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

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-13926

DIAMOND OFFSHORE DRILLING, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	76-0321760
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15415 KATY FREEWAY
HOUSTON, TEXAS 77094
(Address and zip code of principal executive offices)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
- Common Stock, $0.01 par value per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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 [X] No [ ]

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant.

As of March 15, 2002	$1,893,371,706

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of March 15, 2002	Common Stock, $0.01 par value per share	131,553,155 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the 2002 Annual Meeting of Stockholders of Diamond Offshore Drilling, Inc., which will be filed within 120 days of December 31, 2001, are incorporated by reference in Part III of this form.

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DIAMOND OFFSHORE DRILLING, INC.
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2001

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PART I

ITEM 1. BUSINESS.

GENERAL

Diamond Offshore Drilling, Inc., incorporated in Delaware in 1989, engages principally in the contract drilling of offshore oil and gas wells. Unless the context otherwise requires, references herein to the "Company" mean Diamond Offshore Drilling, Inc. and its consolidated subsidiaries. The Company is a leader in deep water drilling with a fleet of 45 offshore rigs. The fleet consists of 30 semisubmersibles, 14 jack-ups and one drillship.

INDUSTRY CONDITIONS

The offshore contract drilling business is influenced by a number of factors, including the current and anticipated prices of oil and natural gas, the expenditures by oil and gas companies for exploration and development of oil and natural gas and the availability of drilling rigs. In addition, demand for drilling services remains dependent on a variety of political and economic factors beyond the Company's control, including worldwide demand for oil and natural gas, the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and pricing, the level of production of non-OPEC countries and the policies of the various governments regarding exploration and development of their oil and natural gas reserves.

Historically, the offshore contract drilling industry has been highly competitive and cyclical, with periods of high demand, short rig supply and high dayrates followed by periods of low demand, excess rig supply and low dayrates. During 2001, oil and natural gas prices began to soften which caused reduced dayrates and utilization for some classes of the Company's equipment although the market for other classes of its equipment were minimally impacted. Geographically, the Gulf of Mexico has been the hardest hit area. In the short-term, management expects a continuation of current market conditions unless product prices change. Management believes that, in the longer-term, deepwater markets will continue to be strong and the Company is therefore continuing with its ultra-deep moored vessel upgrade program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Outlook" in Item 7 of this report.

THE FLEET

The Company's large, diverse fleet, which includes some of the most technologically advanced rigs in the world, enables it to offer a broad range of services worldwide in various markets, including the deep water market, the harsh environment market, the conventional semisubmersible market and the jack-up market.

Semisubmersibles. The Company owns and operates 30 semisubmersibles. Semisubmersible rigs consist of an upper working and living deck resting on vertical columns connected to lower hull members. Such rigs operate in a "semi-submerged" position, remaining afloat, off bottom, in a position in which the lower hull is approximately 55 feet to 90 feet below the water line and the upper deck protrudes well above the surface. Semisubmersibles are typically anchored in position and remain stable for drilling in the semi-submerged floating position due in part to their wave transparency characteristics at the water line. Semisubmersibles can also be held in position through the use of a computer controlled thruster (dynamic-positioning) system to maintain the rig's position over a drillsite. Three semisubmersible rigs in the Company's fleet have this capability.

The Company owns and operates eight high specification semisubmersibles. These semisubmersibles are larger than many other semisubmersibles, are capable of working in deep water or harsh environments and have other advanced features. Currently, six of the eight high specification semisubmersibles are located in the Gulf of Mexico, the Ocean Alliance is working offshore Brazil and the Ocean Baroness has completed its upgrade and is mobilizing to a location offshore Southeast Asia in connection with its current contract. In addition, one of the Company's semisubmersibles, the Ocean Rover is in a shipyard in Singapore undergoing

an upgrade to high specification capabilities. This will increase the number of high specification rigs to nine by the third quarter of 2003. See "Fleet Enhancements."

The Company owns and operates 21 other semisubmersibles which operate in maximum water depths up to 3,500 feet. The diverse capabilities of many of these semisubmersibles enable them to provide both shallow and deep water service in the U.S. and in other markets outside the U.S. Currently, 10 of these semisubmersibles are located in the Gulf of Mexico; three are located offshore Brazil; three are located in the North Sea; two are located offshore Australia; two are located offshore West Africa; and one is located offshore Southeast Asia.

Jack-ups. The Company owns 14 jack-ups. Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the ocean floor until a foundation is established to support the drilling platform. The rig hull includes the drilling rig, jacking system, crew quarters, loading and unloading facilities, storage areas for bulk and liquid materials, heliport and other related equipment. The Company's jack-ups are used extensively for drilling in water depths from 20 feet to 350 feet. The water depth limit of a particular rig is principally determined by the length of the rig's legs. A jack-up rig is towed by tugboats to the drillsite with its hull riding in the sea, as a vessel, with its legs retracted. Once over a drillsite, the legs are lowered until they rest on the seabed and jacking continues until the hull is elevated above the surface of the water. After completion of drilling operations, the hull is lowered until it rests in the water and then the legs are retracted for relocation to another drillsite.

Currently 12 of the Company's jack-up rigs are located in the Gulf of Mexico. Of these jack-up rigs in the Gulf of Mexico, seven are independent-leg cantilevered rigs, two are mat-supported cantilevered rigs, two are independent-leg slot rigs and one is a mat-supported slot rig. Both of the Company's internationally based jack-ups are independent-leg cantilevered rigs and are currently located offshore Southeast Asia and Australia.

Drillship. Drillships, which are typically self-propelled, are positioned over a drillsite through the use of either an anchoring system or a dynamic-positioning system similar to those used on certain semisubmersible rigs. Deep water drillships compete in many of the same markets as do high specification semisubmersible rigs. Currently, the Company's drillship, the Ocean Clipper, is located offshore Brazil.

Fleet Enhancements. The Company's strategy is to maximize utilization and dayrates by upgrading its fleet to meet customer demand for advanced, efficient, high-tech rigs, particularly deepwater semisubmersibles. Since 1995, the Company has increased the number of semisubmersibles capable of operating in over 3,500 feet of water from three to ten, primarily by upgrading its existing fleet. Four of these successful upgrades were to its Victory-class semisubmersible rigs, most recently the Ocean Baroness. The design of the Company's Victory-class semisubmersible rigs with its cruciform hull configurations, long fatigue-life and advantageous stress characteristics, makes this class of rig particularly well-suited for significant upgrade projects.

In January 2001 the Company took delivery of its most advanced deepwater rig, the Ocean Confidence. The rig, a former North Sea, 800-bed accommodation unit, was converted to a semisubmersible rig capable of operating in 7,500 feet of water with 6,000 metric tons of variable deckload, a 15,000 psi blow-out prevention system and four mud pumps to complement the existing Class III dynamic-positioning system. The net cost of the conversion was approximately $448.2 million. Since its delivery in January and the commencement of its five-year term contract, the rig has experienced less than five percent equipment downtime, one of the top performers of recent new builds or conversions.

In January 2002 the Company took delivery of its newly upgraded rig, the Ocean Baroness. Final outfitting has been subsequently completed and the rig is currently mobilizing to its first drilling location offshore Southeast Asia. This Victory-class rig has enhancements that include capability for operation in excess of 7,000-foot water depths on a stand alone basis; approximately 5,590 metric tons variable deckload; a 15,000 psi blow-out prevention system; 3,600-kips riser tensioning and riser with a multiplex control system. Additional features include a high capacity deck crane, significantly enlarged cellar deck area, an automated pipe-racking system and a 25- by 91-foot moon pool which will provide enhanced subsea completion and

development capabilities. Features that will allow for extreme well depth capabilities include 3- by 2,200-hp and 1- by 1,600-hp mud pumps, a 2.5 million pound derrick, 1,000-kip traveling equipment and a 4,000 hp drawworks. The cost to complete the deepwater upgrade of the Ocean Baroness was approximately $170 million.

A similar upgrade is now underway on another of the Company's Victory-class rigs, the Ocean Rover, which arrived at a Singapore shipyard in January 2002 and is expected to be completed in the third quarter of 2003 at a cost of approximately $200 million. Upgrades to the Ocean Rover will include capability for operation in excess of 7,000-foot water depths on a stand alone basis; approximately 5,590 metric tons variable deckload; a 15,000 psi blow-out prevention system; 3,600-kips riser tensioning and riser with a multiplex control system. Additional features include a high capacity deck crane, a knuckle-boom crane, significantly enlarged cellar deck area, an automated pipe-racking system and a 25- by 91-foot moon pool which will provide enhanced subsea completion and development capabilities. Features that will allow for extreme well depth capabilities include 3- by 2,200-hp and 1- by 1,600-hp mud pumps, a 2.5 million pound derrick, 1,000-kip traveling equipment and a 4,000 hp drawworks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Capital Resources" in Item 7 of this report.

The Company has also initiated a program to significantly upgrade six of its 14 jack-up rigs over the next two years to expand the shallow water fleet's capabilities. The Ocean Titan and the Ocean Tower, both 350-foot water depth capable independent-leg slot rigs, will have cantilever packages installed. The cantilever systems enable a rig to cantilever or extend its drilling package over the aft end of the rig. This is particularly important when attempting to drill over existing platforms. Cantilever rigs have historically enjoyed greater dayrate and utilization as compared to slot rigs. The Ocean Spartan, the Ocean Spur, the Ocean Sovereign and the Ocean Heritage, all 250-foot water depth capable independent-leg cantilever rigs, will have leg extensions installed enabling these rigs to work in water depths up to 300 feet. The equipment necessary for these upgrades is being pre-fabricated and installation is planned to occur as idle time or as scheduled surveys arise to minimize downtime. The total cost of these upgrades is expected to be approximately $100 million.

The Company continues to evaluate further rig upgrade opportunities. However, there can be no assurance whether or to what extent upgrades will continue to be made to rigs in the Company's fleet. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Capital Resources" in Item 7 of this report.

More detailed information concerning the Company's fleet of mobile offshore drilling rigs, as of January 28, 2002, is set forth in the table below.

TYPE AND NAME	WATER DEPTH RATING	YEAR BUILT/ ATTRIBUTES	LATEST ENHANCEMENT(a)	CURRENT LOCATION	CUSTOMER(b)
HIGH SPECIFICATION FLOATERS					
SEMISUBMERSIBLES (8):					
Ocean Confidence	7,500 TDS; DP; 15K; 4M	2001		Gulf of Mexico	BP
Ocean Baroness	7,000 TDS; VC; 15K; 4M	1973/2002	Singapore Upgrade (c)		
Ocean America	5,500 TDS; SP; 15K; 3M	1988/1999		Gulf of Mexico	Anadarko
Ocean Valiant	5,500 TDS; SP; 15K; 3M	1988/1999		Gulf of Mexico	Murphy
Ocean Victory	5,500 TDS; VC; 15K; 3M	1972/1997		Gulf of Mexico	BP
Ocean Star	5,500 TDS; VC; 15K; 3M	1974/1999		Gulf of Mexico	Kerr McGee
Ocean Alliance	5,000 TDS; DP; 15K; 3M	1988/1999		Brazil	Petrobras
Ocean Quest	3,500 TDS; VC; 15K; 3M	1973/1996		Gulf of Mexico	Kerr McGee
DRILLSHIP (1):					
Ocean Clipper	7,500 TDS; DP; 15K; 3M	1976/1999		Brazil	Petrobras
UNDER CONSTRUCTION (1):					
Ocean Rover	7,000 TDS; VC; 15K; 4M	1973/2003	Singapore Upgrade (d)		
OTHER SEMISUBMERSIBLES (21):					
Ocean Winner	3,500 TDS; 3M	1977/1996		Brazil	Petrobras
Ocean Worker	3,500 TDS; 3M	1982/1992		Gulf of Mexico	Shell
Ocean Yatzy	3,300 TDS; DP	1989/1998		Brazil	Petrobras
Ocean Voyager	3,300 TDS; VC	1973/1995		Gulf of Mexico	Westport
Ocean Yorktown	2,850 TDS; 3M	1976/1996		Brazil	Enterprise
Ocean Concord					

2,200 TDS; 3M 1975/1999 Gulf of Mexico Amerada Hess Ocean
Lexington.....
2,200 TDS; 3M 1976/1995 Gulf of Mexico Murphy Ocean
Saratoga.....
2,200 TDS; 3M 1976/1995 Gulf of Mexico Amerada Hess Ocean
Endeavor.....
2,000 TDS; VC 1975/1994 Gulf of Mexico Walter Oil & Gas Ocean
Epoch.....
2,000 TDS; 3M 1977/2000 Vietnam BP Ocean
General.....
2,000 TDS; 3M 1976/1999 Australia Anadarko Ocean
Prospector.....
1,700 VC 1971/1981 Gulf of Mexico Cold Stacked Ocean
Bounty.....
1,500 TDS; VC; 3M 1977/1992 Australia Woodside Ocean
Guardian.....
1,500 TDS; 3M 1985 North Sea Shell Ocean
New Era.....
1,500 TDS 1974/1990 Gulf of Mexico Stacked Ocean
Princess.....
1,500 TDS; 15K; 3M 1977/1998 North Sea Talisman Ocean
Whittington.....
1,500 TDS; 3M 1974/1995 Namibia Shell Ocean
Nomad.....
1,200 TDS; 3M 1975/2001 North Sea Veba Ocean
Ambassador.....
1,100 TDS; 3M 1975/1995 Gulf of Mexico Murphy Ocean
Century.....
800 1973 Gulf of Mexico Cold Stacked Ocean
Liberator.....
600 TDS 1974/1998 Guinea Bissau Premier
JACK-UPS (14): Ocean
Titan.....
350 TDS; IS; 15K; 3M 1974/1989 Gulf of Mexico Dominion Ocean
Tower.....
350 TDS; IS; 3M 1972/1998 Gulf of Mexico Spinnaker Ocean
King.....
300 TDS; IC; 3M 1973/1999 Gulf of Mexico Kerr McGee Ocean
Nugget.....
300 TDS; IC 1976/1995 Gulf of Mexico Seneca Ocean
Summit.....
300 SDS; IC 1972/1991 Gulf of Mexico Seneca

(e) Ocean Warwick..... 300 TDS; IC 1971/1998 Gulf of Mexico BP Ocean Champion..... 250 MS 1975/1985 Gulf of Mexico Shipyard/repair Ocean Columbia..... 250 TDS; IC 1978/1990 Gulf of Mexico Murphy Ocean Heritage..... 250 TDS; IC 1981/1995 Indonesia Maxus Ocean Sovereign..... 250 TDS; IC 1981/1994 Indonesia Maxus Ocean Spartan..... 250 TDS; IC 1980/1994 Gulf of Mexico BP Ocean Spur..... 250 TDS; IC 1981/1994 Gulf of Mexico BP Ocean Crusader..... 200 TDS; MC 1982/1992 Gulf of Mexico ChevronTexaco Ocean Drake..... 200 TDS; MC 1983/1986 Gulf of Mexico ChevronTexaco

ATTRIBUTES ---- ------ DP = MS = Mat-Supported Slot Rig TDS = Top-Drive Drilling System Dynamically-Positioned/Self-Propelled IC = Independent-Leg Cantilevered Rig SDS = Side-Drive Drilling System 3M = Three Mud Pumps IS = Independent-Leg Slot Rig VC = Victory-Class 4M = Four Mud Pumps MC = Mat-Supported Cantilevered Rig SP = Self-Propelled 15K = 15,000 psi Blow-Out Preventer

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(a) Such enhancements include the installation of top-drive drilling systems, water depth upgrades, mud pump additions and increases in deckload capacity.

(b) For ease of presentation in this table, customer names have been shortened or abbreviated.

(c) The Company took delivery of the rig in January 2002, subsequently completed its final outfitting and has commenced mobilization to a location offshore Southeast Asia in connection with its contract with Murphy.

(d) In Singapore shipyard for upgrade to high specification capabilities.

(e) Turnkey contract with Diamond Offshore Team Solutions, Inc.

MARKETS

The Company's principal markets for its offshore contract drilling services are the Gulf of Mexico, Europe, including principally the U.K. sector of the North Sea, South America, Africa and Australia/ Southeast Asia. The Company actively markets its rigs worldwide. In the past, rigs in the Company's fleet have also operated in various other markets throughout the world. See Note 16 to the Company's Consolidated Financial Statements in Item 8 of this report.

The Company believes its presence in multiple markets is valuable in many respects. For example, the Company believes that its experience with safety and other regulatory matters in the U.K. has been beneficial in Australia and in the Gulf of Mexico while production experience gained through Brazilian and North Sea operations has potential application worldwide. Additionally, the Company believes its performance for a customer in one market segment or area enables it to better understand that customer's needs and better serve that customer in different market segments or other geographic locations.

OFFSHORE CONTRACT DRILLING SERVICES

The Company's contracts to provide offshore drilling services vary in their terms and provisions. The Company often obtains its contracts through competitive bidding, although it is not unusual for the Company to be awarded drilling contracts without competitive bidding. Drilling contracts generally provide for a basic drilling rate on a fixed dayrate basis regardless of whether such drilling results in a productive well. Drilling contracts may also provide for lower rates during periods when the rig is being moved or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond the control of the Company. Under dayrate contracts, the Company generally pays the operating expenses of the rig, including wages and the cost of incidental supplies. Dayrate contracts have historically accounted for a substantial portion of the Company's revenues. In addition, the Company has worked some of its rigs under dayrate contracts pursuant to which the customer also agrees to pay an incentive bonus based upon performance.

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well, or a group of wells (a "well-to-well contract") or a stated term (a "term contract") and may be terminated by the customer in the event the drilling unit is destroyed or lost or if drilling operations are suspended for a period of time as a result of a breakdown of equipment or, in some cases, due to other events beyond the control of either party. In addition, certain of the Company's contracts permit the customer to terminate the contract early by giving notice and in some circumstances may require the payment of an early termination fee by the customer. The contract term in many instances may be extended by the customer exercising options for the drilling of additional wells at fixed or mutually agreed terms, including dayrates.

The duration of offshore drilling contracts is generally determined by market demand and the respective management strategies of the offshore drilling contractor and its customers. In periods of rising demand for offshore rigs, contractors typically prefer well-to-well contracts that allow contractors to profit from increasing dayrates. In contrast, during these periods customers with reasonably definite drilling programs typically prefer longer term contracts to maintain dayrate prices at a consistent level. Conversely, in periods of decreasing demand for offshore rigs, contractors generally prefer longer term contracts to preserve dayrates at existing levels and ensure utilization, while customers prefer well-to-well contracts that allow them to obtain the benefit of lower dayrates. In general, the Company seeks to have a foundation of long-term contracts with a reasonable balance of single-well, well-to-well and short-term contracts to minimize the downside impact of a decline in the market while still participating in the benefit of increasing dayrates in a rising market.

The Company, through its wholly owned subsidiary, Diamond Offshore Team Solutions, Inc. ("DOTS"), offers a portfolio of drilling services to complement the Company's offshore contract drilling business. These services include overall project management, extended well tests, and drilling and completion operations. From time to time, DOTS also selectively engages in drilling services pursuant to turnkey or modified-turnkey contracts under which DOTS agrees to drill a well to a specified depth for a fixed price. In such cases, DOTS generally is not entitled to payment unless the well is drilled to the specified depth and profitability of the contract depends upon its ability to keep expenses within the estimates used by DOTS in determining the contract price. Drilling a well under a turnkey contract, therefore, typically requires a greater cash commitment by the Company and exposes the Company to risks of potential financial losses that generally are substantially greater than those that would ordinarily exist when drilling under a conventional dayrate contract. During 2001, DOTS contributed operating income of $0.6 million to the Company's consolidated results of operations primarily from the completion of one international turnkey project, which began in the last quarter of 2000, and three turnkey permanent plug and abandonment projects in the Gulf of Mexico. During 2000, DOTS contributed operating income of $1.0 million to the Company's consolidated results of operations primarily from the completion of four turnkey projects in the Gulf of Mexico, one international turnkey project and integrated services provided in Aberdeen, Scotland. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations" and "-- Integrated Services" in Item 7 of this report.

CUSTOMERS

The Company provides offshore drilling services to a customer base that includes major and independent oil and gas companies and government-owned oil companies. Several customers have accounted for 10.0% or more of the Company's annual consolidated revenues, although the specific customers may vary from year to year. During 2001, the Company performed services for 43 different customers with BP and Petrobraspetroleo Brasileiro S A ("Petrobras") accounting for 22.0% and 17.9% of the Company's annual total consolidated revenues, respectively. During 2000, the Company performed services for approximately 50 different customers with Petrobras and BP accounting for 25.4% and 20.0% of the Company's annual total consolidated revenues, respectively. During 1999, the Company performed services for approximately 45 different customers with Petrobras and Shell companies (including domestic and foreign affiliates) accounting for 15.5% and 14.5% of the Company's annual total consolidated revenues, respectively. During periods of low demand for offshore drilling rigs, the loss of a single significant customer could have a material adverse effect on the Company's results of operations.

The Company's services in North and South America are marketed principally through its Houston, Texas office, with support for U.S. Gulf of Mexico activities coming from its regional office in New Orleans, Louisiana. The Company's services in other geographic locations are marketed principally from its regional offices in Aberdeen, Scotland, and Perth, Western Australia. Technical and administrative support functions for the Company's operations are provided by its Houston office.

COMPETITION

The contract drilling industry is highly competitive. Customers often award contracts on a competitive bid basis, and although a customer selecting a rig may consider, among other things, a contractor's safety record, crew quality, rig location and quality of service and equipment, the historical oversupply of rigs has created an intensely competitive market in which price is the primary factor in determining the selection of a drilling contractor. In periods of increased drilling activity, rig availability has, in some cases, also become a consideration, particularly with respect to technologically advanced units. The Company believes competition for drilling contracts will continue to be intense in the foreseeable future. Contractors are also able to adjust localized supply and demand imbalances by moving rigs from areas of low utilization and dayrates to areas of greater activity and relatively higher dayrates. Such movements, reactivations or a decrease in drilling activity in any major market could depress dayrates and could adversely affect utilization of the Company's rigs. See "-- Offshore Contract Drilling Services."

GOVERNMENTAL REGULATION

The Company's operations are subject to numerous federal, state and local laws and regulations that relate directly or indirectly to its operations, including certain regulations controlling the discharge of materials into the environment, requiring removal and clean-up under certain circumstances, or otherwise relating to the protection of the environment. For example, the Company may be liable for damages and costs incurred in connection with oil spills for which it is held responsible. Laws and regulations protecting the environment have become increasingly stringent in recent years and may, in certain circumstances, impose "strict liability" rendering a company liable for environmental damage without regard to negligence or fault on the part of such company. Liability under such laws and regulations may result from either governmental or citizen prosecution. Such laws and regulations may expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on the Company.

The United States Oil Pollution Act of 1990 ("OPA '90"), and similar legislation enacted in Texas, Louisiana and other coastal states, addresses oil spill prevention and control and significantly expands liability exposure across all segments of the oil and gas industry. OPA '90, such similar legislation and related regulations impose a variety of obligations on the Company related to the prevention of oil spills and liability for damages resulting from such spills. OPA '90 imposes strict and, with limited exceptions, joint and several liability upon each responsible party for oil removal costs and a variety of public and private damages.

INDEMNIFICATION AND INSURANCE

The Company's operations are subject to hazards inherent in the drilling of oil and gas wells such as blowouts, reservoir damage, loss of production, loss of well control, cratering or fires, the occurrence of which could result in the suspension of drilling operations, injury to or death of rig and other personnel and damage to or destruction of the Company's, the Company's customer's or a third party's property or equipment. Damage to the environment could also result from the Company's operations, particularly through oil spillage or uncontrolled fires. In addition, offshore drilling operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. The Company has insurance coverage and contractual indemnification for certain risks, but there can be no assurance that such coverage or indemnification will adequately cover the Company's loss or liability in many circumstances or that the Company will continue to carry such insurance or receive such indemnification.

In September 2001 the Company's Hull and Machinery insurance underwriters notified the Company that war risk coverage would be canceled in its physical damage policies unless the Company paid significant additional insurance premiums for such coverage. In order to avoid incurring the additional costs, the Company has permitted such coverage to terminate and expects to self-insure against physical damage war risk to the extent it is required to do so in the future. Most of the Company's drilling contracts did not require the Company to carry physical damage war risk insurance. Four drilling contracts did contain a requirement for such coverage and have been amended to permit the Company to self-insure against such risks.

OPERATIONS OUTSIDE THE UNITED STATES

Operations outside the United States accounted for approximately 37.7%, 46.1% and 48.8% of the Company's total consolidated revenues for the years ended December 31, 2001, 2000 and 1999, respectively. The Company's non-U.S. operations are subject to certain political, economic and other uncertainties not encountered in U.S. operations, including risks of war and civil disturbances (or other risks that may limit or disrupt markets), expropriation and the general hazards associated with the assertion of national sovereignty over certain areas in which operations are conducted. No prediction can be made as to what governmental regulations may be enacted in the future that could adversely affect the international drilling industry. The Company's operations outside the United States may also face the additional risk of fluctuating currency values, hard currency shortages, controls of currency exchange and repatriation of income or capital. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Outlook" and

"-- Other -- Currency Risk" in Item 7 of this report and Note 16 to the Company's Consolidated Financial Statements in Item 8 of this report.

EMPLOYEES

As of December 31, 2001, the Company had approximately 4,100 employees, including international crews furnished through labor contractors. The Company has experienced satisfactory labor relations and provides comprehensive benefit plans for its employees. The Company does not currently consider the possibility of a shortage of qualified personnel to be a material factor in its business.

ITEM 2. PROPERTIES.

The Company owns an eight-story office building containing approximately 182,000-net rentable square feet on approximately 6.2 acres of land located in Houston, Texas, where the Company has its corporate headquarters, an 18,000 square foot building and 20 acres of land in New Iberia, Louisiana, for its offshore drilling warehouse and storage facility, and a 13,000-square foot building and five acres of land in Aberdeen, Scotland, for its North Sea operations. Additionally, the Company currently leases various office, warehouse and storage facilities in Louisiana, Australia, Brazil, Indonesia, Scotland, Vietnam, Singapore and West Africa to support its offshore drilling operations.

ITEM 3. LEGAL PROCEEDINGS.

