claim and the judgment and appealed the decision. On or about September 5, 1996, this judgment was declared void by the Superior Court in Iquitos due to procedural irregularities, including the failure to comply with certain due process requirements. Due to these irregularities the case has been remanded to the First Civil Specialized Court and the Plaintiff will be required to submit all its evidence for re-consideration by the Court in accordance with the mandated procedural and due process requirements. While the Company does not believe that the judgment will have a material adverse effect on its financial condition, results of operations or its operations in South America, there can be no assurance that a judgment will not be entered against the Company's subsidiary in a substantial amount.

The Company is a party in certain other legal proceedings that have resulted from the ordinary conduct of its business. In the opinion of the Company's management, none of these proceedings is expected to have a material adverse effect upon the Company's business, results of operations or financial condition.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to Parker Drilling Company security holders during the fourth quarter of fiscal year 1996.

PART II

<TABLE>

Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Parker Drilling Company common stock is listed for trading on the New York Stock Exchange under the symbol PKD. At the close of business on August 31, 1996, there were 3,748 holders of record of Parker Drilling common stock. Prices on Parker Drilling's common stock for the fiscal years ending August 31, 1996 and 1995, were as follows:

<CAPTION>

	Fiscal Year 1996		Fiscal Year 1995	
Quarter	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
First	\$6.375	\$4.875	\$6.250	\$5.000
Second	6.500	5.000	5.125	4.375
Third	8.125	5.375	5.625	4.375
Fourth	7.375	5.250	5.625	4.625

</TABLE>

No dividends have been paid on common stock since February 1987. Restrictions contained in Parker Drilling's existing credit agreement limit the payment of cash dividends to the lesser of 40 percent of consolidated net income for the preceding fiscal year, or \$3 million. The Company has no present intention to pay dividends on its common stock in the foreseeable future because of its business plan to reinvest earnings in the Company's operations.

Item 6. SELECTED FINANCIAL DATA

<TABLE>

<CAPTION>

Parker Drilling Company and Subsidiaries

(In Thousands Except Per Share Data)

Years Ended August 31,	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$156,652	\$157,371	\$152,424	\$100,801	\$123,332
Net income (loss)	\$ 4,053	\$ 3,916	\$(28,806)	\$(10,687)	\$(11,166)
Earnings (loss) per share, primary and fully diluted	\$.07	\$.07	\$ (.53)	\$ (.20)	\$ (.21)
Total assets	\$275,959	\$216,959	\$209,348	\$236,342	\$245,869
Long-term debt	\$ 2,794	\$ 1,748	\$ -	\$ -	\$ 142
Redeemable preferred stock	\$ -	\$ -	\$ -	\$ -	\$ 157

</TABLE>

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OUTLOOK AND OVERVIEW

The Company's operations and future results will be altered significantly by the pending acquisitions of Mallard and Quail. (See Item 1 Business - Pending Acquisitions.) As a result of the Mallard Acquisition, the Company will become one of the primary barge drilling contractors in the Gulf of Mexico and in Nigeria, markets in which the Company currently does not operate. As a result of the Quail Acquisition, the Company will expand its operations into the complementary rental tool business currently servicing the land and offshore markets of the U.S. Gulf Coast.

In addition to the substantial revenue growth realized by the increase in size and scope of the Company's operations as a result of these Acquisitions, based on the historical operations of Mallard and Quail, the operating margins of the Company will also increase. Further, the Company's relative percentage of domestic revenue will increase in comparison to its international operations by the incorporation of the new business segments.

The Acquisitions will also increase the Company's participation in the workover service market, which historically has been characterized by less volatility than the drilling services market. Additionally, because a significant amount of the Company's business as a result of these Acquisitions will be based in the transition zones of the U. S. Gulf Coast, the Company may experience some seasonal variation in its future results. Mallard's business historically has been subject to seasonality with the first two quarters of the calendar year (generally corresponding to the Company's second and third quarters) being less active than the second half of the calendar year. The Company's and Quail's operations generally have not reflected seasonal variation.

The Acquisitions will be accounted for under the purchase method of accounting. As a result, the assets and liabilities of Mallard and Quail will be recorded at their estimated fair values as of the date the Acquisitions are consummated. The purchase price in excess of the fair value of Mallard's and Quail's assets will be recorded as goodwill and amortized over a 30-year period. Accordingly, the Company's depreciation and amortization will increase significantly in future periods.

The financings related to the Acquisitions will substantially increase the Company's debt levels. At August 31, 1996, pro forma for the sale of the Notes, borrowings under the Senior Credit Facility and the Acquisitions, the Company would have \$382.2 million in total indebtedness, compared with total actual indebtedness of \$3.4 million at such date. The substantial increase in debt levels will result in a higher level of interest expense and an increased percentage of the Company's cash flows being used for debt service and may limit the Company's ability to obtain additional financing for future

acquisitions or capital expenditures. (See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources.)

For the foregoing reasons, the acquisitions of Mallard and Quail will affect the comparability of the Company's historical results of operations with results in future periods.

RESULTS OF OPERATIONS 1996 VS. 1995

The Company recorded net income of \$4.1 million in fiscal 1996 as compared to net income of \$3.9 million in fiscal 1995. An improvement in drilling margins in fiscal 1996 was offset by reduced other income and by increased general and administrative expense due primarily to severance costs.

Drilling revenue decreased \$7.9 million in fiscal 1996 due to the termination in late fiscal 1995 of the Company's low-margin southern Argentina operations, which had generated \$13.0 million of revenue in fiscal 1995. The Company's overall rig utilization rate increased from 52% in fiscal 1995 to 55% in fiscal 1996. Excluded from the utilization percentages for both years are 22 domestic mechanical rigs sold in the fourth quarter of fiscal 1996.

South America drilling revenue decreased from \$76.1 million in fiscal 1995 to \$58.5 million in fiscal 1996, primarily due to the loss of revenue generated in the terminated southern Argentina operations in fiscal 1995. In Colombia, three rigs were refurbished in fiscal 1996 and resumed work under new contracts. The Company had seven rigs under contract in Colombia and two rigs under contract both in northern Argentina and in Peru as of September 30, 1996. Management anticipates additional drilling activity and increased revenue in South America in fiscal 1997. The privatization of Petroperu, Peru's national oil company, and additional acreage leased by outside operators are anticipated to result in additional drilling activity in that country. Drilling activity is expected to remain strong in Colombia in fiscal 1997. Additionally, the Company is exploring the possibility of entering other drilling markets in South America.

Operations in the Asia Pacific areas generated revenue of \$47.9 million in fiscal 1996, an increase of \$2.9 million from fiscal 1995. The primary area of increased revenue was Papua New Guinea where the Company experienced a 91% rig utilization rate on its five rigs in fiscal 1996. Additionally, during the second quarter of fiscal 1996 the Company began operating one rig under a contract in Vietnam, a new market for the Company. Revenue decreased in New Zealand, the Philippines and Pakistan because five rigs completed contracts in fiscal 1996. Management anticipates that revenue from the Asia Pacific countries will increase modestly in fiscal 1997, primarily due to increased geothermal drilling on the islands of Java and Sumatra in Indonesia. Two of the Company's rigs were recently redeployed to Indonesia under geothermal drilling contracts, which will require additional management services and technical assistance to be provided by the Company to two Indonesian-owned drilling companies.

Fiscal 1996 revenue of \$8.0 million from operations in Africa, Russia and Kazakstan was nearly the same as fiscal 1995. Management believes these areas have promise for significant expansion of operations; however, much of the future expansion is contingent on the resolution of technical, logistical and political issues in the former Soviet Union.

RESULTS OF OPERATIONS 1996 VS. 1995 (continued)

The Company's domestic operations generated \$30.8 million of drilling revenue in fiscal 1996 as compared to \$23.7 million in fiscal 1995. The increase in revenue was attributable to Alaska Rig 245 operating the entire year in fiscal 1996 versus nine months in fiscal 1995 and a 10% increase in utilization days for the rigs in the lower 48 states. The increase in domestic drilling activity occurred primarily in the Tuscaloosa Trend in Louisiana, where the Company deployed three rigs in fiscal 1996 and is currently deploying another rig under a new contract. Six rigs were under contract in Louisiana as of September 30, 1996.

During the fourth quarter of fiscal 1996, the Company sold 22 mechanical rigs from its domestic rig fleet, leaving 15 SCR electric rigs and two mechanical rigs. At the end of fiscal year 1996, the Company had 13 of its 17 domestic rigs under contract. Management anticipates that revenue from its domestic land operations will increase in fiscal 1997.

Although worldwide contract drilling revenue decreased \$7.9 million in fiscal 1996 versus fiscal 1995, the total drilling margin (drilling revenue less drilling expense) increased \$4.3 million over the same period. This increase was attributable to increased utilization of rigs in Papua New Guinea, improved contract margins in Colombia and the termination of the low-margin southern Argentina operations.

Other revenue increased \$7.2 million in fiscal 1996 due to the sale of a rig by the Company's manufacturing subsidiary, Parker Technology, Inc. ("Partech") (Registered Trademark). General and administrative expense increased \$2.4 million in fiscal 1996 principally due to non-recurring severance costs associated with a reduction in corporate personnel.

Other income (expense) decreased \$2.0 million due to the reversal in fiscal 1995 of a prior year's foreign currency accrual of \$1.5 million and reduced gains on sales of assets in fiscal 1996. The increase in income tax expense was attributable to increased international profits in fiscal 1996.

RESULTS OF OPERATIONS 1995 VS. 1994

The fiscal 1995 net income of \$3.9 million was an improvement of \$32.7 million over the net loss of \$28.8 million recorded in fiscal 1994. Excluding a \$19.7 million provision for reduction in carrying value of certain assets from fiscal 1994's net loss, fiscal 1995's net income was an improvement of \$13.0 million over fiscal 1994. The primary reasons for the improvement in fiscal 1995 were an increase in drilling margins of \$7.2 million and an increase in other income of \$6.7 million.

Drilling revenue increased \$5.6 million to \$153.1 million in fiscal 1995 from \$147.5 million in fiscal 1994, even though international and domestic operating days were nearly the same over each period. An increase in the utilization of larger rigs in northern Argentina and Colombia more than offset decreased utilization of smaller rigs in southern Argentina.

South America drilling revenue increased \$23.4 million in fiscal 1995 when compared with fiscal 1994. In Colombia, revenue increased \$13.9 million due primarily to revenue earned by one rig relocated from Indonesia during the year and from a full year of operations by one rig that was added to the rig fleet in fiscal 1994. In addition, several rigs which were either on a standby or stacked status in fiscal 1994 operated all of fiscal 1995. In Argentina, drilling revenue increased \$12.6 million as two additional deep rigs, one relocated from the Congo in fiscal 1994 and one relocated from Yemen in fiscal 1995, operated much of the year. Additionally, one rig added to the rig fleet in fiscal 1994 operated all of fiscal 1995 and one rig leased by the Company commenced operations in the fourth quarter of fiscal 1995. During fiscal 1995 and 1994, a number of shallow depth capacity rigs (10,000 feet or less) operated in southern Argentina, many of them operating on a meterage basis. Two of these rigs were relocated to mid-Argentina as the Company focused its marketing efforts on regions of the country where operations are generally conducted on a daywork basis. At fiscal year-end, the remaining rigs in southern Argentina were on a stacked status. Drilling revenue declined \$4.8 million in Ecuador where two rigs located in that country did not operate in fiscal 1995 and were retired from the rig fleet at the end of the fiscal year.

Operations in the Asia Pacific region resulted in an increase in drilling revenue of \$1.5 million in fiscal 1995. Increased utilization in New Zealand and revenue earned from a labor contract in China more than offset a decline in revenue in Papua New Guinea and Indonesia due to lower utilization in those countries.

RESULTS OF OPERATIONS 1995 VS. 1994 (continued)

International drilling revenue from operations in Africa, Russia and Kazakstan declined \$17.4 million in fiscal 1995. Utilization declined due to the completion of contracts in Chad, the Congo, Russia and Yemen. The rigs that operated in the Congo and Yemen in fiscal 1994 have both been redeployed to Argentina. In Kazakstan, a reduction in revenue from a labor contract in that country was partially offset by operations from one rig that has been relocated from Russia.

Domestic drilling revenue declined \$2.3 million due to fewer operating days in the Rocky Mountain states and Alaska.

Drilling margins (drilling revenue less drilling expense) increased \$7.2 million in fiscal 1995 to \$39.9 million compared to \$32.7 million in fiscal 1994. Margins improved in the Company's South American operations, including those in the countries of Colombia and Argentina. Margins had been negatively impacted in fiscal 1994 in Colombia due to increased operating expenses and costs associated with the start-up of two rigs. In fiscal 1995, these two rigs operated for the full year with improved margins when compared with the previous fiscal year. In Argentina, margins also improved as two additional deep capacity rigs began operating in the northern region of the country and two rigs operated during the year in the country's middle region. In the Company's other operating regions, both internationally and domestically, drilling margins as a percentage of drilling revenue in fiscal 1995 remained relatively consistent with fiscal 1994.

Other income (expense) increased \$6.7 million to \$8.6 million in fiscal 1995 from \$1.9 million in fiscal 1994. Gains of \$6.4 million were recognized in fiscal 1995 from the disposition of property, plant and equipment as the Company continued its efforts to sell assets that are no longer a part of its current marketing strategy. In addition, the reversal of a prior year foreign currency accrual of \$1.5 million was recorded in fiscal 1995. Fiscal 1994 other income included \$2.1 million from gains associated with the disposition of property, plant and equipment, a \$1.5 million gain from the reversal of a prior year foreign payroll tax accrual and a \$2.6 million charge for the settlement of certain litigation. The \$1.3 million increase in income tax expense was primarily attributable to the reversal in 1994 of an accrued foreign tax.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital increased from \$56.0 million as of August 31, 1995 to \$102.9 million as of August 31, 1996. Cash and short-term investments increased \$55.9 million in fiscal 1996 totaling \$78.0 million as of August 31, 1996.

On July 11, 1996 the Company sold 9,050,000 shares of Common Stock raising \$49.0 million of net proceeds. Other sources of cash in fiscal 1996 included \$30.0 million generated from operating activities and \$8.3 million of proceeds from the sale of property, plant and equipment.

During the year ended August 31, 1996, the Company made capital expenditures of \$30.8 million, which were primarily for the upgrading of land rigs in connection with international contracts. The Company estimates that it will make approximately the same amount of capital expenditures on its land rig fleet in fiscal 1997, of which approximately \$8.0 million is expected to be for maintenance capital expenditures.

The Company executed a \$15.0 million credit and letter of credit facility on April 9, 1996, with an expiration date of April 19, 1999 (the "Existing Credit Facility"). At August 31, 1996, the Company had outstanding letters of credit totaling approximately \$10.0 million under the Agreement. The Existing Credit Facility contains restrictions on capital expenditures, other indebtedness, payment of dividends and otherwise requires the Company to maintain certain financial ratios. The Company has obtained a waiver of certain covenants under the Existing Credit Facility to accommodate the consummation of the Acquisitions at which time the Existing Credit Facility will either be incorporated into or allowed as permitted indebtedness under the Senior Credit Facility described below.

In order to consummate the Acquisitions (see "PENDING ACQUISITIONS" under Item 1 BUSINESS), the Company expects to enter into a Senior Credit Facility, including a \$100 million term loan and a \$45 million revolving credit facility. (See "Description of Senior Credit Facility" in this section). The Company will also issue \$275 million of principal amount of Senior Notes (See "Description of Senior Notes" in this section). The proceeds from the Senior Credit Facility and the issuance of the Notes, together with approximately \$18 million of the Company's available cash and \$25 million in shares of the Company's convertible preferred stock (see discussion below), will provide the sources of financing required to consummate the transactions and pay related fees and expenses. The Company also will assume \$3.9 million of existing indebtedness of Mallard.

The shares of convertible preferred stock to be issued in the Mallard Acquisition will automatically be converted into common stock of the Company upon approval by the shareholders of the Company of an amendment to its Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 70,000,000 to 120,000,000 at the annual meeting in December 1996. If the approval of the shareholders to the amendment is not obtained by January 31, 1997, the Company is obligated to redeem the convertible preferred shares for \$25 million, plus a dividend of 8% which accrues from issuance.

During the twelve-month period ended June 30, 1996, Mallard made capital expenditures of \$25.6 million. If the Mallard Acquisition is consummated, the Company estimates that it will make approximately \$29.3 million of capital expenditures on the Mallard fleet during fiscal 1997.

During the twelve months ended August 31, 1996, Quail made capital expenditures of \$4.4 million, which were used primarily for the purchase of additional rental equipment. If the Quail Acquisition is consummated, the Company estimates that it will make approximately \$15.0 million of capital expenditures on its rental tool business during fiscal 1997, of which approximately \$12.5 million will be for the expansion of its rental tool operations in Victoria, Texas.

At August 31, 1996, the Company had \$141,598,000 net operating loss carryforwards for tax purposes which expire over a fifteen year period as follows: 2000, \$24,701,000; 2001, \$48,560,000; 2002, \$28,541,000; and thereafter, \$39,796,000. In addition, the Company had \$8,200,000 investment tax credit carryforwards for tax purposes which expire in the year 1997.

Management believes that the current level of cash and short-term investments, together with cash generated from operations and borrowings under the revolving portion of the Senior Credit Facility, should be sufficient to finance the Company's working capital needs and expected capital expenditures during fiscal 1997. Should new opportunities requiring additional capital arise, the Company may utilize the revolving portion of Senior Credit Facility or may consider seeking additional equity or long-term debt financing. There can be no assurance that such financing would be available to the Company on terms it considers acceptable.

Description of Senior Credit Facility

The Company has received a commitment from a syndicate of financial institutions (the "Lenders") to establish a Senior Credit Facility, which will consist of a \$100 million term loan and a \$45 million revolving credit facility. The term loan bears interest, at the option of the Company, at prime to prime plus 0.50% or at 1.75% to 2.25% above the one-, two-, three- and six-month LIBOR rate, depending on the Company's debt-to-capital ratio (as

defined) and matures on November 30, 2002. The term note will have no prepayment penalty, will be guaranteed by the principal subsidiaries of the Company and will be secured by substantially all of the assets of the Company and the assets and stock of the Subsidiary Guarantors. The term loan contains customary representations and warranties and will restrict the Company's ability to, among other things, incur indebtedness, merge or sell assets, pay dividends or other distributions, make investments and capital expenditures, and engage in transactions with affiliates. The Company will also be required to maintain certain financial ratios.

The revolving portion of the Senior Credit Facility will be available, subject to the satisfaction of customary borrowing conditions, for working capital requirements and general corporate purposes. The revolver will be non-amortizing, will terminate on December 31, 1998, will be secured by a first lien on the Company's accounts receivable, and borrowings under the revolver will not be permitted to exceed a borrowing base equal to 80% of the Company's eligible accounts receivable.

Description of Senior Notes

In order to finance the acquisitions of Mallard and Quail, the Company proposes to offer \$275 million in senior notes due 2006 (the "Notes"). The offering of the Notes is being made in compliance with Rule 144A and Regulation D under the Securities Act of 1933. Accordingly, the sale of the Notes will not be registered under the Securities Act and such notes may not be offered or sold by any purchaser thereof absent registration under the Securities Act or an applicable exemption from such registration requirements. The offering of the Notes is conditioned upon, and is expected to close concurrently with, the acquisitions of Mallard and Quail.

The Notes will bear interest from issuance, payable semi-annually, commencing six months from closing and will mature in 2006. The notes will be redeemable at the option of the Company, in whole or in part, at any time on or after 2001, at the redemption prices set forth in the Indenture between the Company and the Trustee, together with accrued and unpaid interest to the date of redemption. In addition, upon a change of control, as defined in the Indenture, the Company may be obligated to repurchase all or a portion of the Notes.

The Notes will be senior unsecured obligations of the Company, ranking pari passu in right of payment with all senior indebtedness of the Company and senior to all future subordinated indebtedness of the Company. The Notes will be unconditionally guaranteed on a senior unsecured basis by the Company's principal operating subsidiaries (the "Subsidiary Guarantors") and the Subsidiary Guarantees will rank pari passu in right of payment with all senior indebtedness of the Subsidiary Guarantors and senior to all future subordinated indebtedness of the Subsidiary Guarantors.

The Indenture will also contain other customary provisions relating to re-purchase obligations in the event of a change of control and certain covenants restricting indebtedness, dividends, sale of capital stock of subsidiaries, transactions with affiliates, asset sales and restrictions on mergers, consolidations, etc. The holders of the Notes will also have certain registration rights obligating the Company to file a registration statement with respect to the Notes.

OTHER MATTERS

Internationally, the Company specializes in drilling in remote locations and under difficult geological or operating conditions. The Company's international services are primarily utilized by international and national oil companies in the exploration and development of reserves of oil. Domestically, the Company specializes in drilling deep wells in search of natural gas. Business activity is dependent on the exploration and development activities of the major, independent and national oil and gas companies that make up the Company's customer base. Generally, temporary fluctuations in oil and gas prices do not materially affect these companies' exploration and development activities, and consequently do not materially affect the operations of the Company. However, sustained increases or decreases in oil and natural gas prices could have an impact on customers' long-term exploration and development activities which in turn could

materially affect the Company's operations. Generally, a sustained change in the price of oil would have a greater impact on the Company's international operations while a sustained change in the price of natural gas would have a greater effect on domestic operations. Weak prices for natural gas have resulted in depressed markets for domestic drilling services over the past decade.

Historically, due to the importance of oil revenue to most of the countries in which the Company operates, the Company's operations generally have not been negatively impacted by adverse economic and political conditions. However, there can be no assurances that such conditions could not have a material adverse effect in the future.

In March 1995, Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of," was issued. The statement establishes accounting standards for the impairment of long-lived assets, such as the Company's drilling, transportation and other equipment, and will be effective for the Company beginning with the year ending August 31, 1997. The Company does not believe the new standard will have a material effect on the Company's financial position or results of operations.

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," was issued. The statement requires the computation of compensation for grants of stock, stock options and other equity instruments issued to employees based on fair value and will be effective for the Company beginning with the year ended August 31, 1997. The compensation calculated is to be either recorded as an expense in the financial statements or, alternatively, disclosed. The Company anticipates it will elect the disclosure method of complying with the new standard. Under the provisions of the new statement, it is anticipated that pro forma net income to be disclosed will be lower than net income reported in the financial statements.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Parker Drilling Company

We have audited the consolidated financial statements and financial statement schedule of Parker Drilling Company and subsidiaries as listed in Item 14(a)(1) and (2) of the Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Parker Drilling Company and subsidiaries as of August 31, 1996 and 1995, and

the consolidated results of their operations and their cash flows for each of the three years in the period ended August 31, 1996, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ COOPERS & LYBRAND L.L.P.
COOPERS & LYBRAND L.L.P.

Tulsa, Oklahoma
October 14, 1996

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(In Thousands Except Earnings (Loss) Per Share
and Weighted Average Shares Outstanding)

<CAPTION>

For the Years Ended August 31,	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues:			
Drilling contracts	\$145,160	\$153,075	\$147,480
Other	11,492	4,296	4,944
	-----	-----	-----
Total revenues	156,652	157,371	152,424
	-----	-----	-----
Operating expenses:			
Drilling	100,942	113,132	114,732
Other	11,824	4,928	6,563
Depreciation, depletion and amortization	23,061	23,745	23,246
General and administrative	19,428	17,063	17,018
Provision for reduction in carrying value of certain assets	-	-	19,718
	-----	-----	-----
Total operating expenses	155,255	158,868	181,277
	-----	-----	-----
Operating income (loss)	1,397	(1,497)	(28,853)
	-----	-----	-----
Other income and (expense):			
Interest expense	(135)	(88)	(11)
Interest income	1,642	1,272	1,161
Minority interest	-	(227)	(135)
Other	5,663	7,640	919
	-----	-----	-----
Total other income and (expense)	7,170	8,597	1,934
	-----	-----	-----
Income (loss) before income taxes	8,567	7,100	(26,919)
	-----	-----	-----
Income tax expense	4,514	3,184	1,887
	-----	-----	-----
Net income (loss)	\$ 4,053	\$ 3,916	\$(28,806)
	-----	-----	-----
Earnings (loss) per share, primary and fully diluted	\$.07	\$.07	\$ (.53)
	-----	-----	-----
Weighted average shares outstanding (fully diluted)	57,466,183	55,332,541	54,247,664
	-----	-----	-----

The accompanying notes are an integral part
of the consolidated financial statements.

</TABLE>

<TABLE>

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

<CAPTION>

August 31,	1996	1995

<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61,738	\$ 20,752
Other short-term investments	16,247	1,372
Accounts and notes receivable, net of allowance for bad debts of \$739 in 1996 and \$726 in 1995	33,675	39,578
Rig materials and supplies	10,735	11,532
Other current assets	3,653	5,146
	-----	-----
Total current assets	126,048	78,380
	-----	-----
Property, plant and equipment, at cost:		
Drilling equipment	423,023	506,130
Buildings, land and improvements	14,871	13,259
Other	19,153	20,470
Construction in progress	18,844	14,759
	-----	-----
	475,891	554,618
Less accumulated depreciation, depletion and amortization		
	351,714	432,360
	-----	-----
Net property, plant and equipment	124,177	122,258
	-----	-----
Rig materials and supplies	7,984	6,895
	-----	-----
Deferred charges and other assets:		
Assets held for disposition	8,065	2,486
Notes receivable, net of allowance of \$70 in 1995	1,817	1,817
Other	7,868	5,123
	-----	-----
Total deferred charges and other assets	17,750	9,426
	-----	-----
Total assets	\$275,959	\$216,959
	-----	-----
	-----	-----

The accompanying notes are an integral part
of the consolidated financial statements.

</TABLE>

<TABLE>

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

<CAPTION>

August 31,	1996	1995

<S>		
LIABILITIES AND STOCKHOLDERS' EQUITY	<C>	<C>
Current liabilities:		
Current portion of long-term debt	\$ 584	\$ 289
Accounts payable	9,415	9,539
Accrued liabilities	6,911	7,401
Accrued income taxes	6,217	5,109
	-----	-----
Total current liabilities	23,127	22,338
	-----	-----
Long-term debt (Note 2)	2,794	1,748
	-----	-----
Other long-term liabilities	5,990	5,953
	-----	-----
Commitments and contingencies (Note 8)		
Preferred stock, \$1 par value, 1,942,000 shares authorized, no shares outstanding		
	-	-
	-----	-----
Stockholders' equity:		
Common stock, \$.16 2/3 par value, authorized 70,000,000 shares, issued and outstanding 65,327,088 shares (55,722,183 shares in 1995)	10,888	9,287
Capital in excess of par value	254,955	205,310
Retained earnings (accumulated deficit)	(20,338)	(24,391)
Other	(1,457)	(3,286)
	-----	-----
Total stockholders' equity	244,048	186,920
	-----	-----
Total liabilities and stockholders' equity	\$275,959	\$216,959
	-----	-----
	-----	-----

The accompanying notes are an integral part
of the consolidated financial statements.

</TABLE>

<TABLE>

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

<CAPTION>

For the Years Ended August 31, 1996 1995 1994

<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 4,053	\$ 3,916	\$(28,806)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	23,061	23,745	23,246
Loss (gain) on disposition of property, plant and equipment	(5,416)	(6,395)	(2,083)

Provision for reduction in carrying value of certain assets	-	-	19,718
Deferred tax expense (benefit)	-	-	(294) (904)
Other	307	(282)	1,194
Change in assets and liabilities:			
Accounts and notes receivable	8,057	(4,105)	(10,889)
Rig materials and supplies	(532)	(627)	(313)
Other current assets	1,493	(1,364)	(1,356)
Accounts payable and accrued liabilities	(1,504)	3,319	1,109
Accrued income taxes	1,108	56	(238)
Minority interest	-	227	135
Other assets	(656)	(260)	137
	-----	-----	-----

Net cash provided by operating activities

	29,971	17,936	950
	-----	-----	-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from the sale of property, plant and equipment	8,288	11,711	4,740
Capital expenditures	(30,836)	(21,540)	(34,764)
Investments in affiliates	(1,720)	(501)	(140)
Decrease (increase) in other short-term and long-term investments	(14,875)	2,439	27,608
Other	-	121	-
	-----	-----	-----

Net cash provided by (used in) investing activities

	(39,143)	(7,770)	(2,556)
	-----	-----	-----

The accompanying notes are an integral part of the consolidated financial statements.

