

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report: (Date of earliest event reported): August 3, 2020

Diamond Offshore Drilling, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-13926
(Commission
file number)

76-0321760
(I.R.S. Employer
Identification No.)

**15415 Katy Freeway
Houston, Texas 77094**
(Address of principal executive offices, including Zip Code)

(281) 492-5300
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	DOFSQ	*

* The registrant's Common Stock began trading on the OTC Pink Open Market on April 28, 2020 under the symbol "DOFSQ."

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 7.01. Regulation FD Disclosure.

As previously disclosed, on April 26, 2020, Diamond Offshore Drilling, Inc. (the “Company”) and certain of its subsidiaries (together with the Company, the “Debtors”) commenced voluntary cases (the “Chapter 11 Cases”) under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”). The Chapter 11 Cases are being jointly administered under the caption *In re Diamond Offshore Drilling, Inc., et al.*, Case No. 20-32307 (DRJ).

On June 15, 2020, the Company entered into confidentiality agreements with certain holders of the Company’s senior notes, pursuant to which the Company agreed to publicly disclose certain information upon the occurrence of certain events (the “Cleansing Materials”), including (i) a draft plan term sheet prepared by the Company and provided to such holders, which is attached hereto as Exhibit 99.1, and (ii) a draft restructuring term sheet prepared by such holders and provided to the Company, which is attached hereto as Exhibit 99.2. The Company’s discussions and negotiations with the holders are continuing, a definitive agreement has not yet been reached concerning the terms of a potential restructuring transaction and the Company can provide no assurance that any such agreement will be reached.

The Cleansing Materials are based solely on information available to the Company as of the date of the Cleansing Materials and were not prepared with a view toward public disclosure. The Cleansing Materials should not be relied on by any party for any reason.

The information contained in Item 7.01 and Exhibits 99.1 and 99.2 to this report shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and shall not be incorporated by reference into any previous or future registration statement filed under the Securities Act of 1933, as amended (the “Securities Act”), unless specifically identified therein as being incorporated by reference.

Forward Looking Statements

Certain statements in this report and the exhibits attached hereto are forward-looking statements within the meaning of and made pursuant to the safe harbor provisions of Section 27A of the Securities Act, and Section 21E of the Exchange Act. In addition, Company representatives may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. Forward-looking statements may be identified by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “may,” “will,” “could,” “should,” “seek” and similar expressions. Forward-looking statements reflect the Company’s current expectations and assumptions regarding its business, the economy and other future events and conditions and are based on currently available financial, economic and competitive data and the Company’s current business plans. Actual results could vary materially depending on risks and uncertainties that may affect the Company’s operations, markets, services, prices and other factors as discussed in the Risk Factors section of the Company’s filings with the Securities and Exchange Commission (the “SEC”). While management believes the Company’s assumptions are reasonable, the Company cautions against relying on any forward-looking statements as it is very difficult to predict the impact of known factors, and it is impossible for management to anticipate all factors that could affect the Company’s actual results. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, the Debtors’ ability to obtain the approval of the Bankruptcy Court with respect to motions filed in the Chapter 11 Cases and the outcomes of Bankruptcy Court rulings and the Chapter 11 Cases in general, the effectiveness of the overall restructuring activities pursuant to the Chapter 11 Cases and any additional strategies that the Debtors may employ to address their liquidity

and capital resources, the actions and decisions of creditors, regulators and other third parties that have an interest in the Chapter 11 Cases, restrictions on the Debtors due to the terms of any debtor-in-possession credit facility that the Debtors may enter into in connection with the Chapter 11 Cases and restrictions imposed by the Bankruptcy Court, increased legal and other professional costs necessary to execute the Debtors' restructuring, the trading price and volatility of the Company's common stock, the effects and the length of the 2019 novel coronavirus (COVID-19) pandemic and the other factors listed in the Company's SEC filings. For a more detailed discussion of these and other risk factors, see the Risk Factors section in the Company's most recent Annual Report on Form 10-K and the Company's other filings made with the SEC. All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The forward-looking statements made by the Company and Company representatives speak only as of the date on which they are made. Factors or events that could cause actual results to differ may emerge from time to time. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Item 9.01. Financial Statements and Exhibits

(d) *Exhibits.*

<u>Exhibit number</u>	<u>Description</u>
99.1	Plan Term Sheet of the Company
99.2	Restructuring Term Sheet of the Ad Hoc Group of Holders of the Company's Unsecured Notes
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Date: August 3, 2020

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ DAVID L. ROLAND

David L. Roland
Senior Vice President, General Counsel
and Secretary

DIAMOND OFFSHORE DRILLING, INC.