Raymond Verdin, on behalf of himself and those similarly situated v. Pride Offshore, Inc., et al; C.A. No. G-01-168 in the United States District Court for the Southern District of Texas, Houston, Division; formerly styled Raymond Verdin v. R&B Falcon Drilling USA, Inc., et al; No. G-00-488 in the United States District Court for the Southern District of Texas, Galveston Division, filed October 10, 2000. The Company was named as a defendant in a proposed class action suit filed on behalf of offshore workers against all of the major offshore drilling companies. The proposed class includes persons hired in the United States by the companies to work in the Gulf of Mexico and around the world. The allegation is that the companies, through trade groups, shared information in violation of the Sherman Antitrust Act and various state laws. Plaintiff Thomas Bryant has replaced the named plaintiff as the proposed class representative. The lawsuit is seeking money damages and injunctive relief as well as attorney's fees and costs. During the first quarter of 2001, the Company recorded a $10.0 million reserve for this pending litigation in the Company's Consolidated Statement of Income. In July 2001 the Company filed a stipulation of settlement with the District Court in which it agreed to settle the plaintiffs' outstanding claims within the limits of the reserve. In December 2001 the United States District Judge for the Southern District of Texas, Houston Division, entered an order preliminarily approving the proposed class action settlement, preliminarily certifying the settlement class, and setting a fairness hearing for April 18, 2002 to determine whether to give the settlement final approval. A court appointed settlement administrator will provide notice of the proposed class action settlement.

The Company and its subsidiaries are named defendants in certain other lawsuits and are involved from time to time as parties to governmental proceedings, all arising in the ordinary course of business. Although the outcome of lawsuits or other proceedings involving the Company and its subsidiaries cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, management does not expect these matters to have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

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

There were no matters submitted to a vote of security holders of the Company during the fourth quarter of 2001.

EXECUTIVE OFFICERS OF THE REGISTRANT

In reliance on General Instruction G (3) to Form 10-K, information on executive officers of the Registrant is included in this Part I. The executive officers of the Company are elected annually by the Board

of Directors to serve until the next annual meeting of the Board of Directors, or until their successors are duly elected and qualified, or until their earlier death, resignation, disqualification or removal from office. Information with respect to the executive officers of the Company is set forth below.

NAME	AGE AS OF JANUARY 31, 2002	POSITION
James S. Tisch	49	Chairman of the Board of Directors and Chief Executive Officer
Lawrence R. Dickerson	49	President, Chief Operating Officer and Director
David W. Williams	44	Executive Vice President
Rodney W. Eads	50	Senior Vice President -- Worldwide Operations
John L. Gabriel, Jr.	48	Senior Vice President -- Contracts & Marketing
Gary T. Krenek	43	Vice President and Chief Financial Officer
Beth G. Gordon	46	Controller
William C. Long	35	Vice President, General Counsel & Secretary

James S. Tisch has served as Chief Executive Officer of the Company since March 1998. Mr. Tisch has served as Chairman of the Board since 1995 and as a director of the Company since June 1989. Mr. Tisch has served as Chief Executive Officer of Loews Corporation ("Loews"), a diversified holding company and the Company's controlling stockholder, since November 1998 and, prior thereto, as President and Chief Operating Officer of Loews from 1994. Mr. Tisch, a director of Loews since 1986, also serves as a director of CNA Financial Corporation, an 89% owned subsidiary of Loews, and serves as a director of Vail Resorts, Inc.

Lawrence R. Dickerson has served as President, Chief Operating Officer and Director of the Company since March 1998. Previously, Mr. Dickerson served as Senior Vice President of the Company from April 1993.

David W. Williams has served as Executive Vice President of the Company since March 1998. Previously, Mr. Williams served as Senior Vice President of the Company from December 1994.

Rodney W. Eads has served as Senior Vice President of the Company since May 1997. Previously, Mr. Eads was employed by Exxon Company, International from August 1994 through May 1997 as Field Drilling Manager.

John L. Gabriel, Jr. has served as Senior Vice President of the Company since November 1999. Previously, Mr. Gabriel served as a Marketing Vice President of the Company from April 1993.

Gary T. Krenek has served as Vice President and Chief Financial Officer of the Company since March 1998. Previously, Mr. Krenek served as Controller of the Company from February 1992.

Beth G. Gordon has served as Controller of the Company since April 2000. Previously, Ms. Gordon was employed by Pool Energy Services Co. from December 1978 through March 2000 where her most recent position was Vice President-Finance -- Pool Well Services Co.

William C. Long has served as Vice President, General Counsel and Secretary of the Company since March 2001. Previously, Mr. Long served as General Counsel and Secretary of the Company from March 1999, acting General Counsel and Secretary of the Company from June 1998 through February 1999 and as a Staff Attorney from January 1997 through May 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

PRICE RANGE OF COMMON STOCK

The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "DO." The following table sets forth, for the calendar quarters indicated, the high and low closing prices of common stock as reported by the NYSE.

COMMON STOCK	HIGH	LOW
2001 First Quarter	$45.0400	$34.7500
Second Quarter	43.9200	33.0300
Third Quarter	33.5000	23.4300
Fourth Quarter	31.4100	24.2000
2000 First Quarter	$40.4375	$26.5000
Second Quarter	44.7500	35.1250
Third Quarter	47.3125	32.8125
Fourth Quarter	41.9375	30.1875

On March 15, 2002 the closing price of the Company's common stock, as reported by the NYSE, was $30.81 per share. As of March 15, 2002 there were approximately 387 holders of record of the Company's common stock. This number does not include the stockholders for whom shares are held in a "nominee" or "street" name.

DIVIDEND POLICY

In 2001 the Company paid cash dividends of $0.125 per share of the Company's common stock on March 1, June 1, September 4 and December 3 and has declared a dividend of $0.125 per share payable March 1, 2002 to stockholders of record on February 1, 2002. In 2000 the Company paid cash dividends of $0.125 per share of the Company's common stock on March 1, June 1, September 4 and December 1. Any future determination as to payment of dividends will be made at the discretion of the Board of Directors of the Company and will depend upon the Company's operating results, financial condition, capital requirements, general business conditions and such other factors that the Board of Directors deems relevant.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth certain historical consolidated financial data relating to the Company. The selected consolidated financial data are derived from the financial statements of the Company as of and for the periods presented. The selected consolidated financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and the Company's Consolidated Financial Statements (including the Notes thereto) in Item 8 of this report.

2001	2000	1999	1998	1997
(IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA)				
INCOME STATEMENT DATA:				
Total revenues	$ 885,349	$ 659,436	$ 821,024	$1,208,801	$ 956,093
Operating income	224,866	56,946	223,661	568,581	418,859
Income before extraordinary loss(1)	181,545	72,281	156,071	383,659	278,605
Net income	173,823	72,281	156,071	383,659	278,605
Net income per share(2):					
Basic:					
Income before extraordinary loss	1.37	0.53	1.15	2.78	2.01
Net income per share(1)	1.31	0.53	1.15	2.78	2.01
Diluted:					
Income before extraordinary loss	1.31	0.53	1.11	2.66	1.93
Net income per share(1)	1.26	0.53	1.11	2.66	1.93
BALANCE SHEET DATA:					
Drilling and other property and equipment, net	2,002,873	1,931,182	1,737,905	1,551,820	1,451,741
Total assets	3,502,517	3,079,506	2,681,029	2,609,716	2,298,561
Long-term debt	920,636	856,559	400,000	400,000	400,000
OTHER FINANCIAL DATA:					
Capital expenditures(3)	268,617	323,924	324,133	224,474	281,572
Cash dividends declared per share	0.50	0.50	0.50	0.50	0.14
Ratio of earnings to fixed charges(4)	10.28x	4.97x	15.64x	37.57x	28.94x

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(1) During the year ended December 31, 2001, an extraordinary loss of $7.7 million (net of tax) resulted from the early extinguishment of debt. The impact of this extraordinary loss was a loss of $0.06 for basic net income per share and a loss of $0.05 per share on a diluted basis.

(2) All per share amounts give retroactive effect to the Company's July 1997 two-for-one stock split in the form of a stock dividend.

(3) In addition to these capital expenditures, the Company expended $81.0 million for rig acquisitions during the year ended December 31, 1997.

(4) For all periods presented, the ratio of earnings to fixed charges has been computed on a total enterprise basis. Earnings represent income from continuing operations plus income taxes and fixed charges. Fixed charges include (i) interest, whether expensed or capitalized, (ii) amortization of debt issuance costs, whether expensed or capitalized, and (iii) one-third of rent expense, which the Company believes represents the interest factor

attributable to rent.

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

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements (including the Notes thereto) in Item 8 of this report.

RESULTS OF OPERATIONS

General

Revenues. The Company's revenues vary based upon demand, which affects the number of days the fleet is utilized and the dayrates earned. When a rig is idle, generally no dayrate is earned and revenues will decrease as a result. Revenues can also increase or decrease as a result of the acquisition or disposal of rigs. In order to improve utilization or realize higher dayrates, the Company may mobilize its rigs from one market to another. During periods of mobilization, revenues may be adversely affected. As a response to changes in demand, the Company may withdraw a rig from the market by stacking it or may reactivate a rig stacked previously, which may decrease or increase revenues, respectively.

Revenues from dayrate drilling contracts are recognized currently. The Company may receive lump-sum payments in connection with specific contracts. Such payments are recognized as revenues over the term of the related drilling contract. Mobilization revenues, less costs incurred to mobilize an offshore rig from one market to another, are recognized over the term of the related drilling contract.

Revenues from offshore turnkey drilling contracts are accrued to the extent of costs until the specified turnkey depth and other contract requirements are met. Income is recognized on the completed contract method. Provisions for future losses on turnkey contracts are recognized when it becomes apparent that expenses to be incurred on a specific contract will exceed the revenue from that contract.

Operating Income. Operating income is primarily affected by revenue factors, but is also a function of varying levels of operating expenses. Operating expenses generally are not affected by changes in dayrates and may not be significantly affected by fluctuations in utilization. For instance, if a rig is to be idle for a short period of time, the Company may realize few decreases in operating expenses since the rig is typically maintained in a prepared state with a full crew. In addition, when a rig is idle, the Company is responsible for certain operating expenses such as rig fuel and supply boat costs, which are typically charged to the operator under drilling contracts. However, if the rig is to be idle for an extended period of time, the Company may reduce the size of a rig's crew and take steps to "cold stack" the rig, which lowers expenses and partially offsets the impact on operating income. The Company recognizes as operating expenses activities such as inspections, painting projects and routine overhauls, which meet certain criteria, that maintain rather than upgrade its rigs. These expenses vary from period to period. Costs of rig enhancements are capitalized and depreciated over the expected useful lives of the enhancements. Increased depreciation expense decreases operating income in periods subsequent to capital upgrades.

YEARS ENDED DECEMBER 31, 2001 AND 2000

Comparative data relating to the Company's revenues and operating expenses by equipment type are listed below (eliminations offset (i) dayrate revenues earned when the Company's rigs are utilized in its integrated services and (ii) intercompany expenses charged to rig operations). Certain amounts applicable to the prior periods have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

YEAR ENDED DECEMBER 31,		INCREASE/
2001	2000	(DECREASE)
		(IN THOUSANDS)
REVENUES		
High Specification Floaters	$ 326,835	$ 212,000
$114,835		
Other Semisubmersibles	377,715	313,287
64,428		
Jack-ups	174,498	118,885
55,613		
Integrated Services	7,779	23,298
(15,519)		
Other	547	140
407		
Eliminations	(2,025)	(8,174)
6,149		
Total Revenues	$ 885,349	$ 659,436
$225,913		
CONTRACT DRILLING EXPENSE		
High Specification Floaters	$ 122,809	$ 100,782
$ 22,027		
Other Semisubmersibles	224,346	213,015
11,331		
Jack-ups	110,125	98,880
11,245		
Integrated Services	7,138	22,328
(15,190)		
Other	2,571	6,260
(3,689)		
Eliminations	(2,025)	(8,174)
6,149		
Total Contract Drilling Expense	$ 464,964	$ 433,091
$ 31,873		
OPERATING INCOME		
High Specification Floaters	$ 204,026	$ 111,218
$ 92,808		
Other Semisubmersibles	153,369	100,272
53,097		
Jack-ups	64,373	20,005
44,368		
Integrated Services	641	970
(329)		
Other	(2,024)	(6,120)
4,096		
Depreciation and Amortization Expense	(170,017)	(145,596)
(24,421)		
General and Administrative Expense	(25,502)	(23,803)
(1,699)		
Total Operating Income	$ 224,866	$ 56,946
$167,920		

High Specification Floaters.

Revenues. Revenues from high specification floaters increased $114.8 million during the year ended December 31, 2001 from the same period in 2000. Of this increase, $61.5 million is attributable to the Ocean Confidence, which began operations in early January 2001 after completion of a conversion to a high specification drilling unit. The rig was undergoing this conversion throughout 2000. Higher average operating dayrates contributed $41.9 million to the revenue improvement from 2000 to 2001. Average operating dayrates increased from $94,100 during 2000 to $109,200 (excluding the Ocean Confidence) during 2001. The Ocean Alliance and the Ocean America experienced the greatest increases in dayrates with an average increase of $32,500 per day and $29,500 per day, respectively.

Improved utilization for high specification floaters in 2001 accounted for $11.4 million of the increase in revenues over 2000. Utilization for this class of rig rose to 95% in 2001 from 88% in 2000 (excluding the Ocean Confidence). The greatest improvements were from the Ocean Quest, which was idle for almost five months longer in 2000 than in 2001, and the Ocean Clipper, which had less downtime for repairs during 2001.

Contract Drilling Expense. Contract drilling expense for high specification floaters during the year ended December 31, 2001 increased $22.0 million from the same period in 2000. This increase resulted primarily from costs incurred by the Ocean Confidence ($21.1 million) which began operations in January 2001.

Other Semisubmersibles.

Revenues. Revenues from other semisubmersibles increased $64.4 million during the year ended December 31, 2001 from the same period in 2000 primarily due to higher average operating dayrates. Average dayrates increased to $66,900 per day in 2001 from $61,300 in 2000 and contributed an additional $52.3 million to 2001 revenues. The greatest dayrate increases were for the Ocean General, Ocean Nomad, Ocean Guardian and the Ocean Bounty. However, lower average operating dayrates in 2001 for the Ocean Princess and the Ocean Whittington were partially offsetting.

Improvements in utilization contributed $12.2 million to revenue during the year ended December 31, 2001 compared to the same period in 2000. Overall, utilization increased to 70% in 2001 from 61% in 2000. The Ocean Epoch spent most of 2000 in a shipyard for water depth capability and variable deckload upgrades while it worked most of 2001. The Ocean Voyager, Ocean New Era and the Ocean Guardian were all idle approximately a half-year longer in 2000 compared to 2001. However, utilization decreased in 2001 for the Ocean Whittington and the Ocean Yorktown. The Ocean Whittington was stacked for almost four months in 2001 for a special survey, repairs and preparation for its December 2001 mobilization to Namibia. The Ocean Yorktown was in a shipyard for over two months in 2001 for inspection and upgrades in connection with new contract requirements.

Contract Drilling Expense. Contract drilling expense for other semisubmersibles during the year ended December 31, 2001 increased $11.3 million from the same period in 2000. Rig expenses increased $5.2 million for the Ocean Epoch in 2001 from the same period in 2000 when most of the expenses were associated with the rig's upgrade and were capitalized. The Ocean New Era's expenses increased $3.0 million in 2001 as it operated during six months of 2001 but was stacked all of 2000. An additional $2.8 million in contract drilling expense resulted from the mobilization of the Ocean Whittington from Brazil to Namibia in late 2001. Also, contract drilling expense increased $2.6 million from the 2001 inspections of the Ocean Yorktown, Ocean Whittington, Ocean Yatzy and Ocean Princess and $1.8 million from higher Brazilian custom fees in 2001. Partially offsetting these cost increases, contract drilling expenses were $5.5 million lower in 2001 due to Ocean Lexington and Ocean Saratoga repair projects in 2000 not repeated in 2001.

Jack-Ups.

Revenues. Revenues from jack-ups during the year ended December 31, 2001 increased $55.6 million from 2000. All of the Company's jack-up rigs experienced higher average operating dayrates with the overall average operating dayrate improving from $26,000 in 2000 to $41,000 in 2001. This 58% improvement in average operating dayrates resulted in an increase of $63.6 million in revenues.

Lower utilization in 2001 than in 2000 partially offset the revenue improvements that resulted from the higher average operating dayrates. Revenue declined $8.0 million in 2001 as a result of 83% utilization in 2001 compared to 89% in 2000. This decrease in utilization was primarily due to inspection and repairs of the Ocean Summit, Ocean Sovereign, Ocean Crusader and Ocean Champion during 2001. In addition, the Ocean Nugget was stacked for over one-half of 2001 and the Ocean King was in a shipyard for part of the last two months of 2001 for inspections and repairs. All of these rigs worked most of 2000. Utilization improvements which were partially offsetting resulted from the Ocean Heritage and the Ocean Tower. The Ocean Heritage, which worked all of 2001, spent part of 2000 in a shipyard for repairs while the Ocean Tower worked most of 2001 but was cold stacked for part of 2000.

Contract Drilling Expense. Contract drilling expense increased $11.2 million for jack-ups during the year ended December 31, 2001 compared to the same period in 2000. Operating costs were higher in 2001 for the Ocean Champion, Ocean Summit and Ocean Crusader due to inspection and repairs. In addition, rig

expenses were higher for the Ocean Tower which operated during most of 2001, but was cold stacked during part of 2000. Contract drilling expense decreased in 2001 for the Ocean Heritage due to major repairs in 2000.

Integrated Services.

Operating income for integrated services decreased as a result of the difference in number, type and magnitude of projects during 2001 compared to 2000. During 2001, integrated services contributed operating income of $0.6 million to the Company's consolidated results of operations primarily due to the completion of one international turnkey project, which began in the last quarter of 2000, and three turnkey permanent plug and abandonment projects in the Gulf of Mexico. During 2000, DOTS contributed operating income of $1.0 million to the Company's consolidated results of operations primarily from the completion of four turnkey projects in the Gulf of Mexico, one international turnkey project and integrated services provided in Aberdeen, Scotland.

Other.

Other operating income of $2.0 million for the year ended December 31, 2001 decreased $4.1 million from the same period in 2000. This decline resulted primarily from settlements of prior years' disputed revenue in 2000 and lower expenditures in 2001 for maintenance and repairs of spare equipment.

Depreciation and Amortization Expense.

Depreciation and amortization expense for the year ended December 31, 2001 increased $24.4 million over the prior year. Higher depreciation in 2001 resulted primarily from depreciation for the Ocean Confidence, which completed its conversion from an accommodation vessel to a high specification semisubmersible drilling unit and commenced operations in January 2001. Also, 2001 depreciation was higher due to an increase of $35.2 million in ordinary capital expenditures compared to 2000.

General and Administrative Expense.

General and administrative expense increased $1.7 million in 2001 compared to the same period in 2000 primarily due to an increase in personnel costs, travel and professional expenses.

Gain on Sale of Assets

Gain on sale of assets of $0.3 million for the year ended December 31, 2001 decreased $14.0 million from $14.3 million for the same period in 2000 primarily due to the January 2000 sale of the Company's jack-up drilling rig, Ocean Scotian which had been cold stacked offshore The Netherlands prior to the sale. The rig was sold for $32.0 million in cash which resulted in a gain of $13.9 million ($9.0 million after tax).

Interest Income.

Interest income of $48.7 million for the year ended December 31, 2001 decreased $0.8 million from $49.5 million for the same period in 2000. This decrease resulted from the Company's investment in marketable securities with lower interest rates in 2001 compared to 2000 and was partially offset by the investment of higher cash balances generated by the sale of the Company's 1.5% convertible senior debentures due 2031 (the "1.5% Debentures") on April 11, 2001, the sale of the Company's zero coupon convertible debentures due 2020 (the "Zero Coupon Debentures") on June 6, 2000 and the December 2000 lease-leaseback of the Ocean Alliance. Cash balances available for investment were partially reduced as a result of the Company's redemption of all of its outstanding 3.75% convertible subordinated notes due 2007 (the "3.75% Notes") on April 6, 2001. See "-- Liquidity."

Interest Expense.

Interest expense of $26.2 million for the year ended December 31, 2001 increased $15.9 million from $10.3 million for the same period in 2000 primarily as a result of less interest capitalized due to the completion

of the Ocean Confidence conversion ($2.6 million interest capitalized in 2001 compared to $13.8 million interest capitalized in 2000), the issuance of the Zero Coupon Debentures on June 6, 2000, the issuance of the 1.5% Debentures on April 11, 2001 and interest expense related to the December 2000 lease-leaseback of the Ocean Alliance. This increase was partially offset by a reduction in interest expense resulting from the Company's redemption of all of its outstanding 3.75% Notes on April 6, 2001. See "-- Liquidity."

Other Income and Expense (Other, net).

Other income of $24.7 million for the year ended December 31, 2001 increased $24.4 million from other income of $0.3 million for the same period in 2000. This increase resulted primarily from a $27.1 million gain realized on the sale of marketable securities and a $7.3 million receipt of a settlement payment for resolved litigation which were partially offset by a $10.0 million reserve for pending litigation in connection with a proposed class action suit filed against all of the major offshore drilling companies. See "Legal Proceedings" in Part I of Item 3 of this report.

Income Tax Expense.

Income tax expense of $90.8 million for the year ended December 31, 2001 increased $52.2 million from $38.6 million in 2000 primarily as a result of the increase in "Income before income taxes and extraordinary loss" of $161.5 million in 2001, which was partially offset by a lower effective income tax rate in 2001. The lower effective income tax rate in 2001 was primarily due to the Company's decision to permanently reinvest part of the earnings of its U.K. subsidiaries.

Extraordinary Loss.

On April 6, 2001, the Company redeemed all of its outstanding 3.75% Notes at 102.08% of the principal amount thereof plus accrued interest for a total cash payment of $397.7 million. An extraordinary loss of $7.7 million was incurred as a result of the early extinguishment of debt, consisting of $8.1 million of retirement premiums and the write-off of $3.8 million of associated debt issuance costs, net of a tax benefit of $4.2 million. See Note 8 to the Company's Consolidated Financial Statement in Item 8 of Part II of this report.

YEARS ENDED DECEMBER 31, 2000 AND 1999

Comparative data relating to the Company's revenues and operating expenses by equipment type are listed below (eliminations offset (i) dayrate revenues earned when the Company's rigs are utilized in its integrated services and (ii) intercompany expenses charged to rig operations). Certain amounts applicable to the prior periods have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

	YEAR ENDED DECEMBER 31,		
	2000	1999	INCREASE/ (DECREASE)
	(IN THOUSANDS)		
REVENUES			
High Specification Floaters	$ 212,000	$ 262,571	$ (50,571)
Other Semisubmersibles	313,287	463,168	(149,881)
Jack-ups	118,885	74,484	44,401
Integrated Services	23,298	32,769	(9,471)
Other	140	--	140
Eliminations	(8,174)	(11,968)	3,794
Total Revenues	$ 659,436	$ 821,024	$(161,588)
CONTRACT DRILLING EXPENSE			
High Specification Floaters	$ 100,782	$ 100,723	$ 59
Other Semisubmersibles	213,015	223,084	(10,069)
Jack-ups	98,880	84,830	14,050
Integrated Services	22,328	32,486	(10,158)
Other	6,260	2,368	3,892
Eliminations	(8,174)	(11,968)	3,794
Total Contract Drilling Expense	$ 433,091	$ 431,523	$ 1,568
OPERATING INCOME			
High Specification Floaters	$ 111,218	$ 161,848	$ (50,630)
Other Semisubmersibles	100,272	240,084	(139,812)
Jack-ups	20,005	(10,346)	30,351
Integrated Services	970	283	687
Other	(6,120)	(2,368)	(3,752)
Depreciation and Amortization Expense	(145,596)	(142,963)	(2,633)
General and Administrative Expense	(23,803)	(22,877)	(926)
Total Operating Income	$ 56,946	$ 223,661	$(166,715)

High Specification Floaters.

Revenues. Revenues from high specification floaters during the year ended December 31, 2000 decreased $50.6 million from 1999. Approximately $65.3 million of the decline in revenues resulted from lower operating dayrates compared to 1999. The average operating dayrate for high specification floaters during the year ended December 31, 2000 was $94,100 per day compared to $122,700 per day during the year ended December 31, 1999. Revenues from high specification floaters were also lower in 2000 by approximately $6.0 million due to revenues received for the 1999 mobilizations of the Ocean Alliance from the North Sea to West Africa and the Ocean Clipper from the Gulf of Mexico to Brazil. The decline in revenues was partially offset by approximately $20.7 million resulting from improved utilization during 2000. Utilization for the Company's high specification floaters was 88% during 2000 compared to 84% during 1999. The Company's drillship, the Ocean Clipper, operated for most of 2000 under a three-year contract offshore Brazil. During most of 1999, this rig was in a shipyard for upgrades and repairs associated with this contract. Also contributing to the improved utilization in 2000 was the operation of the Ocean Valiant, which was in the

shipyard during part of 1999 for stability enhancements and other repairs. The Ocean Quest, which was stacked during part of 2000, but worked all of 1999, partially offset these utilization improvements in 2000.

Contract Drilling Expense. Contract drilling expense for high specification floaters during the year ended December 31, 2000 increased $0.1 million from 1999. Costs for the Ocean Valiant in 2000 were $6.7 million lower than in 1999 primarily due to expenses of $5.3 million incurred for repairs of the rig while in a shipyard during part of 1999. Costs of $3.7 million for the 1999 mobilizations of the Ocean Alliance from the North Sea to Angola and the Ocean Clipper, from the Gulf of Mexico to Brazil, also contributed to the decrease. The decline in 2000 costs was partially offset by higher contract drilling expenses of $9.0 million (excluding mobilization expense) incurred by the Ocean Clipper which began operating in 2000 under a three-year contract offshore Brazil. During most of 1999, the Ocean Clipper was in a shipyard for upgrades and repairs which were capitalized. Also offsetting the decrease in costs were expenses of $1.3 million associated with the 2000 mobilization of the Ocean Alliance from Angola to Brazil.

Other Semisubmersibles.