/TABLE

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

(Dollars in Thousands)

<CAPTION>

For the Years Ended August 31,

	1996	1995	1994
	-----	-----	-----

<S> <C> <C> <C>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of debt	\$ -	\$ 187	\$ -
Proceeds from common stock offering	49,032	-	-
Principal payments under debt obligations	(367)	-	-
Repurchase of common stock	(382)	(277)	(304)
Proceeds from exercise of stock warrant	1,552	-	-
Other	323	16	-
	-----	-----	-----

Net cash provided (used) by financing activities

	50,158	(74)	(304)
	-----	-----	-----

Net increase (decrease) in cash and cash equivalents

	40,986	10,092	(1,910)
--	--------	--------	---------

Cash and cash equivalents at beginning of year

	20,752	10,660	12,570
	-----	-----	-----

Cash and cash equivalents at end of year

	\$ 61,738	\$ 20,752	\$ 10,660
	-----	-----	-----

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 145	\$ 2	\$ 11
Income taxes	\$ 3,406	\$ 3,422	\$ 3,029

Supplemental noncash financing activity:

In November 1994, the Company acquired a limited partner's ownership interest in two consolidated partnerships in exchange for a promissory note in the amount of \$1,850,000.

In May 1995, the Company received rig materials and supplies valued at \$556,000 in lieu of payment on a note due the Company.

In fiscal 1996 the Company acquired computer and office equipment under capital lease arrangements totaling \$1,708,000.

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
Consolidated Statement of Redeemable Preferred
Stock and Stockholders' Equity
(Dollars in Thousands)

<CAPTION>

	Common stock	Capital in excess of par value	Other Retained earnings (accumulated deficit)	Unearned restricted stock plan compensation	
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	
Balances, August 31, 1993		\$ 9,164	\$201,784	\$ 499	\$(3,768)
Activity in employees' stock plans		28	916		1,070
Acquisition of stock from certain employees		(7)	(297)		
Net income (loss)			(28,806)		
Balances, August 31, 1994		9,185	202,403	(28,307)	(2,698)
Activity in employees' stock plans		111	3,175		(588)
Acquisition of stock from certain employees		(9)	(268)		
Net income			3,916		
Balances, August 31, 1995		9,287	205,310	(24,391)	(3,286)
Activity in employees' stock plans		36	1,008		1,829
Acquisition of stock from certain employees		(10)	(372)		
Issuance of 400,000 common shares upon exercise of warrants at \$3.88 per share		67	1,485		
Issuance of 9,050,000 common shares in public offering		1,508	47,524		
Net income			4,053		

Balances, August 31, 1996	\$10,888	\$254,955	\$(20,338)	\$(1,457)
-----	-----	-----	-----	
-----	-----	-----	-----	

The accompanying notes are an integral part of the consolidated financial statements.
</TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Consolidation - The consolidated financial statements include the accounts of Parker Drilling Company ("Parker Drilling") and all of its majority-owned subsidiaries (collectively, the "Company").

Operations - The Company provides land contract drilling services on a worldwide basis to major, independent and foreign national oil companies. Currently, the Company has 46 international rigs in 13 countries and 17 rigs in the United States. The Company specializes in the drilling of deep and difficult wells and drilling in remote and harsh environments. The Company also provides a range of services that are ancillary to its principal drilling services, including engineering, logistics and construction, as well as various types of project management.

Drilling Contracts - The Company recognizes revenue and expenses on dayrate contracts as the drilling progresses (percentage-of-completion method) because the Company does not bear the risk of completion of the well. For meterage contracts, the Company recognizes the revenue and expenses upon completion of the well (completed-contract method).

Cash and Cash Equivalents - For purposes of the balance sheet and the statement of cash flows, the Company considers cash equivalents to be all highly liquid debt instruments that had a remaining maturity of three months or less at the date of purchase.

Other Short-term Investments - Other short-term investments include primarily certificates of deposit, U.S. government securities and commercial paper having remaining maturities of greater than three months at the date of purchase and are stated at the lower of cost or market.

Property, Plant and Equipment - The Company provides for depreciation of property, plant and equipment primarily on the straight-line method over the estimated useful lives of the assets after provision for salvage value. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Management periodically evaluates the Company's assets to determine if they are not in excess of their net realizable value. Management considers a number of factors such as estimated future cash flows, appraisals and current market value analysis in determining net realizable value. Assets are written down to reflect any decrease in net realizable value below their net carrying value (see Note 7).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Rig Materials and Supplies - Since the Company's foreign drilling generally occurs in remote locations, making timely outside delivery of spare parts unlikely, a complement of parts and supplies is maintained for each rig either at the drilling site or in warehouses close to the operations. 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 foreign locations until new contracts are obtained because of the significant transportation costs which would result from such transfers. The Company classifies those parts which are not expected to be utilized in the following year as long-term assets.

Income Taxes - The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 109: Accounting for Income Taxes. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Earnings (Loss) Per Share - Earnings (loss) per share is computed by dividing net income (loss), as adjusted for dividends on preferred stock, by the weighted average number of common shares outstanding during the period including the effect of dilutive options when applicable. Common shares issued under the 1969 Key Employees Stock Grant Plan, 1980 Incentive Career Stock Plan and the 1991 Stock Grant Plan are issued and outstanding and are only considered in the computation of weighted average shares outstanding when their effect on earnings per share is dilutive.

Concentrations of Credit Risk - Financial instruments which 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. The Company generally does not require collateral on its trade receivables. Such credit risk is considered by management to be limited due to the large number of customers comprising the Company's customer base. The Company places substantially all its interest-bearing investments with major financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. At August 31, 1996, the Company had deposits in domestic banks in excess of federally insured limits of approximately \$.4 million. In addition, the Company had deposits in foreign banks of \$4.9 million which are not federally insured.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Market Value of Financial Instruments - The carrying amount of the Company's cash and short-term investments and short-term and long-term debt had fair values that approximated their carrying amounts.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements - In March 1995, Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of," was issued. The statement establishes accounting standards for the impairment of long-lived assets, such as the Company's drilling, transportation and other equipment, and will be effective for the Company beginning with the year ending August 31, 1997. The Company does not believe the new standard will have a material effect on the Company's financial position or results of operations.

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," was issued. The statement requires the computation of compensation for grants of stock, stock options and other equity instruments issued to employees based on fair value and will be effective for the Company beginning with the year ending August 31, 1997. The compensation calculated is to be either recorded as an expense in the financial statements or, alternatively, disclosed. The Company anticipates it will elect the disclosure method of complying with the new standard. Under the provisions of the new statement, it is anticipated that pro forma net income to be disclosed will be lower than net income reported in the financial statements.

Reclassification - Certain amounts in 1995 and 1994 have been reclassified to conform to current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

<TABLE>

Note 2 - Long-term Debt

<CAPTION>

August 31,	1996	1995

(Dollars in Thousands)		
<S>	<C>	<C>
Parker Drilling		
Note payable annually until November 2001 with interest at 5.75%	\$1,586	\$1,850
Capital leases payable monthly through August 2001	1,634	-
Parker Drilling International of New Zealand, Ltd.		
Note payable monthly through February 2003	158	187
	-----	-----
Total debt	3,378	2,037
Less current portion	584	289
	-----	-----
Total long-term debt	\$2,794	\$1,748
	-----	-----

</TABLE>

The aggregate maturities of long-term debt for the five years ending August 31, 2001, are as follows: 1997 - \$584,000; 1998 - \$606,000; 1999 - \$632,000; 2000 - \$660,000; and 2001 - \$597,000.

The Company has entered into a \$15.0 million credit and letter of credit facility which expires on April 19, 1999 (the "Agreement"). At August 31, 1996, the Company had letters of credit totaling \$10.0 million under the Agreement. The Agreement contains restrictions on annual capital expenditures in excess of \$30 million plus proceeds from the sale of assets and certain senior and subordinated indebtedness which can be incurred by the Company and certain operating subsidiaries designated in the Agreement through which the Company performs the majority of its drilling operations. The Agreement also limits payment of dividends on Common Stock and requires the Company to maintain certain financial ratios. The remaining subsidiaries of the Company are not a party to the Agreement and are able to make capital expenditures with independent financing from lenders that have no recourse to the Company and the designated subsidiaries, subject only to an overall limitation of indebtedness. The Company has obtained waivers under certain covenants, effective through February 1997, with respect to the acquisitions (see Note 12-Subsequent Events) and the related incurrence of indebtedness.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

<TABLE>

Note 3 - Income Taxes

Income (loss) before income taxes (in thousands) is summarized as follows:

<CAPTION>

	Years Ended August 31,		
	1996	1995	1994

<S>	<C>	<C>	<C>
United States	\$ (4,623)	\$ 1,180	\$(33,929)
Foreign	13,190	5,920	7,010
	-----	-----	-----
	\$ 8,567	\$ 7,100	\$(26,919)

</TABLE>

<TABLE>

Income tax expense (benefit) (in thousands) is summarized as follows:

<CAPTION>

	Years Ended August 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Current:			
United States:			
Federal	\$ -	\$ -	\$ -
State	-	-	(246)
Foreign	4,514	3,478	3,037
Deferred:			
United States:			
Federal	-	-	(326)
State	-	-	-
Foreign	-	(294)	(578)
	-----	-----	-----
	\$4,514	\$ 3,184	\$1,887
	-----	-----	-----
	-----	-----	-----

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

<TABLE>

Note 3 - Income Taxes (continued)

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

<CAPTION>

	Years Ended August 31,					
	1996		1995		1994	
	% of pretax income	Amount	% of pretax income	Amount	% of pretax income	Amount
		(loss)		(loss)		(loss)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Computed expected tax expense (benefit)	\$ 2,913	34%	\$ 2,414	34%	\$ (9,153)	(34%)
Foreign tax at rates different than U.S.	29	-	1,171	16%	76	-
Utilization of loss carryforwards	(290)	(3%)	(401)	(5%)	-	-
Limitation on recognition of tax benefit	1,862	22%	-	-	11,536	43%
Other	-	-	-	-	(572)	(2%)
	-----	-----	-----	-----	-----	-----
Actual tax expense (benefit)	\$ 4,514	53%	\$ 3,184	45%	\$ 1,887	7%
	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----

</TABLE>

<TABLE>

The components of the Company's tax assets and (liabilities) as of August 31, 1996 and 1995, are shown below (in thousands):

<CAPTION>

Domestic:	1996	1995
	-----	-----

<u><S></u>	<u><C></u>	<u><C></u>
Deferred tax assets:		
Net operating loss and tax credit carryforwards	\$ 63,454	\$ 67,259
Reserves established against realization of certain assets	815	1,089
Accruals not deducted for tax purposes	4,088	4,169
Depreciation of property, plant and equipment	3,265	3,385
	-----	-----
	71,622	75,902
Deferred tax liabilities:		
Depreciation of property, plant and equipment	(9,778)	(8,408)
	-----	-----
Net deferred tax asset	61,844	67,494
Valuation allowance	(61,844)	(67,494)
	-----	-----
	\$ -	\$ -
	-----	-----
	-----	-----

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 3 - Income Taxes (continued)

At August 31, 1996, the Company had \$141,598,000 net operating loss carryforwards for tax purposes which expire over a fifteen year period as follows: 2000, \$24,701,000; 2001, \$48,560,000; 2002, \$28,541,000; thereafter, \$39,796,000. In addition, the Company had \$8,200,000 investment tax credit carryforwards for tax purposes which expire in 1997. The Company has recorded a full valuation allowance with respect to its net deferred tax asset. However, the amount of the deferred tax asset considered realizable could be different in the near term if estimates of future taxable income change.

Note 4 - Common Stock and Stock Options

The Company's 1969 Key Employees Stock Grant Plan (formerly the 1969 Key Employees Stock Option Plan) was amended in December 1990 to provide for the issuance of 223,000 shares of common stock for no cash consideration to key non-officer employees. Each employee receiving a grant of shares may dispose of 15 percent of his/her grant on each annual anniversary date from the date of grant for the first four years. On the fifth year anniversary, the employee may dispose of the remaining 40 percent of his/her grant. No shares were granted in fiscal 1996 and 1995. In fiscal 1995, 1,375 shares were canceled leaving 1,375 shares reserved for issuance and available for granting as of August 31, 1996.

The Company's 1980 Incentive Career Stock Plan ("1980 Plan") provides for the issuance of 2,100,000 shares of common stock for no cash consideration to key employees. Each employee receiving a grant of shares may dispose of 15 percent of his/her grant on each annual anniversary date from the date of grant for the first four years. On the fifth year anniversary, the employee may dispose of the remaining 40 percent of his/her grant. No shares were granted in fiscal 1996 and 1995. In fiscal 1995 and fiscal 1996 3,500 shares and 2,750 shares were canceled, respectively, leaving 9,000 shares reserved for issuance and available for granting at August 31, 1996.

The Company's 1991 Stock Grant Plan ("1991 Plan") provides for the issuance to officers and key employees of up to 3,160,000 shares of common stock for no cash consideration. Shares granted under the 1991 Plan are fully vested no earlier than 24 months from the effective date of the grant and not later than 36 months. The specific vesting schedule for each grant is determined at the time of grant. In fiscal 1995, 545,000 shares were granted and no shares were canceled. In fiscal 1996, 18,000 shares were granted and no shares canceled leaving 1,562,195 shares reserved for issuance and available for granting at August 31, 1996.

The fair market value of the common stock at date of grant for the Plans is recorded as deferred compensation and amortized to expense over the period during which the restrictions lapse. Deferred compensation is shown as a deduction from stockholders' equity.

During fiscal 1996, 1995 and 1994, the Company purchased 59,347, 51,279 and 41,638 Parker Drilling shares, respectively, from certain of its

employees who had received stock grants under the 1991 and 1980 Plans. The Company acquired the shares at the market price (weighted average price was \$6.44 per share in fiscal 1996, \$5.40 per share in fiscal 1995 and \$7.31 per share in fiscal 1994). The proceeds were used to pay the employees' tax withholding obligations arising from the vesting of shares under the Plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 4 - Common Stock and Stock Options (continued)

The 1994 Non-Employee Director Stock Option Plan ("Director Plan") provides for the issuance of options to purchase up to 200,000 shares of the Company's common stock. The option price per share is equal to the fair market value of a Parker Drilling share on the date of grant. The term of each option is ten years, and an option first becomes exercisable six months after the date of grant. Under the Director Plan, on the first trade day of each calendar year, each person who is then a non-employee director of the Company will be automatically granted an option to purchase 5,000 shares of common stock.

The 1994 Executive Stock Option Plan provides for the granting of a maximum of 2,400,000 shares to key employees and consultants of the Company and its subsidiaries through the granting of stock options, stock appreciation rights and restricted and deferred stock awards. The option price per share may not be less than 50% of the fair market value of a share on the date the option is granted, and the maximum term of a non-qualified option may not exceed fifteen years and the maximum term of an incentive option is ten years.

<TABLE>

Information regarding the Company's stock option plans is summarized below:

<CAPTION>

	1994 Option Plan		
	1994 Director Plan	Incentive Options	Non- qualified Options
<S>	<C>	<C>	<C>
Shares under option:			
Outstanding at September 1, 1994	-	-	-
Granted	15,000	733,000	147,000
Exercised	-	-	(7,000)
Canceled	-	-	-
	-----	-----	-----
Outstanding at August 31, 1995	15,000	733,000	140,000
Granted	15,000	-	-
Exercised	-	(57,000)	(29,652)
Canceled	-	-	-
	-----	-----	-----
Outstanding at August 31, 1996	30,000	676,000	110,348
Average option price per share at August 31, 1996	\$5.31	\$4.50	\$2.25
Options exercisable at August 31, 1996	30,000	676,000	110,348
Price of options exercised during fiscal 1996	-	\$4.50	\$2.25

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

<TABLE>

Note 4 - Common Stock and Stock Options (continued)

The following is a summary of common stock reserved for issuance at

fiscal year end:

<CAPTION>

	1996	1995	
	-----	-----	
<S>	<C>	<C>	
Key employee stock plans		4,078,918	4,180,820
Stock Bonus Plan		81,579	186,279
Warrants	-	400,000	
	-----	-----	
Total shares reserved for issuance		4,160,497	4,767,099
	-----	-----	
	-----	-----	

</TABLE>

Note 5 - Employee Benefit Plans

The Parker Drilling Company Stock Bonus Plan ("Plan") was adopted effective September 1980 for employees of Parker Drilling and its subsidiaries who are U.S. citizens and who have completed one year of service with the Company. It was amended in 1983 to qualify as a 401(k) plan under the Internal Revenue Code which permits a specified percentage of an employee's salary to be voluntarily contributed on a before-tax basis and to provide for a Company matching feature. Participants may contribute from one percent to 15 percent of eligible earnings and direct contributions to one or more of seven investment funds. The Company presently makes dollar-for-dollar matching contributions up to three percent of a participant's compensation. The Company's matching contribution is made in Parker Drilling common stock. The Plan was amended and restated on April 1, 1996 for the purpose of adding loans and daily record keeping. The Plan was further amended effective September 1, 1996 to provide for immediate vesting of participants in the full amount of the Company's past and future contributions. Each Plan year, additional Company contributions can be made, at the discretion of the Board of Directors, in amounts not exceeding the permissible deductions under the Internal Revenue Code. The Company issued 104,700 shares to the Plan in 1996, 113,399 shares in 1995 and 123,619 shares in 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

<TABLE>

Note 6 - Business Segments

Information regarding the Company's operations by geographic area is as follows:

<CAPTION>

	1996	1995	1994
	-----	-----	-----
Operations by Geographic Area			(Dollars in Thousands)
<S>	<C>	<C>	<C>
Revenue:			
United States	\$ 41,743	\$ 28,487	\$ 30,975
South America	59,041	76,115	52,722
Asia Pacific	47,857	44,911	43,445
Africa and the Former Soviet Union	8,011	7,858	25,282
	-----	-----	-----
Total revenue	\$156,652	\$157,371	\$152,424
	-----	-----	-----
	-----	-----	-----
Operating income (loss):			
United States	\$ (8,988)	\$ (7,609)	\$(30,518)

South America	4,802	(921)	(5,937)
Asia Pacific	7,943	8,701	6,771
Africa and the Former Soviet Union	(2,360)	(1,668)	831
	-----	-----	-----
Total operating income (loss)	\$ 1,397	\$ (1,497)	\$(28,853)
	-----	-----	-----
Identifiable assets:			
United States	\$135,923	\$ 71,233	\$ 64,337
South America	82,292	83,345	73,688
Asia Pacific	46,683	49,223	43,456
Africa and the Former Soviet Union	11,061	13,158	27,867
	-----	-----	-----
Total identifiable assets	\$275,959	\$216,959	\$209,348
	-----	-----	-----

</TABLE>

Two customers accounted for approximately 19 percent and 18 percent, respectively, of total revenue in 1996. Two customers accounted for approximately 22 percent and 13 percent, respectively, of total revenue in 1995. Three customers accounted for approximately 14 percent, 12 percent and 11 percent, respectively, of total revenue in 1994. Operating income (loss) is total revenue less operating expenses including depreciation, depletion and amortization and an allocation of general corporate expenses based on rig operating days.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 7 - Assets Held for Disposition and Provision for Reduction in Carrying Value of Certain Assets

In fiscal 1996 the Company reclassified to assets held for disposition six rigs and related equipment located in southern Argentina with a net book value of \$6,179,000. Although the Company believes it will recover the carrying value of the assets, it is reasonably possible that a lesser amount will be recovered.

During the fourth quarter of fiscal 1994, management analyzed its domestic operations and made the strategic decision to reorganize certain of these operations and sell certain of these assets. In Alaska, the Company decided to reduce operating and administrative costs and to look for opportunities to joint venture or combine operations with other drilling companies. As a result, the Company reduced the carrying value of certain assets in Alaska, including rigs, spare parts and property that were to be sold. The Company's Partech (Registered Trademark) manufacturing operations were downsized by the sale of land, buildings, equipment and excess inventories, and accordingly, the Company wrote down to net realizable value certain drilling equipment, property and inventories that were sold. In the lower 48 divisions, the Company disposed of a number of mechanical rigs and certain rig equipment which also were written down to net realizable value. Write-offs relating to the lower 48 and Alaska rigs resulted in the removal of 16 rigs from the Company's fleet. Aggregating the items described above, the Company recorded a \$19,718,000 provision during the fourth quarter of fiscal 1994.

Note 8 - Commitments and Contingencies

At August 31, 1996, the Company had letters of credit facilities of \$25,062,000 of which \$10,015,000 had been issued.

Certain officers of the Company entered into Severance Compensation and Consulting Agreements with the Company in 1988 and 1992. In October 1996, the officers executed revised Severance Compensation and Consulting Agreements (the "Agreements"). The Agreements provide for an initial six year term and the payment of certain benefits upon a change of control (as defined in the Agreements). A change of control includes certain mergers or reorganizations, changes in the board of directors, sale or liquidation of the Company or

acquisition of more than 20% of the outstanding common stock of the Company by a third party. After a change of control occurs, if an officer is terminated within four years without good cause or resigns within two years for good reason (as each are defined in the Agreements) the officer shall receive a payment of three times his annual cash compensation, plus additional compensation for a one year consulting agreement at the officer's annual cash compensation, plus extended life, health and other miscellaneous benefits for four years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 8 - Commitments and Contingencies (continued)

A judgment in the amount of \$4,860,000 was entered against a subsidiary of the Company by a judge of the First Civil Specialized Court in Maynas, Peru on May 10, 1996. The judgment was based on a \$22,000,000 claim by former employees of the Company's subsidiary alleging that such subsidiary impaired their employment opportunities with that subsidiary and other employers. The subsidiary of the Company disputed the claim and appealed the decision based on a lack of evidence and procedural and due process irregularities. On or about September 5, 1996, this judgment was declared void by Superior Court in Iquitos, Peru due to procedural irregularities, including the failure to comply with certain due process requirements. The Superior Court has remanded the case to the First Civil Specialized Court and the plaintiffs, in order to pursue their claim, would be required to satisfy all mandated procedural and due process requirements. While the Company does not believe that the judgment will have a material adverse effect on its financial condition, results of operations or its operations in South America, there can be no assurance that a judgment will not be entered against the Company's subsidiary in a substantial amount.

In addition, the Company is a party to various other lawsuits and claims arising out of the ordinary course of business. Management, after review and consultation with legal counsel, considers that any liability resulting from these matters would not materially affect the results of operations or the financial position of the Company.

Note 9 - Related Party Transactions

At August 31, 1996, the Company owned an insurance policy on the life of Mr. R. L. Parker, chairman and a principal stockholder. The Company is the beneficiary of this policy which was issued pursuant to a Stock Purchase Agreement ("Agreement") approved by vote of the stockholders at the 1975 Annual Meeting on December 10, 1975. This Agreement was entered into between the Company and the Robert L. Parker Trust and provides that upon the death of Robert L. Parker, the Company would be required, at the option of the Trust, to purchase from the Trust at a discounted price the amount of Parker Drilling common stock which could be purchased with the proceeds of the policy of \$7,000,000. On August 3, 1994, the Company and the Trust modified this Agreement so that the Company will have the option but not the obligation to purchase the stock at a discounted price with the proceeds or to retain the entire proceeds upon the death of Robert L. Parker. If action under the agreement had been required at August 31, 1996, and the Company elected to purchase Parker Drilling common stock from the Trust, Parker Drilling's outstanding common stock would have been reduced by approximately two percent.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 9 - Related Party Transactions (continued)

As a part of the agreement to terminate the option held by the Trust and

to grant the Company a limited option to purchase stock at a discounted price, the Company has also agreed to pay a premium of \$655,019 annually for a split dollar last-to-die life insurance policy on Robert L. Parker and Mrs. Robert L. Parker. Upon the deaths of Mr. Parker and Mrs. Parker, the Company will be reimbursed by the Robert L. Parker Sr. and Catherine M. Parker Family Trust from the proceeds of the policy for the full amount of premiums paid plus interest at the one-year treasury bill rate on the premiums paid after fiscal year 1999. Robert L. Parker and the Company agreed in October 1996 that the Company would cash surrender a \$500,000 Executive Life policy on his life and, in exchange, the interest on the above-described policy would not begin accruing until March 2003. Additionally, Robert L. Parker Jr., Chief Executive Officer of the Company and son of Robert L. Parker, will receive as a beneficiary of the Trust one-third of the net proceeds of this policy. The face value of the policy is \$13,200,000.

Note 10 - Supplementary Information

At August 31, 1996, accrued liabilities included \$1,321,000 of workers' compensation liabilities and \$2,392,000 of accrued payroll and payroll taxes. At August 31, 1995, accrued liabilities included \$1,178,000 of workers' compensation liabilities and \$2,981,000 of accrued payroll and payroll taxes. Other long-term liabilities included \$1,434,000 and \$1,679,000 of workers' compensation liabilities as of August 31, 1996 and 1995, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
<TABLE>

Note 11 - Selected Quarterly Financial Data (Unaudited)
<CAPTION>

	Quarter				
	First	Second	Third	Fourth	Total

	First	Second	Third	Fourth	Total

	(Dollars in Thousands Except Per Share Amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
FISCAL 1996					

Revenue	\$42,710	\$37,929	\$34,998	\$41,015	\$156,652
Gross profit <F1>	\$ 7,067	\$ 5,209	\$ 4,999	\$ 3,550	\$ 20,825
Operating income (loss)	\$ 2,272	\$ 220	\$ (411)	\$ (684)	\$ 1,397
Net income	\$ 1,887	\$ 351	\$ 310	\$ 1,505	\$ 4,053
Primary and fully diluted earnings per share	\$.03	\$.01	\$.01	\$.02	\$.07

	Quarter				
	First	Second	Third	Fourth	Total

	First	Second	Third	Fourth	Total

	(Dollars in Thousands Except Per Share Amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
FISCAL 1995					

Revenue	\$33,283	\$38,738	\$43,259	\$ 42,091	\$157,371
Gross profit <F1>	\$ 863	\$ 4,328	\$ 5,301	\$ 5,074	\$ 15,566
Operating income (loss)	\$(3,457)	\$ (135)	\$ 1,016	\$ 1,079	\$(1,497)
Net income (loss)	\$(1,093)	\$ 69	\$ 2,050	\$ 2,890	\$ 3,916
Primary and fully diluted earnings (loss) per share	\$ (.02)	\$.00	\$.04	\$.05	\$.07

<FN>

<F1>

Gross profit is calculated by excluding General and administrative expense and Provision for reduction in carrying value of certain assets from Operating income (loss), as reported in the Consolidated Statement of Operations.

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 12 - Subsequent Events

On September 14, 1996 the Company signed a definitive agreement to acquire Mallard Bay Drilling, a worldwide offshore drilling company, for a total consideration of \$338 million, subject to adjustment for changes in Mallard's net assets prior to closing. The Company intends to fund the transaction principally through debt. Additionally, the Company will issue \$25.0 million of preferred stock, which will automatically be converted to common stock if additional shares are authorized for issuance. The Company is in the process of obtaining the financing for the acquisition and anticipates closing the transaction in November 1996.

Mallard Bay owns 47 rigs, the majority of which are barge and platform rigs that operate primarily in the shallow coastal and offshore waters of the Gulf of Mexico. It also has international operations utilizing barge rigs in Nigeria, platform rigs in Peru and land rigs in Argentina.

On October 7, 1996 the Company signed an agreement to acquire Quail Tools, Inc., a privately owned, family-run tool rental business, for \$65 million, subject to adjustment for changes in Quail's net assets prior to closing. The Company intends to fund the transaction principally through debt. Quail provides premium rental tools used in difficult well drilling, and completion and production operations, primarily to companies operating in the Gulf of Mexico. The Company is in the process of obtaining the financing for the acquisition and anticipates closing the transaction in November 1996.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

This item is not applicable to the Company in that disclosure is required under Regulation S-X by the Securities and Exchange Commission only if the Company had changed independent auditors and, if it had, only under certain circumstances.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is hereby incorporated by reference from the information appearing under the captions "Proposal One - Election of Directors" and "Executive Officers" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held December 18, 1996, to be filed with the Securities and Exchange Commission ("Commission") within 120 days of the end of the Company's fiscal year on August 31, 1996.