RESTRUCTURING TERM SHEET

June [●], 2020

THIS RESTRUCTURING TERM SHEET IS PRESENTED BY THE AD HOC GROUP OF HOLDERS OF THE COMPANY'S UNSECURED NOTES (THE "AD HOC GROUP"). THIS TERM SHEET DOES NOT CONSTITUTE (NOR WILL IT BE CONSTRUED AS) AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OR REJECTIONS AS TO ANY PLAN OF REORGANIZATION, IT BEING UNDERSTOOD THAT SUCH AN OFFER, IF ANY, ONLY WILL BE MADE IN COMPLIANCE WITH APPLICABLE PROVISIONS OF SECURITIES, BANKRUPTCY, AND/OR OTHER APPLICABLE LAWS.

THIS TERM SHEET DOES NOT PURPORT TO SUMMARIZE ALL OF THE TERMS, CONDITIONS, REPRESENTATIONS, WARRANTIES, AND OTHER PROVISIONS WITH RESPECT TO THE TRANSACTIONS DESCRIBED HEREIN, WHICH TRANSACTIONS WILL BE SUBJECT TO THE COMPLETION OF DEFINITIVE DOCUMENTS INCORPORATING THE TERMS SET FORTH HEREIN AND REMAINS SUBJECT TO SUBSTANTIAL DILIGENCE BY THE AD HOC GROUP. THE CLOSING OF ANY TRANSACTION WILL BE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN SUCH DEFINITIVE DOCUMENTS. NO BINDING OBLIGATIONS WILL BE CREATED BY THIS TERM SHEET UNLESS AND UNTIL BINDING DEFINITIVE DOCUMENTS ARE EXECUTED AND DELIVERED BY ALL APPLICABLE PARTIES.

THIS TERM SHEET IS PRESENTED FOR DISCUSSION AND SETTLEMENT PURPOSES AND IS ENTITLED TO PROTECTION FROM ANY USE OR DISCLOSURE TO ANY PERSON PURSUANT TO RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ANY OTHER RULE OF SIMILAR IMPORT.

OVERVIEW

Company Parties	Diamond Offshore Drilling, Inc. (the " <u>Company</u> "), together with all of its direct and indirect subsidiaries (together with the Company, " <u>DOD</u> ," or the " <u>Company Parties</u> ").
Restructuring	A financial restructuring (the " <u>Restructuring</u> ") of the existing capital structure of the Company and certain of its subsidiaries (collectively, the " <u>Debtors</u> "), which Restructuring will be consummated pursuant to a chapter 11 plan of reorganization (the " <u>Plan</u> ") in cases commenced on April 26, 2020 (the " <u>Chapter 11 Cases</u> ") in the United States Bankruptcy Court for the Southern District of Texas under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the " <u>Bankruptcy Code</u> ").
Financing; DIP Facility; Rights Offering Backstop; Delayed Draw Notes	The Restructuring will be financed by existing cash and, to the extent necessary, a postpetition senior secured superpriority term loan facility (the " <u>DIP Facility</u> ") to be provided by the Ad Hoc Group (defined below).

The Backstop Parties will backstop the Rights Offering on the Effective Date (each as defined below) to fund the Company's cash needs upon emergence from chapter 11.

Future operating cash requirements will be funded by the Delayed Draw Notes (as defined below).