Revenues. Revenues from other semisubmersibles during the year ended December 31, 2000 decreased $149.9 million from 1999. Approximately $78.6 million of the decline in revenues resulted from lower operating dayrates compared to 1999. The average operating dayrate for the Company's other semisubmersibles was $61,300 per day during the year ended December 31, 2000 compared to $82,400 per day during the year ended December 31, 1999. In addition, revenues decreased by approximately $71.3 million resulting from lower utilization compared to 1999. Utilization for the Company's other semisubmersibles during the year ended December 31, 2000 was 61% compared to 67% during the year ended December 31, 1999. The Ocean Epoch underwent an upgrade of its water depth capabilities and variable deckload and was idle during most of 2000 but worked for most of 1999. The Ocean Rover, Ocean Endeavor, Ocean Guardian and Ocean Voyager were idle during most of 2000 but worked during most of 1999. The Ocean Baroness, which was cold stacked during the first half of 2000 and then mobilized to Singapore for an upgrade to high specification capabilities, worked for most of the first half of 1999. See "-- Capital Resources." The decline in utilization was partially offset by the Ocean General and Ocean Winner, which worked all of 2000, but were idle most of 1999.

Contract Drilling Expense. Contract drilling expense for other semisubmersibles during the year ended December 31, 2000 decreased $10.1 million from 1999. Operating costs were reduced by $6.8 million due to the Ocean Baroness which was cold stacked during the first half of 2000 and then mobilized to Singapore for an upgrade. This rig worked most of the first half of 1999. See "-- Capital Resources." Contract drilling expense was further reduced by $5.3 million as a result of stacking the Ocean Epoch in late 1999 and $4.2 million associated with mandatory inspections and repairs of the Ocean New Era in 1999. Costs in 2000 also decreased by $3.6 million from 1999 due to the inspection and repair of the Ocean Winner and its mobilization from the Gulf of Mexico to Brazil in 1999. Cost increases in 2000, which were partially offsetting, included higher operating costs of $7.5 million in 2000 for the Ocean General, which was stacked throughout 1999, and $2.4 million associated with the mandatory inspection and repairs of the Ocean Lexington in 2000.

Jack-Ups.

Revenues. Revenues from jack-ups during the year ended December 31, 2000 increased $44.4 million from 1999. Approximately $35.1 million of the increase in revenues resulted from improvements in utilization compared to 1999. Utilization of the Company's jack-ups during the year ended December 31, 2000 was 89% compared to 61% during the year ended December 31, 1999. In addition, revenues increased approximately $26.4 million due to higher operating dayrates compared to 1999. The average operating dayrate for the Company's jack-ups was $26,000 per day during the year ended December 31, 2000 compared to $22,400 per day during the year ended December 31, 1999. The revenue improvement in 2000 was partially offset by a decrease in revenues of $17.1 million from the Ocean Scotian, which was sold in January 2000 but worked for most of 1999.

Contract Drilling Expense. Contract drilling expense for jack-ups during the year ended December 31, 2000 was $14.1 million higher than for the same period in 1999. An increase of $18.4 million was due to rigs

returning to work in 2000, which were idle for all or part of 1999. In addition, contract drilling expense was $4.0 million higher in 2000 due to major repairs to the Ocean Heritage. Higher contract drilling expense in 2000 was partially offset by a decrease of $8.4 million due to the January 2000 sale of the Ocean Scotian.

Integrated Services.

Operating income for integrated services increased as a result of the difference in number, type and magnitude of projects during the year ended December 31, 2000 as compared to the same period in 1999. During 2000, DOTS contributed operating income of $1.0 million to the Company's consolidated results of operations primarily from the completion of four turnkey projects in the Gulf of Mexico, one international turnkey project and integrated services provided in Aberdeen, Scotland. During 1999, DOTS contributed operating income of $0.3 million to the Company's consolidated results of operations primarily for the completion of six turnkey projects in the Gulf of Mexico, two of which began in 1998.

Other.

Other operating income of $6.1 million for the year ended December 31, 2000 increased $3.8 million from the same period in 1999. This increase resulted primarily from higher expenditures during 2000 for crew training programs and various settlements of prior years' disputed revenue.

Depreciation and Amortization Expense.

Depreciation and amortization expense of $145.6 million for the year ended December 31, 2000 increased $2.6 million from $143.0 million for the year ended December 31, 1999. This increase resulted primarily from higher depreciation for the Ocean Clipper, Ocean General, Ocean Concord and Ocean King, which completed various upgrades in the third and fourth quarters of 1999. In addition, depreciation expense was up due to expenditures associated with the Company's ongoing rig equipment replacement and enhancement programs. This increase was partially offset by reduced depreciation in 2000 due to the January 2000 sale of the Ocean Scotian and a decrease in goodwill amortization resulting from adjustments to goodwill related to tax benefits not previously recognized for the excess of tax deductible goodwill over the book amount.

General and Administrative Expense.

General and administrative expense of $23.8 million for the year ended December 31, 2000 increased $0.9 million from $22.9 million for the year ended December 31, 1999. Higher expenses in 2000 were primarily due to an increase in legal and personnel costs. Expenses in 2000 also included costs associated with the Company's participation in the Subsea Mudlift Drilling Joint Industry Project.

Gain on Sale of Assets.

Gain on sale of assets for the year ended December 31, 2000 was $14.3 million compared to $0.2 million for the year ended December 31, 1999. Gain on sale of assets in 2000 included the sale of the Company's jack-up drilling rig, Ocean Scotian, for $32.0 million in cash resulting in a gain of $13.9 million ($9.0 million after tax). The rig had been cold stacked offshore The Netherlands prior to the sale.

Interest Income.

Interest income of $49.5 million for the year ended December 31, 2000 increased $14.5 million from $35.0 million for the year ended December 31, 1999. This increase resulted primarily from the investment of excess cash generated by the sale of Zero Coupon Debentures on June 6, 2000.

Interest Expense.

Interest expense of $10.3 million for the year ended December 31, 2000 increased $1.1 million from $9.2 million for 1999. Interest costs in 2000 were $8.6 million higher than in 1999 primarily as a result of the issuance of the Zero Coupon Debentures on June 6, 2000. This amount was partially offset by a $7.5 million

increase in interest capitalized for the conversion of the Ocean Confidence and the deepwater upgrade of the Ocean Baroness. Interest cost capitalized in 2000 was $13.8 million compared to $6.3 million in 1999.

Other Income.

Other income of $0.3 million for the year ended December 31, 2000 increased $9.6 million from other expense of $9.3 million for the year ended December 31, 1999. In 1999, a pre-tax impairment loss of $10.7 million was recorded as the result of the decline in fair market value, judged to be other than temporary, in the Company's investment in equity securities.

Income Tax Expense.

Income tax expense for the year ended December 31, 2000 was $38.6 million as compared to $84.3 million for 1999. This change resulted primarily from a decrease of $129.5 million in the Company's income before income tax expense.

OUTLOOK

There has historically been a strong correlation between the price of oil and natural gas and the demand for offshore drilling services. As natural gas prices started to decline during the third quarter of 2001, demand for the Company's jack-up fleet in the Gulf of Mexico began to soften. Although the Company has maintained jack-up fleet utilization higher than the industry average, operating dayrates earned by the fleet have deteriorated. Utilization of the Company's intermediate semisubmersible fleet in the Gulf of Mexico, which had begun to improve during mid-year 2001, declined again during the fourth quarter. Contract renewal dayrates for these rigs have also been lower. The Company does not anticipate a change in these deteriorating market conditions until oil and gas price expectations rebound.

Utilization for the Company's high specification floaters remained strong throughout 2001. However, towards the end of the year, some deep-water capacity became available in the market, and dayrates declined slightly. In the international markets, demand has not been as adversely affected and dayrates have remained fairly strong. The Company believes that continued strength in both high specification and international markets will depend, in large part, on product price stability and/or improvement. Significant relocations of drilling rigs from the weaker Gulf of Mexico to international markets could also lower dayrates in non-U.S. markets.

The Company believes that, in the longer-term, deepwater markets will remain strong and the Company is therefore continuing with its ultra-deep moored vessel upgrade program. The Ocean Rover has arrived in a shipyard to begin its modification process and the Ocean Baroness has completed its upgrade and is mobilizing to Southeast Asia to begin work under its current contract.

LIQUIDITY

Operating Activities.

At December 31, 2001, the Company's cash and marketable securities totaled $1.1 billion up from $862.1 million at December 31, 2000. Cash of $199.1 million generated by repurchase agreements is included in this amount (see Investing Activities). Cash provided by operating activities for the year ended December 31, 2001 increased by $177.5 million to $374.0 million, compared to $196.5 million for the year ended December 31, 2000. This increase in cash was primarily attributable to improved results of operations in 2001. Net income, after adjustment for non-cash items, resulted in an increase in cash of $183.0 million. Cash usage due to changes in net working capital components was $5.5 million lower for the year ended December 31, 2001.

Investing Activities.

Investing activities used $65.9 million of cash during the year ended December 31, 2001, compared to cash usage of $455.2 million during 2000. The $389.3 million decrease in cash usage was primarily due to

$166.3 million less cash used in 2001 for the Company's investments in marketable securities than in 2000. Cash used for capital expenditures in 2001 also decreased $55.3 million as a result of the completion of the conversion of the Ocean Confidence. Cash provided by investing activities in 2001 included $199.1 million from securities sold under repurchase agreements and $0.2 million from the settlement of forward exchange contracts. Proceeds from the sale of assets were lower by $31.6 million primarily due to the sale of the Ocean Scotian in January 2000.

Financing Activities.

Financing activities used $53.6 million of cash during the year ended December 31, 2001 compared to $290.8 million of cash provided in 2000. Sources of financing for the year ended December 31, 2000 consisted primarily of the Company's issuance of the Zero Coupon Debentures in June 2000 and the December 2000 lease-leaseback of the Ocean Alliance which resulted in net proceeds of approximately $392.6 million and $54.7 million, respectively.

On April 6, 2001, the Company redeemed all of its outstanding 3.75% Notes in accordance with the indenture under which the 3.75% Notes were issued. Prior to April 6, 2001, $12.4 million principal amount of the 3.75% Notes had been converted into 307,071 shares of the Company's common stock, par value $0.01 per share, at the stated conversion price of $40.50 per share. The remaining $387.6 million principal amount of the 3.75% Notes was redeemed at 102.08% of the principal amount thereof plus accrued interest for a total cash payment of $397.7 million, resulting in an after-tax charge of $7.7 million, which is reported as an extraordinary loss in the Consolidated Statement of Income.

On April 11, 2001, the Company issued $460.0 million principal amount of 1.5% Debentures which are due April 15, 2031. The 1.5% Debentures are convertible into shares of the Company's common stock at an initial conversion rate of 20.3978 shares per $1,000 principal amount of the 1.5% Debentures (equivalent to a conversion price of $49.02 per share), subject to adjustment in certain circumstances. Upon conversion, the Company has the right to deliver cash in lieu of shares of the Company's common stock. The transaction resulted in net proceeds of approximately $449.1 million.

Interest of 1.5% per year on the outstanding principal amount is payable semiannually in arrears on April 15 and October 15 of each year, beginning October 15, 2001. The 1.5% Debentures are unsecured obligations of the Company and rank equally with all of the Company's other unsecured senior indebtedness.

The Company will pay contingent interest to holders of the 1.5% Debentures during any six-month period commencing after April 15, 2008 if the average market price of a 1.5% Debenture for a measurement period preceding such six-month period equals 120% or more of the principal amount of such 1.5% Debenture and the Company pays a regular cash dividend during such six-month period. The contingent interest payable per $1,000 principal amount of 1.5% Debentures, in respect of any quarterly period, will equal 50% of regular cash dividends paid by the Company per share on its common stock during that quarterly period multiplied by the conversion rate. This contingent interest component is an embedded derivative and had no fair value at inception or on December 31, 2001.

Holders may require the Company to purchase all or a portion of their 1.5% Debentures on April 15, 2008 at a price equal to 100% of the principal amount of the 1.5% Debentures to be purchased plus accrued and unpaid interest. The Company may choose to pay the purchase price in cash or shares of the Company's common stock or a combination of cash and common stock. In addition, holders may require the Company to purchase for cash all or a portion of their 1.5% Debentures upon a change in control (as defined).

The Company may redeem all or a portion of the 1.5% Debentures at any time on or after April 15, 2008 at a price equal to 100% of the principal amount plus accrued and unpaid interest.

Additional cash used in financing activities during the year ended December 31, 2001 included $104.3 million for dividends paid to stockholders and the purchase of treasury stock. Depending on market conditions, the Company may, from time to time, purchase shares of its common stock in the open market. During 2001, the Company purchased 1,403,900 shares of its common stock at an aggregate cost of $37.8 million, or at an average cost of $26.90 per share.

Also, cash used in financing activities included $9.7 million from the first of five annual payments of $13.7 million (principal and interest) in accordance with the Company's December 2000 lease-leaseback agreement with a European bank. The lease-leaseback agreement provided for the Company to lease the Ocean Alliance, one of the Company's high specification semisubmersible drilling rigs, to the bank for a lump-sum payment of $55.0 million plus an origination fee of $1.1 million and for the bank to then sub-lease the rig back to the Company. This financing arrangement has an effective interest rate of 7.13% and is an unsecured obligation of the Company.

Cash used in financing activities was partially offset by premiums of $6.9 million received for the sale of put options covering 1,687,321 shares of the Company's common stock. The options give the holders the right to require the Company to repurchase up to the contracted number of shares of its common stock at the stated exercise price per share at any time prior to their expiration. The Company has the option to settle in cash or shares of its common stock. All of these options were outstanding at December 31, 2001. On January 30, February 13, and February 14, 2002, the Company settled some of its outstanding put options with cash payments of $0.4 million, $0.3 million and $0.5 million, respectively. These put options covered 1,000,000 shares of the Company's common stock and were to expire on February 5, and February 19, 2002. On February 12, 2002, the Company purchased 500,000 shares of its common stock at $40.00 per share to settle put options expiring on that date. See Note 1 to the Company's Consolidated Financial Statements "-- Common Equity Put Options" in Item 8 of Part II of this report.

Contractual Cash Obligations.

CONTRACTUAL OBLIGATIONS PAYMENTS DUE BY PERIOD ---------- LESS THAN AFTER 5 TOTAL 1 YEAR 1-3 YEARS 4-5 YEARS YEARS -------- --------- - -------- --------- -------- (IN THOUSANDS) Long-term debt..... $931,062 $10,426 $23,124 $12,818 $884,694 Operating leases..... 2,075 1,098 683 277 17 -------- ---- --- ------- ------- -------- Total obligations..... $933,137 $11,524 $23,807 $13,095 $884,711 ======== ======= ======= ======= ======= ========

Other.

The Company has the ability to issue an aggregate of approximately $117.5 million in debt, equity and other securities under a shelf registration statement. In addition, the Company may issue, from time to time, up to eight million shares of common stock, which shares are registered under an acquisition shelf registration statement (upon effectiveness of an amendment thereto reflecting the effect of the two-for-one stock split declared in July 1997), in connection with one or more acquisitions by the Company of securities or assets of other businesses.

At December 31, 2001 and 2000, the Company had no off-balance sheet debt.

The Company believes it has the financial resources needed to meet its business requirements in the foreseeable future, including capital expenditures for rig upgrades and continuing rig enhancements, and working capital requirements.

CAPITAL RESOURCES

Cash required to meet the Company's capital commitments is determined by evaluating rig upgrades to meet specific customer requirements and by evaluating the Company's ongoing rig equipment replacement and enhancement programs, including water depth and drilling capability upgrades. It is management's opinion that operating cash flows and the Company's cash reserves will be sufficient to meet these capital commitments; however, periodic assessments will be made based on industry conditions. In addition, the Company may, from time to time, issue debt or equity securities, or a combination thereof, to finance capital expenditures, the acquisition of assets and businesses or for general corporate purposes. The Company's ability

to effect any such issuance will be dependent on the Company's results of operations, its current financial condition, current market conditions and other factors beyond its control.

During the year ended December 31, 2001, the Company spent $160.4 million, including capitalized interest expense, for rig upgrades. These expenditures were primarily for the deepwater upgrades of the Ocean Baroness ($114.3 million) which was completed in March 2002 and the Ocean Rover ($20.7 million) which is expected to be completed in 2003. Also included in this amount was $12.6 million for accommodation and stability enhancement upgrades of the Ocean Nomad which were completed in April 2001. In addition, the pre-fabrication of equipment required for the upgrade of six of the Company's jack-up rigs accounted for $7.2 million of 2001 rig upgrade expenditures. The Company expects to spend approximately $275 million for rig upgrade capital expenditures during 2002 which are primarily costs associated with upgrades of the Ocean Rover and six jack-up rigs. Approximately $34 million of this amount is expected to be used for the completion of the Ocean Baroness upgrade.

The significant upgrade of the Company's semisubmersible rig, the Ocean Baroness, to high specification capabilities has resulted in an enhanced version of the Company's previous Victory-class upgrades. The upgrade included the following enhancements: capability for operation in 7,000-foot water depths on a stand alone basis; approximately 5,590 metric tons variable deckload; a 15,000 psi blow-out prevention system; 3,600-kips riser tensioning and riser with a multiplex control system. Additional features including a high capacity deck crane, significantly enlarged cellar deck area and a 25- by 91-foot moon pool will provide enhanced subsea completion and development capabilities. The Company took delivery of the rig in January 2002. In March 2002 the rig began mobilizing to a location offshore Southeast Asia to begin its current contract. The approximate cost of the upgrade was $170 million.

The Ocean Rover, one of the Company's Victory-class semisubmersibles, arrived at a shipyard in Singapore for a major upgrade in mid-January 2002. The rig will be upgraded to water depths and specifications similar to the enhanced Ocean Baroness for an estimated cost of approximately $200 million with approximately $140 million to be spent in 2002. The upgrade is expected to take approximately 19 months to complete with delivery estimated to occur in the third quarter of 2003.

The Company also expects to spend approximately $93 million ($7.2 million spent in 2001) to significantly upgrade 6 of its 14 jack-up rigs over the next 2 years to expand the shallow water fleet's capabilities. The Ocean Titan and the Ocean Tower, both 350 feet water depth capable independent-leg slot rigs, are scheduled to have cantilever packages installed. The cantilever systems enable a rig to cantilever or extend its drilling package over the aft end of the rig. This is particularly important when attempting to drill over existing platforms. Cantilever rigs have historically enjoyed greater dayrates and utilization as compared to slot rigs. The Ocean Spartan, Ocean Spur, Ocean Sovereign and the Ocean Heritage, all 250-foot water depth capable independent-leg cantilever rigs, are scheduled to have leg extensions installed enabling these rigs to work in water depths up to 300 feet. The equipment necessary for these upgrades is being pre-fabricated and installation is planned to occur as idle time or scheduled surveys arise to minimize downtime. The Company expects to finance these upgrades through the use of existing cash balances or internally generated funds.

During the year ended December 31, 2001, the Company spent $108.2 million in association with its ongoing rig equipment replacement and enhancement programs and to meet other corporate requirements. These expenditures included purchases of drill pipe, anchor chain, riser and other drilling equipment. The Company has budgeted $107.1 million for 2002 capital expenditures associated with its ongoing rig equipment replacement and enhancement programs and other corporate requirements.

The Company continues to consider transactions, which include, but are not limited to, the purchase of existing rigs, construction of new rigs and the acquisition of other companies engaged in contract drilling or related businesses. Certain of these potential transactions reviewed by the Company would, if completed, result in its entering new lines of business. In general, however, these opportunities have been related in some manner to the Company's existing operations. Although the Company does not, as of the date hereof, have any commitment with respect to a material acquisition, it could enter into such an agreement in the future and such acquisition could result in a material expansion of its existing operations or result in its entering a new

line of business. Some of the potential acquisitions considered by the Company could, if completed, result in the expenditure of a material amount of funds or the issuance of a material amount of debt or equity securities.

INTEGRATED SERVICES

The Company's wholly owned subsidiary, DOTS, from time to time, selectively engages in drilling services pursuant to turnkey or modified-turnkey contracts under which DOTS agrees to drill a well to a specified depth for a fixed price. In such cases, DOTS generally is not entitled to payment unless the well is drilled to the specified depth and other contract requirements are met. Profitability of the contract is dependent upon its ability to keep expenses within the estimates used in determining the contract price. Drilling a well under a turnkey contract therefore typically requires a greater cash commitment by the Company and exposes the Company to risks of potential financial losses that generally are substantially greater than those that would ordinarily exist when drilling under a conventional dayrate contract. DOTS also offers a portfolio of drilling services including overall project management, extended well tests, and completion operations. During 2001, DOTS contributed operating income of $0.6 million to the Company's consolidated results of operations primarily from the completion of one international turnkey project, which began in the last quarter of 2000, and three turnkey permanent plug and abandonment projects in the Gulf of Mexico. During 2000, DOTS contributed operating income of $1.0 million to the Company's consolidated results of operations primarily from the completion of four turnkey projects in the Gulf of Mexico, one international turnkey project and integrated services provided in Aberdeen, Scotland.

OTHER

Currency Risk. Certain of the Company's subsidiaries use the local currency in the country where they conduct operations as their functional currency. Currency environments in which the Company has material business operations include the U.K., Australia and Brazil. The Company generally attempts to minimize its currency exchange risk by seeking international contracts payable in local currency in amounts equal to the Company's estimated operating costs payable in local currency and in U.S. dollars for the balance of the contract. Because of this strategy, the Company has minimized its unhedged net asset or liability positions denominated in local currencies and has not experienced significant gains or losses associated with changes in currency exchange rates. The Company has not hedged its exposure to changes in the exchange rate between U.S. dollars and the local currencies, except in Australia (see "Forward Exchange Contracts") for operating costs payable in the local currencies in which it operates, although it may seek to do so in the future. At present, only contracts covering the Company's five rigs currently operating in Brazil are payable both in U.S. dollars and the local currency.

Currency translation adjustments are accumulated in a separate section of stockholders' equity. When the Company ceases its operations in a currency environment, the accumulated adjustments are recognized currently in results of operations. The effect on results of operations from these translation gains and losses has not been material and they are not expected to have a significant effect in the future.

Forward Exchange Contracts. In some instances, a foreign exchange forward contract is used to minimize the forward exchange risk. A forward exchange contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified foreign exchange rates on specified dates. On July 27, 2001, the Company entered into 12 forward contracts to purchase 3.5 million Australian dollars each month end through July 31, 2002. A pre-tax gain of $0.4 million related to the forward contracts (a $0.3 million realized gain and a $0.1 million unrealized gain) was recorded in the Consolidated Statement of Income for the year ended December 31, 2001 in "Other income (expense)."

ACCOUNTING STANDARDS

In October 2001 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and provides updated guidance concerning the recognition and

measurement of an impairment loss for certain types of long-lived assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 with earlier application encouraged. The adoption of SFAS No. 144 in January 2002 by the Company has not had nor is it expected to have a material impact on the Company's consolidated results of operation, financial position or cash flow.

In August 2001 the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 with early adoption encouraged. Adoption of SFAS No. 143 in 2003 is not expected to have a material impact on the Company's consolidated results of operation, financial position or cash flow.

In June 2001 the FASB issued two new pronouncements, SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for by the purchase method and applies to all business combinations initiated after June 30, 2001 and also applies to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001 or later. There are also transition provisions that apply to business combinations completed before July 1, 2001, that were accounted for by the purchase method. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 for all goodwill and other intangible assets recognized in an entity's statement of financial position at that date, regardless of when those assets were initially recognized. The Company adopted SFAS No. 142 on January 1, 2002 and has suspended amortization of goodwill which was $3.3 million, $4.5 million and $5.3 million for the years ended December 31, 2001, 2000 and 1999, respectively. SFAS No. 142 does not change the SFAS No. 109 "Accounting for Income Taxes" requirement to reduce goodwill for the excess of tax benefits not previously recognized. See Note 6 to the Company's Consolidated Financial Statements in Item 8 of Part II of this report. The adoption of SFAS No. 142 has not had, nor is it expected to have, a material impact on the Company's consolidated results of operation, financial position or cash flow.

FORWARD-LOOKING STATEMENTS

Certain written and oral statements made or incorporated by reference from time to time by the Company or its representatives are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words "expect," "intend," "plan," "anticipate," "estimate," "believe," "will be," "will continue," "will likely result," "project," and similar expressions. Statements by the Company in this report that contain forward-looking statements include, but are not limited to, discussions regarding future market conditions and the effect of such conditions on the Company's future results of operations (see "-- Outlook"), future uses of and requirements for financial resources, including, but not limited to, expenditures related to the deepwater upgrades of the Ocean Baroness and the Ocean Rover (see "-- Liquidity" and "-- Capital Resources") and interest rate and foreign exchange risk (see "Quantitative and Qualitative Disclosures About Market Risk"). Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, casualty losses, industry fleet capacity, changes in foreign and domestic oil and gas exploration and production activity, competition, changes in foreign, political, social and economic conditions, war risk, regulatory initiatives and compliance with governmental regulations, customer preferences and various other matters, many of which are beyond the Company's control. The risks included here are not exhaustive. Other sections of this report and the Company's other filings with the Securities and Exchange Commission include additional factors that could adversely impact the Company's business and financial performance. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information included in this Item 7A is considered to constitute "forward-looking statements" for purposes of the statutory safe harbor provided in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward-Looking Statements" in Item 7 of this report.

INTEREST RATE RISK

The Company's financial instruments subject to interest rate risk include the Zero Coupon Debentures, the 1.5% Debentures, the Ocean Alliance lease-leaseback and investments in debt securities, including U.S. Treasury and other U.S. government agency securities, treasury inflation-indexed protected bonds ("TIP's") and collateralized mortgage obligations ("CMO's").

At December 31, 2001, the fair value of the Company's 1.5% Debentures, based on quoted market prices, was approximately $421.3 million, compared to a carrying amount of $460.0 million. At December 31, 2001, the contingent interest component of the Company's 1.5% Debentures was carried at its fair value of zero.

At December 31, 2001, the fair value of the Company's Zero Coupon Debentures, based on quoted market prices, was approximately $408.9 million, compared to a carrying amount of $424.7 million.

At December 31, 2001, the fair value of the Company's Ocean Alliance lease-leaseback agreement, based on the present value of estimated future cash flows using a discount rate of 7.59%, was approximately $45.9 million, compared to a carrying amount of $46.4 million.

At December 31, 2001, the fair market value of the Company's investment in debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies, excluding TIP's and CMO's, was approximately $250.1 million, which includes an unrealized holding gain of $2.7 million. The securities bear interest at rates ranging from 3.0% to 6.3%. These securities are U.S. government-backed, generally short-term and readily marketable.