Item 11. EXECUTIVE COMPENSATION

The information required by this item is hereby incorporated by reference from the information appearing under the captions "Meetings, Committees and Compensation of the Board", "Executive Compensation", "Severance Compensation and Consulting Agreements", "Compensation Committee Report on Executive Compensation" and "Performance Graph" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held December 18, 1996, to be filed with the Commission within 120 days of the end of the Company's fiscal year on August 31, 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Item 11. EXECUTIVE COMPENSATION (continued)

Notwithstanding the foregoing, in accordance with the instructions to Item 402 of Regulation S-K, the information contained in the Company's proxy statement under the sub-headings "Compensation Committee Report on Executive Compensation" and "Performance Graph" shall not be deemed to be filed as part of or incorporated by reference into this Form 10-K.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is hereby incorporated by reference from the information appearing under the captions "Voting" and "Common Stock Ownership of Directors and Executive Officers" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held December 18, 1996, to be filed with the Commission within 120 days of the end of the Company's fiscal year on August 31, 1996.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is hereby incorporated by reference to such information appearing under the caption "Certain Relationships and Related Transactions" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held December 18, 1996, to be filed with the Commission within 120 days of the end of the Company's fiscal year on August 31, 1996.

<TABLE>

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

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

<CAPTION>

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

	Page

<S>	<C>
Report of Independent Accountants	22
Consolidated Statement of Operations for each of the three years in the period ended August 31, 1996	23
Consolidated Balance Sheet as of August 31, 1996 and 1995	24
Consolidated Statement of Cash Flows for each of the three years in the period ended August 31, 1996	26
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(continued)

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<CAPTION>

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Schedule II - Valuation and qualifying accounts	47

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- (3) Exhibits:

Exhibit Number	Description

<S>	<C>
3(a)	Restated Certificate of Incorporation of Parker

Drilling Company; incorporated herein by reference to Exhibit 3(a) to Annual Report on Form 10-K for the year ended August 31, 1989, as amended by Form 8 dated December 27, 1989.

3(b) - By-laws of Parker Drilling Company; incorporated herein by reference to Exhibit 3(b) to Annual Report on Form 10-K for the year ended August 31, 1992, as amended by Form 8 dated February 18, 1993.

10(a) - Credit Agreement, dated as of April 9, 1996, between Parker Drilling Company and Bank of Oklahoma, N.A.; incorporated herein by reference to Exhibit 10(a) to Quarterly Report on Form 10-Q for the quarterly period ended May 31, 1996.

10(b) - Parker Drilling Company and Subsidiaries 1991 Stock Grant Plan; incorporated herein by reference to Exhibit 10(c) to Annual Report on Form 10-K for the year ended August 31, 1992, as amended by Form 8 dated February 18, 1993.<F1>

10(c) - 1980 Incentive Career Stock Plan; incorporated herein by reference to Exhibit 10(c) to Annual Report on Form 10-K for the year ended August 31, 1989, as amended by Form 8 dated December 27, 1989.<F1>

10(d) - 1969 Key Employees Stock Grant Plan; incorporated herein by reference to Exhibit 10(e) to Annual Report on Form 10-K for the year ended August 31, 1992, as amended by Form 8 dated February 18, 1993.<F1>

</TABLE>

<TABLE>

PART IV
(continued)

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K
(continued)

<CAPTION>

(3) Exhibits: (continued)

Exhibit Number	Description
----------------	-------------

<S> <C>

10(e) - Amended and Restated Parker Drilling Company Stock Bonus Plan, effective as of April 1, 1996.

10(f) - 1975 Stock Purchase Agreement; incorporated herein by reference to Exhibit 10(g) to Annual Report on Form 10-K for the year ended August 31, 1986, as amended by Form 8 dated December 29, 1986.

10(g) - Form of Severance Compensation and Consulting Agreement entered into between Parker Drilling Company and certain officers of Parker Drilling Company, dated on or about October 15, 1996.<F1>

10(h) - 1994 Parker Drilling Company Deferred Compensation Plan; incorporated herein by reference to Exhibit 10(h) to Annual Report on Form 10-K for the year ended August 31, 1995.<F1>

10(i) - 1994 Non-Employee Director Stock Option Plan; incorporated herein by reference to Exhibit 10(i) to Annual Report on Form 10-K for the year ended August 31, 1995.<F1>

10(j) - 1994 Executive Stock Option Plan; incorporated herein by reference to Exhibit 10(j) to Annual Report on Form 10-K for the year ended August 31, 1995.<F1>

10(k) - First Amendment effective as of September 1, 1996, to the Amended and Restated Parker Drilling Company Stock Bonus Plan, effective as of April 1, 1996.

10(l) - Definitive agreement between Parker Drilling Company and Energy Ventures, Inc., for the purchase of Mallard Bay Drilling, Inc., incorporated herein by reference to Form 8-K filed September 19, 1996.

10(m) - Definitive agreement to acquire Quail Tools, Inc., incorporated herein by reference to Form 8-K filed

October 17, 1996.

- 21 - Subsidiaries of the Registrant.
- 23 - Consent of Independent Accountants.
- 27 - Financial Data Schedule.
- 99 - Additional Exhibit - Annual Report on Form 11-K To be filed by
with respect to Parker Drilling Company Stock Bonus Plan. amendment

<FN>

<F1>

Management Contract, Compensatory Plan or Agreement

</TABLE>

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended August 31, 1996.

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

<CAPTION>

Column A	Column B	Column C	Column D	Column E
Classifications	Balance at beginning of period	Charged to cost and period expenses	Balance at end of Deductions period	

<S>

Year ended August 31, 1996:	<C>	<C>	<C>	<C>
Allowance for doubtful accounts and notes	\$ 796	\$ 70	\$ 127	\$ 739
Reduction in carrying value of rig materials and supplies	\$ 2,080	\$ 240	\$ 523	\$ 1,797
Deferred tax valuation allowance	\$67,494	\$ -	\$ 5,650	\$61,844

Year ended August 31, 1995:

Allowance for doubtful accounts and notes	\$ 1,050	\$ -	\$ 254	\$ 796
Reduction in carrying value of rig materials and supplies	\$ 2,230	\$ 870	\$ 1,020	\$ 2,080
Deferred tax valuation allowance	\$68,805	\$(1,311)	\$ -	\$67,494

Year ended August 31, 1994:

Allowance for doubtful accounts and notes	\$ 1,217	\$ -	\$ 167	\$ 1,050
Reduction in carrying value of rig materials and supplies	\$ 1,798	\$ 1,017	\$ 585	\$ 2,230
Deferred tax valuation allowance	\$58,251	\$10,554	\$ -	\$68,805

</TABLE>

<TABLE>

SIGNATURES

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

PARKER DRILLING COMPANY

By /s/ Robert L. Parker Jr. Date: October 17, 1996

Robert L. Parker Jr.
President and Chief
Executive Officer and
Director

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.

<CAPTION>

Signature	Title	Date
-----------	-------	------

-----	-----	----
-------	-------	------

<S>	<C>	<C>
-----	-----	-----

/s/ Robert L. Parker	Chairman of the Board and	
By -----	Director	Date: October 17, 1996
Robert L. Parker		

/s/ Robert L. Parker Jr.	President and Chief Executive	
-----	Officer and Director	
By Robert L. Parker Jr.	(Principal Executive Officer)	Date: October 17, 1996

/s/ James J. Davis	Vice President of Finance and	
-----	Chief Financial Officer	
By -----	(Principal Financial Officer)	Date: October 17, 1996
James J. Davis		

/s/ Randy L. Ellis	Corporate Controller	
-----	(Principal Accounting Officer)	
By -----		Date: October 17, 1996
Randy L. Ellis		

/s/ James W. Linn	Executive Vice President and	
-----	Chief Operating Officer and	
By -----	Director	Date: October 17, 1996
James W. Linn		

/s/ Earnest F. Gloyna		
By -----	Director	Date: October 17, 1996
Earnest F. Gloyna		

/s/ David L. Fist		
By -----	Director	Date: October 17, 1996
David L. Fist		

/s/ R. Rudolph Reinfrank		
By -----	Director	Date: October 17, 1996
R. Rudolph Reinfrank		

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AS OF AUGUST 31, 1996 AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED AUGUST 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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Parker Drilling Company

PARKER DRILLING COMPANY STOCK
BONUS PLAN

As Amended and Restated Effective April 1, 1996

Parker Drilling Company Stock Bonus Plan

Parker Drilling Company established the Parker Drilling Company Stock Bonus Plan for the benefit of eligible employees of the Company and its participating affiliates. The Plan is intended to constitute a qualified profit sharing plan, as described in Code Section 401(a), which includes a qualified cash or deferred arrangement, as described in Code Section 401(k).

The Plan constitutes an amendment and restatement of the Parker Drilling Company Stock Bonus Plan which was originally established effective as of September 1, 1980.

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ARTICLE I

DEFINITIONS

The following sections of this Article I provide basic definitions of terms used throughout the Plan, and whenever used herein in a capitalized form, except as otherwise expressly provided, the terms shall be deemed to have the following meanings:

- 1.1 "Accounting Period" means the periods designated by the Committee

with respect to each Investment Fund not to exceed one year in duration.

1.2 "Accounts" means the record of a Participant's interest in the Plan's assets represented by his or her:

(a) "Matching Account" which means a Participant's interest in the Plan's assets composed of Matching Contributions allocated on or after April 1, 1996 to the Participant under the Plan, the amount allocated under the Plan, as of April 1, 1996, if any (as identified by the Committee), plus all income and gains credited to, and minus all losses, expenses, withdrawals and distributions charged to, such Account.

(b) "Post-Tax Account" which means a Participant's interest in the Plan's assets composed of post-tax contributions made prior to April 1, 1996 the amount allocated under the Plan, as of April 1, 1996, if any (as identified by the Committee), plus all income and gains credited to, and minus all losses, expenses, withdrawals and distributions charged to, such Account.

(c) "Pre-Tax Account" which means a Participant's interest in the Plan's assets composed of Pre-Tax Contributions allocated on or after April 1, 1996 to the Participant under the Plan, the amount allocated under the Plan, as of April 1, 1996, if any (as identified by the Committee), plus all income and gains credited to, and minus all losses, expenses, withdrawals and distributions charged to, such Account.

(d) "Profit Sharing Account" which means a Participant's interest in the Plan's assets composed of Base Contributions and Excess Contributions allocated on or after April 1, 1996 to the Participant under the Plan, the amount allocated under the Plan, as of April 1, 1996, if any (as identified by the Committee), plus all income and gains credited to, and minus all losses, expenses, withdrawals and distributions charged to, such Account.

(e) "Rollover Account" which means a Participant's interest in the Plan's assets composed of Rollover Contributions allocated on or after April 1, 1996 to the Participant under the Plan, the amount allocated under the Plan, as of April 1, 1996, if any (as identified by the Committee), plus all income and gains credited to, and minus all losses, expenses, withdrawals and distributions charged to, such Account.

(f) "Special Account" which means a Participant's interest in the Plan's assets composed of Special Contributions allocated on or after April 1, 1996 to the Participant under the Plan, the amount allocated under the Plan, as of April 1, 1996, if any (as identified by the Committee), plus all income and gains credited to, and minus all losses, expenses, withdrawals and distributions charged to, such Account.

(g) "TRASOP Account" which means a Participant's interest in the Plan's assets composed of the Parker Drilling Company Employee Stock Ownership Plan amount allocated under the Plan, as of April 1, 1996, if any (as identified by the Committee), plus all income and gains credited to, and minus all losses, expenses, withdrawals and distributions charged to, such Account.

1.3 "Accrued Benefit" means the shares held in or posted to Accounts on the Settlement Date.

1.4 "Appendix" means a written supplement attached to this Plan and made a part hereof which has been added in accordance with the provisions of the Plan.

1.5 "Applicable Named Fiduciary" means:

(a) with respect to the authority each has over management and operation of the Plan's administration and operation or discretionary authority and control it may have with respect to the Plan, the Committee, Twentieth Century Services, Inc., Charles Schwab & Co., Inc., and such other person (other than a person acting as an Investment

Manager or Trustee) who may be designated to be an Applicable Named Fiduciary pursuant to Article XVI;

(b) with respect to the management and control of the Plan's assets or the discretionary authority it may have with respect to the Plan's assets, the Committee, Twentieth Century Services, Inc., Charles Schwab & Co., Inc., and other such person (other than a person acting as an Investment Manager or Trustee) who may be designated to be an Applicable Named Fiduciary pursuant to Article XVI.

1.6 "Authorized Leave of Absence" means an absence, with or without Compensation, authorized on a nondiscriminatory basis by a Commonly Controlled Entity under its standard personnel practices applicable to the Employee, including any period of time during which such person is covered by a short-term disability plan of his or her Employer. An Employee who leaves the service of a Commonly Controlled Entity to enter the Armed Forces of the United States of America and who reenters the service of the Commonly Controlled Entity with reemployment rights under any statute granting reemployment rights to persons in the Armed Forces shall be deemed to have been on an Authorized Leave of Absence. The date that an Employee's Authorized Leave of Absence ends shall be determined in accordance with the personnel policies of such Commonly Controlled Entity, which ending date shall be no earlier than the date that the Authorized Leave of Absence is scheduled to end, unless the Employee communicates to such Commonly Controlled Entity that he or she is to have a Termination of Employment as of an earlier date.

1.7 "Beneficiary" means any person designated by a Participant to receive any benefits which shall be payable with respect to the death of a Participant under the Plan or as a result of a QDRO.

1.8 "Board of Directors" means the board of directors of the Company.

1.9 "Break in Service" means with respect to Continuous Service, the fifth anniversary (or sixth anniversary if absence from employment was due to a Maternity/Paternity Absence) of the date of the Participant's termination of employment.

1.10 "Change Date" means the one or more dates during the Plan Year designated by the Committee as the dates available for implementing or changing a Participant's Contribution Election.

1.11 "Committee" means the committee appointed pursuant to the terms of the Plan to manage and control the operation and administration of the Plan.

1.11 "Commonly Controlled Entity" means (1) an Employer and any corporation, trade or business, but only for so long as it and the Employer are members of a controlled group of corporations as defined in Section 414(b) of the Code or under common control as defined in Section 414(c) of the Code; provided, however, that solely for purposes of the limitations of Code Section 415, the standard of control under Sections 414(b) and 414(c) of the Code shall be deemed to be "more than 50%" rather than "at least 80%," (2) an Employer and an organization, but only for so long as it and the Employer are, on and after the Effective Date, members of an affiliated service group as defined in Section 414(m) of the Code, (3) an Employer and an organization, but only for so long as the employees of it and the Employer are required to be aggregated, on and after the Effective Date, under Section 414(o) of the Code, or (4) any other organization designated as such by the Committee.

1.12 "Company" means Parker Drilling Company or any successor corporation by merger, consolidation, purchase, or otherwise, which elects to adopt the Plan and the Trust.

1.13 "Company Stock" means common stock issued by Parker Drilling Company.

1.14 "Compensation" means for purposes of allocating Contributions, such compensation which satisfies the requirements of Section 414(s) of the Code, excluding reimbursements or other allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits;

for purposes of applying Section 415 of the Code to the Plan and its Participants for any limitation year, such compensation as determined by the Committee and satisfying the definition of compensation under Section 415 of

the Code; and

for any determination period with respect to an applicable provision of the Code other than Section 415, such compensation as determined by the Committee and which satisfies the requirements of Section 414(s) of the Code.

Notwithstanding the foregoing provisions, Compensation shall include elective amounts excludible from gross income under Code Sections 125 and 402(e)(3) (other than for Code Section 415 purposes) and in no event shall the annual compensation of any Employee taken into account under the Plan for any Plan Year exceed two hundred thousand dollars (\$200,000) (adjusted at the same time and manner as under Section 415(d) of the Code, prorated for any Plan Year of less than twelve (12) months, and increased for family members as provided in Section 401(a)(17) of the Code).

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1994, the annual Compensation of each Employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is \$150,000, as adjusted by the Commissioner of Internal Revenue for increases in the cost-of-living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding twelve (12) months, over which Compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than twelve (12) months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is twelve (12).

For Plan Years beginning on or after January 1, 1994, any reference in this Plan to the limitation under Section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

If Compensation for any prior determination period is taken into account in determining an Employee's benefits accruing in the current Plan Year, the Compensation for that prior determination period is subject to the OBRA '93 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first Plan Year beginning on or after January 1, 1994, the OBRA '93 annual compensation limit is \$150,000.

1.15 "Continuous Service" means the sum of the years (and fractions of years) measured from an Employee's Employment Date to his or her date of Termination of Employment first to occur after his or her Employment Date; provided, that if an Employee has a Period of Severance of less than twelve (12) consecutive months after a Termination of Employment, such Termination of Employment shall be disregarded and such Employee's Continuous Service shall include such period when he or she is not employed by a Commonly Controlled Entity.

1.16 "Contributions" means amounts contributed to the Plan by the Employer or an Eligible Employee. Specific types of contributions include:

- (a) "Base". A contribution allocated with respect to a percentage of Compensation of any Participant not in excess of the Integration Level.
- (b) "Excess". A contribution allocated with respect to a percentage of Compensation of any Participant in excess of the Integration Level.
- (c) "Matching". An amount contributed by the Employer based upon the amount contributed by the eligible Participant.
- (d) "Pre-Tax". An amount contributed on a pre-tax basis in conjunction with a Participant's Code Section 401(k) salary deferral agreement.
- (e) "Special". An amount contributed by the Employer to avoid prohibited discrimination under Section 401(a)(4) of the Code.

1.17 "Contribution Dollar Limit" means the annual limit imposed on each Participant pursuant to Section 402(g) of the Code, which shall be seven thousand dollars (\$7,000) per calendar year (as indexed for cost-of-living adjustments pursuant to Code Sections 402(g)(5) and 415(d)).

1.18 "Contribution Election" or "Election" means the election made by a Participant to reduce his or her Compensation by an amount equal to the product of his or her Contribution Percentage and such Compensation subject to the Contribution Election.

1.19 "Contribution Percentage" means the percentage of a Participant's Compensation which is to be contributed to the Plan by his or her Employer as a Contribution.

1.20 "Conversion Election" means an election by a Participant to change the investment of all or some specified portion of such Participant's Accounts by voice response to the telephone number provided by the Named Fiduciary, or on such form that may be required by the Named Fiduciary to whom it is delivered. No Conversion Election shall be deemed to have been given to the Named Fiduciary unless it is complete and delivered in accordance with the procedures established by such Named Fiduciary for this purpose.

1.21 "Custodial Agreement" means the Trust Agreement or an insurance contract to provide for the holding of the assets of the Plan.

1.22 "Custodian" means the Trustee or an insurance company if the contract issued by such company is not held by the Trustee.

1.23 "Direct Rollover" means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

1.24 "Disability or Disabled" means the inability of a Participant to engage in any substantial gainful activity by reason of a physical or mental impairment which can be expected to result in death or to be of indefinite duration. Such determination shall be made by a physician chosen by the Committee.

1.25 "Distributee" includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a QDRO are Distributees with regard to the interest of the Spouse or former Spouse.

1.26 "Effective Date" means April 1, 1996, the date upon which the provisions of this document become effective. In general, the provisions of this document only apply to Participants who are Employees on or after the Effective Date. However, investment and distribution provisions apply to all Participants with Account balances to be invested or distributed after the Effective Date.

1.27 "Elective Deferral" means amounts subject to the Contribution Dollar Limit.

1.28 "Eligible Employee" means any Employee (including an Employee on an Authorized Leave of Absence) of an Employer or an Employee who is receiving remuneration for personal services rendered to a foreign affiliate, as defined in Section 3121(1)(8) of the Code ("Foreign Affiliate"), of an Employer ("Domestic Parent"), if the Domestic Parent has entered into an agreement with the Secretary of the Treasury of the United States of America under Section 3121(1) of the Code to have the insurance system established by Title II of the Social Security Act extended to service performed outside the United States of America in the employ of the Foreign Affiliate and if such person's service with the Foreign Affiliate is performed during the effective period of such agreement on and after the Effective Date of the adoption of this Plan by the Employer, excluding any Employee:

(a) who is a member of a group of Employees represented by a collective bargaining representative, unless a currently effective collective bargaining agreement between his or her Employer and the collective bargaining representative of the group of Employees of which he or she is a member provides for coverage by the Plan;

(b) who is considered an Employee solely because of the application of Section 414(n) of the Code;

(c) who is a nonresident alien who receives no earned income, within the meaning of Code Section 911(d)(2), from sources within the United States within the meaning of Code Section 861(a)(3); or

(d) who has had a Period of Severance of twelve (12) months prior to the date the Employee completes a twelve (12) month period of Continuous Service.

1.29 "Eligibility Service" means the sum of an Employee's Years of Service; provided, however:

(a) if the Employee had no vested interest in his or her Contributions by an Employer, Years of Service earned before a Break in Service shall be disregarded; or

(b) Years of Service shall be disregarded if such Years of Service were earned prior to the date the Employee's Employer became a Commonly Controlled Entity, unless the Committee makes such a determination not to apply this exclusion with respect to each such Employee in a uniform and nondiscriminatory manner.

1.30 "Eligible Retirement Plan" means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to the surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

1.31 "Eligible Rollover Distribution" means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

1.32 "Employee" means any person who renders services as a common law employee to a Commonly Controlled Entity or is on an Authorized Leave of Absence, including the period of time before which the trade or business became a Commonly Controlled Entity, but excluding the period of time after which it ceases to be a Commonly Controlled Entity. Any individual considered an Employee of a Commonly Controlled Entity under Section 414(n) of the Code shall be deemed employed by the Commonly Controlled Entity for which the individual performed services.

1.33 "Employer" means the Company and any Commonly Controlled Entity which has adopted the Plan; provided, that an entity will cease to be an Employer when it ceases to be a Commonly Controlled Entity.

1.34 "Employment Date" means the day an Employee first earns an Hour of Service; provided, however, with respect to an Employee who incurs a Period of Severance of twelve (12) consecutive months or more, the Employment Date for such Employee shall be adjusted forward in time by a period of days equal to the number of days in the Period of Severance, and for purposes of becoming an Eligible Employee, such person shall be considered to have an Employment Date on the first day he or she earns an Hour of Service as of their reemployment as an Employee.

1.35 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended. Reference to any specific Section shall include such Section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such Section.

1.36 "Fair Market Value" means:

(a) with respect to a security for which there is a generally recognized market, the price of the security prevailing on a national securities exchange which is registered under Section 6 of the Securities Exchange Act of 1934;

(b) unless determined otherwise by the Committee, with respect to any guaranteed income contract, the value reported by the issuing company or bank;

(c) with respect to a Participant loan, the unpaid principal and accrued interest; and

(d) for any other asset, the fair market value of the asset, as determined in good faith by the Trustee or the Applicable Named Fiduciary in accordance with regulations promulgated under Section 3(18) of ERISA.

1.37 "Family Member" shall mean an individual described in Code Section 414(q)(6)(B).

1.38 "Forfeiture" means the portion of the Participant's Accrued Benefit which is forfeited pursuant to the terms of the Plan.

1.39 "Forfeiture Account" means an account holding amounts forfeited by Participants.

1.40 "Highly Compensated Eligible Employee" or "HCE" means a highly compensated active employee or a highly compensated former employee.

This amendment is effective beginning on the first day of the following Plan Year: 1995.

The group of highly compensated employees ("HCEs") includes any Employee who is employed by the Employer on the snapshot day and who (i) is a 5-percent owner on the snapshot day, (ii) receives Compensation for the Plan Year in excess of the Section 414(q)(1)(B) amount for the Plan Year, (iii) receives Compensation for the Plan Year in excess of the Section 414(q)(1)(C) amount for the Plan Year and is a member of the top paid group of Employees within the meaning of Section 414(q)(4), or (iv) is an officer on the snapshot day and receives Compensation during the Plan Year that is greater than 50 percent of the dollar limitation in effect under Section 415(b)(1)(A). If no officer satisfies the Compensation requirement of (iv) above, the highest paid officer for such Plan Year shall be treated as a HCE.

For purposes of determining who is a HCE, Compensation means Compensation within the meaning of Section 415(c)(3) as set forth in the Plan for purposes of determining the Section 415 limits, except that amounts excluded pursuant to Sections 125, 402(e)(3), 402(h)(1)(B) and 403(b) are included. If compensation used for purposes of determining the Section 415 limits under the Plan is not defined as total Compensation as provided under Section 415(c)(3) and the regulations thereunder, then for purposes of determining who is a HCE, Compensation means Compensation within the meaning of Section 1.415-2(d)(11)(i) of the Income Tax Regulations, except that amounts excluded pursuant to Sections 125, 402(e)(3), 402(h)(1)(B) and 403(b) are included.

If, as of the snapshot day, an Employee is a Family Member of either a 5-percent owner (whether active or former) or a HCE who is one of the 10 most HCEs ranked on the basis of Compensation paid by the Employer during such year, then the Family Member and the 5-percent owner or top-ten HCE shall be aggregated. In such case, the family member and 5-percent owner or top-ten HCE shall be treated as a single Employee receiving Compensation and Plan contributions or benefits equal to the sum of the Compensation and contributions and benefits of the Family Member and 5-percent owner or top-ten HCE. For purposes of this section, Family Member includes the spouse, lineal ascendants and descendants of the Employee or former Employee, and the spouses of such ascendants and descendants.

The snapshot day will be September 1.

The group of HCEs will also include any Employee who during the Plan

Year:

(a) terminated employment prior to the snapshot day and was a HCE in the prior Plan Year;

(b) terminated employment prior to the snapshot day and (i) was a 5-percent owner, or (ii) has Compensation for the Plan Year which is greater than or equal to the Compensation of any Employee who is treated as a HCE on the snapshot day (except for Employees who are HCEs solely because they are 5-percent owners or officers), or (iii) was an officer and has Compensation greater than or equal to the Compensation of any other officer who is a HCE on the snapshot day solely because that person is an officer; or

(c) becomes employed subsequent to the snapshot day during the Plan Year and (i) is a 5-percent owner, or (ii) has Compensation for the Plan Year that is greater than or equal to the Compensation of any Employee who is treated as a HCE on the snapshot day (except Employees who are HCEs solely because they are 5-percent owners or officers), or (iii) is an officer and has Compensation that is greater than or equal to the Compensation of any other officer who is a HCE on the snapshot day solely because that person is an officer.

The determination of who is a HCE, including the determination of the number and identity of Employees in the top paid group, the number of Employees treated as officers and the Compensation that is taken into account, will be made in accordance with Section 414(q) and Section 1.414(q)-1T of the temporary Income Tax Regulations to the extent they are not inconsistent with the method established above.

1.41 "Hour of Service" means, for purposes of determining Continuous Service, each hour for which an Employee is directly or indirectly paid or entitled to payment by a Commonly Controlled Entity for the performance of duties for purposes of determining Continuous Service, each hour for which an Employee is directly or indirectly paid or entitled to payment by a Commonly Controlled Entity for the performance of duties.

1.42 "Integration Level" means the taxable wage base in effect as of the beginning of the Plan Year and for a short Plan Year such amount multiplied by a fraction, the numerator of which is the number of months in the short Plan Year and the denominator of which is twelve (12).

1.43 "Internal Revenue Code" or "Code" means the Internal Revenue Code of 1986, as amended, any subsequent Internal Revenue Code and final Treasury Regulations. If there is a subsequent Internal Revenue Code, any references herein to Internal Revenue Code Sections shall be deemed to refer to comparable Sections of any subsequent Internal Revenue Code.

1.44 "Investment Election" means an election by which a Participant directs the investment of his or her Contributions and Rollover Contributions by voice response to the telephone number provided by the Named Fiduciary, or on such form that may be required by the Named Fiduciary to whom it is delivered. No Investment Election shall be deemed to have been given to the Named Fiduciary unless it is complete and delivered in accordance with the procedures established by such Named Fiduciary for this purpose.

1.45 "Investment Fund" or "Fund" means one or more collective investment funds, a pool of assets, or deposits with the Custodian, a mutual fund, insurance contract, or managed pool of assets. The Investment Funds authorized by the Committee are listed in an Appendix.

1.46 "Limited Deferrals" means Elective Deferrals subject to the limits of Code Section 401(a)(30).