EXISTING CLAIMS AND INTERESTS

Administrative Claims	Claims incurred for a cost or expense of administration of the Chapter 11 Cases entitled to priority under sections 503(b), 507(a)(2), or 507(b) of the Bankruptcy Code (" <u>Administrative Claims</u> ").
Priority Tax Claims	Claims of governmental units of the type described in section 507(a)(8) of the Bankruptcy Code (" <u>Priority Tax Claims</u> ").
Other Priority Claims	Claims, other than Administrative Claims or Priority Tax Claims, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code (the " <u>Other Priority Claims</u> ").
Revolving Credit Facility Claims	Claims consisting of the aggregate outstanding principal amount of, plus unpaid interest, fees, and other expenses arising and payable pursuant to, the 5-Year Revolving Credit Agreement, dated as of October 2, 2018 (as amended, modified, or otherwise supplemented from time to time, the " <u>RCF Credit Agreement</u> ," and the claims thereunder, the " <u>RCF Claims</u> "), by and among the Company, Diamond Foreign Asset Company, each lender from time to time party thereto, and Wells Fargo Bank, National Association, as administrative agent.
Other Secured Claims	Any secured claim against any of the Debtors, other than RCF Claims (" <u>Other Secured Claims</u> ").
Notes Unsecured Claims	Claims consisting of: <ul style="list-style-type: none">(a) the aggregate outstanding principal amount of the Company's 3.45% Senior Notes due 2023 (the "<u>2023 Notes</u>"), plus unpaid interest, fees, and other expenses arising and payable pursuant to, the 2023 Notes under that certain indenture, dated as of November 5, 2013 (as amended, modified, or otherwise supplemented from time to time), by and among the Company, each of the guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as trustee (the claims thereunder, the "<u>2023 Notes Unsecured Claims</u>");(b) the aggregate outstanding principal amount of the Company's 7.875% Senior Notes due 2025 (the "<u>2025 Notes</u>"), plus unpaid interest, fees, and other expenses arising and payable pursuant to, the 2025 Notes under that certain indenture, dated as of August 15, 2017 (as amended, modified, or otherwise supplemented from time to time), by and among the Company, each of the guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as trustee (the claims thereunder, the "<u>2025 Notes Unsecured Claims</u>");(c) the aggregate outstanding principal amount of the Company's 5.70% Senior Notes due 2039 (the "<u>2039 Notes</u>"), plus unpaid interest, fees, and other expenses arising and payable pursuant to, the 2039 Notes under that certain indenture, dated as of October 8, 2009 (as amended, modified, or otherwise

supplemented from time to time), by and among the Company, each of the guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as trustee (the claims thereunder, the “2039 Notes Unsecured Claims”); and

- (d) the aggregate outstanding principal amount of the Company’s 4.875% Senior Notes due 2043 (the “2043 Notes”), plus unpaid interest, fees, and other expenses arising and payable pursuant to, the 2043 Notes under that certain indenture, dated as of November 5, 2013 (as amended, modified, or otherwise supplemented from time to time), by and among the Company, each of the guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as trustee (the claims thereunder, the “2043 Notes Unsecured Claims” and, together with the 2023 Notes Unsecured Claims, the 2025 Notes Unsecured Claims and the 2039 Notes Unsecured Claims, the “Notes Unsecured Claims”).