The fair market value of the Company's investment in TIP's, based on quoted market prices, at December 31, 2001 was approximately $55.4 million, which includes an unrealized holding gain of $1.1 million. These securities bear interest at 3.6% and have an inflation-adjusted principal. The amount of each semiannual interest payment is based on the securities' inflation-adjusted principal amount on an interest payment date and, at maturity, the securities will be redeemed at the greater of their inflation-adjusted principal or par amount at original issue. The TIP's are short-term and readily marketable.

The fair market value of the Company's investment in CMO's, based on quoted market prices at December 31, 2001 was approximately $442.8 million, which includes an unrealized holding gain of $0.3 million. The CMO's are also short-term and readily marketable with an implied AAA rating backed by U.S. government guaranteed mortgages.

FOREIGN EXCHANGE RISK

As of December 31, 2001, the Company had contracted to purchase 3.5 million Australian dollars each month through July 31, 2002. These foreign exchange forward contracts are recorded at their fair value determined by discounting future cash flows at current forward rates. At December 31, 2001, an asset of $0.1 million, reflecting the fair value of the forward contracts, was included with "Prepaid expenses and other" in the Consolidated Balance Sheet. The associated unrealized gain of $0.1 million was included in "Other income (expense)" in the Consolidated Statement of Income for the year ended December 31, 2001.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Diamond Offshore Drilling, Inc. and subsidiaries
Houston, Texas

We have audited the accompanying consolidated balance sheets of Diamond Offshore Drilling, Inc. and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Diamond Offshore Drilling, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Houston, Texas
January 22, 2002
(February 14, 2002 as to the settlement
of put options described in Note 1)

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

ASSETS

DECEMBER 31,	2001	2000
Current assets: Cash and cash equivalents	$ 398,990	$ 144,456
Marketable securities	748,387	717,678
Accounts receivable	193,653	153,452
Rig inventory and supplies	40,814	40,698
Prepaid expenses and other	45,571	15,906
Total current assets	1,427,415	1,072,190
Drilling and other property and equipment, net of accumulated depreciation	2,002,873	1,931,182
Goodwill, net of accumulated amortization	38,329	55,205
Other assets	33,900	20,929
Total assets	$3,502,517	$3,079,506
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities: Current portion of long-term debt	$ 10,426	$ 9,732
Accounts payable	31,924	39,795
Accrued liabilities	87,742	73,149
Taxes payable	5,862	337
Securities sold under repurchase agreements	199,062	--
Total current liabilities	335,016	123,013
Long-term debt	920,636	856,559
Deferred tax liability	376,095	316,627
Other liabilities	17,624	15,454
Total liabilities	1,649,371	1,311,653
Commitments and contingencies		
Stockholders' equity: Preferred stock (par value $0.01, 25,000,000 shares authorized, none issued and outstanding)	--	--
Common stock (par value $0.01, 500,000,000 shares authorized, 133,457,055 shares issued and 132,053,155 shares outstanding at December 31, 2001 and 133,150,477 shares issued and outstanding at December 31, 2000)	1,335	1,332
Additional paid-in capital	1,267,952	1,248,665
Retained earnings	624,507	517,186
Accumulated other comprehensive gains (losses)	(2,880)	670
Treasury stock, at cost (1,403,900 shares)	(37,768)	--
Total stockholders' equity	1,853,146	1,767,853
Total liabilities and stockholders' equity	$3,502,517	$3,079,506

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

YEAR ENDED DECEMBER 31,	2001	2000	1999
Revenues	$885,349	$659,436	$821,024
Operating expenses:			
Contract drilling	464,964	433,091	431,523
Depreciation and amortization	170,017	145,596	142,963
General and administrative	25,502	23,803	22,877
Total operating expenses	660,483	602,490	597,363
Operating income	224,866	56,946	223,661
Other income (expense):			
Gain on sale of assets	327	14,324	231
Interest income	48,682	49,525	34,985
Interest expense	(26,205)	(10,272)	(9,212)
Other, net	24,695	344	(9,302)
Income before income tax expense and extraordinary loss	272,365	110,867	240,363
Income tax expense	(90,820)	(38,586)	(84,292)
Income before extraordinary loss	181,545	72,281	156,071
Extraordinary loss from early debt extinguishment, net of income tax benefit of $4,158	(7,722)	--	--
Net income	$173,823	$ 72,281	$156,071
Earnings per share: Basic			
Income before extraordinary loss	$ 1.37	$ 0.53	$ 1.15
Extraordinary loss	(0.06)	--	--
Net	$ 1.31	$ 0.53	$ 1.15
Diluted			
Income before extraordinary loss	$ 1.31	$ 0.53	$ 1.11
Extraordinary loss	(0.05)	--	--
Net	$ 1.26	$ 0.53	$ 1.11
Weighted average shares outstanding:			
Shares of common stock	132,886	135,164	135,822
Dilutive potential shares of common stock	16,408	9,876	9,876
Total weighted average shares outstanding	149,294	145,040	145,698

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSSES)	TREASURY STOCK		TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				SHARES	AMOUNT	
- January 1, 1999	139,333,635	$1,393	$1,302,806	$547,783	$(7,998)	3,518,100	$(88,726)	$1,755,258
Net income	--	--	--	156,071	--	--	--	156,071
Dividends to stockholders	--	--	--	(67,911)	--	--	--	(67,911)
Stock options exercised	8,746	--	35	--	--	--	--	35
Exchange rate changes, net	--	--	--	--	(983)	--	--	(983)
Loss on investments, net	--	--	--	--	(248)	--	--	(248)
December 31, 1999	139,342,381	1,393	1,302,841	635,943	(9,229)	3,518,100	(88,726)	1,842,222
Net income	--	--	--	72,281	--	--	--	72,281
Treasury stock Purchase	--	--	--	--	--	2,705,100	(92,959)	(92,959)
Retirement	(6,223,200)	(62)	(58,193)	(123,430)	--	(6,223,200)	181,685	--
Dividends to stockholders	--	--	--	(67,608)	--	--	--	(67,608)
Stock options exercised	30,803	1	122	--	--	--	--	123
Put option premiums	--	--	3,875	--	--	--	--	3,875
Conversion of long-term debt	493	--	20	--	--	--	--	20
Exchange rate changes, net	--	--	--	--	506	--	--	506
Gain on								

investments, net..... -- -- -- -- 9,393 -- -- 9,393 ----------- ----- - ---------- -------- - ------ ---------- ----- --- ---------- December 31, 2000..... 133,150,477 1,332 1,248,665 517,186 670 - - -- 1,767,853 -------- --- ------ ---------- - ------- ------- ------- --- -------- ---------- Net income..... -- -- -- 173,823 -- -- -- 173,823 Treasury stock purchase... -- -- -- -- -- 1,403,900 (37,768) (37,768) Dividends to stockholders..... -- -- -- (66,502) -- -- -- (66,502) Put option premiums..... -- -- 6,876 -- -- -- -- 6,876 Conversion of long-term debt..... 306,578 3 12,411 -- -- -- -- 12,414 Exchange rate changes, net..... -- -- -- -- (170) -- -- (170) Loss on investments, net..... -- -- -- -- (620) -- -- (620) Minimum pension adjustment..... -- -- -- -- (2,760) -- -- (2,760) ----------- ------ ---------- ----- --- ------- ---------- -------- ---------- December 31, 2001..... 133,457,055 $1,335 $1,267,952 $624,507 $(2,880) 1,403,900 $(37,768) $1,853,146 =========== ====== ========== ======== ======= ========== ======== ==========

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

YEAR ENDED DECEMBER 31,		
2001	2000	1999
Net income	$173,823	$72,281	$156,071
Other comprehensive gains (losses), net of tax:			
Foreign currency translation (loss) gain	(170)	506	(983)
Unrealized holding gain (loss) on investments	2,501	3,259	(5,903)
Reclassification adjustment for (gain) loss included in net income	(3,121)	6,134	5,655
Minimum pension liability adjustment	(2,760)	--	--
Total other comprehensive (loss) gain	(3,550)	9,899	(1,231)
Comprehensive income	$170,273	$82,180	$154,840

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

YEAR ENDED DECEMBER 31,			
	2001	2000	1999
Operating activities: Net income	$ 173,823	$ 72,281	$156,071
Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization	170,017	145,596	142,963
Gain on sale of assets	(327)	(14,324)	(231)
(Gain) loss on sale of marketable securities	(27,141)	(2,103)	522
Extraordinary loss from early debt extinguishment, net of tax	7,722	--	--
Impairment write-down of marketable securities	--	--	10,671
Deferred tax provision	74,264	26,155	38,529
Accretion of discount on marketable securities	(2,369)	(7,535)	(9,316)
Amortization of debt issuance costs	1,482	864	541
Amortization of discount on zero coupon convertible debentures	14,481	8,033	--
Changes in operating assets and liabilities: Accounts receivable	(40,201)	(9,883)	90,279
Rig inventory and supplies and other current assets	3	(9,190)	(7,527)
Other assets, non-current	(11,178)	(604)	(2,639)
Accounts payable and accrued liabilities	6,762	(4,592)	(30,540)
Taxes payable	9,443	(12,658)	11,193
Other liabilities, non-current	1,426	3,261	(881)
Other, net	(4,176)	1,234	(1,513)
Net cash provided by operating activities	374,031	196,535	398,122
Investing activities: Capital expenditures	(268,617)	(323,924)	(324,133)
Proceeds from sale of assets	1,726	33,279	662
Net change in marketable securities	1,753	(164,548)	4,343
Securities sold under repurchase agreements	199,062	--	--
Proceeds from settlement of forward contracts	226	--	--
Net cash used in investing activities	(65,850)	(455,193)	(319,128)
Financing activities: Acquisition of treasury stock	(37,768)	(92,959)	--
Proceeds from sale of put options	6,876	3,875	--
Payment of dividends	(66,502)	(67,608)	(67,911)
Proceeds from stock options exercised	--	123	35
Issuance of zero coupon convertible debentures	--	402,178	--
Debt issuance costs-zero coupon convertible debentures	--	(9,556)	--
Lease-leaseback agreement	(9,732)	55,000	--
Arrangement fees-lease-leaseback agreement	--	(255)	--
Early extinguishment of debt -- 3.75% convertible subordinated notes	(395,622)	--	--
Issuance of 1.5% convertible senior debentures	460,000	--	--
Debt issuance costs -- 1.5% convertible senior debentures	(10,899)	--	--
Net cash provided by (used in) financing activities	(53,647)	290,798	(67,876)

-- Net change in cash and cash equivalents	254,534	32,140	11,118
Cash and cash equivalents, beginning of year	144,456	112,316	101,198
Cash and cash equivalents, end of year	$ 398,990	$ 144,456	$112,316

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Diamond Offshore Drilling, Inc. (the "Company") was incorporated in Delaware on April 13, 1989. Loews Corporation ("Loews"), a Delaware corporation of which the Company had been a wholly owned subsidiary prior to the initial public offering in October 1995 (the "Common Stock Offering"), owns 53.1% of the outstanding common stock of the Company.

The Company, through wholly owned subsidiaries, engages in the worldwide contract drilling of offshore oil and gas wells and is a leader in deep water drilling. Currently, the fleet is comprised of 30 semisubmersible rigs, 14 jack-up rigs and one drillship.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of significant intercompany transactions and balances.

Cash and Cash Equivalents and Marketable Securities

Short-term, highly liquid investments that have an original maturity of three months or less and deposits in money market mutual funds that are readily convertible into cash are considered cash equivalents. Cash at December 31, 2001 includes $199.1 million of collateral received in connection with securities sold under repurchase agreements. See "Securities Sold Under Agreements to Repurchase."

The Company's investments are classified as available for sale and stated at fair value. Accordingly, any unrealized gains and losses, net of taxes, are reported in the Consolidated Balance Sheets in "Accumulated other comprehensive income" until realized. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity and such adjustments are included in the Consolidated Statements of Income in "Interest income." The sale and purchase of securities are recorded on the date of the trade. The cost of debt securities sold is based on the specific identification method and the cost of equity securities sold is based on the average cost method. Realized gains or losses and declines in value, if any, judged to be other than temporary are reported in the Consolidated Statements of Income in "Other income (expense)."

Securities Sold Under Agreements to Repurchase

The Company accounts for repurchase agreements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The Company lends securities to unrelated parties, primarily major brokerage firms. Borrowers of these securities must deposit collateral with the Company equal to 100% of the fair value of these securities, if the collateral is cash, or 102% of the fair value of the securities, if the collateral is securities. Cash deposits from these transactions are invested in short-term investments and a liability is recognized for the obligation to return the collateral. The Company continues to receive the interest on the loaned debt securities, as beneficial owner, and accordingly, the loaned debt securities are included in the Consolidated Balance Sheets in "Marketable securities". The fair value of collateral held and included with "Marketable securities" at December 31, 2001 was $198.7 million. The Company did not have any loaned debt securities at December 31, 2000.

Derivative Financial Instruments

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and its corresponding amendments under SFAS No. 138 on January 1, 2001. Derivative financial instruments

of the Company include forward exchange contracts and a contingent interest provision that is embedded in the 1.5% convertible senior debentures (the "1.5% Debentures") issued on April 11, 2001. See Note 4.

Supplementary Cash Flow Information

Cash payments made for interest on long-term debt, including commitment fees, were $17.1 million during the year ended December 31, 2001 and $15.0 million during each of the years ended December 31, 2000 and 1999. Cash payments made for income taxes, net of refunds, during the years ended December 31, 2001, 2000 and 1999 were $33.1 million, $25.8 million and $35.0 million, respectively.

Rig Inventory and Supplies

Inventories primarily consist of replacement parts and supplies held for use in the operations of the Company. Inventories are stated at the lower of cost or estimated value.

Drilling and Other Property and Equipment

Drilling and other property and equipment is carried at cost. Maintenance and routine repairs are charged to income currently while replacements and betterments, which meet certain criteria, are capitalized. Costs incurred for major rig upgrades are accumulated in construction work-in-progress, with no depreciation recorded on the additions, until the month the upgrade is completed and the rig is placed in service. Upon retirement or sale of a rig, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in the results of operations. Depreciation is provided on the straight-line method over the remaining estimated useful lives from the year the asset is placed in service.

Capitalized Interest

The Company incurred total interest cost, including amortization of debt issuance costs, of $28.8 million, $24.1 million and $15.5 million during the years ended December 31, 2001, 2000 and 1999, respectively. Interest cost for construction and upgrade of qualifying assets is capitalized. Interest cost capitalized during the years ended December 31, 2001, 2000 and 1999 was $2.6 million, $13.8 million and $6.3 million, respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluated certain rigs in its fleet in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of," and no instance of impairment was noted.

Goodwill

Goodwill from the merger with Arethusa (Off-Shore) Limited ("Arethusa") is amortized on a straight-line basis over 20 years. Amortization charged to operating expense during the years ended December 31, 2001, 2000 and 1999 totaled $3.3 million, $4.5 million and $5.3 million, respectively. The Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002 and accordingly, has suspended amortization of goodwill in 2002. See Note 6.

Debt Issuance Costs

Debt issuance costs are included in the Consolidated Balance Sheets in "Other assets" and are amortized over the term of the related debt.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The

Company's non-U.S. income tax liabilities are based upon the results of operations of the various subsidiaries and foreign branches in those jurisdictions in which they are subject to taxation. Beginning in 2001, the Company decided to indefinitely reinvest a portion of the earnings of its U.K. subsidiaries. Consequently, no U.S. deferred taxes were provided on these earnings in 2001.

Treasury Stock

Depending on market conditions, the Company may, from time to time, purchase shares of its common stock in the open market or otherwise. The purchase of treasury stock is accounted for using the cost method which reports the cost of the shares acquired in "Treasury stock" as a deduction from stockholders' equity in the Consolidated Balance Sheets. During the year ended December 31, 2001, the Company purchased 1.4 million shares of its common stock at an aggregate cost of $37.8 million, or at an average cost of $26.90 per share. During the year ended December 31, 2000, the Company purchased 2.7 million shares of its common stock at an aggregate cost of $93.0 million, or at an average cost of $34.36 per share. Effective December 31, 2000, the Company retired 6.2 million shares of its treasury stock at an aggregate cost of $181.7 million.

Common Equity Put Options

During the year ended December 31, 2001, the Company received premiums of $6.9 million for the sale of put options covering 1,687,321 shares of common stock. The options give the holders the right to require the Company to repurchase up to the contracted number of shares of its common stock at the stated exercise price per share at any time prior to their expiration. The Company has the option to settle in cash or shares of common stock. Premiums received for these options are recorded in "Additional paid-in capital" in the Consolidated Balance Sheets.

Put options outstanding at December 31, 2001 are as follows:

NUMBER OF SHARES	EXPIRATION OF COMMON EXERCISE PRICE DATE STOCK PER SHARE - ---------- ---------------- -- -----------
2/05/02.....	
500,000	$27.96
2/12/02.....	
500,000	$40.00
2/19/02.....	
250,000	$29.50
2/19/02.....	
250,000	$28.50
3/29/02.....	
163,721	$24.99
6/21/02.....	
23,600	$24.46

On January 30, February 13, and February 14, 2002, the Company settled some of its outstanding put options with cash payments of $0.4 million, $0.3 million, and $0.5 million, respectively. These put options covered 1,000,000 shares of the Company's common stock and were to expire on February 5, and February 19, 2002. During the first quarter of 2002 the Company will reduce "Additional paid-in-capital" in the Consolidated Balance Sheet for amounts paid to settle these put options. On February 12, 2002, the Company purchased 500,000 shares of its common stock at $40.00 per share to settle put options expiring on that day. During the first quarter of 2002 the Company will reduce "Additional paid-in-capital" in the Consolidated Balance Sheet by $3.1 million, the amount of the premium received for the sale of these put options, and report the net cost of the shares, $16.9 million, in "Treasury stock" as a deduction from stockholder's equity in the Consolidated Balance Sheet.

Stock-Based Compensation

In 2000 the Company adopted a stock option plan "2000 Stock Option Plan" whereby certain of the Company's employees, consultants and non-employee directors may be granted options to purchase stock. The Company accounts for the 2000 Stock Option Plan under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and as interpreted by Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation." See Note 13.

Comprehensive Income

Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances except those transactions resulting from investments by owners and distributions to owners. Comprehensive income includes net income, foreign currency translation gains and losses, minimum pension liability adjustments and unrealized holding gains and losses on marketable securities.

Currency Translation

The Company's primary functional currency is the U.S. dollar. Certain of the Company's subsidiaries use the local currency in the country where they conduct operations as their functional currency. These subsidiaries translate assets and liabilities at year-end exchange rates while income and expense accounts are translated at average exchange rates. Translation adjustments are reflected in the Consolidated Balance Sheets in "Accumulated other comprehensive gains/(losses)." Currency transaction gains and losses are included in the Consolidated Statements of Income in "Other income (expense)." Additionally, translation gains and losses of subsidiaries operating in hyperinflationary economies are included in operating results.

Revenue Recognition

Income from dayrate drilling contracts is recognized currently. In connection with such drilling contracts, the Company may receive lump-sum fees for the mobilization of equipment and personnel. The excess of mobilization fees received over costs incurred to mobilize an offshore rig from one market to another is recognized over the term of the related drilling contract unless there is excess mobilization cost in which case the excess cost is recognized currently. Absent a contract, mobilization costs are also recognized currently. Lump-sum payments received from customers relating to specific contracts are deferred and amortized to income over the term of the drilling contract.

Income from offshore turnkey drilling contracts is recognized on the completed contract method, with revenues accrued to the extent of costs until the specified turnkey depth and other contract requirements are met. Provisions for future losses on turnkey drilling contracts are recognized when it becomes apparent that expenses to be incurred on a specific contract will exceed the revenue from that contract.

Extraordinary Loss

On April 6, 2001, the Company redeemed all of its outstanding 3.75% convertible subordinated notes (the "3.75% Notes") at 102.08% of the principal amount thereof plus accrued interest for a total cash payment of $397.7 million. An extraordinary loss of $7.7 million was incurred as a result of the early extinguishment of debt, consisting of $8.1 million of retirement premiums and the write-off of $3.8 million of associated debt issuance costs, net of a tax benefit of $4.2 million.

New Accounting Pronouncements

In October 2001 the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and provides updated guidance concerning the recognition and measurement of an impairment loss for certain types of long-lived assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 with earlier application encouraged. The adoption of SFAS No. 144 by the Company in January 2002 has not had, nor is it expected to have, a material impact on the Company's consolidated results of operation, financial position or cash flow.

In August 2001 the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning

after June 15, 2002 with early adoption encouraged. Adoption of SFAS No. 143 in 2003 is not expected to have a material impact on the Company's consolidated results of operation, financial position or cash flow.

In June 2001 the FASB issued two new pronouncements, SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for by the purchase method and applies to all business combinations initiated after June 30, 2001 and also applies to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001 or later. There are also transition provisions that apply to business combinations completed before July 1, 2001, that were accounted for by the purchase method. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 for all goodwill and other intangible assets recognized in an entity's statement of financial position at that date, regardless of when those assets were initially recognized. The Company adopted SFAS No. 142 on January 1, 2002 and has suspended amortization of goodwill which was $3.3 million, $4.5 million and $5.3 million for the years ended December 31, 2001, 2000 and 1999, respectively. SFAS No. 142 does not change the SFAS No. 109 "Accounting for Income Taxes" requirement to reduce goodwill for the excess of tax benefits not previously recognized. See Note 6. The adoption of SFAS No. 142 has not had, nor is it expected to have, a material impact on the Company's consolidated results of operation, financial position or cash flow.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Reclassifications

Certain amounts applicable to the prior periods have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

Fair Value of Financial Instruments

The Company provides fair value information of its financial instruments in the notes to the consolidated financial statements (see Note 11). The carrying amount of the Company's current financial instruments approximate fair value because of the short maturity of these instruments. For non-current financial instruments the Company uses quoted market prices when available and discounted cash flows to estimate fair value.

2. EARNINGS PER SHARE

A reconciliation of the numerators and the denominators of the basic and diluted per-share computations follows:

FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	1999
(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Income before extraordinary loss -- basic (numerator)	$181,545	$ 72,281	$156,071
Extraordinary loss from early debt extinguishment, net of income tax benefit of $4,158	(7,722)	--	--
Effect of dilutive potential shares Convertible subordinated notes -- 3.75%	2,424	4,249	5,988
Zero coupon convertible debentures	8,833	--	--
Convertible senior debentures -- 1.5%	3,062	--	--
Net income including conversions -- diluted (numerator)	$188,142	$ 76,530	$162,059
Weighted average shares -- basic (denominator)	132,886	135,164	135,822
Effect of dilutive potential shares Convertible subordinated notes -- 3.75%	2,564	9,876	9,876
Zero coupon convertible debentures	6,929	--	--
Convertible senior debentures -- 1.5%	6,812	--	--
Stock options	1	--	--
Put options	102	--	--
Weighted average shares including conversions -- diluted (denominator)	149,294	145,040	145,698
Earnings per share: Basic			
Income before extraordinary loss	$ 1.37	$ 0.53	$ 1.15
Extraordinary loss	(0.06)	--	--
Net	$ 1.31	$ 0.53	$ 1.15
Diluted			
Income before extraordinary loss	$ 1.31	$ 0.53	$ 1.11
Extraordinary loss	(0.05)	--	--
Net	$ 1.26	$ 0.53	$ 1.11

The computation of diluted earnings per share ("EPS") for the year ended December 31, 2000 excludes approximately 6.9 million potentially dilutive shares issuable upon conversion of the Company's zero coupon convertible debentures due 2020 (the "Zero Coupon Debentures"), issued in June 2000, because the inclusion of such shares would be antidilutive.

Put options covering 1,687,321 shares of common stock at various stated exercise prices per share were outstanding at December 31, 2001. However, the computation of diluted EPS for the year ended December 31, 2001 excluded put options covering 187,321 shares of common stock because the options' exercise prices were less than the average market price per share of the common stock.

Put options covering 750,000 shares of common stock at an exercise price of $37.85 per share were outstanding at December 31, 2000, but were not included in the computation of diluted EPS for the year ended December 31, 2000 because the options' exercise price was less than the average market price per share of the common stock. There were no put options sold or outstanding during the year ended December 31, 1999.

The incremental shares calculated from non-qualified stock options, granted in accordance with the 2000 Stock Option Plan approved in May 2000, that were included in the computation of diluted EPS for the year

ended December 31, 2001 did not include 182,700 stock options because the options' exercise prices were more than the average market price per share of the common stock.

The incremental shares calculated from non-qualified stock options included in the computation of diluted EPS for the year ended December 31, 2000, were immaterial for presentation purposes and did not include 86,500 stock options because the options' exercise prices were more than the average market price per share of the common stock.

3. MARKETABLE SECURITIES

Investments classified as available for sale are summarized as follows:

DECEMBER 31, 2001	COST	GAIN	MARKET VALUE
(IN THOUSANDS) Debt securities issued by the U.S. Treasury and other U.S. government agencies: Due after one year through five years	$247,453	$2,689	$250,142
Due after five years through ten years	54,355	1,095	55,450
Collateralized mortgage obligations	442,518	277	442,795
Total	$744,326	$4,061	$748,387

DECEMBER 31, 2000	COST	GAIN	MARKET VALUE
(IN THOUSANDS) Debt securities issued by the U.S. Treasury and other U.S. government agencies: Due within one year	$149,005	$ 60	$149,065
Due after five years through ten years	265,981	1,045	267,026
Collateralized mortgage obligations	297,446	3,757	301,203
Equity securities	231	153	384
Total	$712,663	$5,015	$717,678

All of the Company's investments are included as current assets in the Consolidated Balance Sheets in "Marketable securities," representing the investment of cash available for current operations.

Proceeds from sales of marketable securities and gross realized gains and losses are summarized as follows:

YEAR ENDED DECEMBER 31,	2001	2000
(IN THOUSANDS) Proceeds from sales	$2,468,971	$1,345,183
Gross realized gains	38,584	2,590
Gross realized losses	(11,443)	(487)

4. DERIVATIVE FINANCIAL INSTRUMENTS

Forward Exchange Contracts

The Company operates internationally, resulting in exposure to foreign exchange risk. This risk is primarily associated with costs payable in foreign currencies for employee compensation and for purchases from foreign suppliers. The Company's primary technique for minimizing its foreign exchange risk involves structuring customer contracts to provide for payment in both the U.S. dollar and the foreign currency whenever possible. The payment portion denominated in the foreign currency is based on anticipated foreign

currency requirements over the contract term. In some instances, a foreign exchange forward contract is used to minimize the forward exchange risk. A forward exchange contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified foreign exchange rates on specified dates.