1.47 "Maternity/Paternity Absence" means a paid or unpaid and unapproved absence from employment with a Commonly Controlled Entity (1) by reason of the pregnancy of the Employee; (2) by reason of the birth of a child of the Employee; (3) by reason of the placement of a child under age eighteen (18) in connection with the adoption of such child by the Employee (including a trial period prior to adoption); and (4) for the purpose of caring for a child of the Employee immediately following the birth or adoption of such child. The Employee must prove to the satisfaction of the Committee or its agent that the absence meets the above requirements and must supply information concerning the length of the absence unless the Committee has

access to relevant information without the Employee submitting it.

1.48 "Non-Highly Compensated Employee" or "NHCE" means an Employee who is neither an HCE nor a Family Member.

1.49 "Normal Retirement Date" means the date a Participant attains sixty-five (65) years of age.

1.50 "Notice Date" means the date established by the Applicable Named Fiduciary as the deadline for it to receive notification with respect to an administrative matter in order to be processed as of a Change Date designated by the Committee.

1.51 "Participant" means an Eligible Employee who begins to participate in the Plan after completing the eligibility requirements. A Participant's participation continues until his or her Termination of Employment and his or her Accrued Benefit is distributed or forfeited.

1.52 "Payment Date" means the date on or after the Settlement Date on which a Participant's Accrued Benefit is distributed or commences to be distributed, which date shall be at least the minimum number of days required by law, if any, after the date the Participant has received any notice required by law, if any.

If a distribution is one to which Sections 401(a)(11) and 417 of the Internal Revenue Code do not apply, such distribution may commence less than thirty (30) days after the notice required under Section 1.401(a)-11(c) of the Income Tax Regulations is given, provided that:

(a) the plan administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and

(b) the Participant, after receiving the notice, affirmatively elects a distribution.

1.53 "Period of Severance" means the period of time measured from the later of (a) an Employee's Termination of Employment, and (b) the conclusion of a Maternity/Paternity Absence of no longer than twelve (12) consecutive months, to the date thereafter he or she first earns an Hour of Service.

1.54 "Plan" means the Parker Drilling Company Stock Bonus Plan, as set forth herein and as hereafter may be amended from time to time.

1.55 "Plan Year" means the annual Accounting Period of the Plan and Trust which ends on each August 31.

1.56 "QDRO" means a domestic relations order which the Committee has determined to be a qualified domestic relations order within the meaning of Section 414(p) of the Code.

1.57 "Qualified Matching Contribution" means a Matching Contribution that is treated as a Pre-Tax Contribution and posted to the Pre-Tax Account.

1.58 "Related Plan" means:

(a) with respect to Section 401(k) and 401(m) of the Code, any plan or plans maintained by a Commonly Controlled Entity which is treated with this Plan as a single plan for purposes of Sections 401(a)(4) or 410(b) of the Code; and

(b) with respect to Section 415 of the Code, any other defined contribution plan or a defined benefit plan (as defined in Section 415(k) of the Code) maintained by a Commonly Controlled Entity, respectively called a "Related Defined Contribution Plan" and a "Related Defined Benefit Plan".

1.59 "Retirement Policy Committee" means the Retirement Policy Committee created by the Board of Directors which is authorized to act on behalf of each Employer as provided in Article XVI.

1.60 "Rollover Contribution" means a Trustee Transfer (1) to the Custodian of an amount by the custodian of a retirement plan qualified for tax-favored treatment under Code Section 401(a), which plan provides for such transfer; (2) with respect to which the benefits otherwise protected by Code Section 411 in such transferor plan are no longer required by Code Section 411 to be protected in this Plan; and (3) which does not include amounts subject to Code Section 401(k).

1.61 "Settlement Date" means the date on which the transactions from the most recent Trade Date are settled.

1.62 "Spousal Consent" means the written consent given by a Spouse to a Participant's election (or waiver) of a specified form of benefit or Beneficiary designation. The Spouse's consent must acknowledge the effect on the Spouse of the Participant's election, waiver or designation and be duly witnessed by a Plan representative or notary public. Spousal Consent shall be valid only with respect to the spouse who signs the Spousal Consent and only for the particular choice made by the Participant which requires Spousal Consent. A Participant may revoke (without Spousal Consent) a prior election, waiver or designation that required Spousal Consent at any time before the Sweep Date associated with the Settlement Date upon which payments will begin. Spousal Consent also means a determination by the Administrator that there is no Spouse, the Spouse cannot be located or such other circumstances as may be established by applicable law.

1.63 "Spouse" means a person who, as of the earlier of a Participant's Payment Date and death, is alive and married to the Participant within the meaning of the laws of the State of the Participant's residence as evidenced by a valid marriage certificate or other proof acceptable to the Committee. A spouse who was the Spouse on the Payment Date but who is divorced from the Participant at the Participant's death shall still be the Spouse at the date of the Participant's death, except as otherwise provided in a QDRO.

1.64 "Sweep Date" means the date established by the Applicable Named Fiduciary as the cutoff date and time for the responsible Named Fiduciary to receive notification with respect to a financial transaction for an Accounting Period in order to be processed with respect to a Trade Date designated by the Applicable Named Fiduciary.

1.65 "Termination of Employment" occurs when a person ceases to be an Employee or if earlier, the first anniversary of the date his or her Authorized Leave of Absence commenced, as determined by the personnel policies of the Commonly Controlled Entity to whom he or she rendered services; provided, however, where a Commonly Controlled Entity ceases to be such with respect to an Employee as a result of either an asset sale or stock sale an Employee of the Commonly Controlled Entity shall be deemed not to have incurred a Termination of Employment: (a) unless the Committee shall make a determination that the transaction satisfies Section 401(k) of the Code, or if no such determination is made, until such Employee ceases to be employed by the successor to the Commonly Controlled Entity; or (b) if the Committee shall make a Trustee Transfer of his or her Accrued Benefit. Transfer of employment from one Commonly Controlled Entity to another Commonly Controlled Entity shall not constitute a Termination of Employment for purposes of the Plan.

1.66 "Trade Date" means the date as of which a financial transaction occurs, however with respect to a transaction involving Investment Funds maintained on a share accounting methodology, the transaction shall be executed based upon the daily average of the proceeds or purchase price of sales and purchases, respectively, of a share.

1.67 "Trust" means the legal entity resulting from the agreement between the Company and the Trustee and all amendments thereto, in which some or all of the assets of this Plan will be received, held, invested and distributed to or for the benefit of Participants and Beneficiaries.

1.68 "Trust Agreement" means the agreement between the Company and the Trustee establishing the Trust, and any amendments thereto.

1.69 "Trust Fund" means any property, real or personal, received by and held by the Trustee, plus all income and gains and minus all losses, expenses, withdrawals and distributions chargeable thereto.

1.70 "Trustee" means any corporation, individual or individuals

designated in the Trust Agreement who shall accept the appointment as Trustee to execute the duties of the Trustee as set forth in the Trust Agreement.

1.71 "Trustee Transfer" means (a) a transfer to the Custodian of an amount by the custodian of a retirement plan qualified for tax-favored treatment under Section 401(a) of the Code or by the trustee(s) of a trust forming part of such a plan, which plan provides for such transfer; or (b) a Direct Rollover within the meaning of Section 402(c)(8)(B) of the Code; provided that with respect to any withdrawal or distribution from the Plan, a Participant may elect a transfer to only one eligible retirement plan, except as may otherwise be determined by the Committee, in a uniform and nondiscriminatory manner.

1.71 "Valuation Date" means the close of business on each business day.

1.72 "Vesting Service" means the sum of the Years of Service of an Employee; provided however, Years of Service shall be disregarded:

(a) if the Employee had no vested interest in his or her Contributions by an Employer, Years of Service earned before the Break in Service; or

(b) if such Years of Service were earned prior to a Period of Severance of at least twelve (12) months, unless and until the Participant has completed a Year of Service; or

(c) if such Years of Service were earned after a Break in Service, for purposes of determining the nonforfeitable percentage of his or her Accrued Benefit earned before such Break in Service; or

(d) if such Years of Service were earned prior to the date the Employee's Employer became a Commonly Controlled Entity shall be disregarded, unless the Committee makes such a determination not to apply this exclusion with respect to each such Employee in a uniform and nondiscriminatory manner.

1.73 "Year of Service" means a twelve (12) consecutive month period of Continuous Service.

An Employee's service with a company, the assets of which are acquired by a Commonly Controlled Entity, shall only be counted as employment with such Commonly Controlled Entity in the determination of his or her Years of Service if (1) the Committee directs that credit for such service be granted, or (2) a qualified plan of the acquired company is subsequently maintained by any Employer or Commonly Controlled Entity.

ARTICLE II

PARTICIPATION

2.1 Eligibility. On or after the Effective Date, as to each Employer:

(a) Participant on April 1, 1996. Each person who has an Accrued Benefit on April 1, 1996 shall become a Participant as of April 1, 1996.

(b) Other Eligible Employee. Each other Eligible Employee shall become a Participant on the first day of the month on or after the date he or she completes at least one year of Eligibility Service.

2.2 Reemployment.

(a) Eligible Employee Was Previously a Participant. An Eligible Employee who has at least one year of Eligibility Service and previously was a Participant prior to his or her Termination of Employment shall become a Participant on the first day he or she earns an Hour of Service.

(b) Eligible Employee Had a Termination. An Eligible Employee who previously completed the service requirement to become a Participant and who had a Termination of Employment before he or she became a Participant shall be eligible to become a Participant on the later of

(1) the date he or she would have become a Participant but for his or her Termination of Employment, or (2) the date he or she again earns an Hour of Service.

2.3 Participation Upon Change of Job Status. An Employee who is not an Eligible Employee shall become a Participant on the later of (1) the date he or she would have become a Participant had he or she always been an Eligible Employee, or (2) the date he or she becomes an Eligible Employee.

ARTICLE III

PARTICIPANT CONTRIBUTIONS

3.1 Pre-Tax Contribution Election.

(a) A Participant who is an Eligible Employee and who desires to have Pre-Tax Contributions made on his or her behalf by his or her Employer shall file a Contribution Election pursuant to procedures specified by the Applicable Named Fiduciary specifying his or her Contribution Percentage of not less than one percent (1.00%) nor more than fifteen percent (15%) (stated as a whole integer percentage) and authorizing the Compensation otherwise payable to him or her to be reduced.

(b) Notwithstanding Subsection (a) hereof, for any Plan Year the Committee may determine that the maximum Contribution Percentage shall be greater or lesser than the percentages set forth in Subsection (a) hereof. Otherwise, the maximum Contribution Percentage as provided in Subsection (a) hereof shall apply.

(c) A Participant's Contribution Election shall be effective only with respect to Compensation not yet paid as of the date the Contribution Election is effective. A Contribution Election received on or before a Notice Date shall become initially effective with respect to payroll cycles ended after the applicable Change Date or if participants are reemployed when they Hour of Service. However, the Committee, in its sole discretion, may declare an additional window period to Participants. Any Contribution Election which has not been properly completed or which does not have a valid Investment Election will be deemed not to have been received and be void.

3.2 Election Procedures. A Participant's Contribution Election shall continue in effect (with automatic adjustment for any change in his or her Compensation) until the earliest of the date (1) his or her Contribution Election is changed in accordance with paragraph (a) hereof; (2) he or she ceases to be paid as an Eligible Employee; or (3) his or her Contribution Election is cancelled in accordance with paragraph (b) hereof.

(a) Changing the Election. A Participant may increase or decrease his or her Contribution Percentage (subject to the percentage limits stated above) only once each Change Date by making a new Contribution Election, pursuant to procedures specified by the Applicable Named Fiduciary, on which is specified the amount of the Contribution Percentage.

- (1) If such Contribution Election is received by the Notice Date, the change shall be effective with respect to the first payroll cycle ended after the Change Date.
- (2) However, if the Committee deems it necessary, the Committee may specify an additional window period to Participants.
- (3) The amount of increase or decrease of such Contribution Percentage shall be effective only with respect to Compensation not yet paid.
- (4) Any Contribution Election which has not been properly completed or which does not have a valid Investment Election will be deemed not to have been received and

be void.

(b) Canceling the Election. A Participant desiring to cancel his or her existing Contribution Election and reduce his or her Contribution Percentage to zero must make a new Contribution Election, pursuant to procedures specified by the Applicable Named Fiduciary. The Applicable Named Fiduciary will establish procedures, to be administered in a uniform and nondiscriminatory manner, for allowing a Participant to cancel his or her Contribution Election. Any Contribution Election received on or before a Notice Date shall become effective with respect to the payroll cycle ended after the next Change Date. A Participant who is an Eligible Employee and who has cancelled his or her Election may again make a Contribution Election at any time. If such Contribution Election is received by the Notice Date, it shall become effective with respect to the first payroll cycle ended after the next Change Date. Any Participant who has improperly completed a Contribution Election will be deemed not to have made an Election.

3.3 Limitation of Elective Deferrals for all Participants. A Participant's Limited Deferrals for any calendar year shall not exceed the Contribution Dollar Limit. If a Participant advises the Committee that he or she has Elective Deferrals (reduced by Elective Deferrals previously distributed or which are recharacterized as a result of the application of Code Section 401(k)(3) to such Participant) in excess of the Contribution Dollar Limit ("Excess Deferral"), the Committee shall return such Excess Deferrals for the taxable year to the Participant. To the extent the Participant's Limited Deferrals exceed the Contribution Dollar Limit, the Employer may notify the Plan on behalf of the Participant (and "Excess Deferral" shall be calculated by taking into account only Limited Deferrals). If such advice was received by the Committee during the taxable year, the Plan shall distribute the Excess Deferral as soon as administratively feasible. If such advice was received by the Committee after the taxable year but no later than March 1 (or as late as April 14, if allowed by the Committee) following the close of the taxable year, the Committee shall cause the Plan to return such Excess Deferral no later than April 15 immediately following the end of such taxable year, adjusted by income allocable to that amount.

If the application of the limitations in this Section results in a reduction of previously contributed Pre-Tax Contributions on behalf of a Participant, Matching Contributions allocable with respect thereto (prior to such reduction) which are not distributed under the ACP Test shall be forfeited.

ARTICLE IV

EMPLOYER CONTRIBUTIONS AND ALLOCATIONS

4.1 Pre-Tax Contributions.

(a) Frequency and Eligibility. Subject to the limits of the Plan and to the Committee's authority to limit Contributions under the terms of this Plan, for each period for which a Contribution Election is in effect, the Employer shall contribute to the Plan on behalf of each Participant an amount equal to the amount designated by the Participant as a Pre-Tax Contribution on his or her Contribution Election.

(b) Allocation. The Pre-Tax Contribution shall be allocated to the Pre-Tax Account of the Participant with respect to whom the amount is paid.

(c) Timing, Medium and Posting. Pre-Tax Contributions shall be paid to the Custodian in cash and posted to each Participant's Pre-Tax Account by the Applicable Named Fiduciary as soon as such amounts can reasonably be balanced against the specific amount made on behalf of each Participant. Pre-Tax Contributions shall be paid to the Custodian not more than ninety (90) days after the date amounts are deducted from the Participant's Compensation.

4.2 Matching Contributions.

(a) Frequency and Eligibility. Subject to the limits of the Plan and to the Committee's authority to limit Contributions under the Plan, for each calendar month for which Participants' Contributions are

made, the Employer shall make Matching Contributions as described in the following Allocation Method paragraph on behalf of each Participant who contributed during the period and was an Eligible Employee at any time during such calendar month.

(b) Allocation Method. The Matching Contributions, together with any available Forfeiture Account amounts to be applied as Matching Contributions, for each period shall total one hundred percent (100%) of each eligible Participant's Pre-Tax Contributions for the period, provided that no Matching Contributions and Forfeiture Account amounts shall be made based upon a Participant's Contributions in excess of three percent (3%) of his or her Compensation. The Employer may change the one hundred percent (100%) matching rate or the three percent (3%) of considered Compensation to any other percentages, including zero (0%).

(c) Timing, Medium and Posting. The Employer shall make each period's Matching Contribution in cash or Company Stock as soon as is feasible, and not later than the Employer's federal tax filing date, including extensions, for deducting such Contribution. The Applicable Named Fiduciary shall post such amount to each Participant's Matching Account once the total Contribution received by the Custodian has been balanced against the specific amount to be credited to each Participant's Matching Account.

(d) Compensation. Compensation shall be measured by the period (not to exceed the Plan Year) for which the Contribution is being made provided the Eligible Employee is a Participant during such period.

4.3 Special Contributions.

(a) Frequency and Eligibility. Subject to the limits of the Plan and to the Committee's authority to limit Contributions under the Plan, for each Plan Year, the Employer may make a Special Contribution in an amount determined by the Committee on behalf of each Non-Highly Compensated Employee Participant who was an Eligible Employee at any time during the Plan Year.

(b) Allocation Method. The Special Contribution for each period shall be allocated among eligible Participants as determined by the Committee, subject to a maximum dollar amount which may be contributed on behalf of any Participant as determined by the Committee.

(c) Timing, Medium and Posting. The Employer shall make each period's Special Contribution in cash or Company Stock as soon as is feasible, but no later than twelve (12) months after the end of the Plan Year to which it is allocated. The Applicable Named Fiduciary shall post such amount to each Participant's Special Account once the total Contribution received by the Custodian has been balanced against the specific amount to be credited to each Participant's Special Account.

(d) Compensation. Compensation shall be measured by the period (not to exceed the Plan Year) for which the Contribution is being made, provided the Eligible Employee is a Participant during such period.

4.4 Base and Excess Contributions.

(a) Frequency and Eligibility. Subject to the limits of the Plan and to the Committee's authority to limit Contributions under the Plan, for each Plan Year the Employer may make an aggregate Base Contribution and Excess Contribution in an amount determined by the Board on behalf of each Participant who was an Eligible Employee on the last day of each Plan Year. In addition, such Contribution shall be made on behalf of each Participant who ceased being an Employee during the period after having attained his or her Normal Retirement Date, or by reason of his or her Disability or death.

(b) Allocation Method. The Base Contribution for each period shall be allocated among eligible Participants in direct proportion to their Compensation, provided that no Base Contributions amounts shall be made based upon a Participant's Compensation in excess of the Integration Level. The Excess Contribution for each period shall be a percentage of the Participant's Compensation in excess of the

Integration Level equal to the percentage determined for such Participant by adding (1) the percentage determined by dividing the Base Contribution by the Participant's Compensation not in excess of the Integration Level plus (2) the maximum excess allowance permitted by Code Section 401(l). If any Base Contribution or Excess Contribution remains unallocated, it shall be allocated among eligible Participants in direct proportion to their Compensation.

(c) Timing, Medium and Posting. Each Employer shall make each period's Base and Excess Contribution in cash or Company Stock as soon as is feasible, and not later than the Employer's federal tax filing date, including extensions, for deducting such Contribution. The Applicable Named Fiduciary shall post such amount to each Participant's Profit Sharing Account once the total Contribution received has been balanced against the specific amount to be credited to each Participant's Profit Sharing Account.

(d) Compensation. Compensation shall be measured by the period (not to exceed the Plan Year) for which the Contribution is being made, provided the Eligible Employee is a Participant during such period.

4.5 Miscellaneous.

(a) Deduction Limits. In no event shall the Employer Contributions for a Plan Year exceed the maximum the Company estimates will be deductible (or which would be deductible if the Employers had taxable income) by any Employer or Commonly Controlled Entity under Section 404 of the Code ("Deductible Amount"). Any amount in excess of the Deductible Amount shall not be contributed in the following order of Contribution type, to the extent needed to eliminate the excess:

- (1) Each Participant's allocable share of Pre-Tax Contributions for the Plan Year will be reduced by an amount equal to the excess of the Participant's Pre-Tax Contributions over an amount which bears the same ratio to the amount of Pre-Tax Contributions made to the Plan on behalf of such Participant during the Plan Year as the Deductible Amount available for the Plan Year (reduced by the total amount of other types of Employer Contributions for the Plan Year) bears to the aggregate Pre-Tax Contributions made to the Plan on behalf of all Participants subject to such Deductible Amount during the Plan Year (before the application of this provision).
- (2) If the application of Section (a)(1) would result in a reduction of a Participant's Pre-Tax Contributions which are matched by Matching Contributions, the rate at which Pre-Tax Contributions are reduced shall be offset by a reduction for each Matching Contribution not made as a result.
- (3) Excess and Base Contributions.

(b) Stock Bonus Plan. Notwithstanding anything herein to the contrary, the Plan shall constitute a stock bonus plan for all purposes of the Code.

ARTICLE V

ROLLOVERS

5.1 Rollovers. The Applicable Named Fiduciary may authorize the Custodian to accept a Rollover Contribution from an Eligible Employee in cash, even if he or she is not yet a Participant. The Employee shall furnish satisfactory evidence to the Applicable Named Fiduciary that the amount is eligible for rollover treatment. Such amount shall be posted to the Employee's Rollover Account by the Applicable Named Fiduciary as of the date received by the Custodian.

If it is later determined that an amount transferred pursuant to the above paragraph did not in fact qualify as a Rollover Contribution, the

balance credited to the Employee's Rollover Account shall immediately be (1) segregated from all other Plan assets, (2) treated as a non-qualified trust established by and for the benefit of the Employee, and (3) distributed to the Employee. Any such nonqualifying rollover shall be deemed never to have been a part of the Plan.

5.2 Rollovers From Other Qualified Plans. The Committee may instruct the Custodian to receive assets in cash or in kind from another qualified plan. The Committee may refuse the receipt of any transfer if:

- (a) the Committee finds the in-kind assets unacceptable,
- (b) instructions for posting amounts to Participants' Accounts are incomplete,
- (c) any amounts are not exempted by Code Section 401(a)(11)(B) from the annuity requirements of Code Section 417, or
- (d) any amounts include benefits protected by Code Section 411(d)(6) which would not be preserved under applicable Plan provisions.

Such amounts shall be posted to the appropriate Accounts of Participants as of the date received by the Custodian.

ARTICLE VI

ACCOUNTING FOR PARTICIPANTS' ACCOUNTS AND FOR INVESTMENT FUNDS

6.1 Individual Participant Accounting.

(a) Account Maintenance. The Applicable Named Fiduciary shall cause the Accounts for each Participant to reflect transactions involving assets of the Accounts in accordance with this Article. Financial transactions during or with respect to an Accounting Period shall be accounted for at the individual Account level by "posting" each transaction to the appropriate Account of each affected Participant. Participant Account values shall be maintained in shares. At any point in time, the value of a Participant's Accrued Benefit shall be equal to the Fair Market Value of his or her Account determined by using the most recent Trade Date values provided by the Custodian.

(b) Trade Date Accounting and Investment Cycle. For any transaction to be processed as of a Trade Date, the Applicable Named Fiduciary must receive instructions by the Sweep Date and such instructions shall apply only to amounts held in or posted to the Accounts as of the Trade Date. Financial transactions in an Investment Fund shall be posted to a Participant's Account as of the Trade Date and based upon the Trade Date values provided by the Custodian. All transactions shall be effected on the Settlement Date relating to the Trade Date (or as soon as is administratively feasible).

(c) Suspension of Transactions. Whenever the Applicable Named Fiduciary considers such action to be in the best interest of the Participants, the Applicable Named Fiduciary in its discretion may suspend from time to time the Trade Date.

(d) Temporary Investment. To the extent practicable, the Applicable Named Fiduciary shall direct the Custodian to make temporary investments in a short term interest fund of assets in an Account held pending a Trade Date.

(e) How Fees and Expenses are Charged to Participants. Account maintenance fees to the extent not paid by the Employer shall be charged prorata to each Participant's Account on the basis of each Participant's Accrued Benefit, provided that no fee shall reduce a Participant's Account balance below zero. Transaction type fees (such as special asset fees, Conversion Election change fees, etc.) shall be charged to the Accounts involved in the transaction. Fees and expenses incurred for the management and maintenance of Investment Funds shall be charged at the Investment Fund level and reflected in the net gain or loss of

each Fund.

(f) Error Correction. The Committee may correct any errors or omissions in the administration of the Plan by restoring or charging any Participant's Accrued Benefit with the amount that would be credited or charged to the Account had no error or omission been made. Funds necessary for any such restoration shall be provided through payment made by the Employer.

(g) Accounting for Participant Loans. Participant loans shall be held in a separate Fund for investment only by such Participant and accounted for in dollars as an earmarked asset of the borrowing Participant's Account.

6.2 Accounting for Investment Funds.

The investments in each Investment Fund designated in the Appendix shall be maintained in full and fractional shares. The Applicable Named Fiduciary is responsible for determining the number of full and fractional shares of each such Fund. To the extent an Investment Fund is comprised of a collective investment fund of the Custodian, the net asset and unit values shall be determined in accordance with the rules governing such collective investment funds, which are incorporated herein by reference. Fees and expenses incurred for the management and maintenance of Investment Funds shall be charged at the Investment Fund level and reflected in the net gain or loss of each Fund. The following additional rules shall apply to the Company Stock Fund:

(a) Voting Rights. All Company Stock in an Account shall be voted by the Custodian in accordance with directions from the Participant pursuant to the procedures of the Trust Agreement.

(b) Tender Offer. If a tender offer is commenced for Company Stock, the provisions of the Trust Agreement regarding the response to such tender offer, the holding and investment of proceeds derived from such tender offer and the substitution of new securities for such proceeds shall be followed.

(c) Dividends and Income. Dividends (whether in cash or in property) and other income received by the Custodian in respect of Company Stock shall be reinvested in Company Stock and shall constitute income and be recognized on an accrual basis for the Accounting Period in which occurs the record date with respect to such dividend; provided that, with respect to any dividend which is reflected in the market price of the underlying stock, the Applicable Named Fiduciary shall direct the Custodian during such trading period to trade such stock the regular way to reflect the value of the dividend, and all Fund transfers and cash distributions shall be transacted accordingly with no accrual of such dividend, other than as reflected in such market price.

(d) Transaction Costs. Any brokerage commissions, transfer taxes, transaction charges, and other charges and expenses in connection with the purchase or sale of Company Stock shall be added to the cost thereof in the case of a purchase or deducted from the proceeds thereof in the case of a sale; provided, however, where the purchase or sale of Company Stock is with a "disqualified person" as defined in Section 4975(e)(2) of the Code or a "party in interest" as defined in Section 3(14) of ERISA, no commissions may be charged with respect thereto.

6.3 Accounts for QDRO Beneficiaries. A separate Account shall be established for a Beneficiary entitled to any portion of a Participant's Account under a QDRO as of the date and in accordance with the directions specified in the QDRO. Such Account shall be valued and accounted for in the same manner as any other Account.

(a) Investment Direction. A QDRO Beneficiary may direct the investment of such Account in the same manner as any other Participant; provided however, a QDRO Beneficiary may not acquire Company Stock.

(b) Distributions. A QDRO Beneficiary shall be entitled to payment as provided in the QDRO and permissible under the otherwise applicable terms of this Plan, regardless of whether the Participant is an Employee, and to name a Beneficiary as specified in the QDRO.

(c) Participant Loans. A QDRO Beneficiary shall not be entitled to borrow from his or her Account. If a QDRO specifies that the QDRO Beneficiary is entitled to any portion of the Account of a Participant who has an outstanding loan balance, all outstanding loans shall continue to be held in the Participant's Account and shall not be divided between the Participant's and QDRO Beneficiary's Accounts.

6.4 Special Accounting During Conversion Period. The Applicable Named Fiduciary and Custodian may use any reasonable accounting methods in performing their respective duties during the period of converting the prior accounting system of the Plan and Trust to conform to the individual Participant accounting system described in this Section. This includes, but is not limited to, the method for allocating net investment gains or losses and the extent, if any, to which contributions received by and distributions paid from the Trust during this period share in such allocation. All or a portion of the Trust assets may be held, if necessary, in a short term interest bearing vehicle, which may include deposits of the Trustee, during the conversion period for establishing such individual Participant Accounts.

ARTICLE VII

INVESTMENT FUNDS AND ELECTIONS

7.1 Investment Funds. Except for a Participant's loan Account, the Trust shall be maintained in various Investment Funds. The Committee may change the number or composition of the Investment Funds, subject to the terms and conditions agreed to with the Custodian.

7.2 Investment of Contributions.

(a) Investment Election. Each Participant may direct the Trustee, by submission to the responsible Named Fiduciary of a completed Investment Election provided for that purpose by the Applicable Named Fiduciary, to invest Contributions posted to his or her Accounts in one or more Investment Funds (other than the Schwab Personal Choice Retirement Account Investment Fund), except for Matching Contributions which shall be entirely invested in the Company Stock Fund. If the Committee directs, for any Accounting Period, Contributions with respect to which the Participant has investment control may be invested separately in Funds. If the Participant elects to have any such Contributions made on his or her behalf invested in more than one Investment Fund, he or she must designate in whole multiples of one percent (1%) what percentage of the Contribution is to be invested in each such Investment Fund. If the Committee directs, for any Accounting Period, Contributions with respect to which the Participant has investment control may be invested separately in Funds.