General Unsecured Claims	Claims consisting of any unsecured prepetition claim against the Debtors that is not an Administrative Claim, Priority Tax Claim, Other Priority Claim, Notes Unsecured Claim, or Intercompany Claim (defined below) (the “ <u>General Unsecured Claims</u> ”).
Intercompany Claims	Consisting of claims against and between Company Parties (the “ <u>Intercompany Claims</u> ”).
Existing Equity Interests	Consisting of shares of the common stock of the Company (“ <u>Common Stock</u> ”) and options and warrants to purchase Common Stock that existed immediately prior to commencement of the Chapter 11 Cases (together with the Common Stock, the “ <u>Existing Equity Interests</u> ”).
<u>TREATMENT OF CLAIMS AND INTERESTS</u>	
Administrative Claims and Other Priority Claims	On the date upon which all conditions to the effectiveness of the Plan have been satisfied or waived in accordance with the terms thereof and the Plan becomes effective (the “ <u>Effective Date</u> ”), except to the extent that such holder agrees to a less favorable treatment, each holder of an allowed Administrative Claim or Other Priority Claim will receive, in full and final satisfaction of such claim, cash in an amount equal to such allowed claim on the Effective Date or as soon as practicable thereafter or such other treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code.
Priority Tax Claims	In full satisfaction of the allowed Priority Tax Claims, each holder of an allowed Priority Tax Claim will be paid in full in cash or otherwise receive treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code.
RCF Claims	On the Effective Date, each holder of allowed RCF Claims will receive: (i) its <i>pro rata</i> share of \$[●] million of the New RCF Facility (as defined below); and (ii) its <i>pro rata</i> share of the \$[●] million New Unsecured Term Loan (as defined below).
Other Secured Claims	Except to the extent that a holder of an allowed Other Secured Claim agrees to a less favorable treatment, in full and final satisfaction of such allowed Other Secured Claim, at the option of the Debtors, such holder will receive (i) payment in full in cash, or (ii) such other treatment so as to render such holder’s allowed Other Secured Claim unimpaired.

Notes Unsecured Claims	On the Effective Date, each holder of allowed Notes Unsecured Claims will receive, in full and final satisfaction of such Notes Unsecured Claim, their <i>pro rata</i> share of [90]% of the common stock of the Company issued on the Effective Date (the “ <u>New Common Shares</u> ”), subject to dilution by the Warrants, the MIP, and the GUC Distribution (each as defined below). Each holder of allowed Notes Unsecured Claims will also be offered the opportunity to purchase Second Lien Notes (defined below) and additional New Common Shares pursuant to the Rights Offering.
General Unsecured Claims	Except to the extent that a holder of an allowed General Unsecured Claim and the Debtor against which such allowed General Unsecured Claim is asserted agree to less favorable treatment for such holder, a <i>pro rata</i> share of [●]% of New Common Shares (subject to dilution by the MIP and the Warrants) on account of each allowed General Unsecured Claim against the Debtors (the “ <u>GUC Distribution</u> ”).
Intercompany Claims	No property will be distributed to the holders of allowed Intercompany Claims. Each Intercompany Claim will either be reinstated or canceled and released, with the consent of the Ad Hoc Group.
Existing Equity Interests	On the Effective Date, Existing Equity Interests will be cancelled, released, discharged, and extinguished, as the case may be, and will be of no further force or effect, whether surrendered for cancellation or otherwise. Each holder of Existing Equity Interests will receive Warrants, as described below, representing [5]% of the total New Common Shares to be issued by the Company on the Effective Date, subject to dilution by the MIP.

OTHER MATERIAL PROVISIONS

New RCF Facility	<p>A new \$[●] million revolving credit facility (the “<u>New RCF Facility</u>”), to be issued on the Effective Date, secured by liens on substantially all of DOD’s assets pursuant to a credit agreement in form and substance acceptable to the Company and the Ad Hoc Group. The New RCF Facility will consist of (i) \$[●] million that will be drawn on the Effective Date, (ii) \$[●] million that will be undrawn on the Effective Date, and (iii) \$[●] million in the form of letters of credit that will be undrawn on the Effective Date. The maturity of the New RCF Facility will occur six months before the Second Lien Notes.</p> <p>Upon the occurrence of a Permitted M&A Transaction (defined below), the New RCF Facility will remain outstanding and will become the obligation of the successor company, whether it is the Issuer or another entity, and the commitments by the lenders under the New RCF Facility will remain in full force and effect. The occurrence of a Permitted M&A Transaction will not result in a change of control under the New RCF Facility or otherwise result in a default or a requirement by the Issuer to repay the loans under the New RCF Facility.</p>
-------------------------	--