On July 27, 2001, the Company entered into 12 forward contracts to purchase 3.5 million Australian dollars each month end through July 31, 2002. These forward contracts are derivatives as defined by SFAS No. 133. SFAS No. 133 requires that each derivative be stated in the balance sheet at its fair value with gains and losses reflected in the income statement except that, to the extent the derivative qualifies for hedge accounting, the gains and losses are reflected in income in the same period as offsetting losses and gains on the qualifying hedged positions. SFAS No. 133 further provides specific criteria necessary for a derivative to qualify for hedge accounting. The forward contracts purchased by the Company on July 27, 2001, do not qualify for hedge accounting. A pre-tax gain of $0.4 million related to the forward contracts (a $0.3 million realized gain and a $0.1 million unrealized gain) was recorded in the Consolidated Statement of Income for the year ended December 31, 2001 in "Other income (expense)."

Contingent Interest

On April 11, 2001, the Company issued 1.5% Debentures in the amount of $460.0 million which are due April 15, 2031, and contain a contingent interest provision (see Note 8). The contingent interest component is an embedded derivative as defined by SFAS No. 133 and accordingly must be split from the host instrument and recorded at fair value on the balance sheet. The contingent interest component had no value at issuance or at December 31, 2001.

5. DRILLING AND OTHER PROPERTY AND EQUIPMENT

Cost and accumulated depreciation of drilling and other property and equipment are summarized as follows:

DECEMBER 31,	2001	2000
	(IN THOUSANDS)	
Drilling rigs and equipment	$2,732,333	$2,155,924
Construction work-in-progress	163,308	502,921
Land and buildings	14,629	14,224
Office equipment and other	19,731	18,480
Cost	2,930,001	2,691,549
Less accumulated depreciation	(927,128)	(760,367)
Drilling and other property and equipment, net	$2,002,873	$1,931,182

Construction work-in-progress at December 31, 2001, included approximately $157.0 million primarily for the significant upgrades of the Ocean Baroness and Ocean Rover to high specification capabilities.

In January 2001 approximately $448.2 million was reclassified from construction work-in-progress to drilling rigs and equipment upon completion of the conversion of the Ocean Confidence from an accommodation vessel to a high specification semisubmersible drilling unit. The customer accepted the rig on January 5, 2001, at which time it began a five-year drilling program in the Gulf of Mexico.

In January 2000 the Company sold a jack-up drilling rig, the Ocean Scotian, for $32.0 million in cash resulting in a gain of $13.9 million ($9.0 million after-tax). The rig had been cold stacked offshore The Netherlands prior to the sale.

6. GOODWILL

The merger with Arethusa in 1996 generated an excess of the purchase price over the estimated fair value of the net assets acquired. Cost and accumulated amortization of such goodwill is summarized as follows:

DECEMBER 31,	2001	2000
	(IN THOUSANDS)	
Goodwill	$ 69,008	$ 82,628
Less: accumulated amortization	(30,679)	(27,423)
Total	$ 38,329	$ 55,205

During the years ended December 31, 2001 and 2000, adjustments of $13.6 million and $13.5 million, respectively, were recorded to reduce goodwill before accumulated amortization. The adjustments represent tax benefits not previously recognized for the excess of tax deductible goodwill over the book goodwill amount. The Company will continue to reduce goodwill in future periods as the tax benefits of excess tax goodwill over book goodwill is recognized. Goodwill is expected to be reduced to zero during the year 2004.

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

DECEMBER 31,	2001	2000
	(IN THOUSANDS)	
Personal injury and other claims	$25,471	$21,565
Payroll and benefits	25,880	22,688
Interest payable	1,645	5,870
Reserve for class action litigation	9,699	--
Other	25,047	23,026
Total	$87,742	$73,149

8. LONG-TERM DEBT

Long-term debt consists of the following:

DECEMBER 31,	2001	2000
	(IN THOUSANDS)	
Convertible subordinated notes-3.75%	$ --	$399,980
Zero coupon convertible debentures	424,694	410,211
Convertible senior debentures-1.5%	460,000	--
Ocean Alliance lease-leaseback agreement	46,368	56,100
	931,062	866,291
Less: Current maturities	(10,426)	(9,732)
Total	$920,636	$856,559

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2001, are as follows:

(DOLLARS IN THOUSANDS)	
2002	$ 10,426
2003	11,155
2004	11,969
2005	12,818
2006	--
Thereafter	884,694
	931,062
Less: Current maturities	(10,426)
Total	$ 920,636

Convertible Subordinated Notes

On April 6, 2001, the Company redeemed all of its outstanding 3.75% Notes in accordance with the indenture under which the 3.75% Notes were issued. Prior to April 6, 2001, $12.4 million principal amount of the 3.75% Notes had been converted into 307,071 shares of the Company's common stock, par value $0.01 per share, at the stated conversion price of $40.50 per share. The remaining $387.6 million principal amount of the 3.75% Notes was redeemed at 102.08% of the principal amount thereof plus accrued interest for a total cash payment of $397.7 million resulting in an after-tax charge of $7.7 million, which is reported as an extraordinary loss in the Consolidated Statement of Income.

Convertible Senior Debentures

On April 11, 2001, the Company issued $460.0 million principal amount of 1.5% Debentures which are due April 15, 2031. The 1.5% Debentures are convertible into shares of the Company's common stock at an initial conversion rate of 20.3978 shares per $1,000 principal amount of the 1.5% Debentures, subject to adjustment in certain circumstances. Upon conversion, the Company has the right to deliver cash in lieu of shares of the Company's common stock. The transaction resulted in net proceeds of approximately $449.1 million.

Interest of 1.5% per year on the outstanding principal amount is payable semiannually in arrears on April 15 and October 15 of each year, beginning October 15, 2001. The 1.5% Debentures are unsecured obligations of the Company and rank equally with all of the Company's other unsecured senior indebtedness.

The Company will pay contingent interest to holders of the 1.5% Debentures during any six-month period commencing after April 15, 2008 if the average market price of a 1.5% Debenture for a measurement period preceding such six-month period equals 120% or more of the principal amount of such 1.5% Debenture and the Company pays a regular cash dividend during such six-month period. The contingent interest payable per $1,000 principal amount of 1.5% Debentures, in respect of any quarterly period, will equal 50% of regular cash dividends paid by the Company per share on its common stock during that quarterly period multiplied by the conversion rate. This contingent interest component is an embedded derivative, which had no fair value at issuance or on December 31, 2001.

Holders may require the Company to purchase all or a portion of their 1.5% Debentures on April 15, 2008, at a price equal to 100% of the principal amount of the 1.5% Debentures to be purchased plus accrued and unpaid interest. The Company may choose to pay the purchase price in cash or shares of the Company's common stock or a combination of cash and common stock. In addition, holders may require the Company to purchase, for cash, all or a portion of their 1.5% Debentures upon a change in control (as defined).

The Company may redeem all or a portion of the 1.5% Debentures at any time on or after April 15, 2008, at a price equal to 100% of the principal amount plus accrued and unpaid interest.

Zero Coupon Convertible Debentures

On June 6, 2000, the Company issued Zero Coupon Debentures at a price of $499.60 per $1,000 debenture, which represents a yield to maturity of 3.50% per year. The Company will not pay interest prior to maturity unless it elects to convert the Zero Coupon Debentures to interest-bearing debentures upon the occurrence of certain tax events. The Zero Coupon Debentures are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into the Company's common stock at a fixed conversion rate of 8.6075 shares of common stock per Zero Coupon Debenture, subject to adjustments in certain events. The Zero Coupon Debentures are senior unsecured obligations of the Company.

The Company has the right to redeem the Zero Coupon Debentures, in whole or in part, after June 6, 2005, for a price equal to the issuance price plus accrued original issue discount through the date of redemption. Holders have the right to require the Company to repurchase the Zero Coupon Debentures on the fifth, tenth and fifteenth anniversaries of issuance at the accreted value through the date of repurchase. The Company may pay such repurchase price with either cash or shares of the Company's common stock or a combination of cash and shares of common stock.

Ocean Alliance Lease-Leaseback

In December 2000 the Company entered into a lease-leaseback agreement with a European bank. The lease-leaseback agreement provides for the Company to lease the Ocean Alliance, one of the Company's high specification semisubmersible drilling rigs, to the bank for a lump-sum payment of $55.0 million plus an origination fee of $1.1 million and for the bank to then sub-lease the rig back to the Company. Under the Agreement, which had a five-year term, the Company is to make five annual payments of $13.7 million. The first annual payment was made in December 2001. This financing arrangement has an effective interest rate of 7.13% and is an unsecured subordinated obligation of the Company.

Credit Agreement

The Company's $20.0 million short-term revolving credit agreement with a U.S. bank expired in April 2001. The credit agreement provided for borrowings at various interest rates and varying commitment fees dependent upon public credit ratings. The credit agreement contained certain financial and other covenants and provisions that had to be maintained by the Company for compliance. As of March 31, 2001, there were no outstanding borrowings under this credit agreement and the Company was in compliance with each of the covenants and provisions.

9. COMPREHENSIVE INCOME

The income tax effects allocated to the components of other comprehensive income are as follows:

YEAR ENDED DECEMBER 31, 2001		
BEFORE TAX	TAX EFFECT	NET-OF-TAX
(IN THOUSANDS) Foreign currency translation (loss) gain	$ (262)	$ 92 $ (170)
Minimum pension liability adjustment	(4,246)	1,486 (2,760)
Unrealized gain (loss) on investments: Gain (loss) arising during 2001	3,848	(1,347) 2,501
Reclassification adjustment	(4,802)	1,681 (3,121)
Net unrealized (loss) gain	(954)	334 (620)
Other comprehensive (loss) income	$(5,462)	$ 1,912 $(3,550)

YEAR ENDED DECEMBER 31, 2000		
BEFORE TAX	TAX EFFECT	NET-OF-TAX
(IN THOUSANDS) Foreign currency translation gain (loss)	$ 778	$ (272) $ 506
Unrealized gain (loss) on investments: Gain (loss) arising during 2000	5,014	(1,755) 3,259
Reclassification adjustment	9,437	(3,303) 6,134
Net unrealized gain (loss)	14,451	(5,058) 9,393
Other comprehensive income (loss)	$15,229	$(5,330) $9,899

YEAR ENDED DECEMBER 31, 1999		
BEFORE TAX	TAX EFFECT	NET-OF-TAX
(IN THOUSANDS) Foreign currency translation (loss) gain	$(1,512)	$ 529 $ (983)
Unrealized gain (loss) on investments: (Loss) gain arising during 1999	(9,081)	3,178 (5,903)
Reclassification adjustment	8,700	(3,045) 5,655
Net unrealized (loss) gain	(381)	133 (248)
Other comprehensive (loss) income	$(1,893)	$ 662 $(1,231)

10. COMMITMENTS AND CONTINGENCIES

The Company leases office facilities under operating leases, which expire through the year 2007. Total rent expense amounted to $1.0 million, $1.2 million and $1.4 million for the years ended December 31, 2001, 2000 and 1999, respectively. Minimum future rental payments under leases are approximately $1.1

million, $0.5 million, $0.2 million, $0.1 million, $0.1 million and $17,000 for the years 2002 to 2007, respectively. There are no minimum future rental payments under leases after the year 2007.

The Company is contingently liable as of December 31, 2001 in the amount of $15.7 million under certain performance, bid, customs and export bonds. On the Company's behalf, banks have issued letters of credit securing certain of these bonds.

Raymond Verdin, on behalf of himself and those similarly situated v. Pride Offshore, Inc., et al; C.A. No. G-01-168 in the United States District Court for the Southern District of Texas, Houston, Division; formerly styled Raymond Verdin v. R&B Falcon Drilling USA, Inc., et al; No. G-00-488 in the United States District Court for the Southern District of Texas, Galveston Division, filed October 10, 2000. The Company was named as a defendant in a proposed class action suit filed on behalf of offshore workers against all of the major offshore drilling companies. The proposed class includes persons hired in the United States by the companies to work in the Gulf of Mexico and around the world. The allegation is that the companies, through

trade groups, shared information in violation of the Sherman Antitrust Act and various state laws. Plaintiff Thomas Bryant has replaced the named plaintiff as the proposed class representative. The lawsuit is seeking money damages and injunctive relief as well as attorney's fees and costs. During the first quarter of 2001, the Company recorded a $10.0 million reserve for this pending litigation in the Company's Consolidated Statement of Income. In July 2001 the Company filed a stipulation of settlement with the District Court in which it agreed to settle the plaintiffs' outstanding claims within the limits of the reserve. In December 2001 the United States District Judge for the Southern District of Texas, Houston Division, entered an order preliminarily approving the proposed class action settlement, preliminarily certifying the settlement class, and setting a fairness hearing for April 18, 2002 to determine whether to give the settlement final approval. A court appointed settlement administrator will provide notice of the proposed class action settlement.

Various other claims have been filed against the Company in the ordinary course of business, particularly claims alleging personal injuries. Management believes that the Company has established adequate reserves for any liabilities that may reasonably be expected to result from these claims. In the opinion of management, no pending or threatened claims, actions or proceedings against the Company are expected to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

11. FINANCIAL INSTRUMENTS

Concentrations of Credit and Market Risk

Financial instruments which potentially subject the Company to significant concentrations of credit or market risk consist primarily of periodic temporary investments of excess cash and trade accounts receivable and investments in debt and equity securities, including treasury inflation-indexed protected bonds ("TIP's") and collateralized mortgage obligations ("CMO's"). The Company places its temporary excess cash investments in high quality short-term money market instruments through several financial institutions. At times, such investments may be in excess of the insurable limit. The Company's periodic evaluations of the relative credit standing of these financial institutions are considered in the Company's investment strategy.

Concentrations of credit risk with respect to trade accounts receivable are limited primarily due to the entities comprising the Company's customer base. Since the market for the Company's services is the offshore oil and gas industry, this customer base consists primarily of major oil companies and independent oil and gas producers. The Company provides allowances for potential credit losses when necessary. No such allowances were deemed necessary for the years presented and, historically, the Company has not experienced significant losses on trade receivables. The Company's investments in debt securities, which are primarily U.S. government securities, do not impose a significant market risk on the Company as they are generally short-term with ready marketability. TIP's are not considered high-risk investments. While the amount of each semiannual interest payment is based on the security's inflation-adjusted principal amount on an interest payment date, if at maturity the inflation-adjusted principal is less than the security's par amount, the U.S. government pays an additional amount so that the inflation-adjusted principal equals the par amount. Investments in CMO's are not considered high-risk as they are also short-term and readily marketable with an implied AAA rating backed by U.S. government guaranteed mortgages.

Fair Values

The amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, marketable securities, accounts receivable, and accounts payable approximate fair value. Fair values and related carrying values of the Company's debt instruments are shown below:

YEAR ENDED DECEMBER 31,	2001		2000	
	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
	(IN MILLIONS)			
Zero Coupon Debentures	$408.9	$424.7	$406.2	$410.2
1.5% Debentures	$421.3	$460.0	--	--
3.75% Notes	--	--	$440.2	$440.0
Ocean Alliance Lease-leaseback	$ 45.9	$ 46.4	$ 54.3	$ 56.1

The estimated fair value amounts have been determined by the Company using appropriate valuation methodologies and information available to management as of December 31, 2001 and 2000. Considerable judgment is required in developing these estimates, and accordingly, no assurance can be given that the estimated values are indicative of the amounts that would be realized in a free market exchange. The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it was practicable to estimate that value:

Cash and cash equivalents -- The carrying amounts approximate fair value because of the short maturity of these instruments.

Marketable securities -- The fair values of the debt and equity securities, including TIP's and CMO's, available for sale were based on quoted market prices as of December 31, 2001 and 2000.

Accounts receivable and accounts payable -- The carrying amounts approximate fair value based on the nature of the instruments.

Long-term debt -- The fair value of the Zero Coupon Debentures, the 1.5% Debentures and the 3.75% Notes was based on the quoted market price from brokers of these instruments. The fair value of the Ocean Alliance lease-leaseback agreement was based on the present value of estimated future cash flows using a discount rate of 7.59%.

12. RELATED PARTY TRANSACTIONS

The Company and Loews entered into a services agreement which was effective upon consummation of the Common Stock Offering (the "Services Agreement") pursuant to which Loews agreed to continue to perform certain administrative and technical services on behalf of the Company. Such services include personnel, telecommunications, purchasing, internal auditing, accounting, data processing and cash management services, in addition to advice and assistance with respect to preparation of tax returns and obtaining insurance. Under the Services Agreement, the Company is required to reimburse Loews for (i) allocated personnel costs (such as salaries, employee benefits and payroll taxes) of the Loews personnel actually providing such services and (ii) all out-of-pocket expenses related to the provision of such services. The Services Agreement may be terminated at the Company's option upon 30 days' notice to Loews and at the option of Loews upon six months' notice to the Company. In addition, the Company has agreed to indemnify Loews for all claims and damages arising from the provision of services by Loews under the Services Agreement unless due to the gross negligence or willful misconduct of Loews. The Company was charged $0.3 million, $0.4 million and $0.3 million by Loews for these support functions during the years ended December 31, 2001, 2000 and 1999, respectively.

13. STOCK OPTION PLAN

The Company's 2000 Stock Option Plan provides for issuance of either incentive stock options or non-qualified stock options to the Company's employees, consultants and non-employee directors. Options may be

granted to purchase stock at no less than 100% of the market price of the stock on the date the option is granted. Such plan reserved for issuance up to 750,000 shares of the Company's common stock, none of which had been issued as of December 31, 2001. Unless otherwise specified by the Board of Directors at the time of the grant, stock options have a maximum term of ten years, subject to earlier termination under certain conditions and vest over four years.

The following table summarizes the stock option activity related to the 2000 Stock Option Plan:

2001	2000		
WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE OPTIONS	EXERCISE PRICE	OPTIONS
Outstanding, January 1	$42.83	109,000	$ --
Granted	32.54	109,300	42.84
Forfeited	43.03	(4,000)	--
Outstanding, December 31	$37.68	218,300	$42.83
Exercisable, December 31	$34.16	11,500	$42.34

The following table summarizes information for options outstanding and exercisable at December 31, 2001:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
$24.60-$33.51	71,200	9.2 years	$29.06	6,000	$29.06
$35.72-$43.03	147,100	8.3 years	$41.85	36,500	$41.95

The Company accounts for the 2000 Stock Option Plan in accordance with Accounting Principle Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for the

options granted under the plan. Had compensation expense for the Company's stock options been recognized based on the fair value of the options at the grant dates, using the methodology prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

2001	2000
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
Net Income: As reported	$173,823	$72,281
Pro forma	$173,146	$71,918
Earnings Per Share of Common Stock: As reported	$ 1.31	$ 0.53
Pro forma	$ 1.30	$ 0.53
Earnings Per Share of Common Stock -- assuming dilution: As reported	$ 1.26	$ 0.53
Pro forma	$ 1.26	$ 0.53

The per share weighted-average fair value of stock options granted during 2001 and 2000 was $14.60 and $26.71, respectively. The fair value of options granted in 2001 and 2000 has been estimated at the date of grant using a Binomial Option Pricing Model with the following weighted average assumptions:

	2001	2000
Risk-free interest rate	4.52%	6.71%
Expected life of options		
Employees	6	6
Directors	4	6
Expected volatility of the company's stock price	49%	69%
Expected dividend yield	1.64%	1.25%

14. INCOME TAXES

The components of income before income taxes are as follows:

YEAR ENDED DECEMBER 31,	2001	2000	1999
(IN THOUSANDS)			
Income before income tax expense and extraordinary loss:			
U.S.	$250,014	$ 97,118	$212,331
Non-U.S.	22,351	13,749	28,032
Worldwide	$272,365	$110,867	$240,363

YEAR ENDED DECEMBER 31,	2001	2000	1999
(IN THOUSANDS)			
Income before income tax expense:			
U.S (including pre-tax extraordinary loss)	$238,134	$ 97,118	$212,331
Non-U.S.	22,351	13,749	28,032
Worldwide (including pre-tax extraordinary loss)	$260,485	$110,867	$240,363

The components of income tax expense are as follows:

YEAR ENDED DECEMBER 31,	2001	2000	1999
(IN THOUSANDS)			
U.S.			
current	$ 564	$ 7,981	$15,830
Non-U.S.			
current	11,834	4,450	29,933
Total current	12,398	12,431	45,763
U.S.			
deferred	60,649	12,540	24,783
U.S. -- deferred to reduce goodwill	13,615	13,615	13,746
Total deferred	74,264	26,155	38,529
Total	$86,662	$38,586	$84,292

The Company's income tax provision (benefit) is recorded as follows:

YEAR ENDED DECEMBER 31,	2001	2000	1999
(IN THOUSANDS)			
Income before extraordinary loss	$90,820	$38,586	$84,292
Extraordinary loss	(4,158)	--	--
Total	$86,662	$38,586	$84,292

The difference between actual income tax expense and the tax provision computed by applying the statutory federal income tax rate to income before taxes is attributable to the following:

YEAR ENDED DECEMBER 31,			(IN THOUSANDS)
2001	2000	1999	
Expected income tax expense at federal statutory rate...	$91,169	$38,803	$84,127
Foreign earnings indefinitely reinvested.....	(5,222)	--	--
Adjustment to prior year return.....	2	(69)	(4)
Other.....	713	(148)	169
Income tax expense.....	$86,662	$38,586	$84,292

Significant components of the Company's deferred income tax assets and liabilities are as follows:

DECEMBER 31,	2001	2000	(IN THOUSANDS)
Deferred tax assets:			
Net operating loss carryforwards.....	$ 9,867	$ 8,990	
Worker's compensation accruals(1).....	5,753	4,635	
Foreign tax credits.....	40,097	30,214	
Other(2).....	8,485	4,227	
Total deferred tax assets.....	64,202	48,066	
Deferred tax liabilities:			
Depreciation and amortization.....	(378,436)	(300,969)	
Undistributed earnings of non-U.S. subsidiaries.....	(34,348)	(37,193)	
Non-U.S. deferred taxes.....	(14,684)	(14,684)	
Other.....	(7,076)	(7,076)	
Total deferred tax liabilities.....	(434,544)	(359,922)	
Net deferred tax liability.....	$(370,342)	$(311,856)	

- ---

(1) Reflected in "Prepaid expenses and other" in the Company's Consolidated Balance Sheets.

(2) In 2000 approximately $136 is reflected in "Prepaid expenses and other" in the Company's Consolidated Balance Sheets.

Except for selective dividends, the Company's practice prior to 1997 was to reinvest the unremitted earnings of all of its non-U.S. subsidiaries and postpone their remittance indefinitely. Thus, no additional U.S. taxes were provided on such earnings. Undistributed earnings of non-U.S. subsidiaries generated prior to 1997 for which no U.S. deferred income tax provision has been made for possible future remittances totaled approximately $46.2 million at December 31, 2001. In addition, the Company has negative undistributed earnings of non-U.S. subsidiaries generated prior to 1997 of $66.8 million at December 31, 2001, for which no deferred tax benefit has been recognized. It is not practicable to estimate the amount of unrecognized U.S. deferred taxes, if any, that might be payable on the actual or deemed remittance of such earnings. On actual remittance, certain countries impose withholding taxes that, subject to certain limitations, are then available for use as tax credits against a U.S. tax liability, if any.

At the beginning of 2001, the Company decided to postpone remittance of a portion of the earnings of its U.K. subsidiaries. The Company plans to reinvest these earnings indefinitely and no U.S. taxes were provided on these earnings. Undistributed earnings of the U.K. subsidiaries in 2001 for which no U.S. deferred income tax provision has been made were $14.9 million.

The Company believes it is probable that its deferred tax assets of $64.2 million will be realized on future tax returns, primarily from the generation of future taxable income through both profitable operations and future reversals of existing taxable temporary differences. However, if the Company is unable to generate

sufficient taxable income in the future through operating results, a valuation allowance will be required as a charge to expense.

Deferred income taxes are not recorded on differences between financial reporting and tax bases of investments in stock of the Company's subsidiaries, unless realization of the effect is probable in the foreseeable future. The Company also has certain income tax loss carryforwards in non-U.S. tax jurisdictions to which it has assigned no value because of the uncertainty of utilization of these carryforwards.

In connection with the merger with Arethusa, the Company acquired net operating loss ("NOL") carryforwards available to offset future taxable income. The utilization of these NOL carryforwards is limited pursuant to Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). The Company has previously recorded a deferred tax asset for the benefit of the remaining NOL carryforwards available for future years. For the year ended December 31, 2001, the Company was unable to utilize any of these carryforwards. The NOL carryforwards expire as follows:

TAX BENEFIT OF YEAR	NET OPERATING LOSSES - (IN THOUSANDS)
2007	$ 547
2008	3,676
2009	3,901
2010	866
Total	$8,990

For the year ended December 31, 2001, the Company had a taxable loss that resulted in an NOL carryforward of $2.5 million resulting in an associated tax benefit of $0.9 million that will expire in 2021.

15. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

The Company maintains defined contribution retirement plans for its U.S., U.K. and third country national ("TCN") employees. The plan for U.S. employees (the "401k Plan") is designed to qualify under Section 401k of the Code. Under the 401k Plan, each participant may elect to defer taxation on a portion of his or her eligible earnings, as defined by the 401k Plan, by directing the Company to withhold a percentage of such earnings. A participating employee may also elect to make after-tax contributions to the 401k Plan. The Company contributes 3.75% of a participant's defined compensation and matches 25% of the first 6% of each employee's compensation contributed. Participants are fully vested immediately upon enrollment in the plan. For the years ended December 31, 2001, 2000 and 1999, the Company's provision for contributions was $6.9 million, $6.2 million and $6.4 million, respectively.

The plan for U.K. employees provides that the Company contributes amounts equivalent to the employee's contributions generally up to a maximum of 5.25% of the employee's defined compensation per year. The Company's provision for contributions for the years ended December 31, 2001, 2000 and 1999 was $0.5 million, $0.4 million and $0.5 million, respectively.

The plan for the Company's TCN employees was effective April 1, 1998 and is similar to the 401k Plan. The Company contributes 3.75% of a participant's defined compensation and matches 25% of the first 6% of each employee's compensation contributed. For the years ended December 31, 2001, 2000 and 1999, the Company's provision for contributions was $0.6 million, $0.5 million and $0.6 million, respectively.