(b) Effective Date of Investment Election; Change of Investment Election. A Participant's initial Investment Election will be effective with respect to a Fund on the Trade Date which relates to the Sweep Date on which or prior to which the Investment Election is received by the Applicable Named Fiduciary pursuant to procedures specified by the Applicable Named Fiduciary. Any Investment Election which has not been properly completed will be deemed not to have been received. A Participant's Investment Election shall continue in effect, notwithstanding any change in his or her Compensation or his or her Contribution Percentage, until the earliest of (1) the effective date of a new Investment Election, or (2) the date he or she ceases to be paid as an Eligible Employee. A change in Investment Election shall be effective with respect to a Fund on the Trade Date which relates to the Sweep Date on which or prior to which the Participant's new Investment Election is received pursuant to procedures specified by the Committee. Any Investment Election which has not been properly completed will be deemed not to have been received.

(c) Switching Fees. A reasonable processing fee may be charged directly to a Participant's Account for Investment Election changes in excess of a specified number per Plan Year as determined by the Committee.

7.3 Investment of Accounts.

(a) Conversion Election. Notwithstanding a Participant's Investment Election, a Participant or Beneficiary may direct the Trustee, by completing a Conversion Election in accordance with such procedures as are adopted by the Applicable Named Fiduciary, to change the interest his or her Accrued Benefit has in one or more Investment Funds; provided however, no Conversion Election may result in more than fifty percent (50%) of the Participant's Accrued Benefit being invested in the Schwab Personal Choice Retirement Account Investment Fund as of the Trade Date the Conversion Election is implemented and, provided further, his or her TRASOP Account shall be invested in the Company Stock Investment Fund. If the Participant or Beneficiary elects to invest his or her Accrued Benefit in more than one (1) Investment Fund, he or she must designate in whole multiples of one percent (1%) what percentage of his or her Accounts is to be invested in such Investment Fund. If the Committee directs, for any Accounting Period, Accounts may be invested separately in Funds.

(b) Effective Date of Conversion Election. A Conversion Election to change a Participant's or Beneficiary's investment of his or her Accrued Benefit in one Investment Fund to another Fund shall be effective with respect to such Funds on the Trade Date(s) which relates to the Sweep Date on which or prior to which the Election is received by the Applicable Named Fiduciary pursuant to procedures specified by the Applicable Named Fiduciary. Notwithstanding the foregoing, to the extent required by any provisions of an Investment Fund, the effective date of any Conversion Election may be delayed or the amount of any permissible Conversion Election may be reduced. Any Conversion Election which has not been properly completed will be deemed not to have been received.

(c) Switching Fees. A reasonable processing fee may be charged directly to a Participant's Account for Conversion Election changes in excess of a specified number per Plan Year as determined by the Committee.

7.4 Establishment of Investment Funds. The Committee shall cause to be established one or more Investment Funds set forth in the Appendix. In addition, the Committee may, from time to time, in its discretion:

- (a) limit investments in or transfers from an Investment Fund;
- (b) add funding vehicles thereunder;
- (c) liquidate, consolidate or otherwise reorganize an existing Investment Fund; or
- (d) add a new Investment Fund to the Appendix.

7.5 Transition Rules. Effective as of the date any Investment Fund is added or deleted, each Participant and Beneficiary shall have the opportunity to submit new Investment Elections and Conversion Elections to the responsible Named Fiduciary no later than the applicable Sweep Date. The Committee and Custodian may use any reasonable accounting methods in performing their respective duties during the period of transition from one Investment Fund to another, including, but not limited to:

- (a) designating into which Investment Fund a Participant's Accrued Benefit will be invested if the Participant fails to submit a proper Conversion Election;
- (b) the method for allocating net investment gains or losses and the extent, if any, to which amounts received by and distributions paid from the Trust during this period share in such allocation; or
- (c) investing all or a portion of the Trust's assets in a short-term, interest-bearing Fund during such transition period.

7.6 Special Rules for Schwab Personal Choice Retirement Account. Notwithstanding provisions of the Plan to the contrary, the following rules

will apply to the Schwab Personal Choice Retirement Account Investment Fund:

- (a) Investment Elections cannot be used to invest in the Schwab Personal Choice Investment Fund;
- (b) An initial Conversion Election used to invest in the Schwab Personal Choice Retirement Account Investment Fund must be for at least \$2,500 and no Conversion Election can cause more than fifty percent (50%) of the aggregate Fair Market Value of the Participant's Account on the Trade Date as of which his or her Conversion Election is effective to be invested in the Schwab Personal Choice Retirement Account;
- (c) A Conversion Election can only be made after the Participant has a 100% nonforfeitable right to all of his or her Accounts;
- (d) No Withdrawals or Loans will be funded from the Schwab Personal Choice Retirement Account Investment Fund; and
- (e) A Participant's rights and obligations to manage his or her Schwab Personal Choice Retirement Account Investment Fund and the fees or expenses charged to the Schwab Personal Choice Retirement Account Investment Fund shall be governed by the terms and conditions of the Participant's written agreement with Charles Schwab & Co., Inc.

ARTICLE VIII

VESTING AND FORFEITURES

8.1 Fully Vested Contribution Accounts.

A Participant shall be fully vested and have a nonforfeitable right to his or her Accrued Benefit in these Accounts at all times:

Pre-Tax Account
Post-Tax Account
Rollover Account
Special Account
TRASOP Account.

8.2 Full Vesting Upon Attainment of Event. A Participant's Accrued Benefit shall be fully vested and nonforfeitable upon the occurrence of any one or more of the following events:

- (a) completion of at least the minimum number of years of Vesting Service in the Vesting Schedule for a 100% nonforfeitable percentage;
- (b) attainment of Normal Retirement Date;
- (c) his or her Termination of Employment for reason of a Disability; or
- (d) he or she dies while an Employee.

8.3 Vesting Schedule and Forfeitures.

(a) Vesting. If a Participant has a Termination of Employment, the Participant shall be vested and have a nonforfeitable right to his or her Accrued Benefit in his or her Matching and Profit Sharing Accounts, determined in accordance with the following vesting schedules:

Years of Vesting Service	Nonforfeitable Percentage
Less than 5 years	0%
5 years or more	100%

8.4 Forfeitures.

(a) Forfeiture Where Payment Commences After a Break in Service. If no Payment Date of a Participant's nonforfeitable Accrued Benefit occurs before having incurred a Break in Service, that portion of the

Participant's Accrued Benefit (which is Employer-derived) which is forfeitable as of his or her Termination of Employment shall be forfeited as of the completion of a Break in Service. If the Participant is reemployed as an Employee prior to having incurred a Break in Service, the Forfeiture shall not occur. If the Participant is reemployed as an Employee after incurring a Break in Service, the Participant shall be fully vested and have a nonforfeitable interest in that portion of his or her Accounts accrued prior to the Break in Service and not forfeited as a result of such Break in Service.

(b) Forfeiture Where Payment Commences Prior to a Break in Service. If the Payment Date of a Participant's nonforfeitable percentage of his or her Accrued Benefit occurs prior to having incurred a Break in Service, that portion of his or her Accrued Benefit which is forfeitable shall be forfeited as of the Payment Date. Thereafter, if such person is rehired as an Employee prior to incurring a Break in Service, he or she shall be entitled to make repayment to the Plan of the full amount distributed to him or her on or after the Payment Date no later than (1) the date he or she incurs a Break in Service, and (2) the last day of the 5-year period commencing on or after his or her date of reemployment. Upon making repayment in a single payment of the amount distributed to him or her, the amount repaid shall be credited to the Participant's Account from which paid and the Forfeiture shall be reinstated to his or her Accounts and invested in the same manner as the Account to which it is posted. The amount required to restore such Participant's Accounts shall be charged against the Plan's Forfeitures, and if insufficient, be made up from additional Employer Contributions.

If the Employee makes the above-described repayment, such repayment shall be considered to be the "investment in the contract" for purposes of Sections 72(c)(1)(A), 72(f) and 402(e)(4)(D)(i) of the Code in relation to the amount reinstated in his or her Account on account of the repayment.

8.5 Forfeiture Account.

A Forfeiture will be posted, no later than the end of the Plan Year in which the Forfeiture arises, to the Forfeiture Account on the Settlement Date for the Trade Date on which the Custodian, at the direction of the Committee, has converted the Forfeiture to cash. The Forfeiture Account shall be invested in interest bearing deposits of the Custodian or short term money market instruments. The Forfeiture Account attributable to Forfeitures from Matching Accounts (other than under Section 11.4) shall be used to supplement Matching Contributions. The Forfeiture Account attributable to Forfeitures from Profit Sharing Accounts or under Section 11.4 shall be used first to reinstate Accrued Benefit under Sections 11.1(b) or 11.4 and next to pay Plan or Trust expenses.

ARTICLE IX

PARTICIPANT LOANS

9.1 Participant Loans Permitted. Effective September 1, 1996, there is available a loan program for a Participant who is an Eligible Employee or a former Eligible Employee who is a "party in interest" under ERISA pursuant to the terms and conditions set forth in this Article. All loan limits are determined as of the Trade Date the Trustee reserves funds for the loan. The funds will be disbursed to the Participant as soon as is administratively feasible after the next following Settlement Date.

9.2 Loan Funding Limits.

The loan amount must meet the following limits:

(a) Plan Minimum Limit. The minimum amount for any loan is \$1,000.00.

(b) Plan Maximum Limit. Subject to the legal limit described in (c) below, the maximum a Participant may borrow, including the outstanding balance of existing Plan loans, is fifty percent (50%) of his or her following Accounts which are fully vested:

Pre-Tax Account
Special Account
Matching Account
Profit Sharing Account
Rollover Account
TRASOP Account
Post-Tax Account.

(c) Legal Maximum Limit. The maximum a Participant may borrow, including the outstanding balance of existing loans, is based upon the value of his or her vested interest in this Plan and all other qualified plans maintained by a Commonly Controlled Entity (the "Vested Interest"). The maximum amount is equal to fifty percent (50%) of his or her Vested Interest, not to exceed \$50,000. However, the \$50,000 amount is reduced by the Participant's highest outstanding balance of all loans from any Commonly Controlled Entity's qualified plans during the 12-month period ending on the day before the Trade Date on which the loan is made.

9.3 Maximum Number of Loans. A Participant may have only one loan outstanding at any given time.

9.4 Source of Loan Funding. A loan to a Participant shall be made solely from the assets of his or her following Accounts which are fully vested:

Pre-Tax Account
Special Account
Matching Account
Profit Sharing Account
Rollover Account
TRASOP Account
Post-Tax Account.

The available assets shall be determined first by Contribution Account and then by investment type within each type of Contribution Account. The hierarchy for loan funding by type of Contribution Account shall be the order listed in the preceding Plan Maximum Limit paragraph. Within each Account used for funding, amounts shall first be taken from the available cash in the Account and then taken by type of Investment Fund in direct proportion to the market value of the Participant's interest in each Investment Fund as of the Sweep Date on which the loan is made; provided however, no loan may be made from the Schwab Personal Choice Retirement Account Investment Fund and further that no amounts shall be funded from the Company Stock Investment Fund until all other Investment Funds have been used.

9.5 Interest Rate. The interest rate charged on Participant loans shall be fixed and equal to the prime rate published in the Wall Street Journal on the day the Applicable Named Fiduciary processes the loan request, plus 1%.

9.6 Repayment. Substantially level amortization shall be required of each loan with payments made at least monthly, through payroll deduction, provided that payment can be made by check for advance loan payments, or when a Participant is on an Authorized Leave of Absence or transferred to the employ of a Commonly Controlled Entity which is not participating in the Plan. Loans may be prepaid in full or in part at any time. The loan repayment period shall be as mutually agreed upon by the Participant and the Applicable Named Fiduciary, not to exceed five (5) years. However, the term may be for any period not to exceed ten (10) years if the purpose of the loan is to acquire the Participant's principal residence.

9.7 Repayment Hierarchy. Loan principal repayments shall be credited to the Participant's Contribution Accounts in the inverse of the order used to fund the loan. Loan interest shall be credited to the Contribution Accounts in direct proportion to the principal repayment. Loan payments are credited by investment type based upon the Participant's current Conversion Election for that Account.

9.8 Loan Application, Note and Security. A Participant shall apply for any loan in accordance with a procedure established by the Applicable Named Fiduciary. The Applicable Named Fiduciary shall administer Participant

loans and shall specify the time frame for approving loan applications. All loans shall be evidenced by a promissory note and security agreement and secured only by a Participant's vested Account balance. The Plan shall have a lien on a Participant's Account to the extent of any outstanding loan balance.

9.9 Default, Suspension and Acceleration Feature.

(a) Default. A loan is treated as a default on the earlier of (i) the date any scheduled loan payment is more than sixty (60) days late, provided that the Committee may agree to a suspension of loan payments for up to twelve (12) months for a Participant who is on an Authorized Leave of Absence or (ii) thirty (30) days from the time the Participant receives written notice of the note being due and payable and a demand for past due amounts.

(b) Actions upon Default. In the event of default, the Applicable Named Fiduciary will direct the Trustee to execute upon its security interest in the Participant's Account by segregating the unpaid loan balance from the Account, including interest to the date of default, and report the default as a taxable distribution as soon as a Plan withdrawal or distribution to such Participant would otherwise be permitted.

(c) Acceleration. A loan shall become due and payable in full once the Participant incurs a Termination of Employment.

9.10 Pre-August 14, 1982 Loans. Loans made to Participants under the terms of this Plan prior to August 14, 1982, shall be governed by the terms ARTICLE X

IN-SERVICE WITHDRAWALS

10.1 Withdrawals for 401(k) Hardship.

(a) Requirements. A Participant may request the withdrawal of any amount from the portion of his or her Pre-Tax Account to the extent vested needed to satisfy a financial need by making a withdrawal request in accordance with a procedure established by the Applicable Named Fiduciary. The Applicable Named Fiduciary shall only approve those requests for withdrawals (1) on account of a Participant's "Deemed Financial Need", and (2) which are "Deemed Necessary" to satisfy the financial need.

(b) "Deemed Financial Need". Financial commitments relating to:

- (1) costs directly related to the purchase or construction (excluding mortgage payments or balloon payments) of a Participant's principal residence;
- (2) the payment of expenses for medical care described in Section 213(d) of the Code previously incurred by the Participant, the Participant's Spouse, or any dependents of the Participant (as defined in Section 152 of the Code) or necessary for those persons to obtain medical care described in Section 213(d) of the Code;
- (3) payment of tuition and related educational fees and room and board expenses for the next twelve (12) months of post-secondary education for the Participant, his or her Spouse, children or dependents (as defined in Section 152 of the Code);
or
- (4) necessary payments to prevent the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence.

(c) "Deemed Necessary". A withdrawal is "deemed necessary" to satisfy the financial need only if all of these conditions are met:

- (1) the withdrawal may not exceed the dollar amount needed to satisfy the Participant's documented Financial Hardship, plus an amount necessary to pay federal, state, or local income taxes or penalties reasonably anticipated to result from such withdrawal;
- (2) the Participant must have obtained all distributions, other than Financial Hardship distributions, and all nontaxable loans under all plans maintained by the Company or any Commonly Controlled Entity;
- (3) the Participant will be suspended from making Pre-Tax Contributions, post-tax contributions, (or similar contributions under any other qualified or nonqualified plan of deferred compensation maintained by a Commonly Controlled Entity) for at least twelve (12) months from the date the withdrawal is received; and
- (4) the Contribution Dollar Limit for the taxable year immediately following the taxable year in which the Financial Hardship withdrawal is received shall be reduced by the Elective Deferrals for the taxable year in which the Financial Hardship withdrawal is received.

(d) Account Sources for Withdrawal. All available amounts must first be withdrawn from a Participant's Post-Tax Account. The remaining withdrawal amount shall come only from his or her Pre-Tax Account. The amount that may be withdrawn from a Participant's Pre-Tax Account shall not include earnings and Qualified Matching Contributions posted to his or her Pre-Tax Account after the end of the Plan Year which ends before July 1, 1989.

10.2 Post-Tax Account Withdrawals.

(a) Amount Permitted. A Participant may withdraw up to the entire balance from his or her Post-Tax Account for any reason. There is no hardship requirement.

(b) Permitted Frequency. There is no restriction on the number of times a Participant may withdraw from this Account.

(c) Ordering. To the extent of the outstanding principal amount (excluding earnings) as of December 31, 1986 attributable to his or her Post-Tax Account, any withdrawal hereunder shall be deemed first to be made therefrom, second from Post-Tax Contributions, if any, made after December 31, 1986, plus earnings thereon in the same pro rata manner as required by Code Section 72(e), and, thirdly, from earnings on such principal amount as of December 31, 1986.

10.3 Withdrawal Processing.

(a) Minimum Amount. There is no minimum payment for any type of withdrawal.

(b) Application by Participant. A Participant must submit a withdrawal request in accordance with a procedure established by the Applicable Named Fiduciary to the Applicable Named Fiduciary to apply for any type of withdrawal. Only a Participant who is an Employee may make a withdrawal request.

(c) Approval by Applicable Named Fiduciary. The Applicable Named Fiduciary is responsible for determining that a withdrawal request conforms to the requirements described in this Section and notifying the Custodian of any payments to be made in a timely manner.

(d) Time of Processing. The Custodian shall process all

withdrawal requests which it receives by a Sweep Date, based on the value as of the Trade Date to which it relates, and fund them on the next Settlement Date. The Custodian shall then make payment to the Participant as soon thereafter as is administratively feasible.

(e) Medium and Form of Payment. The medium of payment for withdrawals is either cash or direct deposit. The form of payment for withdrawals shall be a single installment.

(f) Investment Fund Sources. Within each Account used for funding a withdrawal, amounts shall be taken by type of investment in direct proportion to the market value of the Participant's interest in each Investment Fund (which excludes Participant's loans) at the time the withdrawal is made, other than the Company Stock fund, which shall be the last source of funds.

(g) Direct Rollover. With respect to any payment hereunder in excess of \$200 which constitutes an Eligible Rollover Distribution, a Distributee may direct the Applicable Named Fiduciary to have all or some portion of such payment (other than from a Post-Tax Account) paid in the form of a Trustee Transfer, in accordance with procedures established by the Applicable Named Fiduciary, provided the Applicable Named Fiduciary receives written notice of such direction with specific instructions as to the Eligible Retirement Plan on or prior to the applicable Sweep Date for payment. If the Participant does not transfer all of such payment, the minimum amount which can be transferred is \$500.

ARTICLE XI

DISTRIBUTIONS ON AND AFTER TERMINATION OF EMPLOYMENT

11.1 Request for Distribution of Benefits.

(a) Request for Distribution. Subject to the other requirements of this Article, a Participant may elect to have his or her vested Accrued Benefit paid to him or her beginning upon any Settlement Date following his or her Termination of Employment by submitting a completed distribution election in accordance with a procedure established by the Applicable Named Fiduciary. Such election form shall include or be accompanied by a notice which provides the Participant with information regarding all optional times and forms of payment available. The election must be submitted to the Applicable Named Fiduciary by the Sweep Date that relates to the Payment Date.

(b) Failure to Request Distribution. If a Participant has a Termination of Employment and fails to submit a distribution request in accordance with a procedure established by the Applicable Named Fiduciary by the last Payment Date permitted under this Article, his or her vested Accrued Benefit shall be valued as of the Valuation Date which immediately precedes such latest date of distribution (called the "Default Valuation Date") and a notice of such deemed distribution shall be issued to his or her last known address as soon as administratively possible. If the Participant does not respond to the notice or cannot be located, his or her vested Accrued Benefit determined on the Default Valuation Date shall be treated as a Forfeiture. If the Participant subsequently files a claim, the amount forfeited (unadjusted for gains and losses) shall be reinstated to his or her Accounts and distributed as soon as administratively feasible, and such payment shall be accounted for by charging it against the Forfeiture Account or by a contribution from the Employer of the affected Participant.

11.2 Deadline for Distribution. In addition to any other Plan requirements and unless the Participant elects otherwise, or cannot be located, the Payment Date of a Participant's vested Accrued Benefit shall be not later than sixty (60) days after the latest of the close of the Plan Year in which (i) the Participant attains the earlier of age sixty-five (65) or his or her Normal Retirement Date, (ii) occurs the tenth (10th) anniversary of the Plan Year in which the Participant commenced participation, or (iii) the Participant had a Termination of Employment. However, if the amount of the payment or the location of the Participant (after a reasonable search) cannot

be ascertained by that deadline, payment shall be made no later than sixty (60) days after the earliest date on which such amount or location is ascertained. In any case, the Payment Date of a Participant's vested Accrued Benefit shall not be later than April 1 following the calendar year in which the Participant attains age sixty-five (65) and each December 31 thereafter and shall comply with the requirements of Section 401(a)(9) of the Code and the Treasury Regulations promulgated thereunder, as if such requirements applied at age sixty-five (65) rather than age seventy and one-half (70 1/2).

11.3 Payment Form and Medium. A Participant's vested Accrued Benefit shall be paid in the form of a single sum. Payments will generally be made in cash (generally by check), alternatively, if the Participant elects an in-kind distribution, a single sum payment will be made in a combination of cash and whole shares of Company Stock.

11.4 Small Amounts Paid Immediately. If a Participant has a Termination of Employment and does not become an Employee before the 6-month anniversary of his or her date of Termination of Employment and the Participant's vested Accrued Benefit is \$3,500 or less, the Participant's Accrued Benefit shall be paid as a single sum as soon as administratively feasible after his or her Termination of Employment. If such Participant cannot be located by the 12-month anniversary of his or her date of Termination of Employment, his or her Accrued Benefit shall be treated as a Forfeiture posted to the Forfeiture Account under Section 8.5; provided however, if the Participant makes a claim for a distribution of his or her Accrued Benefit on or prior to the end of the procedure set forth in Section 11.1(b) hereof, such Accrued Benefit shall be reinstated (with the best estimate by the Applicable Named Fiduciary of gains or losses) and distributed hereunder as soon as administratively practical. If such a Participant makes a claim for his or her Accrued Benefit after the end of the procedure set forth in Section 11.1(b), the provisions of Section 11.1(b) shall apply.

11.5 Direct Rollover. With respect to any payment in excess of \$200 hereunder which constitutes an Eligible Rollover Distribution, a Distributee may direct the Applicable Named Fiduciary to have such payment (other than from a Post-Tax Account) paid in the form of a Trustee Transfer, in accordance with procedures established by the Applicable Named Fiduciary, provided the Applicable Named Fiduciary receives written notice of such direction with specific instructions as to the Eligible Retirement Plan on or prior to the applicable Sweep Date for payment. If the Participant does not transfer all of such payment, the minimum amount which can be transferred is \$500.

ARTICLE XII

DISTRIBUTION OF ACCRUED BENEFITS ON DEATH

12.1 Payment to Beneficiary. On the death of a Participant, his or her vested Accrued Benefit shall be paid to the Beneficiary or Beneficiaries designated by the Participant in accordance with the procedure established by the Applicable Named Fiduciary.

12.2 Beneficiary Designation. Each Participant shall complete a beneficiary designation indicating the Beneficiary who is to receive the Participant's remaining Plan interest at the time of his or her death. The Participant may change such designation of Beneficiary from time to time by filing a new beneficiary designation with the Committee. No designation of Beneficiary or change of Beneficiary shall be effective until properly filed with the Committee. Notwithstanding any designation to the contrary, if a Participant has earned an Hour of Service on or after August 23, 1984, the Participant's Beneficiary shall be the Participant's Spouse to whom the Participant is legally married under the laws of the State of the Participant's residence on the date of the Participant's death and surviving him or her on such date, unless such designation includes Spousal Consent. If the Participant dies leaving no Spouse and either (1) the Participant shall have failed to file a valid beneficiary designation, or (2) all persons designated on the beneficiary designation shall have predeceased the Participant, the Committee shall have the Custodian distribute such Participant's Accrued Benefit in a single sum to his or her estate.

12.3 Benefit Election.

(a) Request for Distribution. In the event of a Participant's death, a Beneficiary may elect to have the vested Accrued Benefit of a deceased Participant paid to him or her beginning upon any Settlement Date following the Participant's date of death by submitting a completed distribution election in accordance with the procedure established by the Committee. The election must be submitted to the Applicable Named Fiduciary by the Sweep Date that relates to the Settlement Date upon which payments are to begin.

(b) Failure to Request Distribution. In the event a Beneficiary fails to submit a timely distribution request, his or her vested Accrued Benefit shall be valued as of the Valuation Date which immediately precedes such latest date of distribution (called the "Default Valuation Date") and a notice of such deemed distribution shall be issued to his or her last known address as soon as administratively possible. If the Beneficiary does not respond to the notice or cannot be located, his or her vested Accrued Benefit determined on the Default Valuation Date shall be treated as a Forfeiture. If the Beneficiary subsequently files a claim, the amount forfeited (unadjusted for gains and losses) shall be reinstated to his or her Accounts and distributed as soon as administratively feasible, and such payment shall be accounted for by charging it against the Forfeiture or by a Contribution from the Employer of the affected Beneficiary.

12.4 Payment Form. A Beneficiary shall only be paid in a single sum. Payments will generally be made in cash (by check); alternatively, if the Beneficiary elects an in-kind distribution, a single sum payment will be made in a combination of cash and whole shares of Company Stock.

12.5 Time Limit for Payment to Beneficiary. Payment to a Beneficiary must either:

- (a) be completed within five (5) years of the Participant's death; or
- (b) begin within one year of his or her death, except that:
 - (1) If the surviving Spouse is the Beneficiary, payments need not begin until the date on which the Participant would have attained age seventy and one-half (70 1/2) and must be completed within the Spouse's lifetime; and
 - (2) If the Participant and the surviving Spouse who is the Beneficiary die (A) before the April 1 immediately following the end of the calendar year in which the Participant would have attained age seventy and one-half (70 1/2); and (B) before payments have begun to the Spouse, the Spouse will be treated as the Participant in applying these rules.

12.6 Direct Rollover. With respect to any payment in excess of \$200 hereunder which constitutes an Eligible Rollover Distribution, a Distributee may direct the Applicable Named Fiduciary to have such payment (other than from a Post-Tax Account) paid in the form of a Trustee Transfer, in accordance with the procedure established by the Applicable Named Fiduciary, provided the Applicable Named Fiduciary receives written Notice of such direction with specific instructions as to the Eligible Retirement Plan on or prior to the applicable Sweep Date for payment. If the Participant does not transfer all of such payment, the minimum amount which can be transferred is \$500.

ARTICLE XIII

MAXIMUM CONTRIBUTIONS

13.1 Definitions.

(a) "Annual Additions" means with respect to a Participant for any Plan Year the sum of:

- (1) Contributions and Forfeitures (and any

earnings thereon) allocated as of a date within the Plan Year;

- (2) All contributions, forfeitures and suspended amounts (and income thereon) for such Plan Year, allocated to such Participant's account(s) under any Related Defined Contribution Plan as of a date within such Plan Year;
- (3) The sum of all after-tax contributions of the Participant to Related Plans for the Plan Year and allocated to such Participant's accounts under such Related Plan as of a date within such Plan Year ("Aggregate Employee Contributions");
- (4) Solely for purposes of this Section, all contributions to any "separate account" (as defined in Section 419A(d) of the Code) allocated to such Participant as of a date within the Plan Year if such Participant is a "Key Employee" within the meaning of Code Section 416(i); and
- (5) Solely for purposes of this Section, all contributions to any "individual medical benefit account" (as defined in Section 415(l) of the Code) allocated to such Participant as of a date within the Plan Year.

(b) "Maximum Annual Additions" of a Participant for a Plan Year means the lesser of:

- (1) twenty-five percent (25%) of the Participant's Compensation, or
- (2) the greater of thirty thousand dollars (\$30,000) or one-quarter of the dollar limitation in Code Section 415(b)(1)(A) as adjusted for cost of living increases (determined in accordance with regulations prescribed by the Secretary of the Treasury or his or her delegate pursuant to the provisions of Section 415(d) of the Code).