New Unsecured Term Loan	<p>A new \$[●] million unsecured term loan (the “<u>New Unsecured Term Loan</u>”), to be issued on the Effective Date, pursuant to a credit agreement in form and substance acceptable to the Company and the Ad Hoc Group. The maturity of the New Unsecured Term Loan will occur six months after the Second Lien Notes. Interest on the New Unsecured Term Loan will accrue at a PIK rate of [●]%. Upon the occurrence of a Permitted M&A Transaction, the New Unsecured Term Loan will remain outstanding and will become the obligation of the successor company, whether it is the Issuer or another entity. The occurrence of a Permitted M&A Transaction will not result in a change of control under the New Unsecured Term Loan or otherwise result in a default or a requirement by the Issuer to repay the New Unsecured Term Loan.</p>
Rights Offering	<p>As a component of the Restructuring, the Company will conduct one “rights offering” (the “<u>Rights Offering</u>”), whereby each holder of a Notes Unsecured Claim will be offered the indivisible right (a “<u>Right</u>”) to purchase, for cash, up to its <i>pro rata</i> portion (such <i>pro rata</i> portion representing the same aggregate percentage of Notes Unsecured Claims held) of the following two securities together, which shall be issued on the Effective Date:</p> <ul style="list-style-type: none"> (i) Second Lien Notes in an aggregate principal amount of up to \$[●] million¹ and having the terms set forth in Exhibit A hereto; and (ii) New Common Shares representing [10]% of the New Common Shares (subject to dilution by the MIP and the Warrants). <p>For each \$1.00 of cash contributed in the Rights Offering, holders will receive both \$1.00 of principal amount of Second Lien Notes and such holder’s <i>pro rata</i> portion of New Common Shares. The Second Lien Notes and the New Common Stock issued in the Rights Offering cannot be purchased separately.</p> <p>The Rights Offering shall be open for [●] business days. Once exercised, such exercise of Rights may not be revoked. Rights shall not be transferable once issued.</p>
Backstop Agreement; Backstop Premium	<p>Any Ad Hoc Group member who wishes to participate in the Rights Offering and purchase additional New Second Lien Notes and New Common Shares over and above the amount they are eligible to purchase in the Rights Offering (the “<u>Backstop Parties</u>”) will enter into a backstop agreement with the Company (the “<u>Backstop Agreement</u>”) to severally purchase, on a <i>pro rata</i> basis, any unsubscribed New Second Lien Notes and New Common Shares in the Rights Offering (each backstop commitment provided by the respective Backstop Parties, a “<u>Commitment</u>”).</p> <p>As consideration for entering into the Backstop Agreement and providing the Commitments, the Company will pay to each of the Backstop Parties a premium in cash equal to [●]% of the aggregate amount of Commitments provided by the respective Backstop Parties under the Backstop Agreement.</p> <p>Funding of the Rights Offering and the Commitments by the Backstop Parties will occur shortly before the occurrence of the Effective Date.</p>

¹ The aggregate principal amount of the Second Lien Notes is subject to additional diligence and discussions with the Company.

New Second Lien Notes	Up to \$[●] aggregate principal amount of [●]% PIK toggle senior secured notes due [●], 2025 (the “ <u>Second Lien Notes</u> ”) to be secured by second-priority liens on substantially all of DOD’s assets. The Second Lien Notes will be issued by the Company under an indenture to be dated on or about the Effective Date, and on the terms set forth in Exhibit A hereto.
Delayed Draw Notes Facility	<p>Up to \$[●] million of delayed draw second lien notes (the “<u>Delayed Draw Notes</u>”) issued by the Company to certain Backstop Parties and other approved creditworthy creditors. Each funding of the Delayed Draw Notes is to be used for preapproved operating cash expenditures on rigs or drill ships and conditioned upon the following terms:</p> <ul style="list-style-type: none"> • the Company Parties have entered into a contract with a counterparty that has a credit rating of at least [●] with contract terms that are at least [●] [months/years] and at a day rate of at least \$[●]; • a ticking fee will be payable on the delayed draw commitment in the amount of [●]% per quarter; • the Delayed Draw Notes will have the same terms as the Second Lien Notes, and will be part of the same series of notes to the extent permitted by applicable tax rules;² • the issue price of the Delayed Draw Notes will be [●]%; and • [other conditions to be considered].
Use of Proceeds	The Company will use the proceeds from the Rights Offering to supplement liquidity at emergence.
Permitted M&A Transaction	“ <u>Permitted M&A Transaction</u> ” shall mean (i) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its subsidiaries taken as a whole to any “ <u>Person</u> ” (as that term is used in Section 13(d)(3) of the Exchange Act) or (ii) the consummation of any transaction (including any merger or consolidation), the result of which is that any Person becomes the beneficial owner, directly or indirectly, of more than 50% of the voting stock of the Issuer, measured by voting power rather than number of shares, units or the like; provided that any such Person is engaged primarily in the offshore drilling industry that owns and operates between [five and 25] offshore drillships and/or semi-submersible rigs.
Transfer/Resale Restrictions	The offering of Rights, Second Lien Notes and the New Common Shares issued pursuant to the Rights Offering and the Warrants issued to Existing Equity Interests will be exempt from registration under the Securities Act, pursuant to, and to the fullest extent permitted under, section 1145 of the Bankruptcy Code. There will be no restrictions on the transfer of the Second Lien Notes or New Common Shares following issuance.