Deferred Compensation and Supplemental Executive Retirement Plan

The Company established its Deferred Compensation and Supplemental Executive Retirement Plan in December 1996. The Company contributes any portion of the 3.75% of the base salary contribution and the matching contribution to the 401k Plan that cannot be contributed because of the limitations within the Code and because of elective deferrals that the participant makes under the plan. Additionally, the plan provides

that participants may defer up to 10% of base compensation and/or up to 100% of any performance bonus. Participants in this plan are a select group of management or highly compensated employees of the Company and are fully vested in all amounts paid into the plan. The Company's provision for contributions for the years ended December 31, 2001, 2000 and 1999 was not material.

Pension Plan

The defined benefit pension plan established by Arethusa effective October 1, 1992 was frozen on April 30, 1996. At that date, all participants were deemed fully vested in the plan, which covered substantially all U.S. citizens and U.S. permanent residents who were employed by Arethusa. Benefits are calculated and paid based on an employee's years of credited service and average compensation at the date the plan was frozen using an excess benefit formula integrated with social security covered compensation.

Pension costs are determined actuarially and funded as required by the Code. The plan's assets are invested in cash and cash equivalents, equity securities, government and corporate debt securities. As a result of freezing the plan, no service cost has been accrued for the years presented.

The following provides a reconciliation of benefit obligations and significant actuarial assumptions:

SEPTEMBER 30,		
2001	2000	1999
(IN THOUSANDS) Change in benefit obligation:		
Benefit obligation at beginning of year	$12,581	$12,023	$10,597
Interest cost	934	894	705
Actuarial gain	584	42	1,068
Benefits paid	(167)	(378)	(347)
Benefit obligation at end of year	$13,932	$12,581	$12,023
Change in plan assets:			
Fair value of plan assets at beginning of year	$14,690	$14,427	$12,571
Actual return on plan assets	(1,446)	641	2,203
Benefits paid	(167)	(378)	(347)
Fair value of plan assets at end of year	$13,077	$14,690	$14,427

SEPTEMBER 30,		
2001	2000	1999
(IN THOUSANDS) Plan assets over benefit obligation	$ --	$2,109	$2,404
Benefit obligation over plan assets	(855)	--	--
Unrecognized net obligation	4,246	905	215
Accrued benefit cost	$3,391	$3,014	$2,619

SEPTEMBER 30,	2001	2000	1999
Weighted-average assumptions:			
Discount rate	7.00%	7.50%	7.50%
Expected long-term rate	9.00%	9.00%	9.00%

SEPTEMBER 30, (IN THOUSANDS)	2001	2000	1999
Components of net periodic benefit cost:			
Interest cost	$ (934)	$ (894)	$ (705)
Expected return on plan assets	1,311	1,289	1,118
Net periodic pension benefit income	$ 377	$ 395	$ 413

Amounts recognized in the Consolidated Balance Sheets consist of:

SEPTEMBER 30, (IN THOUSANDS)	2001	2000	1999
Prepaid benefit cost	$ --	$3,014	$2,619
Accrued benefit liability	(855)	--	--
Accumulated other comprehensive income	4,246	--	--
Accrued benefit cost	$3,391	$3,014	$2,619

16. SEGMENTS AND GEOGRAPHIC AREA ANALYSIS

The Company manages its business on the basis of one reportable segment, contract drilling of offshore oil and gas wells. Although the Company provides contract drilling services from different types of offshore drilling rigs and provides such services in many geographic locations, these operations have been aggregated into one reportable segment based on the similarity of economic characteristics among all divisions and locations, including the nature of services provided and the type of customers of such services.

Similar Services

Revenues from external customers for contract drilling and similar services by equipment-type are listed below (eliminations offset dayrate revenues earned when the Company's rigs are utilized in its integrated services):

YEAR ENDED DECEMBER 31, (IN THOUSANDS)	2001	2000	1999
High specification floaters	$326,835	$212,000	$262,571
Other semisubmersibles	377,715	313,287	463,168
Jack-ups	174,498	118,885	74,484
Integrated services	7,779	23,298	32,769
Other	547	140	--
Eliminations	(2,025)	(8,174)	(11,968)
Total revenues	$885,349	$659,436	$821,024

Geographic Areas

At December 31, 2001, the Company had drilling rigs located offshore eight countries outside of the United States. As a result, the Company is exposed to the risk of changes in social, political and economic conditions inherent in foreign operations and the Company's results of operations and the value of its foreign

assets are affected by fluctuations in foreign currency exchange rates. Revenues by geographic area are presented by attributing revenues to the individual country where the services were performed.

YEAR ENDED DECEMBER 31,			
-- 2001 2000 1999 -------- -------- -------- (IN THOUSANDS) Revenues from unaffiliated customers: United States.....			
	$551,786	$355,470	$420,123 Foreign:
Europe/Africa.....			
	66,376	69,495	178,254 South
America..... 178,725			
	177,891	133,528	Australia/Southeast
Asia..... 88,462 56,580 89,119 -- ------ -------- -------- 333,563 303,966 400,901 Interarea revenues from affiliates: United States..... 101,003			
	98,367	114,393	
Europe/Africa.....			
	13,395	3,295	--
Other.....			
1,986 -- -- -------- -------- -------- 116,384			
	101,662	114,393	
Eliminations.....			
(116,384) (101,662) (114,393) -------- -------- ---- ---- Total.....			
$885,349	$659,436	$821,024 ======== ======== ========	

An individual foreign country may, from time to time, contribute a material percentage of the Company's total revenues from unaffiliated customers. For the years ended December 31, 2001, 2000 and 1999, individual countries that contributed 5% or more of the Company's total revenues from unaffiliated customers are listed below.

YEAR ENDED DECEMBER 31,			
---------- 2001 2000 1999 --- ---- ----			
Brazil.....			
	20.2%	25.5%	15.5% United
Kingdom..... 6.5%			
	5.9%	10.0%	
Australia.....			
	5.9%	5.8%	5.7%
Angola.....			
	0.0%	2.1%	7.5%

Long-lived tangible assets located in the United States and all foreign countries in which the Company holds assets as of December 31, 2001, 2000 and 1999 are listed below. A substantial portion of the Company's assets are mobile, therefore asset locations at the end of the period are not necessarily indicative of the geographic distribution of the earnings generated by such assets during the periods.

DECEMBER 31,			
------ 2001 2000 1999 ---------- ---------- ---------- (IN THOUSANDS) Drilling and other property and equipment, net: United States.....			
$1,268,901	$1,312,031	$1,113,908	Foreign:
South America.....			
	375,655	388,358	399,471
Europe/Africa.....			
86,659	81,401	154,378	Australia/Southeast
Asia..... 271,658			
	149,392		
70,148 ---------- ---------- ---------- 733,972	619,151	623,997 ---------- -------- -- ----------	
Total.....			
$2,002,873	$1,931,182	$1,737,905 ========== ==========	

Brazil is currently the only country with a material concentration of the Company's assets. Approximately 18.8%, 20.1% and 20.2% of the Company's total drilling and other property and equipment were located in or offshore Brazil as of December 31, 2001, 2000 and 1999, respectively.

Major Customers

The Company's customer base includes major and independent oil and gas companies and government-owned oil companies. Revenues from two major customers for the periods presented contributed more than 10% of the Company's total revenues as follows:

YEAR ENDED DECEMBER 31,	2001	2000	1999
Percentage of total revenue from one customer	22.0%	25.4%	15.5%
Percentage of total revenue from one customer	17.9%	20.0%	14.5%

17. OTHER INCOME AND EXPENSE (OTHER, NET)

Other, net consists of the following:

YEAR ENDED DECEMBER 31,	2001	2000	1999
			(IN THOUSANDS)
Realized net gain (loss) on marketable securities	$ 27,141	$ 2,103	$ (522)
Reserve for class action litigation	(10,000)	--	--
Settlement of litigation	7,284	--	--
Miscellaneous	270	(1,759)	(8,780)
Total other income (expense), net	$ 24,695	$ 344	$(9,302)

18. UNAUDITED QUARTERLY FINANCIAL DATA

Unaudited summarized financial data by quarter for the years ended December 31, 2001 and 2000 is shown below.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
2001				
Revenues	$205,225	$227,331	$230,636	$222,157
Operating income	48,082	64,525	65,713	46,546
Income before income tax expense and Extraordinary loss	54,677	77,014	79,430	61,244
Income before extraordinary loss	36,828	51,482	53,427	39,808
Net income	36,828	43,760	53,427	39,808
Net income per share:				
Basic				
Income before extraordinary loss	$ 0.28	$ 0.39	$ 0.40	$ 0.30
Extraordinary loss	--	(0.06)	--	--
Net	$ 0.28	$ 0.33	$ 0.40	$ 0.30
Diluted				
Income before extraordinary loss	$ 0.27	$ 0.37	$ 0.38	$ 0.29
Extraordinary loss	--	(0.05)	--	--
Net	$ 0.27	$ 0.32	$ 0.38	$ 0.29
2000				
Revenues	$167,828	$143,317	$157,348	$190,943
Operating income (loss)	24,110	(2,098)	3,128	31,806
Income before income tax expense	45,426	5,675	16,068	43,698
Net income	29,488	3,637	10,477	28,679
Net income per share:				
Basic	$ 0.22	$ 0.03	$ 0.08	$ 0.21
Diluted	$ 0.21	$ 0.03	$ 0.08	$ 0.20

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Reference is made to the information responsive to the Items comprising this Part III that is contained in the Company's definitive proxy statement for its 2002 Annual Meeting of Stockholders, which is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Index to Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

(2) Financial Statement Schedules

No schedules have been included herein because the information required to be submitted has been included in the Company's Consolidated Financial Statements or the notes thereto or the required information is inapplicable.

(3) Index of Exhibits

See the Index of Exhibits for a list of those exhibits filed herewith, which index also includes and identifies management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K.

(b) Reports on Form 8-K

The Company made the following reports on Form 8-K during the fourth quarter of fiscal year 2001:

DATE OF REPORT	DESCRIPTION OF REPORT
October 15, 2001	Item 9 Regulation FD disclosure (Informational only)
October 31, 2001	Item 9 Regulation FD disclosure (Informational only)
November 29, 2001	Item 9 Regulation FD disclosure (Informational only)

(c) Index of Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998).
3.2	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001).
4.1*	Indenture, dated as of February 4, 1997, between the Company and The Chase Manhattan Bank, as Trustee.
4.2	Second Supplemental Indenture, dated as of June 6, 2000, between the Company and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 2000).
4.3	Third Supplemental Indenture,

dated as of April 11, 2001, between the Company and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001). 10.1* -- Registration Rights Agreement (the "Registration Rights Agreement") dated October 16, 1995 between Loews and the Company. 10.2 -- Amendment to the Registration Rights Agreement, dated September 16, 1997, between Loews and the Company (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997). 10.3* -- Services Agreement, dated October 16, 1995, between Loews and the Company. 10.4+* -- Diamond Offshore Deferred Compensation and Supplemental Executive Retirement Plan effective December 17, 1996. 10.5+ -- First Amendment to Diamond Offshore Deferred

Compensation and Supplemental Executive Retirement Plan dated March 18, 1998 (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997). 10.6+ -- Diamond Offshore Management Bonus Program, as amended and restated, and dated as of December 31, 1997 (incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997). 10.7 -- Purchase Agreement, dated May 31, 2000, between the Company and Credit Suisse First Boston Corporation (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 2000). 10.8 -- Registration Rights Agreement, dated June 6, 2000, between the Company and Credit Suisse First Boston Corporation (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on

Form 10-Q/A for the quarterly period ended June 6, 2000).

10.9+* -- 2000 Stock Option Plan.

10.10 -- Purchase Agreement, dated April 6, 2001, between the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001).

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10.11	Registration Rights Agreement, dated April 11, 2001, between the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001).
12.1*	Statement re Computation of Ratios.
21.1	List of Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
23.1*	Consent of Deloitte & Touche LLP.
24.1*	Powers of Attorney.

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* Filed herewith.

+ Management contracts or compensatory plans or arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 18, 2002.

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ GARY T. KRENEK
Gary T. Krenek
Vice President and Chief Financial Officer

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.

SIGNATURE	TITLE	DATE
/s/ JAMES S. TISCH*	Chairman of the Board and Chief Executive Officer	March 18, 2002
James S. Tisch		
/s/ LAWRENCE R. DICKERSON*	President, Chief Operating Officer and Director	March 18, 2002
Lawrence R. Dickerson		
/s/ GARY T. KRENEK*	Vice President and Chief Financial Officer (Principal Financial Officer)	March 18, 2002
Gary T. Krenek		
/s/ BETH G. GORDON*	Controller (Principal	March 18, 2002

Accounting Officer)
Beth G. Gordon /s/ ALAN R. BATKIN* Director March 18, 2002 - ---
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Alan R. Batkin /s/ HERBERT C. HOFMANN* Director March 18, 2002 - ---
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Herbert C. Hofmann /s/ ARTHUR L. REBELL* Director March 18, 2002 - ---
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Arthur L. Rebell /s/ MICHAEL H. STEINHARDT* Director March 18, 2002 - ---
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Michael H. Steinhardt /s/ RAYMOND S. TROUBH* Director March 18, 2002 - ---
---

Raymond S. Troubh /s/ WILLIAM B. RICHARDSON* Director March 18, 2002 - ---
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William B. Richardson

*By: /s/ WILLIAM C. LONG

William C. Long
Attorney-in-fact

INDEX TO EXHIBITS

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2000). 23.1* -- Consent of Deloitte & Touche LLP. 24.1* -- Powers of Attorney.

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* Filed herewith.

+ Management contracts or compensatory plans or arrangements.

EXHIBIT 4.1

DIAMOND OFFSHORE DRILLING, INC.

AND

THE CHASE MANHATTAN BANK, AS TRUSTEE

INDENTURE

DATED AS OF FEBRUARY 4, 1997

PROVIDING FOR ISSUANCE OF SECURITIES IN SERIES

Reconciliation and tie between Trust Indenture Act of 1939 and Indenture, dated as of February 4, 1997.

Trust Indenture Act Section	Indenture Section
Section 310(a)(1)	609 (a)
(2)	609 (a)
(3)	Not Applicable (a)
(4)	Not Applicable (a)
(5)	609
(b)	608, 610
(c)	Not Applicable Section
311(a)	613(a)
(b)	613(b)
(c)	Not Applicable Section
312(a)	701, 702(a)
(b)	702(b)
(c)	702(c)
Section 313(a)	703(a)
(b)	703(b)
(c)	703(a), 703(b)
(d)	703(c)
Section 314(a)	704
(b)	Not Applicable (c)
(1)	102 (c)
(2)	102 (c)
(3)	Not Applicable
(d)	Not Applicable
(e)	102
Section 315(a)	601(a)
(b)	602, 703(a)(7)
(c)	601(b)
(d)	601(c) (d)
(1)	601(a)
(2)	601(c) (1) (d)
(3)	601(c) (2) (d)
(e)	514 (3)
Section 316(a)(1)	
(A)	502, 512 (a)(1)
(B)	513 (a)
(2)	Not Applicable
(b)	508
(c)	Not Applicable Section 317(a)
(1)	503 (a)
(2)	504
(b)	1003
Section 318(a)	107

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NOTE: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture. Attention should also be directed to Section 318(c) of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), which provides that the provisions of Sections 310 to and including 317 of the Trust Indenture Act that impose duties on any person are a part of and govern every qualified indenture, whether or not physically contained therein.

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ARTICLE NINE

Supplemental Indentures

ARTICLE TEN

Covenants

ARTICLE ELEVEN

Redemption of Securities

THIS INDENTURE between DIAMOND OFFSHORE DRILLING, INC., a Delaware corporation (hereinafter called the "Company") having its principal office at 15415 Katy Freeway, Houston, Texas 77094, and THE CHASE MANHATTAN BANK, a bank incorporated and existing under the laws of the State of New York, as trustee (hereinafter called the "Trustee"), is made and entered into as of this 4th day of February, 1997.

Recitals of the Company

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its debentures, notes, bonds or other evidences of indebtedness, to be issued in one or more fully registered series.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

Agreements of the Parties

To set forth or to provide for the establishment of the terms and conditions upon which the Securities are and are to be authenticated, issued and delivered, and in consideration of the premises and the purchase of Securities by the Holders thereof, it is mutually covenanted and agreed as follows, for the equal and proportionate benefit of all Holders of the Securities or of a series thereof, as the case may be:

ARTICLE ONE

Definitions and Other Provisions
of General Application

Section 101. Definitions. For all purposes of this Indenture and of any indenture supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act or by Commission rule under the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation;

(4) all references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(5) "including" and words of similar import shall be deemed to be followed by "without limitation".

Certain terms, used principally in Article Six, are defined in that Article.

"Act", when used with respect to any Securityholder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or

under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee to authenticate Securities under Section 614.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each day which is neither a Saturday, Sunday or other day on which banking institutions in the pertinent Place or Places of Payment are authorized or required by law or executive order to be closed.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request", "Company Order" and "Company Consent" mean, respectively, a written request, order or consent signed in the name of the Company by its Chairman of the Board, President or a Vice President, and by its Treasurer, an Assistant Treasurer, Controller, an Assistant Controller, Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the principal office of the Trustee in New York, New York, at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 450 West 33rd Street, 15th Floor, New York, New York, except that with respect to the presentation of Securities for payment or for registration of transfer and exchange, such term shall mean the office or the agency of the Trustee in said city at which at any particular time its corporate agency business shall be conducted, which office at the date hereof is located 1 Chase Manhattan Plaza, New York, New York.

"Debt" means indebtedness for money borrowed.

"Defaulted Interest" has the meaning specified in Section 307.

"Depositary" means, unless otherwise specified by the Company pursuant to either Section 204 or 301, with respect to Securities of any series issuable or issued as a Global Security, The Depository Trust Company, New York, New York, or any successor thereto registered as a clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation.

"Event of Default" has the meaning specified in Article Five.

"Global Security" means with respect to any series of Securities issued hereunder, a Security which is executed by the Company and authenticated and delivered by the Trustee to the Depositary or pursuant to the Depositary's

instruction, all in accordance with this Indenture and an indenture supplemental hereto, if any, or Board Resolution and pursuant to a Company Request, which shall be registered in the name of the Depositary or its nominee and which shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, all of the Outstanding Securities of such series or any portion thereof, in either case having the same terms, including, without limitation, the same original issue date, date or dates on which principal is due, and interest rate or method of determining interest.

"Holder", when used with respect to any Security, means a Securityholder.

"Indenture" or "this Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 301.

"Independent", when used with respect to any specified Person, means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Company or in any other obligor upon the Securities or in any Affiliate of the Company or of such other obligor, and (3) is not connected with the Company or such other obligor or any Affiliate of the Company or of such other obligor, as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by a Company Order and approved by the Trustee in the exercise of reasonable care, and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any series of Securities, means the Stated Maturity of any installment of interest on those Securities.

"Maturity", when used with respect to any Securities, means the date on which the principal of any such Security becomes due and payable as therein or herein provided, whether on a Repayment Date, at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Mortgage" means any mortgage, pledge, lien, encumbrance, charge or security interest of any kind.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Wherever this Indenture requires that an Officers' Certificate be signed also by an engineer or an accountant or other expert, such engineer, accountant or other expert (except as otherwise expressly provided in this Indenture) may be in the employ of the Company, and shall be acceptable to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided in this Indenture) be an employee of or of counsel to the Company. Such counsel shall be acceptable to the Trustee, whose acceptance shall not be unreasonably withheld.

"Original Issue Discount Security" means (i) any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof, and (ii) any other Security deemed an Original Issue Discount Security for United States Federal income tax purposes.

"Outstanding", when used with respect to Securities or Securities of any series, means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

(i) such Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) such Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) such Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, or which shall have been paid pursuant to the terms of Section 306 (except with respect to any such Security as to which proof satisfactory to the Trustee is presented that such Security is held by a person in whose hands such Security is a legal, valid and binding obligation of the Company).

In determining whether the Holders of the requisite principal amount of such Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (i) the principal amount of any Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of the taking of such action upon a declaration of acceleration of the Maturity thereof and (ii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer assigned to the corporate trust department of the Trustee knows to be owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act as owner with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means with respect to any series of Securities issued hereunder the city or political subdivision so designated with respect to the series of Securities in question in accordance with the provisions of Section 301.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price specified in the Security at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Security on any Interest Payment Date means the date specified in such Security as the Regular Record Date.

"Repayment Date", when used with respect to any Security to be repaid, means the date fixed for such repayment pursuant to such Security.

"Repayment Price", when used with respect to any Security to be repaid, means the price at which it is to be repaid pursuant to such Security.

"Responsible Officer", when used with respect to the Trustee, means the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer or trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security" or "Securities" means any note or notes, bond or bonds, debenture or debentures, or any other evidences of indebtedness, as the case may be, of any series authenticated and delivered from time to time under this Indenture.

"Securityholder" means a Person in whose name a Security is registered in the Security Register.

"Security Register" shall have the meaning specified in Section 305.

"Security Registrar" means the Person who keeps the Security Register specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest (as defined in Section 307) means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity" when used with respect to any Security or any installment of principal thereof or interest thereon means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" of any specified corporation means (i) any corporation at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by the specified corporation or by one or more of its Subsidiaries, or both, (ii) a partnership in which the Company or any Subsidiary of the Company is, at the date of determination, a general or limited partner of such partnership, but only if the Company or its Subsidiary is entitled to receive more than fifty percent of the assets of such partnership upon its dissolution, or (iii) any other Person (other than a corporation or partnership) in which the Company or any Subsidiary of the Company, directly or indirectly, at the date of determination thereof, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, as in force at the date as of which this instrument was executed except as provided in Section 905.

"Trustee" means the Person named as the Trustee in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean and include each Person who is then a Trustee hereunder. If at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Vice President" when used with respect to the Company or the Trustee means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president", including, without limitation, an assistant or second vice president.

"Voting Stock", as applied to the stock of any corporation, means stock of any class or classes (however designated) having by the terms thereof ordinary voting power to elect a majority of the members of the board of directors (or other governing body) of such corporation other than stock having such power only by reason of the happening of a contingency.

Section 102. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (except for the written statement required by Section 1004) shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to the other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Securityholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders or Securityholders of any

series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. If any Securities are denominated in coin or currency other than that of the United States, then for the purposes of determining whether the Holders of the requisite principal amount of Securities have taken any action as herein described, the principal amount of such Securities shall be deemed to be that amount of United States dollars that could be obtained for such principal amount on the basis of the spot rate of exchange into United States dollars for the currency in which such Securities are denominated (as evidenced to the Trustee by an Officers' Certificate) as of the date the taking of such action by the Holders of such requisite principal amount is evidenced to the Trustee as provided in the immediately preceding sentence. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness to such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Security Register.

(d) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other action, the Company may, at its option, by Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Securities Outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the Securities Outstanding shall be computed as of the record date; provided that no such authorization, agreement or consent by the Holders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon whether or not notation of such action is made upon such Security.

Section 105. Notices, Etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Securityholders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Securityholder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or by any Securityholder shall be sufficient for every purpose hereunder (except as provided in Section 501(4) or, in the case of a request for repayment, as specified in the Security carrying the right to repayment) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

Section 106. Notices to Securityholders; Waiver. Where this Indenture or any Security provides for notice to Securityholders of any event, such notice shall be sufficiently given (unless otherwise herein or in such Security expressly provided) if in writing and mailed, first-class postage prepaid, to each Securityholder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Securityholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Securityholder shall affect the sufficiency of such notice with respect to other Securityholders. Where this Indenture or any Security provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Securityholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or otherwise, it shall be impractical to mail notice of any event to any Securityholder when such notice is required to be given pursuant to any provision of this Indenture, then any method of notification as shall be satisfactory to the Trustee and the Company shall be deemed to be a sufficient giving of such notice.

Section 107. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the Trust Indenture Act through the operation of Section 318(c) thereof, such imposed duties shall control.

Section 108. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 111. Benefits of Indenture. Nothing in this Indenture or in any Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Authenticating Agent or Paying Agent, the Security Registrar and the Holders of Securities (or such of them as may be affected thereby), any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 112. Governing Law. This Indenture shall be construed in accordance with and governed by the laws of the State of New York, but without giving effect to applicable principles of conflicts of law to the extent the application of the law of another jurisdiction would be required thereby.

Section 113. Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 114. Judgment Currency. The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, on the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in the City of New York the Required Currency with the Judgment Currency on the New York Banking Day (as defined below) preceding that on

which final unappealable judgment is given and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Saturday, Sunday or a legal holiday in the City of New York or a day on which banking institutions in the City of New York are authorized or required by law or executive order to close.

ARTICLE TWO

Security Forms

Section 201. Forms Generally. The Securities shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be required to comply with applicable laws or regulations or with the rules of any securities exchange, or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities, subject, with respect to the Securities of any series, to the rules of any securities exchange on which such Securities are listed.

Section 202. Forms of Securities. Each Security shall be in one of the forms approved from time to time by or pursuant to a Board Resolution, or established in one or more indentures supplemental hereto. Prior to the delivery of a Security to the Trustee for authentication in any form approved by or pursuant to a Board Resolution, the Company shall deliver to the Trustee the Board Resolution by or pursuant to which such form of Security has been approved, which Board Resolution shall have attached thereto a true and correct copy of the form of Security which has been approved thereby or, if a Board Resolution authorizes a specific officer or officers to approve a form of Security, a certificate of such officer or officers approving the form of Security attached thereto. Any form of Security approved by or pursuant to a Board Resolution must be acceptable as to form to the Trustee, such acceptance to be evidenced by the Trustee's authentication of Securities in that form or a certificate signed by a Responsible Officer of the Trustee and delivered to the Company.

Section 203. Form of Trustee's Certificate of Authentication. The form of Trustee's Certificate of Authentication for any Security issued pursuant to this Indenture shall be substantially as follows:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

The Chase Manhattan Bank
as Trustee,

By:

Authorized Signatory

Section 204. Securities Issuable in the Form of a Global Security. (a) If the Company shall establish pursuant to Sections 202 and 301 that the Securities of a particular series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee or its agent shall, in accordance with Section 303 and the Company Request delivered to the Trustee or its agent thereunder, authenticate and deliver such Global Security or Securities, which (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, the Outstanding Securities of such series to be represented by such Global Security or Securities, or such portion thereof as the Company shall specify in a Company Request, (ii) shall be registered in the name of the Depositary for such Global Security or Securities or its nominee, (iii) shall be delivered by the Trustee or its agent to the Depositary or pursuant to the Depositary's instruction and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for the individual Securities represented hereby, this Global Security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

(b) Notwithstanding any other provisions of this Section 204 or of Section 305, and subject to the provisions of paragraph (c) below, unless the terms of a Global Security expressly permit such Global Security to be exchanged in whole or in part for individual Securities, a Global Security may be transferred, in whole but not in part and in the manner provided in Section 305, only to a nominee of the Depositary for such Global Security, or to the Depositary, or a successor Depositary for such Global Security selected or approved by the Company, or to a nominee of such successor Depositary.