(c) "Annual Excess" means, for each Participant affected, the amount by which the allocable Annual Additions for such Participant exceeds or would exceed the Maximum Annual Addition for such Participant.

13.2 Avoiding an Annual Excess. Notwithstanding any other provision of this Plan, a Participant's "Annual Additions" for any Plan Year, which is hereby designated as the "limitation year" for the Plan, as that term is used in Section 415 of the Code, shall not exceed his or her "Maximum Annual Additions." If, at any time during a Plan Year, the allocation of additional Contributions for a Plan Year would produce an Annual Excess, the affected Participant shall receive only the Maximum Annual Addition from Contributions, and, at the direction of the Committee, for the remainder of the Plan Year Contributions will be reduced, if possible, to the amount needed for each affected Participant to receive only the Maximum Annual Addition.

13.3 Correcting an Annual Excess. If for any Plan Year as a result of a reasonable error in estimating a person's Compensation, Elective Deferrals, or such other facts and circumstances which the Internal Revenue Service will permit, a Participant's Annual Excess shall be treated in the following manner:

- (a) Aggregate Employee Contributions allocable under a Related Plan shall be distributed to the Participant, if permitted, by the amount of the Annual Excess.
- (b) If any Annual Excess remains, Pre-Tax Contributions (and earnings thereon) shall be distributed to such Participant.
- (c) If any Annual Excess (adjusted for investment gains and losses) remains, Contributions shall be a Forfeiture for such

Participant in the following order:

- (1) Matching Contributions;
- (2) Excess and Base Contributions.

(d) Any Forfeiture of a Participant's allocations of Contributions under subparagraph 13.3(c) above shall be held in the Forfeiture Account and shall be used for the Plan Year to reduce or applied as Contributions. If any such amount remains in the Forfeiture Account, it shall again be held in suspense in the Forfeiture Account and be utilized to reduce future Contributions for succeeding Plan Years.

(e) Any amounts held in suspense in the Forfeiture Account pursuant to Paragraph 13.3(d) above remaining upon Plan termination shall be returned to the Employers in such proportions as shall be determined by the Committee.

(f) Investment Fund Sources. Once the amount of Annual Excess to be refunded is determined, amounts shall then be taken by type of investment in direct proportion to the market value of the Participant's interest in each Investment Fund (which excludes Participant loans) as of the Trade Date as of which the correction is processed; provided however, the Company Stock Investment Fund shall not be used until after all Investment Funds in which the Participant has an interest, other than the Schwab Personal Choice Retirement Account, have been exhausted and, provided further, the Schwab Personal Choice Retirement Account shall not be used until after all Investment Funds in which the Participant has an interest have been exhausted.

13.4 Correcting a Multiple Plan Excess. If a Participant's Accounts have or would have an Annual Excess, the Annual Excess shall be corrected by reducing the Annual Addition to this Plan before reductions have been made to other Related Defined Contribution Plans.

13.5 Two-Plan Limit. If a Participant participates in any Related Defined Benefit Plan, the sum of the "Defined Benefit Plan Fraction" (as defined below) and the "Defined Contribution Plan Fraction" (as defined below) for such Participant shall not exceed one (called the "Combined Fraction").

(a) "Defined Benefit Plan Fraction" means, for any Plan Year, a fraction, the numerator of which is the projected benefit payable pursuant to Code Section 415(e)(2)(A) under all Related Defined Benefit Plans and the denominator of which is the lesser of: (i) the product of 1.25 and the dollar limit in effect for the Plan Year under Code Section 415(b)(1)(A), and (ii) the product of 1.4 and one hundred percent (100%) of the Participant's average Compensation for his or her high three (3) years.

(b) "Defined Contribution Plan Fraction" means, for any Plan Year, a fraction, the numerator of which is the sum of the Annual Additions (as determined pursuant to Section 415(c) of the Code in effect for such Plan Year) to a Participant's Accounts as of the end of the Plan Year under the Plan or any Related Defined Contribution Plan, and the denominator of which is the lesser of:

- (1) The sum of the products of 1.25 and the dollar limit under Code Section 415(c)(1)(A) for such Plan Year and for each prior year of service with a Commonly Controlled Entity and its predecessor, and
- (2) the sum of the products of 1.4 and twenty-five percent (25%) of the Participant's Compensation for such Plan Year and for each prior year of service with a Commonly Controlled Entity and its predecessor.

If the Combined Fraction of such Participant exceeds one and if the Related Defined Benefit Plan permits it, the Participant's Defined Benefit Plan Fraction shall be reduced by limiting the Participant's annual benefits payable from the Related Defined Benefit Plan in which

he or she participates to the extent necessary to reduce the Combined Fraction of such Participant to one.

13.6 Short Plan Year. With respect to any change of the Plan Year (and co-existent limitation year), the dollar limitation of the Maximum Annual Addition for such Plan Year shall be determined by multiplying such dollar amount by a fraction, the numerator of which is the number of months (including fractional parts of a month) in the short Plan Year, and the denominator of which is twelve (12).

13.7 Grandfathering of Applicable Limitations. The Plan shall recognize and apply any grandfathering of applicable benefits and contributions limitations which are permitted under ERISA, the Tax Equity and Fiscal Responsibility Act of 1982 and the Tax Reform Act of 1986.

ARTICLE XIV

ADP AND ACP TESTS

14.1 Contribution Limitation Definitions. For purposes of this Article, the following terms are defined as follows:

(a) "Average Contribution Percentage" or "ACP" means, separately, the average of the Calculated Percentage for Participants within the HCE Group and the NHCE Group, respectively, for a Plan Year.

(b) "Average Deferral Percentage" or "ADP" means, separately, the average of the Calculated Percentage calculated for Participants within the HCE Group and the NHCE Group, respectively, for a Plan Year.

(c) "Calculated Percentage" means the calculated percentage for a Participant. The calculated percentage refers to either the K-Contributions (including amounts distributed because they exceeded the Contribution Dollar Limit) with respect to Compensation which would have been received by the Participant in the Plan Year but for his or her Contribution Election, or M-Contributions allocated to the Participant's Account as of a date within the Plan Year, divided by his or her Compensation for such Plan Year.

(d) "M-Contributions" shall include Matching Contributions (excluding Qualified Matching Contributions). In addition, M-Contributions may include Pre-Tax Contributions and Special Contributions treated as Matching Contributions, but only to the extent that (1) the Committee elects to use them; and (2) they meet the requirements of Code Section 401(m) to be regarded as Matching Contributions. M-Contributions shall not include Matching Contributions which become a Forfeiture because the Contribution to which it relates is in excess of the ADP Test, ACP Test or the Contribution Dollar Limit.

(e) "K-Contributions" shall include Pre-Tax Contributions (excluding Pre-Tax Contributions treated as Matching Contributions), but shall exclude Limited Deferrals to this Plan made on behalf of any NHCE in excess of the Contribution Dollar Limit. In addition, Deferrals may include Qualified Matching Contributions and Special Contributions, but only to the extent that (1) the Committee elects to use them and (2) they meet the requirements of Code Section 401(k) to be regarded as elective contributions.

(f) "HCE Group" and "NHCE Group" means, with respect to each Employer and its Commonly Controlled Entities, the respective group of HCEs and NHCEs who are eligible to have amounts contributed on their behalf for the Plan Year, including Employees who would be eligible but for their election not to participate or to contribute, or because their pay is greater than zero but does not exceed a stated minimum, but subject to the following:

- (1) If the Related Plans are subject to the ADP or ACP Test, and are considered as one plan for purposes of Code Sections 401(a)(4) or 410(b) (other than 410(b)(2)), all such plans shall be aggregated and treated as one plan for purposes of meeting the ADP and ACP Tests provided that, for Plan Years

beginning after December 31, 1989, plans may only be aggregated if they have the same Plan Year.

- (2) If an HCE who is a five-percent owner (within the meaning of Code Section 416) or one of the ten HCE most highly compensated during the Plan Year has any Family Members, the K-Contributions, M-Contributions and Compensation of such HCE and his or her Family Members shall be combined and treated as a single HCE. In addition, such amounts for all other Family Members shall be removed from the NHCE Group percentage calculation.
- (3) If an HCE is covered by more than one cash or deferred arrangement maintained by the Related Plans, all such arrangements (other than arrangements in plans that are not required to be aggregated for this purpose under Treas. Reg. Section 1.401(k)-1(g)(1)(ii)(B)) with respect to the Plan Years ending with or within the same calendar year shall be aggregated and treated as one arrangement for purposes of calculating the separate percentage for the HCE which is used in the determination of the Average Percentage.

14.2 ADP and ACP Tests. For each Plan Year, the ADP and ACP for the HCE Group must meet either the Basic or Alternative Limitation when compared to the respective ADP and ACP for the NHCE Group:

(a) Basic Limitation. The ADP or ACP for the HCE Group may not exceed 1.25 times the ADP or ACP, respectively, for the NHCE Group.

(b) Alternative Limitation. The ADP or ACP for the HCE Group is limited by reference to the ADP or ACP, respectively, for the NHCE Group as follows:

If the NHCE Group Percentage is :	Then the Maximum HCE Group Percentage is:
Less than 2%	2 times ADP or ACP for the NHCE Group
2% to 8%	ADP or ACP for the NHCE Group plus 2%
More than 8%	Basic Limitation applies

14.3 Correction of ADP and ACP Tests.

(a) Reduction of K-Contributions or M-Contributions. If the ADP or ACP are not met or will not be met, the Committee shall determine a maximum percentage to be used in place of the Calculated Percentage for each HCE that would reduce the ADP or ACP of the HCE Group by a sufficient amount to meet the ADP and ACP Tests. For any HCE Group who has a Family Member, the reduction amount shall be prorated among Family Members as provided in Code Sections 401(k) and (m).

(b) ADP Correction. Pre-Tax Contributions (including amounts previously refunded because they exceeded the Contribution Dollar Limit) shall be refunded to the Participant by the end of the next Plan Year in an amount equal to the actual K-Contribution minus the product of the maximum percentage for that HCE and the HCE's Compensation. Matching Contributions with respect to such distributed Pre-Tax Contributions shall be forfeited (unless paid to the Participant due to an ACP Correction).

(c) ACP Correction. Matching Contribution amounts in excess of the maximum percentage of an HCE's Compensation shall, by the end of the next Plan Year, be refunded to the Participant to the extent vested, and forfeited to the extent such amounts were not vested as of the end of the Plan Year being tested.

(d) Investment Fund Sources. Once the amount of Pre-Tax and Matching Contributions to be refunded is determined,

amounts shall then be taken by type of investment in direct proportion to the market value of the Participant's interest in each Investment Fund (which excludes Participant loans) as of the Trade Date as of which the correction is processed; provided however, the Company Stock Investment Fund shall not be used until after all Investment Funds in which the Participant has an interest, other than the Schwab Personal Choice Retirement Account, have been exhausted and, provided further, the Schwab Personal Choice Retirement Account shall not be used until after all Investment Funds in which the Participant has an interest have been exhausted.

(e) Family Member Correction. To the extent any reduction is necessary with respect to an HCE and his or her Family Members that have been combined and treated for testing purposes as a single Employee, the excess K-Contributions and/or M-Contributions from the ADP and/or ACP Test shall be prorated among each such Participant in direct proportion to his or her K-Contributions and/or M-Contributions included in each test.

14.4 Method of Calculation. The Committee shall determine the maximum percentage for each HCE whose Calculated Percentage(s) is(are) the highest at any one time by reducing his or her Calculated Percentage in the following manner until the ADP and/or ACP Test is satisfied:

(a) The Calculated Percentage for each HCE under a Related Plan shall be reduced to the extent permitted under such Related Plan.

(b) If more reduction is needed, the Calculated Percentage of each HCE whose Calculated Percentage (stated in absolute terms) is the greatest shall be reduced by one-hundredth (1/100) of one percentage point.

(c) If more reduction is needed, the Calculated Percentage of each HCE whose Calculated Percentage (stated in absolute terms) is the greatest (including the Calculated Percentage of any HCE whose Calculated Percentage was adjusted under Paragraph (b)) shall be reduced by one-hundredth (1/100) of one percentage point.

(d) If more reduction is needed, the procedures of Paragraph (c) shall be repeated.

14.5 Multiple Use Test. If the Average Contribution Percentage and the Average Deferral Percentage for the HCE Group exceeds the Basic Limitation in both the ADP or the ACP Tests (after correction of the ADP and ACP Test), the ADP and ACP (as corrected) for the HCE Group must also comply with the

requirements of Code Section 401(m)(9), which as of the Effective Date require that the sum of these two percentages (as determined after any corrections needed to meet the ADP or ACP Tests have been made) must not exceed the greater of:

(a) the sum of

(1) the larger of the ADP or ACP for the NHCE Group times 1.25; and

(2) the smaller of the ADP or ACP for the NHCE Group, times two (2) if the NHCE Average Percentage is less than two percent (2%), or plus two percent (2%) if it is two percent (2%) or more; or

(b) the sum of

(1) the lesser of the ADP or ACP for the NHCE Group times 1.25; and

(2) the greater of the ADP or ACP for the NHCE Group, times two (2) if the NHCE Average Percentage is less than two percent (2%), or plus two percent (2%) if it is two percent (2%) or more.

If the multiple use limit is exceeded, the Committee shall determine a maximum ADP or ACP for the HCE Group and shall reduce the ADP or ACP

for each HCE in the same manner as would be used to correct to ADP or ACP.

14.6 Adjustment for Investment Gain or Loss. The net investment gain or loss associated with the K-Contributions and/or M-Contributions to be distributed shall be distributed or charged against a distribution within two and one-half (2 1/2) months but no later than twelve (12) months following the close of the applicable Plan Year. Such gain or loss is calculated as follows:

where:

- E = the total excess Deferrals or Contributions,
- G = the net gain or loss for the Plan Year from all of an HCE's affected Accounts,
- AB = the total value of an HCE's affected Accounts, determined as of the end of the Plan Year being corrected,
- M = the number of full months from the Plan Year end to the date excess amounts are paid, plus one for the month during which payment is to be made if payment will occur after the fifteenth (15th) of the month.

14.7 Required Records. The Applicable Named Fiduciary shall maintain records which are sufficient to demonstrate that the ADP, ACP and Multiple Use Test has been met for each Plan Year for at least as long as the Employer's corresponding tax year is open to audit.

14.8 Incorporation by Reference. The provisions of this Section are intended to satisfy the requirements of Code Sections 401(k)(3), (m)(2), (m)(9) and Treas. Reg. Section 1.401(k)-1(b), 1.401(m)-1(b) and 1.401(m)-2 and, to the extent not otherwise stated in this Section, those Code Sections and Treasury Regulations are incorporated herein by reference.

14.9 Collectively Bargained Employees. The provisions of this Article shall apply separately to Participants who are collectively bargained employees within the meaning of Treas. Reg. Section 1.410(b)-6(d)(2) and for Participants who are not collectively bargained employees.

14.10 QSLOB. The Committee in its sole discretion may apply the provisions of this Article separately with respect to each qualified separate line of business, as defined in Section 414(r) of the Code.

ARTICLE XV

CUSTODIAL ARRANGEMENTS

15.1 Custodial Agreement. The Committee may enter into one or more Custodial Agreements to provide for the holding, investment and payment of Plan assets, or direct by execution of an insurance contract that all or a specified portion of the Plan's assets be held, invested and paid under such a contract. All Custodial Agreements, as from time to time amended, shall continue in force and shall be deemed to form a part of the Plan. Subject to the requirements of the Code and ERISA, the Committee may cause assets of the Plan which are securities to be held in the name of a nominee or in street name provided such securities are held on behalf of the Plan by:

- (a) a bank or trust company that is subject to supervision by the United States or a State, or a nominee of such bank or trust company;
- (b) a broker or dealer registered under the Securities Exchange Act of 1934, or a nominee of such broker or dealer; or
- (c) a "clearing agency" as defined in Section 3(a)(23) of the Securities Exchange Act of 1934, or its nominee.

15.2 Selection of Custodian. The Committee shall select, remove or replace the Custodian in accordance with the Custodial Agreement. The subsequent resignation or removal of a Custodian and the approval of its accounts shall all be accomplished in the manner provided in the Custodial Agreement.

15.3 Custodian's Duties. Except as provided in ERISA, the powers, duties and responsibilities of the Custodian shall be as stated in the Custodial Agreement, and unless expressly stated or delegated to the Custodian (with the Custodian's acceptance), nothing contained in this Plan shall be deemed by implication to impose any additional powers, duties or responsibilities upon the Custodian. All Employer Contributions and Rollover Contributions shall be paid into the Trust, and all benefits payable under the Plan shall be paid from the Trust, except to the extent such amounts are paid to a Custodian other than the Trustee. An Employer shall have no rights or claims of any nature in or to the assets of the Plan except the right to require the Custodian to hold, use, apply and pay such assets in its hands, in accordance with the directions of the Committee, for the exclusive benefit of the Participants and their Beneficiaries, except as hereinafter provided.

15.4 Separate Entity. The Custodial Agreement under this Plan from its inception shall be a separate entity aside and apart from Employers or their assets, and the corpus and income thereof shall in no event and in no manner whatsoever be subject to the rights or claims of any creditor of any Employer.

15.5 Plan Asset Valuation. As of each Valuation Date, the Fair Market Value of the Plan's assets held or posted to an Investment Fund shall be determined by the Applicable Named Fiduciary or the Custodian, as appropriate.

15.6 Right of Employers to Plan Assets. The Employers shall have no right or claim of any nature in or to the assets of the Plan except the right to require the Custodian to hold, use, apply, and pay such assets in its possession in accordance with the Plan for the exclusive benefit of the Participants or their Beneficiaries and for defraying the reasonable expenses of administering the Plan; provided, that:

(a) if the Plan receives an adverse determination with respect to its initial qualification under Sections 401(a), 401(k) and 401(m) of the Code, Contributions conditioned upon the qualification of the Plan shall be returned to the appropriate Employer within one (1) year of such denial of qualification; provided, that the application for determination of initial qualification is made by the time prescribed by law for filing the respective Employer's return for the taxable year in which the Plan is adopted, or by such later date as is prescribed by the Secretary of the Treasury under Section 403(c)(2)(B) of ERISA;

(b) if, and to the extent that, deduction for a Contribution under Section 404 of the Code is disallowed, Contributions conditioned upon deductibility shall be returned to the appropriate Employer within one (1) year after the disallowance of the deduction;

(c) if, and to the extent that, a Contribution is made through mistake of fact, such Contribution shall be returned to the appropriate Employer within one year of the payment of the Contribution; and

(d) any amounts held suspended pursuant to the limitations of Code Section 415 shall be returned to the Employers upon termination of the Plan.

All Contributions made hereunder are conditioned upon the Plan being qualified under Sections 401(a) or 401(k) and 401(m) of the Code and a deduction being allowed for such contributions under Section 404 of the Code. Pre-Tax Contributions returned to an Employer pursuant to this Section shall be paid to the Participant for whom contributed as soon as administratively convenient. If these provisions result in the return of Contributions after such amounts have been allocated to Accounts, such Accounts shall be reduced by the amount of the allocation attributable to such amount, adjusted for any losses or expenses.

ADMINISTRATION AND INVESTMENT MANAGEMENT

16.1 General. The Company, through the authority vested in the Board of Directors, has established, by separate documentation, the Retirement Policy Committee, and has enabled such Retirement Policy Committee to have the power and authority to act, to the extent delegated to such Retirement Policy Committee, on behalf of the Company (and therefore all Employers), with respect to matters which relate to the Plan and Trust, but not on behalf of the Plan and Trust. Furthermore, the Company has adopted the Plan and Trust, thereby:

(a) establishing a separate Committee to have the power and authority to act, to the extent provided in the Plan or Trust, on behalf of the Plan or Trust, but not on behalf of the Company; and

(b) enabling the Retirement Policy Committee to have the power and authority to act, to the extent provided in and the manner provided in the Plan or Trust, on behalf of the Company, but not on behalf of the Plan or Trust.

16.2 Retirement Policy Committee Acting as Employer. The Retirement Policy Committee has such authority and control as shall be granted to it, from time to time, to act on behalf of the Company, including but not limited to the power to:

(a) amend or terminate the Plan in part or completely to the extent provided in Article XIX;

(b) designate which employee groups are eligible to participate in the Plan;

(c) select, monitor and remove, as necessary, consultants, actuaries, underwriters, insurance companies, third party administrators, or other service providers, and to appoint and remove any such person as an Applicable Named Fiduciary, and determine and delegate to them their duties and responsibilities as provided herein;

(d) appoint and consult with legal counsel, independent consulting or evaluation firms, accountants, actuaries, or other advisors, as necessary, to perform its functions;

(e) determine what expenses, if any, related to the operation and administration of the Plan and the investment of Plan assets, shall be paid by the Employer;

(f) establish such policies and make such other delegations or designations necessary or incidental to the Company's sponsorship of the Plan;

(g) adopt, amend or terminate, in part or completely, a Trust document, provided such action is consistent with the Plan for which the Trust is established;

(h) determine the funding policy of the Plan's benefits and related matters, including the designation of a responsible person as an Applicable Named Fiduciary with respect to the liquidity requirements of any Fund;

(i) take any other actions necessary or incidental to the performance of the above-stated powers and duties.

16.3 Committee as Applicable Named Fiduciary for Plan. The Committee, acting on behalf of the Plan and subject to subparagraph (b) hereof, shall be an Applicable Named Fiduciary with respect to the authority to manage and control the administration and operation of the Plan, including without limitation, the management and control with respect to some portions of the operation and administration of the Plan contained in an agreement with an Applicable Named Fiduciary but only to the extent it has been specifically designated in such agreement as being the responsibility of the Committee, an Employer, the Company, or any employee, member or delegate of any of them.

16.4 Committee as Applicable Named Fiduciary for Trust. The Committee, acting on behalf of the Trust and subject to subparagraph (b) hereof, shall be an Applicable Named Fiduciary with respect to its authority to manage and control the Trust or the Trust's assets, but only to the extent not inconsistent with the Trust, including without limitation, the following:

- (1) to appoint and remove the Trustee;
- (2) to selectively direct the Trustee as to the investment and reinvestment of the assets of the Trust Fund;
- (3) to appoint an Investment Manager, by written notice in writing to the Trustee, to manage, acquire or dispose of that portion of the Trust Fund which is assigned to it by the Committee;
- (4) to direct the Trustee, by notice in writing to the Trustee, to enter into an agreement with an Investment Manager;
- (5) to require that the Trustee is subject to the direction of the Committee with respect to a portion of the Trust Fund;
- (6) to appoint any other person or entity which handles Trust assets, including insurance companies and custodians;
- (7) to establish written investment policies as to the Trust and ensure compliance with such policies and applicable law, including monitoring the diversification of investments and avoidance of prohibited transactions, as well as monitoring investment performance; and
- (8) to manage and control with respect to some portions of the operation and administration of the Plan contained in an agreement with an Applicable Named Fiduciary but only to the extent it has been specifically designated in such agreement as being the responsibility of the Committee, an Employer, the Company, or any employee, member or delegate of any of them.

16.5 Membership.

(a) The Committee shall consist of not less than 3 persons, who shall be appointed by the Chief Executive Officer. Members shall remain in office at the will of the Chief Executive Officer and the Chief Executive Officer may from time to time remove any of said members with or without cause and shall appoint their successors.

(b) The Retirement Policy Committee shall consist of not less than 3 persons, who shall be appointed by the Chief Executive Officer. Members shall remain in office at the will of the Chief Executive Officer and the Chief Executive Officer may from time to time remove any of said members with or without cause and shall appoint their successors.

16.6 Structure. Any individual may be a member of the Committee or the Retirement Policy Committee. Any member may resign by delivering his or her written resignation to the Chief Executive Officer, and such resignation shall become effective upon the date specified therein. A member who is an Employee shall automatically cease to be a member upon his or her Termination of Employment. In the event of a vacancy in membership, the remaining members shall constitute the Committee or the Retirement Policy Committee with full power to act until said vacancy is filled.

16.7 Actions. The Committee may act as an Applicable Named Fiduciary on behalf of the Plan or the Retirement Policy Committee on behalf of the Company, as follows:

- (a) The members may act at a meeting (including a meeting at different locations by telephone conference) or in writing without a meeting (through the use of a single document or concurrent document).
- (b) Any member by writing may delegate any or all of his or her rights, powers, duties and discretions to any other member with the

consent of such other member.

(c) Action shall be by majority decision, which action shall be effective as if such action had been taken by all members; provided that by majority action one or more members or other persons may be authorized to act with respect to particular matters on behalf of all members.

(d) Subject to applicable law, no member shall be liable for an act or omission of the other members of the same committee in which the former had not concurred.

(e) Any action by the Committee on behalf of this Plan or Trust involving its authority to manage and control the operation and administration of the Plan or Trust or the Plan's assets shall be treated as an action of an Applicable Named Fiduciary under this Plan.

(f) Except as provided in Section 16.24, the Committee may, in writing delivered to the Trustee, empower a representative to act on its behalf and such person shall have the authority to act within the scope of such empowerment to the full extent the Committee could have acted.

16.8 Procedures for Designation of an Applicable Named Fiduciary. The Retirement Policy Committee, acting on behalf of the Company, may from time to time, designate a person to be an Applicable Named Fiduciary with respect to some portion of the authority it may have with respect to management and control of the operation and administration of the Plan or the management and control of the Plan's assets. Such designation shall specify the person designated by name and either (a) specify the management and control authority with respect to which the person will be an Applicable Named Fiduciary; or (b) incorporate by reference an agreement with such Applicable Named Fiduciary to provide services to or on behalf of the Plan or Trust and

use such agreement as a means for specifying the management and control authority with respect to which such person will be an Applicable Named Fiduciary. No person who is designated as an Applicable Named Fiduciary hereunder must consent to such designation nor shall it be necessary for the Retirement Policy Committee to seek such person's acquiescence. The authority to manage and control, which any person who is designated to be an Applicable Named Fiduciary hereunder may have, shall be several and not joint with the Retirement Policy Committee and shall result in the Committee no longer being an Applicable Named Fiduciary with respect to, nor having any longer, such authority to manage and control. On and after the designation of a person as an Applicable Named Fiduciary, the Employer and the Committee shall have no liability for the acts (or failure to act) of any such Applicable Named Fiduciary except to the extent of its co-fiduciary duty under ERISA.

16.9 Compensation. The members of the Committee, acting on behalf of the Plan or Trust, shall serve without compensation for their services as such.

16.10 Discretionary Authority of each Applicable Named Fiduciary. Each Applicable Named Fiduciary on behalf of the Plan and Trust will enforce the Plan and Trust in accordance with their terms. Each Applicable Named Fiduciary shall have full and complete authority, responsibility and control (unless an allocation has been made to another Applicable Named Fiduciary in which case such Applicable Named Fiduciary shall have such authority, responsibility and control) over that portion of the management, administration and operation of the Plan or Trust allocated to such Applicable Named Fiduciary, including, but not limited to, the authority and discretion to:

(a) Formulate, adopt, issue and apply procedures and rules and change, alter or amend such procedures and rules in accordance with law and as may be consistent with the terms of the Plan or Trust;

(b) Specify the basis upon which payments are to be made under the Plan and, as the final appeals fiduciary under ERISA Section 503, to make a final determination, based upon the information known to the Applicable Named Fiduciary within the scope of its authority and control as an Applicable Named Fiduciary, based upon determinations made

and such other information made available from an Employer plus such final determinations made by each other Applicable Named Fiduciary within the scope of its authority and control, as are determined to be relevant to the final appeals fiduciary;

(c) Exercise such discretion as may be required to construe and apply the provisions of the Plan or Trust, subject only to the terms and conditions of the Plan or Trust; and

(d) Take all necessary and proper acts as are required for such Applicable Named Fiduciary to fulfill its duties and obligations under the Plan or Trust.