² NTD: Terms subject to review by tax counsel to ensure fungibility with the Second Lien Notes.

Any Second Lien Notes and New Common Shares that are unsubscribed in the Rights Offering and purchased by the Backstop Parties will be exempt from registration under the Securities Act pursuant to section 4(a)(2) of the Securities Act. These securities will be subject to customary private placement transfer restrictions.

Any Delayed Draw Notes will be exempt from registration under the Securities Act pursuant to section 4(a)(2) of the Securities Act. These securities will be subject to customary private placement transfer restrictions.

Registration Rights and Listing

Any holders who beneficially own at least [●]% of the outstanding common equity may request that the Company file a registration statement covering the registrable securities held by such holders (subject to customary exceptions and limitations). The Company shall list the New Common Shares on the New York Stock Exchange.

Expected Launch Date and Closing Date

The Rights Offering must be launched no later than [●], 2020 and closed no later than [●], 2020.

Blowout-Preventer Systems Contracts

The Company's blowout-preventer systems program (the "BOP Program") was entered into in February 2015 by the Company with GE Oil & Gas ("GE") and covers all four of the Company's drillships. The BOP Program is governed by a service contract with Baker Hughes and a lease contract with GE (collectively, the "BOP Program Contracts"). The BOP Program Contracts each have 10-year terms and cost the Company approximately \$47,000 in total per day per rig.

The BOP Program Contracts will either be rejected in the Chapter 11 Cases, or renegotiated on terms acceptable to the Ad Hoc Group.

Releases

The Plan shall contain customary release and exculpation provisions, including releases for benefit of the Ad Hoc Group and its members.

Warrants

[5]-year warrants representing (on a fully exercised basis) [5]% of the New Common Shares to be issued by the Company on the Effective Date, subject to dilution by the MIP, with a strike price of \$[●] per share based on a total enterprise value at which the recovery of the Note Unsecured Claims (including accrued interest balance at emergence) would equal 100%.

No Black-Scholes protection.

GENERAL PROVISIONS

Corporate Governance

Corporate governance for the Company following the Effective Date, including the governance and composition of its Board of Directors, charters, bylaws, a shareholder rights agreement, or other organization or formation documents, as applicable, shall be agreed between the Company and the Ad Hoc Group, subject to applicable law (including section 1123(a)(6) of the Bankruptcy Code, if applicable). The Board of Directors shall include the chief executive officer of the Company.