(c) (i) If at any time the Depositary for a Global Security notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time the Depositary for the Securities for such series ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depositary with respect to such Global Security. If a successor Depositary for such Global Security is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee or its agent, upon receipt of a Company Request for the authentication and delivery of individual Securities of such series in exchange for such Global Security, will authenticate and deliver, individual Securities of such series of like tenor and terms in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security.

(ii) The Company may at any time and in its sole discretion determine that the Securities of any series or portion thereof issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Request for the authentication and delivery of individual Securities of such series in exchange in whole or in part for such Global Security, will authenticate and deliver individual Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Security or Securities representing such series or portion thereof in exchange for such Global Security or Securities.

(iii) If specified by the Company pursuant to Sections 202 and 301 with respect to Securities issued or issuable in the form of a Global Security, the Depositary for such Global Security may surrender such Global Security in exchange in whole or in part for individual Securities of such series of like tenor and terms in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee or its agent shall authenticate and deliver, without service charge, (1) to each Person specified by such Depositary a new Security or Securities of the same series of like tenor and terms and of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and (2) to such Depositary a new Global Security of like tenor and terms and in an authorized denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Securities delivered to the Holders thereof.

(iv) In any exchange provided for in any of the preceding three paragraphs, the Company will execute and the Trustee or its agent will authenticate and deliver individual Securities in definitive registered form in authorized denominations. Upon the exchange of the entire principal amount of a Global Security for individual Securities, such Global Security shall be cancelled by the Trustee or its agent. Except as provided in the preceding paragraph, Securities issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or the Security Registrar. The Trustee or the Security Registrar shall deliver such Securities to the Persons in whose names such Securities are so registered.

ARTICLE THREE

The Securities

Section 301. General Title; General Limitations; Issuable in Series; Terms of Particular Series. The aggregate principal amount of Securities which may be authenticated and delivered and Outstanding under this Indenture is not limited.

The Securities may be issued in one or more series up to an aggregate principal amount of Securities as from time to time may be authorized by the Board of Directors. All Securities of each series under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof with respect to such series without preference, priority or distinction on account of the actual time of the authentication and delivery or Stated Maturity of the Securities of such series.

Each series of Securities shall be created either by or pursuant to a Board Resolution or by or pursuant to an indenture supplemental hereto. The Securities of each such series may bear such date or dates, be payable at such place or places, have such Stated Maturity or Maturities, be issuable at such premium over or discount from their face value, bear interest at such rate or rates (which may be fixed or floating), from such date or dates, payable in such installments and on such dates and at such place or places to the Holders of Securities registered as such on such Regular Record Dates, or may bear no interest, and may be redeemable or repayable at such Redemption Price or Prices or Repayment Price or Prices, as the case may be, whether at the option of the Holder or otherwise, and upon such terms, all as shall be provided for in or pursuant to the Board Resolution or in or pursuant to the supplemental indenture creating that series. There may also be established in or pursuant to a Board Resolution or in or pursuant to a supplemental indenture prior to the issuance of Securities of each such series, provision for:

(1) the exchange or conversion of the Securities of that series, at the option of the Holders thereof, for or into new Securities of a different series or other securities or other property, including shares of capital stock of the

Company or any subsidiary of the Company or securities directly or indirectly convertible into or exchangeable for any such shares;

(2) a sinking or purchase fund or other analogous obligation;

(3) if other than U.S. dollars, the currency or currencies or units based on or related to currencies (including European Currency Units) in which the Securities of such series shall be denominated and in which payments of principal of, and any premium and interest on, such Securities shall or may be payable;

(4) if the principal of (and premium, if any) or interest, if any, on the Securities of such series are to be payable, at the election of the Company or a holder thereof, in a currency or currencies or units based on or related to currencies (including European Currency Units) other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made;

(5) if the amount of payments of principal of (and premium, if any) or interest, if any, on the Securities of such series may be determined with reference to an index based on (i) a currency or currencies or units based on or related to currencies (including European Currency Units) other than that in which the Securities are stated to be payable, (ii) changes in the price of one or more other securities or groups or indexes of securities or (iii) changes in the prices of one or more commodities or groups or indexes of commodities, or any combination of the foregoing, the manner in which such amounts shall be determined;

(6) if the aggregate principal amount of the Securities of that series is to be limited, such limitations;

(7) the exchange of Securities of that series, at the option of the Holders thereof, for other Securities of the same series of the same aggregate principal amount of a different authorized kind or different authorized denomination or denominations, or both;

(8) the appointment by the Trustee of an Authenticating Agent in one or more places other than the location of the office of the Trustee with power to act on behalf of the Trustee and subject to its direction in the authentication and delivery of the Securities of any one or more series in connection with such transactions as shall be specified in the provisions of this Indenture or in or pursuant to the Board Resolution or the supplemental indenture creating such series;

(9) the portion of the principal amount of Securities of the series, if other than the total principal amount thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or provable in bankruptcy pursuant to Section 504;

(10) any Event of Default with respect to the Securities of such series, if not set forth herein and any additions, deletions or other changes to the Events of Default set forth herein that shall be applicable to the Securities of such series (including a provision making any Event of Default set forth herein inapplicable to the Securities of that series);

(11) any covenant solely for the benefit of the Securities of such series and any additions, deletions or other changes to the provisions of Article Ten or any definitions relating to such Article that shall be applicable to the Securities of such series (including a provision making any Section of such Article inapplicable to the Securities of such series);

(12) the applicability of Section 403 of this Indenture to the Securities of such series;

(13) if the Securities of the series shall be issued in whole or in part in the form of a Global Security or Global Securities, the terms and conditions, if any, upon which such Global Security or Global Securities may be exchanged in whole or in part for other individual Securities; and the Depositary for such Global Security or Global Securities (if other than the Depositary specified in Section 101 hereof);

(14) the subordination of the Securities of such series to any other indebtedness of the Company, including without limitation, the Securities of any other series; and

(15) any other terms of the series, which shall not be inconsistent with the provisions of this Indenture, all upon such terms as may be determined in or pursuant to a Board Resolution or in or pursuant to a supplemental indenture with respect to such series. All Securities of the same series shall be substantially identical in tenor and effect, except as to denomination.

The form of the Securities of each series shall be established pursuant to the provisions of this Indenture in or pursuant to the Board Resolution or in or pursuant to the supplemental indenture creating such series. The Securities of each series shall be distinguished from the Securities of each other series in such manner, reasonably satisfactory to the Trustee, as the Board of Directors may determine.

Unless otherwise provided with respect to Securities of a particular series, the Securities of any series may only be issuable in registered form, without coupons.

Any terms or provisions in respect of the Securities of any series issued under this Indenture may be determined pursuant to this Section by providing in a Board Resolution or supplemental indenture for the method by which such terms or provisions shall be determined.

Section 302. Denominations. The Securities of each series shall be issuable in such denominations and currency as shall be provided in the provisions of this Indenture or in or pursuant to the Board Resolution or the supplemental indenture creating such series. In the absence of any such provisions with respect to the Securities of any series, the Securities of that series shall be issuable only in fully registered form in denominations of $1,000 and any integral multiple thereof.

Section 303. Execution, Authentication and Delivery and Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President, one of its Vice Presidents or its Treasurer under its corporate seal reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication; and the Trustee shall, upon Company Order, authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Prior to any such authentication and delivery, the Trustee shall be entitled to receive, in addition to any Officers' Certificate and Opinion of Counsel required to be furnished to the Trustee pursuant to Section 102, and the Board Resolution and any certificate relating to the issuance of the series of Securities required to be furnished pursuant to Section 202, an Opinion of Counsel stating that:

(1) all instruments furnished to the Trustee conform to the requirements of the Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver such Securities;

(2) the form and terms (or in connection with the issuance of medium-term Securities under Section 311, the manner of determining the terms) of such Securities have been established in conformity with the provisions of this Indenture;

(3) all laws and requirements with respect to the execution and delivery by the Company of such Securities have been complied with, the Company has the corporate power to issue such Securities and such Securities have been duly authorized and delivered by the Company and, assuming due authentication and delivery by the Trustee, constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws and legal principles affecting creditors' rights generally from time to time in effect and to general equitable principles, whether applied in an action at law or in equity) and entitled to the benefits of this Indenture, equally and ratably with all other Securities, if any, of such series Outstanding; and

(4) such other matters as the Trustee may reasonably request;

and, if the authentication and delivery relates to a new series of Securities created by an indenture supplemental hereto, also stating that all laws and requirements with respect to the form and execution by the Company of the supplemental indenture with respect to that series of Securities have been complied with, the Company has corporate power to execute and deliver any such supplemental indenture and has taken all necessary corporate action for those purposes and any such supplemental indenture has been executed and delivered and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws and legal principles affecting creditors' rights generally from time to time in effect and to general equitable principles, whether applied in an action at law or in equity).

The Trustee shall not be required to authenticate such Securities if the issue thereof will adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture.

Unless otherwise provided in the form of Security for any series, all Securities shall be dated the date of their authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 304. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and, upon receipt of the documents required by Section 303, together with a Company Order, the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment, without charge to the Holder; and upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of such series of authorized denominations and of like tenor and terms. Until so exchanged the temporary Securities of such series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

Section 305. Registration, Transfer and Exchange. The Company shall keep or cause to be kept a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities, or of Securities of a particular series, and for

transfers of Securities or of Securities of such series. Any such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times the information contained in such register or registers shall be available for inspection by the Trustee at the office or agency to be maintained by the Company as provided in Section 1002.

Subject to Section 204, upon surrender for transfer of any Security of any series at the office or agency of the Company in a Place of Payment, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of such series of any authorized denominations, of a like aggregate principal amount and Stated Maturity and of like tenor and terms.

Subject to Section 204, at the option of the Holder, Securities of any series may be exchanged for other Securities of such series of any authorized denominations, of a like aggregate principal amount and Stated Maturity and of like tenor and terms, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Securityholder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise provided in the Security to be transferred or exchanged, no service charge shall be made on any Securityholder for any transfer or exchange of Securities, but the Company may (unless otherwise provided in such Security) require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities, other than exchanges pursuant to Section 304 or 906 not involving any transfer.

The Company shall not be required (i) to issue, transfer or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of such series selected for redemption under Section 1103 and ending at the close of business on the date of such mailing, or (ii) to transfer or exchange any Security so selected for redemption in whole or in part, except for the portion of such Security not so selected for redemption.

None of the Company, the Trustee, any agent of the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company initially appoints the Trustee to act as Security Registrar for the Securities on its behalf. The Company may at any time and from time to time authorize any Person to act as Security Registrar in place of the Trustee with respect to any series of Securities issued under this Indenture.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities. If (i) any mutilated Security is surrendered to the Trustee, or the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Security, a new Security of like tenor, series, Stated Maturity and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 307. Payment of Interest; Interest Rights Preserved. Unless otherwise provided with respect to such Security pursuant to Section 301, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of his having been such Holder; and, except as hereinafter provided, such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or Clause (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names any such Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holder of each such Security at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

If any installment of interest the Stated Maturity of which is on or prior to the Redemption Date for any Security called for redemption pursuant to Article Eleven is not paid or duly provided for on or prior to the Redemption Date in accordance with the foregoing provisions of this Section, such interest shall be payable as part of the Redemption Price of such Securities.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered in the Security Register as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any), and (subject to Section 307) interest on, such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309. Cancellation. All Securities surrendered for payment, redemption, transfer, conversion or exchange or credit against a sinking fund shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Security shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. The Trustee shall dispose of all cancelled Securities in accordance with its customary procedures and shall deliver a certificate of such disposition to the Company.

Section 310. Computation of Interest. Unless otherwise provided as contemplated in Section 301, interest on the Securities shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 311. Medium-Term Securities. Notwithstanding any contrary provision herein, if all Securities of a series are not to be originally issued at one time, it shall not be necessary for the Company to deliver to the Trustee an Officers' Certificate, Board Resolution, supplemental indenture, Opinion of Counsel or Company Request otherwise required pursuant to Sections 202, 301 and 303 at or prior to the time of authentication of each Security of such series if such documents are delivered to the Trustee or its agent at or prior to the authentication upon original issuance of the first Security of such series to be issued; provided that any subsequent request by the Company to the Trustee to authenticate Securities of such series upon original issuance shall constitute a representation and warranty by the Company that as of the date of such request, the statements made in the Officers' Certificate delivered pursuant to Section 102 shall be true and correct as if made on such date.

An Officers' Certificate, supplemental indenture or Board Resolution delivered by the Company to the Trustee in the circumstances set forth in the preceding paragraph may provide that Securities which are the subject thereof will be authenticated and delivered by the Trustee or its agent on original issue from time to time upon the telephonic or written order of persons designated in such Officers' Certificate, Board Resolution or supplemental indenture (any such telephonic instructions to be confirmed promptly in writing by such persons) and that such persons are authorized to determine, consistent with such Officers' Certificate, supplemental indenture or Board Resolution, such terms and conditions of said Securities as are specified in such Officers' Certificate, supplemental indenture or Board Resolution.

ARTICLE FOUR

Satisfaction and Discharge

Section 401. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to any series of Securities (except as to any surviving rights of conversion, transfer or exchange of Securities of such series expressly provided for herein or in the form of Security for such series), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series, when

(1) either

(A) all Securities of that series theretofore authenticated and delivered (other than (i) Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, and (ii) Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee cancelled or for cancellation; or

(B) all such Securities of that series not theretofore delivered to the Trustee cancelled or for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee cancelled or for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable), or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities of such series; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture with respect to any series of Securities, the obligations of the Company to the Trustee with respect to that series under Section 607 shall survive and the obligations of the Trustee under Sections 402 and 1003 shall survive.

Section 402. Application of Trust Money. All money and obligations deposited with the Trustee pursuant to Section 401 or Section 403 and all money received by the Trustee in respect of such obligations shall be held in trust and applied by it, in accordance with the provisions of the series of Securities in respect of which it was deposited and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and

interest for whose payment such money and obligations have been deposited with or received by the Trustee; but such money and obligations need not be segregated from other funds except to the extent required by law.

Section 403. Legal and Covenant Defeasance.

(1) The following provisions shall apply to the Securities of each series unless specifically otherwise provided in a Board Resolution, Officers' Certificate or indenture supplemental hereto. In addition to discharge of the Indenture pursuant to Section 401, in the case of any series of Securities with respect to which the exact amount described in subparagraph (a) below can be determined at the time of making the deposit referred to in such subparagraph (a), the Company shall be deemed to have paid and discharged the entire indebtedness on all the Securities of such a series on the 91st day after the date of the deposit referred to in subparagraph (a) below, and the provisions of this Indenture with respect to the securities of such series shall no longer be in effect and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent contemplated by this provision have been compiled with, and at the cost and expense of the Company, shall execute proper instruments acknowledging the same, if

(a) with reference to this provision the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Securities of such series (i) cash in an amount, or (ii) non-callable, non-prepayable bonds, notes, bills or other similar obligations issued or guaranteed by the United States government or any agency thereof, the full and timely payment of which is backed by the full faith and credit of the United States ("U.S. Government Obligations"), maturing as to principal and interest, if any, at such times and in such amounts as will insure the availability of cash, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal of, premium, if any, and interest, if any, on all Securities of such series on each date that such principal or interest, if any, is due and payable, and (B) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series;

(b) such deposit will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound;

(c) no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing on the date of deposit; and

(d) the Company has delivered to the Trustee an Opinion of Counsel to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred.

(2) The following provisions shall apply to the Securities of each series unless specifically otherwise provided in a Board Resolution, Officers' Certificate or indenture supplemental hereto. In addition to the foregoing, in the case of any series of Securities with respect to which the exact amount described in subparagraph (a) below can be determined at the time of making the deposit referred to in such subparagraph (a), the Company shall be deemed to be, and shall be, released from its obligations under any covenants added with respect to such series pursuant to Section 301(11) hereof on the 91st day after the date of the deposit referred to in subparagraph (a) below, and the

Company's obligations under all Securities of such series and this Indenture with respect to any covenants added with respect to such series pursuant to Section 301(11) hereof shall thereafter be deemed to be discharged for the purposes of any direction, waiver, consent or declaration (and the consequences of any thereof) in connection therewith but shall continue in full force and effect for all other purposes hereunder, and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent contemplated by this provision have been complied with, and at the cost and expense of the Company, shall execute proper instruments acknowledging the same, if

(a) with reference to this provision the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Securities of such series (i) cash in an amount, or (ii) U.S. Government Obligations, maturing as to principal and interest, if any, at such times and in such amounts as will insure the availability of cash, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal of, premium, if any, and interest, if any, on all Securities of such series on each date that such principal or interest, if any, is due and payable, and (B) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series; and

(b) such deposit will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound;

(c) no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing on the date of deposit; and

(d) the Company has delivered to the Trustee an Opinion of Counsel to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred.

(3) Notwithstanding the satisfaction of the conditions set forth in this Section 403 with respect to all Securities of any series at the time Outstanding, the obligations of the Company to the Trustee with respect to that series under Section 607 and the obligations of the Trustee with respect to that series under Section 402 and 1003 shall survive.

ARTICLE FIVE

Remedies

Section 501. Events of Default. "Event of Default", wherever used herein, means with respect to any series of Securities any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is either inapplicable to a particular series or it is specifically deleted or modified in the supplemental indenture creating such series of Securities or in the form of Security for such series:

(1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; or

(3) default in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of such series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture in respect of the Securities of such series (other than a covenant or warranty in respect of the Securities of such series a default in the performance of which or the breach of which is elsewhere in this Section specifically dealt with), all of such covenants and warranties in the Indenture which are not expressly stated to be for the benefit of a particular series of Securities being deemed in respect of the Securities of all series for this purpose, and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry of an order for relief against the Company under the Federal Bankruptcy Code by a court having jurisdiction in the premises or a decree or order by a court having jurisdiction in the premises adjudging the Company bankrupt or insolvent under any other applicable Federal or State law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under the Federal Bankruptcy Code or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect by the end of a period of 60 consecutive days; or

(6) the consent by the Company to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(7) any other Event of Default provided in the supplemental indenture under which such series of Securities is issued or in the form of Security for such series.

Section 502. Acceleration of Maturity; Rescission and Annulment. If an Event of Default described in paragraph (1), (2), (3), (4) or (7) (if the Event of Default under paragraph (4) or (7) is with respect to less than all series of Securities then Outstanding) of Section 501 occurs and is continuing with respect to any series, then and in each and every such case, unless the principal of all the Securities of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of such series then Outstanding hereunder (each such series acting as a separate class), by notice in writing to the Company (and to the Trustee if given by Holders), may declare the principal amount (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of such series then Outstanding and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities of such series contained to the contrary notwithstanding. If an Event of Default described in paragraph (4) or (7) (if the Event of Default under paragraph (4) or (7) is with respect to all series of Securities then Outstanding) of Section 501 occurs and is continuing, then and in each and every such case, unless the principal of all the Securities shall

have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of all the Securities then Outstanding hereunder (treated as one class), by notice in writing to the Company (and to the Trustee if given by Holders), may declare the principal amount (or, if any Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms thereof) of all the Securities then Outstanding and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities contained to the contrary notwithstanding. If an Event of Default described in paragraph (5) or (6) occurs and is continuing, then the principal amount (or, if any Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms hereof) of all the Securities then Outstanding and all accrued interest thereon shall become and be due and payable immediately, without any declaration or other act by the Trustee or any other Holder, anything in this Indenture or in the Securities contained to the contrary notwithstanding.

At any time after such a declaration of acceleration has been made with respect to the Securities of any series and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue installments of interest on the Securities of such series,

(B) the principal of (and premium, if any, on) any such series which have become due otherwise than by such declaration of acceleration, and interest thereon at the rate or rates prescribed therefor by the terms of the Securities of such series, to the extent that payment of such interest is lawful,

(C) interest upon overdue installments of interest at the rate or rates prescribed therefor by the terms of the Securities of such series to the extent that payment of such interest is lawful, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 607;

and

(2) all Events of Default with respect to such series of Securities, other than the nonpayment of the principal of the Securities of such series which have become due solely by such acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default is made in the payment of any installment of interest on any Security of any series when such interest becomes due and payable, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof, or

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of any series,

and any such default continues for any period of grace provided with respect to the Securities of such series, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security (or the Holders of any such series in the case of Clause (3) above), the whole amount then due and payable on any such Security (or on the Securities of any such series in the case of Clause (3) above) for principal (and premium, if any) and interest, with interest, to the extent that payment of such interest shall be legally enforceable, upon the overdue principal (and premium, if any) and upon overdue installments of interest, at such rate or rates as may be prescribed therefor by the terms of any such Security (or of Securities of any such series in the case of Clause (3) above); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 607.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities of such series and collect the money adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any series of Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceedings or otherwise, (i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary and advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 607) and of the Securityholders allowed in such judicial proceeding, and (ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Securityholder to make such payment to the Trustee and in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

Section 505. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities of any series may be prosecuted and enforced by the Trustee without the possession of any of the Securities of such series or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, be for the ratable benefit of the Holders of the Securities of the series in respect of which such judgment has been recovered.

Section 506. Application of Money Collected. Any money collected by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities of such series and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607.

SECOND: To the payment of the amounts then due and unpaid upon the Securities of that series for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively.

Section 507. Limitation on Suits. No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to Securities of such series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of such series;

it being understood and intended that no one or more Holders of Securities of such series shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of such series, or to obtain or to seek to obtain priority or preference over any other such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and proportionate benefit of all the Holders of all Securities of such series.

Section 508. Unconditional Right of Securityholders to Receive Principal, Premium and Interest. Notwithstanding any other provisions in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on the Redemption Date or Repayment Date, as the case may be) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies. If the Trustee or any Securityholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, then and in every such case the Company, the Trustee and the Securityholders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and

thereafter all rights and remedies of the Trustee and the Securityholders shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Securityholders, as the case may be.

Section 512. Control by Securityholders. The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series, provided that

(1) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken or would conflict with this Indenture or if the Trustee in good faith shall, by a Responsible Officer, determine that the proceedings so directed would involve it in personal liability or be unjustly prejudicial to the Holders not taking part in such direction, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 513. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default not theretofore cured

(1) in the payment of the principal of (or premium, if any) or interest on any Security of such series, or in the payment of any sinking or purchase fund or analogous obligation with respect to the Securities of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series to which the suit relates, or to any suit instituted by any Securityholder for the

enforcement of the payment of the principal of (or premium, if any) or interest on any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on or after the Redemption Date or Repayment Date).

Section 515. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

The Trustee

Section 601. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default with respect to any series of Securities,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture with respect to the Securities of such series, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may, with respect to Securities of such series, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to any series of Securities has occurred and is continuing, the Trustee shall exercise with respect to the Securities of such series such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of

any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 602. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to Securities of any series, the Trustee shall transmit by mail to all Securityholders of such series, as their names and addresses appear in the Security Register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Security of such series or in the payment of any sinking or purchase fund installment or analogous obligation with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Securityholders of such series; and provided, further, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series no such notice to Securityholders of such series shall be given until at least 90 days after the occurrence thereof. For the purpose of this Section, the term "default", with respect to Securities of any series, means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 603. Certain Rights of Trustee. Except as otherwise provided in Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Securityholders pursuant to this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 604. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 605. May Hold Securities. The Trustee, any Paying Agent, the Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 606. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 607. Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any) or interest on particular Securities.

Section 608. Disqualification; Conflicting Interests. The Trustee for the Securities of any series issued hereunder shall be subject to the provisions of Section 310(b) of the Trust Indenture Act during the period of time provided for therein. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

Section 609. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder with respect to each series of Securities, which shall be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, and subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company nor any Person directly or indirectly controlling, controlled by or under common control with the Company shall serve as Trustee upon any Securities. If at any time the Trustee with respect to any series of Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 610. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign with respect to any series of Securities at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed with respect to any series of Securities at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities of that series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 310(b) of the Trust Indenture Act pursuant to Section 608(a) with respect to any series of Securities after written request therefor by the Company or by any Securityholder who has been a bona fide Holder of a Security of that series for at least 6 months, or

(2) the Trustee shall cease to be eligible under Section 609 with respect to any series of Securities and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting with respect to any series of Securities, or

(4) the Trustee shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, with respect to the series, or in the case of Clause (4), with respect to all series, or (ii) subject to Section 514, any Securityholder who has been a bona fide Holder of a Security of such series for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee with respect to the series, or, in the case of Clause (4), with respect to all series.

(e) If the Trustee shall resign, be removed or become incapable of acting with respect to any series of Securities, or if a vacancy shall occur in the office of the Trustee with respect to any series of Securities for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee for that series of Securities. If, within one year after such resignation, removal or incapacity, or the occurrence of such vacancy, a successor Trustee with respect to such series of Securities shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to such series and supersede the successor Trustee appointed by the Company with respect to such series. If no successor Trustee with respect to such series shall have been so appointed by the Company or the Securityholders of such series and accepted appointment in the manner hereinafter provided, any Securityholder who has been a bona fide Holder of a Security of that series for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to any series and each appointment of a successor Trustee with respect to any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of that series as their names and addresses appear in the

Security Register. Each notice shall include the name of the successor Trustee and the address of its principal Corporate Trust Office.

Section 611. Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective with respect to any series as to which it is resigning or being removed as Trustee, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the predecessor Trustee with respect to any such series; but, on request of the Company or the successor Trustee, such predecessor Trustee shall, upon payment of its reasonable charges, if any, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the predecessor Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such predecessor Trustee hereunder with respect to all or any such series, subject nevertheless to its lien, if any, provided for in Section 607. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the predecessor Trustee and each successor Trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not being succeeded shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee with respect to any series of Securities shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible with respect to that series under this Article.