16.11 Responsibility and Powers of the Committee Regarding Administration of the Plan. The Committee shall have full and complete authority, responsibility and control (unless an allocation has been made to another Applicable Named Fiduciary in which case such Applicable Named

Fiduciary shall have such authority, responsibility and control only if specifically provided) over that portion of the management, administration, and operation of the Plan or Trust allocated to the Committee and the power to act on behalf of the Plan or Trust, including, but not limited to, the authority and discretion:

(a) to execute contracts on behalf of the Plan or Trust;

(b) to appoint and compensate such specialists (including attorneys, actuaries and accountants) to aid it in the administration of the Plan, and arrange for such other services, as the Committee considers necessary or appropriate in carrying out the provisions of the Plan;

(c) to determine the Accounting Period, Change Date, Notice Date and Sweep Date, and define other Plan terms as may be needed by adoption of a summary plan description;

(d) to be agent for service of legal process on the Plan or Trust;

(e) to appoint and compensate an independent outside accountant to conduct such audits of the financial statements of the Trust as the Committee considers necessary or appropriate;

(f) to settle or compromise any litigation against the Plan, Trust or an Applicable Named Fiduciary with respect to which the Plan or Trust has an indemnity obligation;

(g) to appoint the Plan Administrator to act within the duties and responsibilities set forth in Section 16.22;

(h) to create a legal remedy to the Plan with respect to a Participant or Beneficiary, or to a Participant or Beneficiary, for any loss incurred (whether restitution or opportunity losses) by the Plan on behalf of such Participant or Beneficiary, or by such Participant or Beneficiary, due to a breach of fiduciary duty to the Plan by an Applicable Named Fiduciary or other error (whether negligent or willful) which the Committee determines is a substantial contributing factor to such loss (or a portion of such loss); and

(i) to take all necessary and proper acts as are required for the Committee to fulfill its duties and obligations under the Plan or Trust.

16.12 Allocations and Delegations of Responsibility.

(a) Delegations. Each Applicable Named Fiduciary may designate persons (other than an Applicable Named Fiduciary) to carry out fiduciary responsibilities (other than trustee responsibilities as described in Section 405(c)(3) of ERISA) it may have with respect to the Plan or Trust and make a change of delegated responsibilities. Such delegation shall specify the delegated person by name and either (a) specify the discretionary authority with respect to which the person will be a fiduciary; or (b) incorporate by reference an agreement with

such Applicable Named Fiduciary to provide services to the Plan or Trust on behalf of the delegating Applicable Named Fiduciary as a means of specifying the discretionary authority with respect to which such person

will be a fiduciary. No person (other than an investment manager (as defined in Section 3(38) of ERISA) to whom fiduciary responsibility has been delegated must consent to being a fiduciary nor shall it be necessary for the Applicable Named Fiduciary to seek such person's acquiescence; however, where such person has not contractually accepted the responsibility delegated, he or she must be given notification of the services to be performed and, in either case, will be deemed to have accepted such fiduciary responsibility if he or she performs the services described for thirty (30) days or more without specific objection thereto. The liability any person, who is delegated fiduciary responsibilities hereunder, may have shall be several and not joint with the Applicable Named Fiduciary delegating and each other Named Fiduciaries. A delegation of fiduciary responsibility to a person which is not implemented in the manner set forth herein shall not be void; however, whether the delegating Applicable Named Fiduciary shall have joint liability for acts of such person shall be determined by applicable law.

(b) Allocations. The Retirement Policy Committee, acting on behalf of the Company, may allocate fiduciary responsibilities (other than trustee responsibilities described in Section 405(c)(3) of ERISA) among Named Fiduciaries when it designates an Applicable Named Fiduciary in the manner described in Section 16.8, or the Committee acting on behalf of the Plan or Trust, may reallocate fiduciary responsibilities among existing Named Fiduciaries by action of such Committee in accordance with Section 16.7; provided each such Applicable Named Fiduciary is given notice of the services, management and control authority allocated to it either by way of an amendment to the Plan, Trust or a contract with such person, or by way of correspondence from the Retirement Policy Committee or Committee, respectively. Each Applicable Named Fiduciary, by signing its contract or by accepting such amendment or correspondence and rendering the services requested without objection for thirty (30) days, shall be conclusively bound to have assumed such fiduciary responsibility as an Applicable Named Fiduciary. The liability any person, who is allocated fiduciary responsibilities hereunder, may have shall be several and not joint with the Committee and each other Named Fiduciaries. An allocation of fiduciary responsibility to a person which is not implemented in the manner set forth herein shall not be void; however, whether another Applicable Named Fiduciary shall have joint liability for acts of such person shall be determined by applicable law.

(c) Limit on Liability. Fiduciary duties and responsibilities which have been allocated or delegated pursuant to the terms of the Plan or the Trust, are intended to limit the liability of the Company, the Retirement Policy Committee, the Committee, and each Applicable Named Fiduciary, as appropriate, in accordance with the provisions of Section 405(c) of ERISA.

16.13 Committee Bonding. The members of the Committee, acting on behalf of the Plan and Trust, shall serve without bond (except as otherwise required by federal law).

16.14 Information to be Supplied by Employer. Each Employer shall supply to the Committee, acting on behalf of the Plan and Trust, within a reasonable time of its request, the names of all Employees, their age, their date of hire, the names and dates of all Employees who incurred a Termination of Employment during the Plan Year, and such other information in the Employer's possession as the Committee shall from time to time need in the discharge of its duties. The Committee and each Applicable Named Fiduciary may rely conclusively on the information certified to the Committee by an Employer.

16.15 Information to be Supplied by Applicable Named Fiduciary. Whenever a term, definition, standard, protocol or other, basis for determining whether an Accrued Benefit exists or whether an Accrued Benefit will be paid under the terms of the Plan, or which has been incorporated by reference into this Plan, the Applicable Named Fiduciary who has the authority to manage and control the administration and operation of the Plan with respect to all or any basis specified for the payment of such Accrued Benefit (including the authority to establish or amend such term, definition, standard

protocol or other basis) shall provide a copy thereof either (1) to the Committee, upon its request, (2) to a Participant or Beneficiary but only to the extent required by law, or (3) to the extent required in any proceeding involving the Plan or any Applicable Named Fiduciary with respect to the Plan.

16.16 Misrepresentations. The Committee, acting on behalf of the Plan and Trust, may, but shall not be required to, rely upon any certificate, statement or other representation made to it by an Employee, Participant, other Applicable Named Fiduciary, or other individual with respect to any fact regarding any of the provisions of the Plan. Any such certificate, statement or other representation shall be conclusively binding upon such Employee, Participant, other Applicable Named Fiduciary, or other individual or personal representative thereof, heir, or assignee (but not upon the Committee), and any such person shall thereafter be estopped from disputing the truth of any such certificate, statement or other representation.

16.17 Records. The regularly kept records of the designated Applicable Named Fiduciary (or, where applicable, the Trustee) and any Employer shall be conclusive evidence of a person's age, his or her status as an Eligible Employee, and all other matters contained therein applicable to this Plan.

16.18 Plan Expenses. All expenses of the Plan which have been approved by the Committee, acting on behalf of the Plan and Trust, shall be paid by the Trust except to the extent paid by the Employers; and if paid by the Employers, such Employers may, if authorized by the Retirement Policy Committee acting on behalf of the Company, seek reimbursement of such expenses from the Trust and the Trust shall reimburse the Employers. If borne by the Employers, expenses of administering the Plan shall be borne by the Employers in such proportions as the Retirement Policy Committee, acting on behalf of the Company, shall determine.

16.19 Fiduciary Capacity. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

16.20 Employer's Agent. The Retirement Policy Committee shall act as agent for the Company when acting on behalf of the Company and the Company shall act as agent for each Employer.

16.21 Plan Administrator. The Plan Administrator (within the meaning of Section 3(16)(A)) shall be appointed by the Committee, acting on behalf of the Company, and may (but need not) be a member of the Committee; and in the absence of such appointment, the Committee, acting on behalf of the Plan and Trust, shall be the Plan Administrator.

16.22 Plan Administrator Duties and Power. The Plan Administrator will have full and complete authority, responsibility and control over the management, administration and operation of the Plan with respect to the following:

- (a) satisfy all reporting and disclosure requirements applicable to the Plan, Trust or Plan Administrator under ERISA, the Code or other applicable law;
- (b) provide and deliver all written forms used by Participants and Beneficiaries, give notices required by law, and seek a favorable determination letter for the Plan and Trust;
- (c) withhold any amounts required by the Code to be withheld at the source and to transmit funds withheld and any and all necessary reports with respect to such withholding to the Internal Revenue Service;
- (d) respond to a QDRO;
- (e) make available for inspection and to provide upon request at such charge as may be permitted and determined by it, documents and instruments required to be disclosed by ERISA;
- (f) take such actions as are necessary to establish and maintain in full and timely compliance with any law or regulation having pertinence to this Plan;

(g) whatever responsibilities are delegated to the Plan Administrator by the Committee;

(h) delegate to the Trust any tax withholding or tax reporting obligations the Plan Administrator may have by law; and

(i) take all necessary and proper acts as are required for the Plan Administrator to fulfill its duties and obligations under applicable law and the Plan.

16.23 Applicable Named Fiduciary Decisions Final. The decision of the Committee or an Applicable Named Fiduciary in matters within its jurisdiction shall be final, binding, and conclusive upon the Employers and the Trustee and upon each Employee, Participant, Spouse, Beneficiary, and every other person or party interested or concerned.

16.24 No Agency. Each Applicable Named Fiduciary shall perform (or fail to perform) its responsibilities and duties or discretionary authority with respect to the Plan and Trust as an independent contractor and not as an agent of the Company, any Employer, the Retirement Policy Committee or the Committee. No agency is intended to be created nor is the Committee empowered to create an agency relationship with an Applicable Named Fiduciary.

ARTICLE XVII

CLAIMS PROCEDURE

17.1 Initial Claim for Benefits. Each person entitled to benefits under this Plan (a "Claimant") must sign and submit his or her claim for benefits to the Committee or its agent in writing in such form as is provided or approved by such Committee. A Claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to his or her filing a claim for benefits and exhausting his or her rights under this Section. When a claim for benefits has been filed properly, such claim for benefits shall be evaluated and the Claimant shall be notified by the Committee or agent of its approval or denial within ninety (90) days after the receipt of such claim unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant by the Committee or agent prior to the termination of the initial ninety (90) day period which shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than one hundred eighty (180) days after the date on which the claim was filed). A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the Claimant shall be given written notice which shall contain (1) the specific reasons for the denial, (2) references to pertinent Plan provisions upon which the denial is based, (3) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary, and (4) the Claimant's rights to seek review of the denial.

17.2 Review of Claim Denial. If a claim is denied, in whole or in part (or if within the time periods prescribed for in the initial claim, the Committee or agent has not furnished the Claimant with a denial and the claim is therefore deemed denied), the Claimant shall have the right to request that the Committee review the denial, provided that the Claimant files a written request for review with the Committee within sixty (60) days after the date on which the Claimant received written notification of the denial. A Claimant (or his or her duly authorized representative) may review pertinent documents and submit issues and comments in writing to the Committee. Within sixty (60) days after a request for review is received, the review shall be made and the Claimant shall be advised in writing by the Committee of the decision on review, unless special circumstances require an extension of time for processing the review, in which case the Claimant shall be given a written notification by the Committee within such initial sixty (60) day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within one hundred and twenty (120) days after the date on which the request for review was filed). The decision on review shall be forwarded to the Claimant by the Committee in

writing and shall include specific reasons for the decision and references to Plan provisions upon which the decision is based. A decision on review shall be final and binding on all persons for all purposes. If a Claimant shall fail to file a request for review in accordance with the procedures described in this Section, such Claimant shall have no right to review and shall have no right to bring action in any court and the denial of the claim shall become final and binding on all persons for all purposes.

ARTICLE XVIII

ADOPTION AND WITHDRAWAL FROM PLAN

18.1 Procedure for Adoption. Any Commonly Controlled Entity may by resolution of such Commonly Controlled Entity's board of directors adopt the Plan for the benefit of its employees as of the date specified in the board resolution. No such adoption shall be effective until such adoption has been approved by the Committee.

18.2 Procedure for Withdrawal. Any Employer (other than the Company) may, by resolution of the board of directors of such Employer, with the consent of the Committee and subject to such conditions as may be imposed by the Committee, terminate its adoption of the Plan. Notwithstanding the foregoing, an Employer will be deemed to have terminated its adoption of the Plan when it ceases to be a Commonly Controlled Entity. With respect to any Participant whose Employer is deemed to have withdrawn from the Plan because it ceases to be a Commonly Controlled Entity, such Participant's Account shall be fully vested to the extent required by law.

ARTICLE XIX

AMENDMENT, TERMINATION AND MERGER

19.1 Amendments.

(a) Power to Amend. The Board of Directors on behalf of all Employers, or the Retirement Policy Committee as provided in Subsection (c) below, may amend, modify, change, revise or discontinue this Plan by amendment at any time; provided, however, that no amendment shall:

- (1) increase the duties or liabilities of the Custodian or the Committee without its written consent;
- (2) have the effect of vesting in any Employer any interest in any funds, securities or other property, subject to the terms of this Plan and the Custodial Agreement;
- (3) authorize or permit at any time any part of the corpus or income of the Plan's assets to be used or diverted to purposes other than for the exclusive benefit of Participants and Beneficiaries;
- (4) except to the extent permissible under ERISA and the Code, make it possible for any portion of the Trust assets to revert to an Employer to be used for, or diverted to, any purpose other than for the exclusive benefit of Participants and Beneficiaries entitled to Plan benefits and to defray reasonable expenses of administering the Plan;
- (5) amend the provisions of this Plan which either (1) state the amount and price of Company Stock to be awarded to designated officers or categories of officers and, specifically, the timing of such awards, or (2) set forth a formula that determines the amount, price and timing of such awards, shall not be amended more than once every six (6) months, other than to comport with changes in the Code, ERISA or the rules thereunder;

- (6) permit an Employee to be paid the balance of his or her Pre-Tax Account unless the payment would otherwise be permitted under Code Section 401(k); and
- (7) have any retroactive effect as to deprive any such person of any benefit already accrued, except that no amendment made in order to conform the Plan as a plan described in Section 401(a) of the Code of which amendments are permitted by the Code or are required or permitted by any other statute relating to employees' trusts, or any official regulations or ruling issued pursuant thereto, shall be considered prejudicial to the rights of any such person.

(b) **Restriction on Amendment.** No amendment to the Plan shall deprive a Participant of his or her nonforfeitable rights to benefits accrued to the date of the amendment. Further, if the vesting schedule of the Plan is amended, each Participant with at least three (3) years of Vesting Service with the Employer may elect, within a reasonable period after the adoption of the amendment, to have his or her nonforfeitable percentage computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of:

- (1) sixty (60) days after the amendment is adopted;
- (2) sixty (60) days after the amendment becomes effective; or
- (3) sixty (60) days after the Participant is issued written notice of the amendment by the Employer or the Committee.

The preceding language concerning an amendment to the Plan's vesting schedule shall also apply when a Plan with a different vesting schedule is merged into this Plan. In addition to the foregoing, the Plan shall not be amended so as to eliminate an optional form of payment of an Accrued Benefit attributable to employment prior to the date of the amendment. The foregoing limitations do not apply to benefit accrual occurring after the date of the amendment.

(c) **The Retirement Policy Committee.** The Retirement Policy Committee may amend, modify, change, discontinue, or revise the Plan by amendment if such amendment could have been adopted under this Section and it does not cause a change in the level or type of contributions to be made to the Plan or otherwise materially increase the duties and obligations of any or all Employers with respect to the Plans.

19.2 **Plan Termination.** It is the expectation of the Company that it will continue the Plan and the payment of Contributions hereunder indefinitely, but the continuation of the Plan and the payment of Contributions hereunder is not assumed as a contractual obligation of the Company or any other Employer. The right is reserved by the Company to terminate the Plan at any time, and the right is reserved by the Company and any other Employer at any time to reduce, suspend or discontinue its Contributions hereunder, provided, however, that the Contributions for any Plan Year accrued or determined prior to the end of said year shall not after the end of said year be retroactively reduced, suspended or discontinued except as may be permitted by law. Upon termination of the Plan or complete discontinuance of Contributions hereunder (other than for the reason that the Employer has had no net profits or accumulated net profits), each Participant's Accrued Benefit shall be fully vested. Upon termination of the Plan or a complete discontinuance of Contributions, unclaimed amounts shall be applied as Forfeitures and any unallocated amounts shall be allocated to Participants who are Eligible Employees as of the date of such termination or discontinuance on the basis of Compensation for the Plan Year (or short Plan Year). Upon a partial termination of the Plan, the Accrued Benefit of each affected Participant shall be fully vested. In the event of termination of the Plan, the Committee shall direct the Custodian to distribute to each

Participant the entire amount of his or her Accrued Benefit as soon as

administratively possible, but not earlier than would be permitted in order to retain the Plan's qualified status under Sections 401(a), (k) and (m) of the Code, as if all Participants who are Employees had incurred a Termination of Employment on the Plan's termination date. Should a Participant or a Beneficiary) not elect immediate payment of a nonforfeitable Accrued Benefit in excess of three thousand five hundred dollars (\$3,500), the Committee shall direct the Custodian to continue the Plan and Custodial Agreement for the sole purpose of paying to such Participant his or her Accrued Benefit or death benefit, respectively, unless in the opinion of the Committee, to make immediate single sum payments to such Participant or Beneficiary would not adversely affect the tax qualified status of the Plan upon termination and would not impose additional liability upon any Employer or the Custodian.

19.3 Plan Merger. The Plan shall not merge or consolidate with, or transfer any assets or liabilities to any other plan, unless each person entitled to benefits would receive a benefit immediately after the merger, consolidation or transfer (if the Plan were then terminated) which is equal to or greater than the benefit he or she would have been entitled to immediately before the merger, consolidation or transfer (if the Plan were then terminated). The Committee shall amend or take such other action as is necessary to amend the Plan in order to satisfy the requirements applicable to any merger, consolidation or transfer of assets and liabilities.

ARTICLE XX

SPECIAL TOP-HEAVY RULES

20.1 Application. Notwithstanding any provisions of this Plan to the contrary, the provisions of this Article shall apply and be effective for any Plan Year for which the Plan shall be determined to be a "Top-Heavy Plan" as provided and defined herein.

20.2 Special Terms. For purposes of this Article, the following terms shall have the following meanings:

(a) "Aggregate Benefit" means the sum of:

- (1) the present value of the accrued benefit under each and all defined benefit plans in the Aggregation Group determined on each plan's individual Determination Date as if there were a termination of employment on the most recent date the plan is valued by an actuary for purposes of computing plan costs under Section 412 of the Code within the twelve (12) month period ending on the Determination Date of each such plan, but with respect to the first plan year of any such plan determined by taking into account the estimated accrued benefit as of the Determination Date; provided (A) the method of accrual used for the purpose of this Paragraph (1) shall be the same as that used under all plans maintained by all Employers and Commonly Controlled Entities if a single method is used by all stock plans or, otherwise, the slowest accrual method permitted under Section 411(b)(1)(C) of the Code, and (B) the actuarial assumptions to be applied for purposes of this Paragraph (1) shall be the same assumptions as those applied for purposes of determining the actuarial equivalents of optional benefits under the particular plan, except that the interest rate assumption shall be five percent (5%);
- (2) the present value of the accrued benefit (i.e., account balances) under each and all defined contribution plans in the Aggregation Group, valued as of the valuation date coinciding with or immediately preceding the Determination Date of each such plan, including (A) contributions made after the valuation date but on or prior to the Determination Date, (B) with respect to the first

plan year of any plan, any contribution made subsequent to the Determination Date but allocable as of any date in the first plan year, or (C) with respect to any defined contribution plan subject to Section 412 of the Code, any contribution made after the Determination Date that is allocable as of a date on or prior to the Determination Date; and

- (3) the sum of each and all amounts distributed (other than a rollover or plan-to-plan transfer) from any Aggregation Group Plan, plus a rollover or plan-to-plan transfer initiated by the Employee and made to a plan which is not an Aggregation Group Plan within the Current Plan Year or within the preceding four (4) plan years of any such plan, provided such amounts are not already included in the present value of the accrued benefits as of the valuation date coincident with or immediately preceding the Determination Date.

The Aggregate Benefit shall not include the value of any rollover or plan-to-plan transfer to an Aggregation Group Plan, which rollover or transfer was initiated by a Participant, was from a plan which was not maintained by an Employer or a Commonly Controlled Entity, and was made after December 31, 1983, nor shall the Aggregate Benefit include the value of employee contributions which are deductible pursuant to Section 219 of the Code.

(b) "Aggregation Group" means the Plan and one or more plans (including plans that terminated) which is described in Section 401(a) of the Code, is an annuity contract described in Section 403(a) of the Code or is a simplified employee pension described in Section 408(k) of the Code maintained or adopted by an Employer or a Commonly Controlled Entity in the Current Plan Year or one of the four preceding Plan Years which is either a "Required Aggregation Group" or a "Permissive Aggregation Group".

- (1) A "Required Aggregation Group" means all Aggregation Group Plans in which either (1) a Key Employee participates or (2) which enables any Aggregation Group Plan in which a Key Employee participates to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

- (2) A "Permissive Aggregation Group" means Aggregation Group Plans included in the Required Aggregation Group, plus one or more other Aggregation Group Plans, as designated by the Committee in its sole discretion, which satisfy the requirements of Sections 401(a)(4) and 410 of the Code, when considered with the other component plans of the Required Aggregation Group.

(c) "Aggregation Group Plan" means the Plan and each other plan in the Aggregation Group.

(d) "Current Plan Year" means (1) with respect to the Plan, the Plan Year in which the Determination Date occurs, and (2) with respect to each other Aggregation Group Plan, the plan year of such other plan in which occurs the Determination Date of such other plan.

(e) "Determination Date" means (1) with respect to the Plan and its Plan Year, the last day of the preceding Plan Year; or (2) with respect to any other Aggregation Group Plan in any calendar year during which the Plan is not the only component plan of an Aggregation Group, the determination date of each plan in such Aggregation Group to occur during the calendar year as determined under the provisions of each such plan.

(f) "Former Key Employee" means an Employee (including a terminated Employee) who is not a Key Employee but who was a Key Employee.

(g) "Key Employee" means an Employee (or a terminated Employee) who at any time during the Current Plan Year or at any time during the four preceding Plan Years is:

- (1) an officer of a Commonly Controlled Entity whose compensation from a Commonly Controlled Entity during the Plan Year is greater than fifty percent (50%) of the amount specified in Section 415(b)(1)(A) of the Code (as adjusted for cost-of-living increases by the Secretary of the Treasury) for the calendar year in which the Plan Year ends; provided, however, that no more than the lesser of (A) fifty (50) Employees, or (B) the greater of (i) three (3) Employees or (ii) ten percent (10%) (rounded to the next whole integer) of the greatest number of Employees during the Current Plan Year or any of the preceding four Plan Years shall be considered as officers for this purpose. Such officers considered will be those with the greatest annual compensation as an officer during the five (5) year period ending on the Determination Date;
- (2) One of the ten employees who owns (or is considered to own within the meaning of Section 318 of the Code) more than a one half percent (1/2%) interest in value and the largest percentage ownership interest in value in a Commonly Controlled Entity and whose total annual compensation from a Commonly Controlled Entity is not less than the amount specified in Section 415(b)(1)(A) of the Code (as adjusted for cost-of-living increases by the Secretary of the Treasury) for the calendar year in which the Plan Year ends;
- (3) A person who owns more than five percent (5%) of the value of the outstanding stock of any Commonly Controlled Entity or more than five percent (5%) of the total combined voting power of all stock of any Commonly Controlled Entity (considered separately) or;
- (4) A person who owns more than one percent (1%) of the value of the outstanding stock of a Commonly Controlled Entity or more than one percent (1%) of the total combined voting power of all stock of a Commonly Controlled Entity (considered separately) and whose total annual compensation (as defined in Section 1.415-2(d) of the Treasury Regulations) from the Employer or a Commonly Controlled Entity is in excess of one hundred and fifty thousand dollars (\$150,000).

The rules of Section 416 (i)(1)(B) and (C) of the Code shall be applied for purposes of determining an Employee's ownership interest in a Commonly Controlled Entity for purposes of Paragraphs (3) and (4) herein. A Beneficiary (who would not otherwise be considered a Key Employee) of a deceased Key Employee shall be deemed to be a Key Employee in substitution for such deceased Key Employee. Any person who is a Key Employee under more than one of the four Paragraphs of this Section shall have his or her Aggregate Benefit under the Aggregation Group Plans counted only once with respect to computing the Aggregate Benefit of Key Employees as of any Determination Date. Any Employee who is not a Key Employee shall be a Non-Key Employee.

(h) "Top-Heavy Plan" means the Plan with respect to any Plan Year if the Aggregate Benefit of all Key Employees or the Beneficiaries of Key Employees determined on the Determination Date is an amount in excess of sixty percent (60%) of the Aggregate Benefit of all persons who are Employees within the Current Plan Year; provided, that if an individual has not performed services for an Employer or a Commonly Controlled Entity at any time during the five (5) year period ending on

the Determination Date, the individuals's Accrued Benefit shall not be taken into account. With respect to any calendar year during which the Plan is not the only Aggregation Group Plan, the ratio determined under the preceding sentence shall be computed based on the sum of the Aggregate Benefits of each Aggregation Group Plan totaled as of the last Determination Date of any Aggregation Group Plan to occur during the calendar year.

20.3 Minimum Contribution. For any Plan Year that the Plan shall be a Top-Heavy Plan, each Participant who is an Eligible Employee but who is neither a Key Employee nor a Former Key Employee on the last day of the Plan Year shall have allocated to his or her Matching Account on the last day of the Plan Year a Pay Based Contribution in an amount equal to three percent (3%) of such Participant's Compensation; provided, however, in no event shall such contribution on behalf of such Participant be less than five percent (5%) of such Compensation if any Aggregation Group Plan is a defined benefit plan which does not satisfy the minimum benefit requirements with respect to such Participant. The amount of Pay Based Contributions required to be allocated under this Section for any Plan Year shall be reduced by the amount of Employer Contributions and Forfeitures allocated under this Plan on behalf of the Participant and employer contributions and forfeitures allocated on behalf of the Participant under any other defined contribution plan in the Aggregation Group for the Plan Year. Elective Deferrals to any Aggregation Group Plan made on behalf of a Participant in Plan Years beginning after December 31, 1984 but before January 1, 1989 shall be deemed to be Employer Contributions for the purpose of this Section. Elective Deferrals and matching contributions to Aggregation Group Plans in Plan Years beginning on or after January 1, 1989 shall not be used to meet the minimum contribution requirements of this Section. Where Employer Contributions and Forfeitures allocated on behalf of a Participant are insufficient to satisfy the minimum contribution otherwise required by this Section, an additional employer contribution shall be made and allocated to the Matching or Profit Sharing Account of such Participant.

20.4 Maximum Benefit Accrual. For any Plan Year that the Plan is a Top-Heavy Plan, the denominator of the "defined benefit plan fraction" and the denominator of the "defined contribution plan fraction" shall be determined by substituting "1.0" for "1.25"; provided, however, this limit shall not apply with respect to an Employee for any Plan Year during which he or she accrues no benefit under any plan of the Aggregation Group. The preceding sentence shall not apply if, within this Article, there is substituted "four percent (4%)" for "three percent (3%)" and "seven and one-half percent (7.5%)" for "five percent (5%)" and "ninety percent (90%)" for "sixty percent (60%)."

20.5 Special Vesting. If the Plan becomes a Top-Heavy Plan after the Effective Date, vesting for all Employees shall thereafter be accelerated to the extent the following vesting schedule produces a greater vested percentage for the Employee than the normal vesting schedule at any relevant time:

Years of Vesting Service	Vested Percentage
Less than 3 years	0%
3 years or more	100%

ARTICLE XXI

MISCELLANEOUS PROVISIONS

21.1 Assignment and Alienation. As provided by Code Section 401(a)(13) and to the extent not otherwise required by law, no benefit provided by the Plan may be anticipated, assigned or alienated, except:

- (a) to create, assign or recognize a right to any benefit with respect to a Participant pursuant to a QDRO, or
- (b) to use a Participant's vested Account balance as security for a loan from the Plan which is permitted pursuant to Code Section 4975.

21.2 Protected Benefits. All benefits which are protected by the terms of Code Section 411(d)(6) and ERISA Section 204(g), which cannot be eliminated without adversely affecting the qualified status of the Plan on and after April 1, 1996, shall be provided under this Plan to Participants for whom such benefits are protected. The Committee shall cause such benefits to be determined and the terms and provisions of the Plan and transferor plan immediately prior to April 1, 1996 are incorporated herein by reference and made a part hereof, but only to the extent such terms and provisions are so protected. Otherwise, they shall operate within the terms and provisions of this Plan, as determined by the Committee.