Management Incentive Plan	<p>The Plan shall include the implementation of a management incentive plan on the terms and conditions acceptable to the Ad Hoc Group (the “<u>MIP</u>”).</p> <p>The MIP will reserve for issuance 8% of the New Common Shares to be issued by the Company on the Effective Date. (i) One-third of the MIP will vest on the Effective Date and will be allocated to those individuals agreed upon by the Company and the Ad Hoc Group prior to the Effective Date, (ii) one third will vest on [●] and will be allocated to those individuals to be determined by the reorganized Company’s new board of directors and (iii) one-third will vest upon the completion of certain performance benchmarks and will be allocated to those individuals to be determined by the reorganized Company’s new board of directors. The portions of the MIP described in (ii) and (iii) above shall not accelerate upon a change of control of the Company on or after the Effective Date.</p>
Conditions to Effectiveness	There shall be customary conditions to the effectiveness of the Plan.
Fees	The Company shall pay all reasonable and documented costs and expenses incurred by the Ad Hoc Group, including the reasonable and documented pre-petition and post-petition fees and expenses of Milbank LLP, Evercore Group L.L.C., Norton Rose Fulbright US LLP, DNB Bank ASA, DNB Markets and any other professionals retained by the Ad Hoc Group in furtherance of the Restructuring.
Tax Structure	The Ad Hoc Group shall cooperate in good faith to structure the Restructuring and related transactions in a tax-efficient manner; provided that such structure shall be reasonably acceptable to the Ad Hoc Group.

SUMMARY OF KEY TERMS OF THE SECOND LIEN NOTES

The summary below describes the proposed principal terms of the Second Lien Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. Capitalized terms used but not defined herein have the meaning assigned to such terms in the term sheet to which this exhibit is attached. The Backstop Parties' obligations shall be subject to due diligence and the execution of the Backstop Agreement.

Issuer	Diamond Offshore Drilling, Inc. (the " <u>Issuer</u> ")
Notes Offered	Up to \$[●] million aggregate principal amount of [●]% PIK toggle senior secured notes due 2025 (the " <u>Second Lien Notes</u> ").
Purchase Price	[●]% ³
Maturity Date	[●], 2025.
Interest Rate	Interest on the Second Lien Notes will accrue at an annual PIK rate of [●]%, payable semi-annually in arrears on [●] and [●] of each year, commencing on [●], 2020. Interest will accrue from the issue date of the Second Lien Notes.
Guarantees	The Second Lien Notes will be unconditionally guaranteed (the " <u>Guarantees</u> ") on a senior secured basis by each subsidiary of the Issuer that guarantees the New RCF Facility (the " <u>Guarantors</u> "), subject to exceptions to be agreed.
Collateral	Second-priority lien on all assets of the Issuer and the Guarantors that secure the New RCF Facility, subject to certain exceptions to be agreed.
Ranking	The Second Lien Notes and the Guarantees will constitute senior obligations of the Issuer and the Guarantors.
Optional Redemption	<p>On or after [●], 2022 the Issuer will have the right to redeem all or some of the Second Lien Notes at the redemption price equal to the percentage of principal amount set forth below plus any accrued and unpaid interest, if any, if redeemed during the 12-month period beginning on [●] of the following years:</p> <ul style="list-style-type: none">• 2022: 100.00% + 50% of TBD interest rate• 2023: 100.00% + 25% of TBD interest rate• 2024 and thereafter: 100.00% <p>Prior to [●], 2022, in connection with a Permitted M&A Transaction, the Issuer may redeem all of the Second Lien Notes at a redemption price equal to [100.00% + 50% of TBD interest rate] of the aggregate principal amount of the Second Lien Notes to be redeemed, plus accrued and unpaid interest.</p> <p>Prior to [●], 2022 the Issuer may redeem all or any portion of the Second Lien Notes at a redemption price equal to 100% of the aggregate principal amount of the Second Lien Notes to be redeemed, plus the Applicable Premium and accrued and unpaid interest.</p> <p>"Applicable Premium" means, with respect to a Second Lien Notes at any redemption date, the excess of (i) the present value at such time of (a) the redemption price of such Second Lien Notes as of [●], 2025 (excluding accrued and unpaid interest, if any) plus (b) all required interest payments due on such Second Lien Notes through [●], 2025 (excluding accrued and unpaid interest, if any), computed using a discount rate equal to the applicable United States treasury rate plus [●] basis points, over (ii) the outstanding principal amount of such Second Lien Notes.</p>

³ Inclusive of original issue discount, if any.

Change of Control	Upon the occurrence of certain events constituting change of control of the Issuer, the Issuer will be required to make an offer to purchase holders’ Second Lien Notes at a price equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.
Mandatory Asset Sale Offer	Obligations to repay or repurchase senior indebtedness following an asset sale and other exceptions to be agreed.
Certain Covenants	The indenture governing the Second Lien Notes will contain covenants to be agreed between the Company and the Ad Hoc Group. ⁴

⁴ Covenant structure, which may be covenant-lite, to be discussed.

COMPANY PLAN PROPOSAL



LAZARD
Paul|Weiss



Company Plan Proposal

Set forth below are the key terms of the Company's Proposal to the Ad Hoc Group of Unsecured Noteholders (the "Ad Hoc Group") with respect to a Plan of Reorganization and Equity Rights Offering

Company Plan Proposal (06.15.20)

New Money	<ul style="list-style-type: none"> Equity rights offering for \$225 million in return for [TBD]% of the Reorganized Equity at a [TBD]% discount to a \$[TBD] Plan Equity Value (the "Rights Offering"), subject to dilution by the MIP and the Warrants <ul style="list-style-type: none"> Backstopped by the Ad Hoc Group, but participation open to all creditors and existing equity Proceeds used to fund (i) a ~\$165 million paydown of the RCF, (ii) exit costs, and (iii) augment liquidity Undrawn L+425bps \$600 million First Lien Exit RCF at emergence committed to by existing RCF Lenders in return for the treatment set forth below
RCF	<ul style="list-style-type: none"> Pro rata share of (i) \$165 million of cash proceeds from the Rights Offering, (ii) a new \$225 million 7% Second Lien Exit Term Loan, and (iii) [TBD]% of the Reorganized Equity equal to \$50 million calculated at Plan Equity Value
Unsecured Notes	<ul style="list-style-type: none"> Pro rata share of 100% of the Reorganized Equity, less the [TBD]% of the Reorganized Equity distributed to General Unsecured Creditors and subject to dilution by the Rights Offering, MIP, and Warrants
General Unsecured	<ul style="list-style-type: none"> Pro rata share of [TBD]% of the Reorganized Equity, subject to dilution by the Rights Offering, MIP, and Warrants
Existing Equity	<ul style="list-style-type: none"> Pro rata share of 5-year warrants for 10% of the Reorganized Equity, subject to dilution by the Rights Offering and MIP, with a strike price at a TEV at which the Unsecured Notes' recovery would equal 85% (the "Warrants") <ul style="list-style-type: none"> Protection (ride through or Black Scholes) in the event of a merger or sale
MIP	<ul style="list-style-type: none"> Usual and customary terms for a Management Incentive Plan ("MIP") for 15% of the Reorganized Equity to be negotiated by the Company and the Ad Hoc Group prior to filing a Plan
New Board	<ul style="list-style-type: none"> As agreed-to between the Company and the Ad Hoc Group <ul style="list-style-type: none"> Marc Edwards to be member of New Board
Releases	<ul style="list-style-type: none"> Full and final releases, to the fullest extent possible by law, including full, mutual releases by and between existing equity holders and the Ad Hoc Group upon execution of a Restructuring Support Agreement

Disclaimer

Lazard has prepared the information herein (acting at the direction of Paul Weiss) based upon publicly available information regarding Diamond Offshore Drilling, Inc. and certain of its affiliates (the "Company"). We have relied upon the accuracy and completeness of this information, and have not assumed any responsibility for any independent verification of such information or any independent valuation or appraisal of any of the assets or liabilities of the Company, or any other entity, or concerning solvency or fair value of the Company or any other entity. The information set forth herein is based upon economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof, unless indicated otherwise. These materials and the information contained herein are confidential and may not be disclosed publicly or made available to third parties without Lazard's prior written consent. These materials are preliminary and summary in nature and do not include all of the information that the recipient should evaluate in considering a possible transaction. Nothing herein shall constitute a commitment or undertaking on the part of Lazard or any other party to provide any service. Lazard is not responsible for and will not provide any tax, accounting, actuarial, legal or other specialist advice. The information presented herein is in the nature of settlement discussions and is subject to F.R.E. 408 and all state law equivalents.

This presentation is not an offer, nor a solicitation of an offer, of the sale or purchase of any securities.