21.3 Plan Does Not Affect Employment Rights. The Plan does not provide any employment rights to any Employee. The Employer expressly reserves the right to discharge an Employee at any time, with or without Cause, without regard to the effect such discharge would have upon the Employee's interest in the Plan.

21.4 Deduction of Taxes from Amounts Payable. The Custodian shall deduct from the amount to be distributed such amount as the Custodian, in its sole discretion, deems proper to protect the Custodian and the Plan's assets held under the Custodial Agreement against liability for the payment of death, succession, inheritance, income, or other taxes, and out of money so deducted, the Custodian may discharge any such liability and pay the amount remaining to the Participant, the Beneficiary or the deceased Participant's estate, as the case may be.

21.5 Facility of Payment. If a Participant or Beneficiary is declared an incompetent or is a minor and a conservator, guardian, or other person legally charged with his or her care has been appointed, any benefits to which such Participant or Beneficiary is entitled shall be payable to such conservator, guardian, or other person legally charged with his or her care. The decision of the Committee in such matters shall be final, binding, and conclusive upon the Employer and the Custodian and upon each Employee, Participant, Beneficiary, and every other person or party interested or concerned. An Employer, the Custodian and the Committee shall not be under any duty to see to the proper application of such payments.

21.6 Source of Benefits. All benefits payable under the Plan shall be paid or provided for solely from the Plan's assets held under the Custodial Agreement and the Employers assume no liability or responsibility therefor.

21.7 Indemnification. To the extent permitted by law each Employer shall indemnify and hold harmless each member (and former member) of the Board of Directors, each member (and former member) of the Retirement Policy Committee and the Committee, and each officer and employee (and each former officer and employee) of an Employer to whom are (or were) delegated duties, responsibilities, and authority with respect to the Plan against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or her (including but not limited to reasonable attorney fees and amounts paid in any settlement relating to the Plan) by reason of his or her service under the Plan if he or she did not act dishonestly, with gross negligence, or otherwise in knowing violation of the law under which such liability, loss, cost or expense arises. This indemnity shall not preclude such other indemnities as may be available under insurance purchased or provided by an Employer under any by-law, agreement, or otherwise, to the extent permitted by law. Payments of any indemnity, expenses or fees under this Section shall be made solely from assets of the Employer and shall not be made directly or indirectly from the assets of the Plan.

21.8 Reduction for Overpayment. The Applicable Named Fiduciary shall, whenever it determines that a person has received benefit payments under this Plan in excess of the amount to which the person is entitled under the terms of the Plan, make two reasonable attempts to collect such overpayment from the person.

21.9 Limitation on Liability. No Employer nor any agent or representative of any Employer who is an employee, officer, or director of an Employer in any manner guarantees the assets of the Plan against loss or depreciation, and to the extent not prohibited by federal law, none of them shall be liable (except for his or her own gross negligence or willful misconduct), for any act or failure to act, done or omitted in good faith, with respect to the Plan. No Employer shall be responsible for any act or failure to act of any Custodian appointed to administer the assets of the

Plan.

21.10 Company Merger. In the event any successor corporation to the Company, by merger, consolidation, purchase or otherwise, shall elect to adopt the Plan, such successor corporation shall be substituted hereunder for the Company upon filing in writing with the Custodian its election so to do.

21.11 Employees' Trust. The Plan and Custodial Agreement are created for the exclusive purpose of providing benefits to the Participants in the Plan and their Beneficiaries and defraying reasonable expenses of administering the Plan, and the Plan and Custodial Agreement shall be interpreted in a manner consistent with their being, respectively, a Plan described in Sections 401(a), 401(k) and 401(m) of the Code and Custodial Agreements exempt under Section 501(a) of the Code. At no time shall the assets of the Plan be diverted from the above purpose.

21.12 Gender and Number. Except when the context indicates to the contrary, when used herein, masculine terms shall be deemed to include the feminine, and singular the plural.

21.13 Invalidity of Certain Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Plan shall be construed and enforced as if such provisions, to the extent invalid or unenforceable, had not been included.

21.14 Headings. The headings or articles are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

21.15 Uniform and Nondiscriminatory Treatment. Any discretion exercisable hereunder by an Employer or the Applicable Named Fiduciary shall be exercised in a uniform and nondiscriminatory manner.

21.16 Law Governing. The Plan shall be construed and enforced according to the laws of the state in which the Trust is located, to the extent not preempted by ERISA.

21.17 Notice and Information Requirements. Except as otherwise provided in this Plan or in the Custodial Agreement or as otherwise required by law, the Employer shall have no duty or obligation to affirmatively disclose to any Participant or Beneficiary, nor shall any Participant or Beneficiary have any right to be advised of, any material information regarding the Employer, at any time prior to, upon or in connection with the Employer's purchase, or any other distribution or transfer (or decision to defer any such distribution) of any Company Stock or any other stock held under the Plan.

Executed in one counterpart originals this 21 day of February, 1996, but effective as of the Effective Date.

Parker Drilling Company

By: /s/ I. E. Hendrix

Title: V.P. Treasurer

APPENDIX A

Investment Funds

The Investment Funds offered to Participants and Beneficiaries as of April 1, 1996, based upon share accounting, are:

Investment Fund

Stable Value

Fixed Income

Balanced

S & P Index

Growth Equity

Aggressive Equity

Company Stock

Effective September 1, 1996, the Schwab Personal Choice Retirement Account will be offered as an Investment Fund to Participants and Beneficiaries.

The Investment Funds prior to April 1, 1996 are those Investment Funds that were in the Plan on the business day prior to April 1, 1996.

SEVERANCE COMPENSATION AND CONSULTING AGREEMENT

This Severance Compensation and Consulting Agreement
("Agreement") is dated as of _____, between Parker

Drilling Company, a Delaware corporation (the "Company") and
[Officer] (the "Officer").

WHEREAS the Company's Board of Directors (the "Board") has determined that, in light of the importance of the Officer's continued services to the stability and continuity of management of the Company and its subsidiaries, it is appropriate and in the best interests of the Company and of its shareholders to reinforce and encourage the Officer's continued disinterested attention and undistracted dedication to his duties in the potentially disturbing circumstances of a possible change in control of the Company by providing some degree of personal financial security;

WHEREAS in order to induce the Officer to remain in the employ of the Company, or one of the affiliates or subsidiaries of the Company, the Board has determined that it is desirable to pay the Officer the severance compensation set forth below if the Officer's employment with the Company terminates in one of the circumstances described below following a Change in Control of the Company (as defined below); and

WHEREAS the Board has determined that, in the event of such a termination of the Officer's employment following a Change in Control, it would be desirable to utilize the valuable knowledge and experience which the Officer possesses by retaining the Officer as a consultant to the Company.
mutual covenants contained in this Agreement, the Company and the Officer agree as follows:

1. Term of Agreement. This Agreement shall commence on the

date hereof and shall terminate on the date six (6) years from the date of this Agreement; unless during said six (6) year period a Change in Control of the Company (as defined below) shall have occurred, in which case this Agreement shall in no event expire prior to the date which is four (4) years from the date on which the Change in Control shall have occurred.

It is further provided, however, that if a Change in Control shall not have occurred before the date which is six (6) years after the date of this Agreement, commencing on that date and each anniversary date of the Agreement thereafter, the term of this Agreement shall automatically be extended for one additional year unless not later than 365 days prior to the date which is six (6) years after the date of this Agreement or subsequent anniversary date, as applicable, the Company or the Officer shall have given written notice of an intention not to extend this Agreement. (The expiration date of this Agreement as determined in accordance with the two preceding sentences is referred to as the "Expiration Date".)

Provided a Notice of Termination shall have been given prior to the Expiration Date, all obligations of the Company under this Agreement which relate to any such Notice of Termination shall continue until they have been satisfied.

2. Change in Control. No compensation shall be payable

under this Agreement and the Officer shall not be retained as a consultant unless and until (a) there shall have been a Change in Control of the Company while the Officer is still an employee of the Company and (b) the Officer's employment by the Company thereafter shall have been terminated in accordance with Section 4 of this Agreement. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if,

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14 (d)(7) of the Securities Exchange Act of 1934, as amended (the "34 Act"), except the Officer, his affiliates and associates, the Company, or any corporation, partnership, trust or other entity controlled by the Company (a "Subsidiary"), or any employee benefit plan of the Company or of any Subsidiary (each such

individual, entity or group shall hereinafter be referred to as a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the '34 Act) of 20% 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 "Company Voting Securities"), in either case unless the Board in office immediately prior to such acquisition determines in writing within five business days of the receipt of actual notice of such acquisition that the circumstances do not warrant the implementation of the provisions of this Agreement; or

(b) Individuals who, as of the beginning of any twenty-four month period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders 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 is in connection with an actual or

threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the '34 Act); or

(c) 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 stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation 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 Company Voting Securities, as the case may be; or

(d) (i) Consummation of a complete liquidation or dissolution of the Company or (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

Notwithstanding any other provision of this Agreement, no Change in Control shall be deemed to have occurred for purposes of this Agreement after the date of the initial Change in Control pursuant to the provisions of Sections 2 (a), (b), (c) or (d) hereof.

3. Termination Following Change in Control.

(a) If a Change in Control of the Company shall have occurred while the Officer is still an employee of the Company, the Officer shall be entitled to the compensation provided in Section 4 of this Agreement upon the subsequent termination of the Officer's employment with the Company within four years of the date upon which the Change in Control shall have occurred unless such termination is as a result of (i) the Officer's death; (ii) the Officer's termination by the Company for Cause (as defined in Section 3(b) below); or (iii) the Officer's decision to terminate employment other than for Good Reason (as defined in Section 3(c) below).

(b) Cause. The Company may terminate the Officer's

employment for Cause without the Officer being entitled to the compensation provided in Section 4. For purposes of this Agreement,

the Company shall have "Cause" to terminate the Officer's employment only on the basis of (i) the Officer's willful and continued failure

substantially to perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness or any such failure resulting from the Officer's termination for Good Reason), after a written demand for substantial performance is delivered to the Officer by the Board which specifically identifies the manner in which such Board believes that the Officer has not substantially performed his duties and the matters addressed in said demand have not been cured within thirty days after receipt of said written demand;

or (ii) the Officer's willful engagement in conduct materially and demonstrably injurious to the Company. For purposes of this subsection, no act or failure to act on the Officer's part shall be considered "willful" unless done, or omitted to be done, by the Officer not in good faith and without reasonable belief that his action or omission was in the best interests of the Company. The Officer shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Officer a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board, at a meeting of the Board called and held for the purpose, finding that in the good faith opinion of the Board the Officer was guilty of conduct set forth in clause (i) or (ii) of the second sentence of this Section 3(b) and specifying the particulars thereof in detail.

(c) Good Reason. The Officer may terminate the Officer's

employment for Good Reason within two years after a Change in Control of the Company and during the term of this Agreement and become entitled to the compensation provided in Section 4. For purposes of this Agreement "Good Reason" shall mean any of the following events:

i) the assignment to the Officer by the Company of any duties inconsistent with, or any diminution of, the Officer's position, duties, titles, offices, responsibilities and status with the Company (including change in superior to whom said officer reports) immediately prior to a Change in Control of the Company, or any removal of the Officer from or any failure to reelect the Officer to any of such positions, except in connection with the termination of the Officer's employment for Cause or as a result of the Officer's death or by the Officer other than for Good Reason;

ii) a reduction by the Company in the Officer's Base Salary, as defined below, as in effect on the date hereof or as the same may be increased from time to time during the term of this Agreement or the Company's failure to increase (within 12 months after a Change in Control) the Officer's base salary after a Change in Control of the Company in an amount which is substantially similar, on a percentage basis, to the average percentage increase in base salary for all Officers of the Company effected during the last yearly base salary increase for a majority of the Officer group. Base salary shall mean the Officer's annual base cash compensation, and specifically does not include any other items such as bonuses, premiums, distributions, contributions to Company employee benefit plans, the value of employee benefits or executive benefits, stock options or stock grants, or any other component or item that may be included on the Officer's W-2 form from the Company.

iii) except with respect to changes required to maintain its tax-qualified status or changes generally applicable to all employees of the Company, any failure by the Company to continue in effect any benefit plan or arrangement (including, without limitation, the Company's Stock Bonus Plan, group life insurance plan, and medical plan) in which the Officer is participating at the time of a Change in Control of the Company (unless the Company substitutes and continues other plans providing the Officer with substantially similar benefits) (hereinafter

referred to as "Benefit Plans"), the taking of any action by the Company which would adversely affect the Officer's participation in or materially reduce the Officer's

benefits under any such Benefit Plan or deprive the Officer of any material fringe benefit enjoyed by the Officer at the time of a Change in Control of the Company, or the failure by the Company to provide the Officer with the number of paid vacation days to which the Officer is entitled in accordance with the vacation policies in effect at the time of a Change in Control of the Company;

iv) any failure by the Company to continue in effect any incentive plan or arrangement (including, without limitation, the Company's annual bonus arrangements and the right to receive performance awards and similar incentive compensation benefits) in which the Officer is participating at the time of a Change in Control of the Company (or to substitute and continue other plans or arrangements providing the Officer with substantially similar benefits) (hereinafter referred as "Incentive Plans") or the taking of any action by the Company which would adversely affect the Officer's participation in any such Incentive Plan or reduce the Officer's benefits under any such Incentive Plan in an amount which is not substantially similar, on a percentage basis, to the average percentage reduction of benefits under any such Incentive Plan effected during the preceding 12 months for all Officers of the Company participating in any such Incentive Plan;

v) 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 the Officer is participating at the time of a Change in Control of the Company (or to substitute and continue plans or arrangements providing the Officer with substantially similar benefits) (hereinafter referred to as "Securities Plans") or the taking of any action by the Company which would adversely affect the Officer's participation in or materially reduce the Officer's benefits under any such Securities Plan;

vi) a relocation of the Company's principal executive offices or the Officer's relocation to any place other than the location at which the Officer performed the Officer's duties prior to a Change in Control of the Company provided such location is in excess of 35 miles from present location;

vii) a substantial increase in business travel obligations over such obligations as they existed at the time of a Change in Control of the Company;

viii) as a result of the Officer's incapacity due to physical or mental illness based on an independent physician's determination; provided in such instance said officer would only be entitled to disability benefits, if any, provided by the Company;

ix) any material breach by the Company of any provision of this Agreement;

x) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company; or

xi) any purported termination of the Officer's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3(d).

(d) Notice of Termination. Any termination by the Company

pursuant to Section 3(b) or by the Officer pursuant to Section 3(c) shall be communicated to the other party by a Notice of Termination. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and which sets forth in

reasonable detail the facts and circumstances claimed to provide a basis for termination of the Officer's employment under the provision so indicated. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(e) Date of Termination. "Date of Termination" shall mean

the date on which a Notice of Termination is given.

(f) Expenses. The Company shall pay to the Officer all legal

fees and expenses incurred by the Officer as a result of the termination of the Officer's employment other than pursuant to Section 3(b) or by reason of death (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement).

4. Severance Compensation upon Termination.

(a) If the Officer's employment by the Company is terminated (i) by the Company pursuant to Section 3(b) or by reason of death or disability; or (ii) by the Officer other than for Good Reason, the Officer shall not be entitled to any severance compensation under this Agreement, but the absence of the Officer's entitlement to any benefits under this Agreement shall not prejudice the Officer's right to the full realization of any and all other benefits to which the Officer shall be entitled pursuant to the terms of any employee benefit plan or other agreements of the Company in which the Officer is a participant or to which the Officer is a party.

(b) If the Officer's employment by the Company is terminated following a Change in Control of the Company that occurred while the Officer was still an employee of the Company (a) by the Company other than pursuant to Section 3(b) or by reason of death or (b) by the Officer for Good Reason, then the Officer shall be entitled to the severance compensation provided below:

i) The Company shall pay as severance compensation to the Officer at the time specified in subsection (ii) below, unless the Officer elects the option set forth in subsection (iv) below, a lump-sum severance payment equal to three times the Officer's Annual Cash Compensation paid by the Company. For purposes of this Agreement, "Annual Cash Compensation" shall mean only the actual cash paid by the Company to the Officer, representing the sum of (x) the greater of the Officer's annual base salary in effect at the time Notice of Termination is given or at the time of the Change in Control, and (y) an amount equal to the highest annual cash bonus paid in the last three (3) calendar years. Annual Cash Compensation shall not include any other components of the Officer's income or compensation from the Company, such as contributions to the Company's retirement or 401(k) plan, stock options or grants, the value of stock options or grants, the cost or value of any other employee benefit, or any other component of

compensation or income which may be reflected on the Officer's W-2 form.

ii) The severance compensation provided for in subsection (i) above shall be made not later than the 10th day following the Date of Termination; provided, however, that if the amount of such compensation cannot be finally determined on or before such day, the Company shall pay to the Officer on such day an estimate, as determined in good faith by the Company, of the minimum amount of such compensation and shall pay the remainder of such compensation (together with interest at the rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code")) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payment exceeds the amount subsequently determined to have been

due, such excess shall constitute a loan by the Company to the Officer payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

iii) The Company shall arrange to provide the Officer for a period of thirty-six (36) months following the date that is twelve (12) months after the Date of Termination or until the Officer's earlier death, with life, health, disability, and accident insurance benefits and executive benefits, constituting automobile allowance and the value of monthly dues associated with certain club memberships (collectively, "Employment Benefits"), substantially similar to those which the Officer was receiving immediately prior to the Notice of Termination, or if greater, prior to the Change in Control.

iv) If the Officer so elects by notice to the Company not later than six (6) months prior to the Date of Termination, in lieu of the lump-sum severance compensation payment set forth in subsection (b)(i), for a period of thirty-six (36) months from the date that is twelve (12) months after the Date of Termination, the Company shall pay the Officer monthly an amount equal to one thirty-sixth (1/36) of a total amount which, payable over such period in such installments, would have compounded future value equal to the amount of the lump-sum severance compensation payment set forth in subsection (b)(i).

v) If the severance compensation under this Section 4, either alone or together with other payments to the Officer from the Company would constitute a "parachute payment" (as defined in Section 280G of the Code), such severance compensation shall be increased to the largest amount that will result in the net severance compensation payments under this Section 4, after deductions for the excise tax imposed by Section 4999 of the Code and federal income taxes imposed by the Code, being equal to the total amount of severance compensation due under Section 4 prior to deductions for any excise tax imposed by Section 4999 of the Code but after reduction for federal income taxes imposed by, the Code (assuming the highest federal income tax rate). The determination of whether any increase in the severance compensation payments under this paragraph is to apply is subject to confirmation by independent counsel/accountants to be jointly agreed upon by the Company and the Officer and such determination shall be conclusive and binding.

5. Consulting Agreement upon Termination and Agreement not

to Compete

(a) If the Officer's employment by the Company is terminated following a Change in Control of the Company that occurred while the Officer was still an employee of the Company (i) by the Company other than pursuant to Section 3(b) or by reason of death or disability; or (ii) by the Officer for Good Reason, then the Company shall retain the Officer as a consultant for a period commencing on the Date of Termination and ending one year after the Date of Termination. During such period, the Officer shall provide ongoing consulting services to the Company as requested by the Company, including services substantially similar to those which would have been performed by the Officer had the Officer's employment not been terminated, and in such capacity, the Officer will be an independent contractor and not an employee or agent of the Company. Such consulting services shall not be required to be performed at a location other than at which the Officer's duties were performed prior to the Date of Termination and shall not otherwise prohibit or substantially interfere with such Officer's ability to be gainfully employed by a third party.

(b) In consideration for the Officer's agreement to provide consulting services, the Company shall pay to the Officer not later than the tenth day following the Date of Termination an amount equal to the Officer's Annual Cash Compensation (as defined in Section

4(b)(i) above); provided, however, that if the Officer's Annual Cash Compensation cannot be finally determined on or before such day, the Company shall pay to the Officer on such day the estimated minimum amount of such Annual Cash Compensation, as determined in good faith by the Company and (A) the Company shall pay to the Officer any deficiency in such estimated amount as soon as the Officer's Annual Cash Compensation can be finally determined but in no event later than the thirtieth day after the Date of Termination or (B) the Officer shall repay to the Company, not later than the fifth day after demand by the Company, any excess of such estimated amount over the Officer's Annual Cash Compensation as finally determined (in each case, together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(c) The Company shall arrange to provide the Officer for a period of twelve (12) months following the Date of Termination or until the Officer's earlier death, with Employment Benefits (as defined in Section 4(b)(iii) above) substantially similar to those which the Officer was receiving immediately prior to the Notice of Termination or the cash equivalent thereof.

(d) If the Officer so elects by notice to the Company not later than six (6) months prior to the Date of Termination, in lieu of the lump-sum payment set forth in Section 5(b), for a period of twelve (12) months from the Date of Termination, the Company shall pay the Officer monthly an amount equal to one twelfth (1/12) of a total amount which, payable over such period in such installments, would have a compounded future value equal to the amount of the lump-sum payment set forth in Section 5(b).

6. No Obligation To Mitigate Damages; No Effect on Other

Contractual Rights.

(a) The Officer shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Officer as the result of employment by another employer after the termination of the Officer's employment, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Officer's existing rights, or rights which would accrue solely as a result of the passage of time, under any Benefit Plan, Incentive Plan or Securities Plan, employment agreement or other contract, plan or arrangement of the Company, other than the Severance Compensation and Consulting Agreement entered into as of September 13, 1988 between the Company and the Officer, which agreement is superseded in its entirety by this Agreement.

7. Successor to the Company.

(a) The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, by agreement in form and substance satisfactory to the Officer, expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Officer to terminate the Officer's employment for Good Reason. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 7 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Officer's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Officer should die while any amounts are still payable to the Officer hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this

Agreement to the Officer's devisee, legatee, or other designee or, if there be no such designee to the Officer's estate.

8. Notice. For purposes of this Agreement, notices and all

other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, as follows:

If to the Company:

Parker Drilling Company

8 East Third Street

Tulsa, Oklahoma 74103

Attention of: Office

If to the Officer:

Officer

c/o Parker Drilling Company

8 East Third Street

Tulsa, Oklahoma 74103

or such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9. Miscellaneous. No provisions of this Agreement may be

modified waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Officer and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma.

10. Employment. The Officer agrees to be bound by the terms

and conditions of this Agreement and to remain in the employ of the Company during any period following any public announcement by any person of any proposed transaction or transactions which, if effected, would result in a Change in Control of the Company until a Change in Control of the Company has taken place or, in the opinion of the Board of Directors, such person has abandoned or terminated its efforts to effect a Change in Control of the Company. Subject to the foregoing, nothing contained in this Agreement shall impair or interfere in any way with the right of the Officer to terminate the Officer's employment or the right of the Company to terminate the employment of the Officer with or without cause prior to a Change in Control of the Company. Nothing contained in this Agreement shall be construed as a contract of employment between the Company and the Officer or as a right of the Officer to continue in the employ of the Company or as a limitation of the right of the Company to discharge the Officer with or without cause prior to a Change in Control of the Company.

11. Validity. The invalidity or unenforceability of any

provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Counterparts. This Agreement may be executed in one or

more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

13. Release. Notwithstanding any other provision of this

Agreement, payment of benefits under Section 4(b) and 5(b) hereof shall be contingent upon the Officer's execution of a release, the form of which shall be substantially the same as the form of release executed by the Officer in favor of the Company concurrently with

this Agreement.

14. Laws Governing. This Agreement has been entered into in

the State of Oklahoma, and shall be construed, interpreted and governed in accordance with the laws of the State of Oklahoma.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

OFFICER

PARKER DRILLING COMPANY

By: _____

By: _____

Name:

Name: Robert L. Parker Jr.

Title:

Title: President and Chief
Executive Officer

Exhibit 10(k)
FIRST AMENDMENT TO THE
PARKER DRILLING COMPANY STOCK BONUS PLAN

The Parker Drilling Company Stock Bonus Plan (the "Plan") shall be and hereby is amended to read as follows:

I.

Effective September 1, 1996, Section 8.2 of the Plan shall be amended in its entirety to read as follows:

"Full Vesting Upon Attainment of Event. A Participant's Accrued Benefit shall be fully vested and nonforfeitable upon the occurrence of any one or more of the following events:

- (a) completion of at least one Hour of Service on or after September 1, 1996 or at least the minimum number of years of Vesting Service in the Vesting Schedule for a 100% nonforfeitable percentage;
- (b) attainment of Normal Retirement Date;
- (c) his or her Termination of Employment for reason of a Disability; or
- (d) he or she dies while an Employee."

II.

Effective September 1, 1996, Section 8.3 of the Plan shall be amended in its entirety to read as follows:

"Vesting Schedule. If a Participant had a Termination of Employment prior to September 1, 1996 and has not completed at least one Hour of Service on or after September 1, 1996, the Participant shall be vested and have a nonforfeitable right to his or her Accrued Benefit in his or her Matching and Profit Sharing Accounts, determined in accordance with the following vesting schedule:

Years of Vesting Service	Nonforfeitable Percentage
Less than 5 years	0%
5 years or more	100%"

III.

Effective October 1, 1996, Section 2.1(b) of the Plan shall be amended in its entirety to read as follows:

"(b) Other Eligible Employee. Each other Eligible Employee shall become a Participant on the first day of the month on or after the date he or she completes at least one year of Eligibility Service; provided however, each Eligible Employee who becomes an Eligible Employee as a result of the agreement between the Company and Amoco Exploration and Production Technical Group shall become a Participant on October 1, 1996."

IV.

In all other respects, the Plan shall remain in full force and effect.

Dated: September 30, 1996

Retirement Policy Committee on
behalf of Parker Drilling Company,
not in his or her individual
capacity, but solely as a member of

such Committee

By: /s/ I. E. Hendrix

Title: Chairman

Exhibit 21

<TABLE>

SUBSIDIARIES OF THE REGISTRANT

<CAPTION>

	Percentage of Voting Securities Owned By Immediate Parent as of August 31, 1996 -----
Parent of the Registrant Robert L. Parker	6% of Common Stock (6% of voting securities assuming full dilution)
<S>	<C>
Consolidated subsidiaries of the Registrant (Jurisdiction of incorporation):	
Parker Drilling Company of South America, Inc. (Oklahoma)	100%
Parker Drilling Company of Oklahoma, Inc. (Oklahoma)	100%
Parker Technology, Inc. (Oklahoma) (1)	100%
Vance Systems Engineering, Inc. (Texas) (2)	100%
Parker Drilling Company International Limited (Nevada) (3)	100%
Parker Drilling Company of Alaska Limited (Alaska)	100%
Parker Drilling Company of New Guinea, Inc. (Oklahoma)	100%
Parker Drilling Company of North America, Inc. (Oklahoma)	100%
Parker Drilling Company Limited (Nevada)	100%

</TABLE>

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.

- (1) Parker Technology, Inc. owns 100% of three subsidiary corporations, namely:
Parco Masts and Substructures, Inc. (Oklahoma)
O.I.M.E. Export Corporation (Texas)
O.I.M.E. International, Inc. (Texas)
- (2) Vance Systems Engineering, Inc. owns 100% of Parker Drilling Company Limited (Bahamas), 100% of Parker Drilling Company Kuwait, Ltd. (Bahamas) and 93% of Parker Drilling Company Eastern Hemisphere, Ltd. (Oklahoma). Parker Drilling Company Limited owns 7% of Parker Drilling Company Eastern Hemisphere, Ltd. (Oklahoma).
- (3) Parker Drilling Company International Limited owns 100% of three subsidiary corporations, namely:
Parker Drilling U.S.A. Ltd. (Nevada)
Choctaw International Rig Corp. (Nevada) (which owns 100% of the common stock of Parker Drilling Company of Indonesia, Inc. (Oklahoma))
Creek International Rig Corp. (Nevada)

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Parker Drilling Company on Form S-8 (File No. 2-87944, 33-24155, 33-56698 and 33-57345) of our report dated October 14, 1996, on our audits of the consolidated financial statements and financial statement schedule of Parker Drilling Company and subsidiaries as of August 31, 1996 and 1995, and for the years ended August 31, 1996, 1995 and 1994, which report is included in this Annual Report on Form 10-K.

/s/ COOPERS & LYBRAND L.L.P.
COOPERS & LYBRAND L.L.P.

Tulsa, Oklahoma
October 14, 1996