Section 612. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 613. Preferential Collection of Claims Against Company. (a) Subject to Subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within 3 months prior to a default, as defined in Subsection (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the Securities and the holders of other indenture securities (as defined in Subsection (c) of this Section):

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such 3-month period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this Subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such 3-month period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such 3-month period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such 3-month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default as defined in Subsection (c) of this Section would occur within 3 months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such 3-month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the Securityholders and the holders of other indenture securities in such manner that the Trustee, the Securityholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Securityholders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee and the Securityholders and the holders of other indenture securities in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (ii) in lieu

of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee and the Securityholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such 3-month period shall be subject to the provisions of this Subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such 3-month period, it shall be subject to the provisions of this Subsection if and only if the following conditions exist:

(i) the receipt of property or reduction of claim, which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such 3-month period; and

(ii) such receipt of property or reduction of claim occurred within 3 months after such resignation or removal.

(b) There shall be excluded from the operation of subsection (a) of this Section a creditor relationship arising from

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Securityholders at the time and in the manner provided in this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in Subsection (c) of this Section;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in Subsection (c) of this Section.

(c) For the purposes of this Section only:

(1) The term "default" means any failure to make payment in full of the principal of or interest on any of the Securities or upon the other indenture securities when and as such principal or interest becomes due and payable.

(2) The term "other indenture securities" means securities, if any, upon which the Company is an obligor outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section, and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account.

(3) The term "cash transaction" means any transaction in which full payment for goods or securities sold is made within 7 days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(4) The term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(5) The term "Company" means any obligor upon the Securities.

Section 614. Appointment of Authenticating Agent. At any time when any of the Securities remain Outstanding the Trustee, with the approval of the Company, may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as an Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and, if other than the Company itself, subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and, if other than the Company, to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and, if other than the Company, to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee, with the approval of the Company, may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of

such appointment by first-class mail, postage prepaid, to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent (other than an Authenticating Agent appointed at the request of the Company from time to time) reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

The Chase Manhattan Bank,
as Trustee

By:

As Authenticating Agent

By:

Authorized Signatory

ARTICLE SEVEN

Securityholders' Lists and Reports by Trustee and Company

Section 701. Company To Furnish Trustee Names and Addresses of Securityholders. The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not more than 15 days after each Regular Record Date, in each year in such form as the Trustee may reasonably require, a list of the names and addresses of the Holders of Securities of such series as of such date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

Section 702. Preservation of Information; Communications to Securityholders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of Securities contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders of Securities received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) If 3 or more Holders of Securities of any series (hereinafter referred to as "applicants") apply in

writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least 6 months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Securities of such series or with the Holders of all Securities with respect to their rights under this Indenture or under such Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within 5 Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 702(a), or

(ii) inform such applicants as to the approximate number of Holders of Securities of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of a Security of such series or to all Securityholders, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless, within 5 days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders of Securities of such series or all Securityholders, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Securityholders of such series or all Securityholders, as the case may be, with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

Section 703. Reports by Trustee. (a) The term "reporting date" as used in this Section means January 15. Within 60 days after the reporting date in each year, beginning in 1998, the Trustee shall transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, a brief report dated as of such reporting date with respect to any of the following events which may have occurred during the 12 months preceding the date of such report (but if no such event has occurred within such period no report need be transmitted):

(1) any change to its eligibility under Section 609 and its qualifications under Section 608;

(2) the creation of or any material change to a relationship specified in Section 310(b)(1) through Section 310(b)(10) of the Trust Indenture Act;

(3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of

Securities of any series, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities of such series outstanding on the date of such report;

(4) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in a manner described in Section 613(b)(2), (3), (4) or (6);

(5) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(6) any additional issue of Securities which the Trustee has not previously reported; and

(7) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 602.

(b) The Trustee shall transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to Subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities of any series, on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this Subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities Outstanding of such series at such time, such report to be transmitted within 90 days after such time.

(c) A copy of each such report shall, at the time of such transmission to Securityholders, be filed by the Trustee with each stock exchange upon which the Securities are listed, and also with the Commission. The Company will notify the Trustee when the Securities are listed on any stock exchange.

Section 704. Reports by Company. The Company will (1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE EIGHT

Consolidation, Merger, Conveyance or Transfer

Section 801. Company May Consolidate, Etc., Only on Certain Terms. The Company shall not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(1) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety shall be a corporation or partnership organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 802. Successor Person Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein. In the event of any such conveyance or transfer, the Company as the predecessor corporation may be dissolved, wound up or liquidated at any time thereafter.

ARTICLE NINE

Supplemental Indentures

Section 901. Supplemental Indentures Without Consent of Securityholders. Without the consent of the Holders of any Securities, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to add to the covenants of the Company, or to surrender any right or power herein conferred upon the Company, for the benefit of the Holders of the Securities of any or all series (and if such covenants or the surrender of such right or power are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included or such surrenders are expressly being made solely for the benefit of one or more specified series); or

(3) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; or

(4) to add to this Indenture such provisions as may be expressly permitted by the TIA, excluding, however, the provisions referred to in Section 316(a)(2) of the TIA as in effect at the date as of which this instrument was executed or any corresponding provision in any similar federal statute hereafter enacted; or

(5) to establish any form of Security, as provided in Article Two, and to provide for the issuance of any series of Securities as provided in Article Three and to set forth the terms thereof, and/or to add to the rights of the Holders of the Securities of any series; or

(6) to evidence and provide for the acceptance of appointment by another corporation as a successor Trustee hereunder with respect to one or more series of Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to Section 611; or

(7) to add any additional Events of Default in respect of the Securities of any or all series (and if such additional Events of Default are to be in respect of less than all series of Securities, stating that such Events of Default are expressly being included solely for the benefit of one or more specified series); or

(8) to provide for the issuance of Securities in coupon as well as fully registered form.

No supplemental indenture for the purposes identified in Clauses (2), (3), (5) or (7) above may be entered into if to do so would adversely affect the interest of the Holders of Securities of any series.

Section 902. Supplemental Indentures With Consent of Securityholders. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture or indentures, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of the Securities of each such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Maturity of the principal of, or the Stated Maturity of any premium on, or any installment of interest on, any Security, or reduce the principal amount thereof or the interest or any premium thereon, or change the method of computing the amount of principal thereof or interest thereon on any date or change any Place of Payment where, or the coin or currency in which, any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity or the Stated Maturity, as the case may be, thereof (or, in the case of redemption or repayment, on or after the Redemption Date or the Repayment Date, as the case may be); or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences, provided for in this Indenture; or

(3) modify any of the provisions of this Section or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not (except to the extent required in the case of a supplemental indenture entered into under Section 901(4) or 901(6)) be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby to the extent provided therein.

Section 905. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the TIA as then in effect.

Section 906. Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE TEN

Covenants

Section 1001. Payment of Principal, Premium and Interest. With respect to each series of Securities, the Company will duly and punctually pay the principal of (and premium, if any) and interest on such Securities in accordance with their terms and this Indenture, and will duly comply with all the other terms, agreements and conditions contained in, or made in the Indenture for the benefit of, the Securities of such series.

Section 1002. Maintenance of Office or Agency. The Company will maintain an office or agency in each Place of Payment where Securities may be presented or surrendered for payment, where Securities may be surrendered for transfer or exchanged and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and of any change in the location, of such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the principal Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

Section 1003. Money for Security Payments to be Held in Trust. If the Company shall at any time act as its own Paying Agent for any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on, any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, on or prior to each due date of the principal of (and premium, if any) or interest on, any Securities of such series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal (and premium, if any) or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee for any series of Securities to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will

(1) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any such payment of principal (and premium, if any) or interest on the Securities of such series; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture with respect to any series of Securities or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent in respect of each and every series of Securities as to which it seeks to discharge this Indenture or, if for any other purpose, all sums so held in trust by the Company in respect of all Securities, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease. The Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company mail to the Holders of the Securities as to which the money to be repaid was held in trust, as their names and addresses appear in the Security Register, a notice that such moneys remain unclaimed and that, after a date specified in the notice, which shall not be less than 30 days from the date on which the notice was first mailed to the Holders of the Securities as to which the money to be repaid was held in trust, any unclaimed balance of such moneys then remaining will be paid to the Company free of the trust formerly impressed upon it.

The Company initially authorizes the Trustee to act as Paying Agent for the Securities on its behalf. The

Company may at any time and from time to time authorize one or more Persons to act as Paying Agent in addition to or in place of the Trustee with respect to any series of Securities issued under this Indenture.

Section 1004. Statement as to Compliance. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement signed by the principal executive officer, principal financial officer or principal accounting officer of the Company, stating that

(1) a review of the activities of the Company during such year and of the Company's performance under this Indenture and under the terms of the Securities has been made under his supervision; and

(2) to the best of his knowledge, based on such review, the Company has complied with all conditions and covenants under this Indenture through such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof.

Section 1005. Corporate Existence. Subject to Article Eight the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

ARTICLE ELEVEN

Redemption of Securities

Section 1101. Applicability of Article. The Company may reserve the right to redeem and pay before Stated Maturity all or any part of the Securities of any series, either by optional redemption, sinking or purchase fund or analogous obligation or otherwise, by provision therefor in the form of Security for such series established and approved pursuant to Section 202 and on such terms as are specified in such form or in the Board Resolution or indenture supplemental hereto with respect to Securities of such series as provided in Section 301. Redemption of Securities of any series shall be made in accordance with the terms of such Securities and, to the extent that this Article does not conflict with such terms, the succeeding Sections of this Article.

Section 1102. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities redeemable at the election of the Company shall be evidenced by, or made pursuant to authority granted by, a Board Resolution. In case of any redemption at the election of the Company of any Securities of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 1103. Selection by Trustee of Securities to Be Redeemed. If less than all the Securities of like tenor and terms of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may include provision for the selection for redemption of portions of the principal of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. Unless otherwise provided in the terms of a particular series of Securities, the portions of the principal of Securities so selected for partial redemption shall be equal to the minimum authorized denomination of the Securities of such series, or an integral multiple thereof, and the principal amount which remains outstanding shall not be less than the minimum authorized denomination for Securities of such series. If less than all the Securities of unlike tenor and terms of a series are to be redeemed, the particular Securities to be redeemed shall be selected by the Company.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal of such Security which has been or is to be redeemed.

Section 1104. Notice of Redemption. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Securities to be redeemed, from the Holder to whom the notice is given;

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security, and that interest, if any, thereon shall cease to accrue from and after said date;

(5) the place where such Securities are to be surrendered for payment of the Redemption Price, which shall be the office or agency of the Company in the Place of Payment; and

(6) that the redemption is on account of a sinking or purchase fund, or other analogous obligation, if that be the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 1105. Deposit of Redemption Price. On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of all the Securities which are to be redeemed on that date.

Section 1106. Securities Payable on Redemption Date. Notice of Redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the Company shall default in the payment of the Redemption Price) such Securities shall cease to bear interest. Upon surrender of such Securities for redemption in accordance with the notice, such Securities shall be paid by the Company at the Redemption Price. Installments of interest the Stated Maturity of which is on or prior to the Redemption Date shall be payable to the Holders of such Securities registered as such on the relevant Regular Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security, or as otherwise provided in such Security.

Section 1107. Securities Redeemed in Part. Any Security which is to be redeemed only in part shall be surrendered at the office or agency of the Company in the Place of Payment with respect to that series (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series and Stated Maturity and of like tenor and terms, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

Section 1108. Provisions with Respect to any Sinking Funds. Unless the form or terms of any series of Securities shall provide otherwise, in lieu of making all or any part of any mandatory sinking fund payment with respect to such series of Securities in cash, the Company may at its option (1) deliver to the Trustee for cancellation any Securities of such series theretofore acquired by the Company, or (2) receive credit for any Securities of such series (not previously so credited) acquired by the Company and theretofore delivered to the Trustee for cancellation or redeemed by the Company other than through the mandatory sinking fund, and if it does so then (i) Securities so delivered or credited shall be credited at the applicable sinking fund Redemption Price with respect to Securities of such series, and (ii) on or before the 60th day next preceding each sinking fund Redemption Date with respect to such series of Securities, the Company will deliver to the Trustee (A) an Officers' Certificate specifying the portions of such sinking fund payment to be satisfied by payment of cash and by delivery or credit of Securities of such series acquired by the Company or so redeemed, and (B) such Securities so acquired, to the extent not previously surrendered. Such Officers' Certificate shall also state the basis for such credit and that the Securities for which the Company elects to receive credit have not been previously so credited and were not redeemed by the Company through operation of the mandatory sinking fund, if any, provided with respect to such Securities and shall also state that no Event of Default with respect to Securities of such series has occurred and is continuing. All Securities so delivered to the Trustee shall be cancelled by the Trustee and no Securities shall be authenticated in lieu thereof.

If the sinking fund payment or payments (mandatory or optional) with respect to any series of Securities made in cash plus any unused balance of any preceding sinking fund payments with respect to Securities of such series made in cash shall exceed $50,000 (or a lesser sum if the Company shall so request), unless otherwise provided by the terms of such series of Securities, that cash shall be applied by the Trustee on the sinking fund Redemption Date with respect to Securities of such series next following the date of such payment to the redemption of Securities of such series at the applicable sinking fund Redemption Price with respect to Securities of such series, together with accrued interest, if any, to the date fixed for redemption, with the effect provided in Section 1106. The Trustee shall select, in the manner provided in Section 1103, for redemption on such sinking fund Redemption Date a sufficient principal amount of Securities of such series to utilize that cash and shall thereupon cause notice of redemption of the Securities of such series for the sinking fund to be given in the manner provided in Section 1104 (and with the effect provided in Section 1106) for the redemption of Securities in part at the option of the Company. Any sinking fund moneys not so applied or allocated by the Trustee to the redemption of Securities of such series shall be added to the next cash sinking fund payment with respect to Securities of such series received by the Trustee and, together with such payment, shall be applied in accordance with the provisions of this Section 1108. Any and all sinking fund moneys with respect to Securities of any series held by the Trustee at the Maturity of Securities of such series, and not held for the payment or redemption of particular Securities of such series, shall be applied by the Trustee, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity.

On or before each sinking fund Redemption Date provided with respect to Securities of any series, the Company shall pay to the Trustee in cash a sum equal to all accrued interest, if any, to the date fixed for redemption on Securities to be redeemed on such sinking fund Redemption Date pursuant to this Section 1108.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ Robert E. Rose

Robert E. Rose
President & Chief Executive Officer

Attest:

/s/ Richard L. Lionberger
- ---
Richard L. Lionberger, Secretary

{SEAL}

THE CHASE MANHATTAN BANK, as Trustee

By: /s/ Ronald J. Halleran

Ronald J. Halleran
Second Vice President

Attest:

/s/ Gemmel Richards
- ---
Name: Gemmel Richards

Assistant Secretary

{SEAL}

STATE OF TEXAS)
) ss:
COUNTY OF HARRIS)

On the 31st day of January, 1997 before me personally came Robert E. Rose, to me known, who, being by me duly sworn, did depose and say that he resides at Houston, Texas; that he is President & Chief Executive Officer of Diamond Offshore Drilling, Inc., one of the parties described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to that instrument is such corporate seal; that it was affixed by authority of the board of directors of the corporation; and that he signed his name thereto by like authority.

/s/ Paula Williamson

Name: Paula Williamson

{Notarial Seal}

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On the 3rd day of February, 1997 before me personally came Ronald J. Halleran, to me known, who, being by me duly sworn, did depose and say that he resides at 350 Richmond Terrace, Staten Island, NY; that he is Second Vice President of The Chase Manhattan Bank, one of the parties described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to that instrument is such corporate seal; that it was affixed by authority of the board of directors of the corporation; and that he signed his name thereto by like authority.

/s/ Annabelle DeLuca

Name: Annabelle DeLuca

{Notarial Seal}

EXHIBIT 10.1

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT dated as of October 16, 1995 (this "Agreement"), is by and between Loews Corporation, a Delaware corporation ("Loews"), and Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company").

WHEREAS, Loews owns all of the authorized, issued and outstanding shares of common stock (the "Common Stock") of the Company;

WHEREAS, the Company intends to issue and sell additional shares of Common Stock in an initial public offering in both domestic and international markets (the "Common Stock Offering"); and

WHEREAS, in consideration of certain actions by Loews in connection with the Common Stock Offering, Loews has requested that the Company grant Loews certain registration rights set forth below with respect to all Common Stock that Loews presently owns or hereafter acquires (collectively, the "Registerable Common Stock").

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1.

DEFINITIONS

1.1 SPECIFIC DEFINITIONS. The following capitalized terms shall have the meanings ascribed to them in this Section 1.1:

"Act" shall mean the Securities Act of 1933, as amended.

"Affiliate" shall have the meaning set forth in Rule 12b-2 under the Exchange Act.

"Agreement" shall have the meaning set forth in the preamble hereto.

"Commission" shall mean the Securities and Exchange Commission.

"Common Stock" shall have the meaning set forth in the recitals hereto.

"Common Stock Offering" shall have the meaning set forth in the recitals hereto.

"Company" shall have the meaning set forth in the preamble hereto.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Indemnified Party" shall have the meaning set forth in Section 8.3.

"Indemnifying Party" shall have the meaning set forth in Section 8.3.

"Inspectors" shall have the meaning set forth in Section 5(k).

"Loews" shall have the meaning set forth in the preamble hereto.

"Loss" or "Losses" shall have the meaning set forth in Section 8.1.

"Person" shall mean any business entity (including, without limitation, a corporation, partnership (limited or general), limited liability company or business trust) or a natural person.

"Prospectus" shall have the meaning set forth in Section 8.1.

"register" "registered" and "registration" and words of similar import refer to a registration effected by preparing and filing with the Commission a registration statement in compliance with the Act, and the declaration and ordering by the Commission of effectiveness of such registration statement or document.

"Registerable Common Stock" shall have the meaning set forth in the recitals hereto.

"Registration Expenses" shall have the meaning set forth in Section 7.1.

1.2 OTHER DEFINITIONS. Other capitalized terms used herein but not defined in Section 1.1 shall have the respective meanings ascribed to them throughout this Agreement.

SECTION 2.

DEMAND REGISTRATION RIGHTS

2.1 DEMAND REGISTRATION RIGHTS.

(a) Upon receipt of written request to register all or part of the Registerable Common Stock under the Act (whether for purposes of a public offering, an exchange offer or otherwise) the Company shall as expeditiously as reasonably possible (but in any event not later than ninety (90) days after receipt of such request) prepare and file, and use its best efforts to cause to become effective as soon as practicable, a registration statement under the Act to effect the offering of such Registerable Common Stock in the manner specified in such request.

(b) If Loews shall so request, the Company shall take such actions as shall be reasonably necessary or appropriate to permit any share of Registerable Common Stock specified in such request to be offered and sold in compliance with the securities laws or other relevant laws of any foreign country (including, without limitation, listing such Registerable Common Stock on any foreign securities exchange on which shares of Common Stock are then listed) and shall otherwise cooperate in a timely manner in such offering.

(c) Loews shall be entitled to select and retain one or more investment bankers or managers in connection with any underwritten offerings made pursuant to this Section 2.1.

(d) Subject to the terms and conditions set forth in Section 2.2, Loews may request

the Company to register Registerable Common Stock under the Act pursuant to this Section 2.1 at any time and from time to time.

2.2 TERMS AND CONDITIONS OF DEMAND REGISTRATION RIGHTS. Notwithstanding anything to the contrary contained elsewhere herein, the registration rights granted to Loews in Section 2.1 are expressly subject to the following terms and conditions:

(a) Loews shall only be entitled to three (3) requests to register Registrable Common Stock under the terms of Section 2.1. The term "request" as it is used in this Section 2.2(a) shall mean the registration and subsequent sale of Registerable Common Stock.

(b) In no event shall the Registerable Common Stock offered under a registration statement prepared and filed pursuant to Section 2.1 constitute less than five percent (5%) of the then outstanding shares of Common Stock.

(c) The Company shall be entitled to defer for a reasonable period of time, but not in excess of ninety (90) days, the filing of any registration statement otherwise required to be prepared and filed by it under Section 2.1 if the Company notifies Loews within five (5) business days after Loews has requested the registration under Section 2.1 that the Company (i) is at such time conducting or about to conduct an underwritten public offering of its securities for its own account and the Board of Directors of the Company determines in good faith that such offering would be materially adversely affected by such registration requested by Loews or (ii) would, in the opinion of the Company's counsel, be required to disclose in such registration statement information not otherwise then required by law to be publicly disclosed and, in the good faith judgment of the Board of Directors of the Company, such disclosure might adversely affect any material business transaction or negotiation in which the Company is then engaged.

(d) Loews shall not exercise its rights pursuant to Section 2.1 during the 60-day period immediately following the effective date of any registration statement filed by the Company in respect of an offering or sale of securities of the Company by or on behalf of the Company or any other stockholder of the Company.

SECTION 3.

PIGGYBACK REGISTRATION RIGHTS

3.1 PIGGYBACK REGISTRATION RIGHTS. If at any time or from time to time the Company shall propose to register any Common Stock for public sale under the Act, the Company shall give Loews prompt written notice of the proposed registration and shall include in such registration on the same terms and conditions as the other securities included in such registration such number of shares of Registerable Common Stock as Loews shall request within ten (10) business days after the giving of such notice; provided, however, that the Company may at any time prior to the effectiveness of any such registration statement, in its sole discretion and without the consent of Loews, abandon the proposed offering in which Loews had requested to participate; and provided further that Loews shall be entitled to withdraw any or all of its shares of Registerable Common Stock included in a registration statement under this Section 3.1 at any time prior to the date on which the Company first files a registration statement with the Commission that includes any of the shares of Registerable Common Stock. The Company shall be entitled to select the investment bankers and/or managers, if any, to be retained in connection with any registration referred to in this Section 3.1.

3.2 RESTRICTIONS ON PIGGYBACK REGISTRATION RIGHTS. Notwithstanding anything to the contrary contained elsewhere herein, the registration rights granted to Loews in Section 3.1 are expressly subject to the following terms and conditions:

(a) The Company shall not be obligated to include shares of Registerable Common Stock in an offering as contemplated by Section 3.1 if the Company is advised in writing by the managing underwriter or underwriters of such offering (with a copy to Loews) that the success of such offering would in its or their good faith judgment be jeopardized by such inclusion; provided, however, that the Company shall in any case be obligated to include such number of shares of Registerable Common Stock in such offering, if any, as such underwriter or underwriters shall determine will not jeopardize the success of such offering.

(b) The Company shall not be obligated to include any shares of Registerable Common Stock in any registration by the Company of any Common Stock in connection with mergers, acquisitions, exchange offers, subscription offers, dividend reinvestment plans or stock option or other director or employee incentive or benefit plans.

(c) In the event that less than all of the shares of Registerable Common Stock held by Loews are included in an offering contemplated by a registration statement pursuant to Section 3.1, Loews shall execute one or more "lockup" letters, in usual and customary form, setting forth an agreement by Loews not to offer for sale, sell, grant any option for the sale of, or otherwise dispose of, directly or indirectly, any shares of Common Stock, or any securities convertible into or exchangeable into or exercisable for any shares of Common Stock, for a period of 180 days (or such longer period as any investment banker or manager engaged in connection with such offering may reasonably request) from the date such offering commences.

SECTION 4.

LIMITATION ON OTHER SECURITIES TO BE REGISTERED

In the event of any registration, offering or sale contemplated by Section 2.1, the Company shall not, without the consent of Loews, include in such registration, offering or sale any securities other than those owned by Loews.

SECTION 5.

COVENANTS OF THE COMPANY

In connection with any offering of shares of Registerable Common Stock pursuant to this Agreement, the Company shall:

(a) furnish to Loews and to each managing underwriter, if any, (i) at least two (2) business days prior to filing with the Commission, any registration statement covering shares of Registerable Common Stock, any amendment or supplement thereto, and any prospectus used in connection therewith, which documents will be subject to the reasonable review of Loews and such underwriter, and, with respect to a registration statement prepared pursuant to Section 2.1, the Company shall not file any such documents with the Commission to which Loews shall reasonably object; and (ii) a copy of any and all transmittal letters or other correspondence with the Commission or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to such offering of shares of Registerable Common Stock;

(b) furnish to Loews and each managing underwriter, if any, such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein) and the prospectus included in such registration statement (including each preliminary prospectus and prospectus supplement) as Loews or such underwriter may reasonably request in order to facilitate the sale of the shares of Registerable Common Stock;

(c) after the filing of such registration statement promptly notify Loews of any stop order issued or, to the knowledge of the Company, threatened to be issued by the Commission and promptly take all reasonable actions to prevent the entry of such stop order or to obtain its withdrawal if entered;

(d) use its best efforts to qualify such shares of Registerable Common Stock for offer and sale under the securities, "blue sky" or similar laws of such jurisdictions (including any foreign country or any political subdivision thereof) as Loews or any underwriter shall reasonably request and use its best efforts to obtain all appropriate registrations, permits and consents required in connection therewith, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, or subject itself to taxation or file a general consent to service of process in any such jurisdiction;

(e) furnish to each managing underwriter, if any, addressed to each of them, an opinion of counsel for the Company, dated as of the date of the closing of the offering of shares of Registerable Common Stock, and a "comfort" letter or letters signed by the Company's independent public accountants, each in reasonable and customary form and covering such matters of the type customarily covered by opinions or comfort letters delivered by such parties, and use its best efforts to have such opinions and comfort letters addressed to and delivered to Loews;

(f) furnish unlegended certificates representing ownership of the shares of Registerable Common Stock being sold in such denominations as shall be requested by Loews or the managing underwriter, if any, provided such request is made at least three (3) business days prior to the closing of the sale of such shares;

(g) promptly inform Loews (i) in the case of any offering of shares of Registerable Common Stock in respect of which a registration statement is filed under the Act, of the date on which such

registration statement or any post-effective amendment thereto becomes effective and, if applicable, of the date of filing a Rule 430A prospectus (and, in the case of any offering abroad of shares of Registerable Common Stock, of the date when any required filing under the securities and other laws of such foreign jurisdictions shall have been made and when the offering may be commenced in accordance with such laws) and (ii) of any request by the Commission, any securities exchange, government agency, self-regulatory body or other body having jurisdiction for any amendment of or supplement to any registration statement or preliminary prospectus or prospectus included therein or any offering memorandum or other offering document relating to such offering;

(h) until the earlier of (i) such time as all of the shares of Registerable Common Stock being offered have been disposed of in accordance with the intended method of disposition by Loews set forth in the registration statement or other offering document (and the expiration of any prospectus delivery requirements in connection therewith) or (ii) the expiration of nine (9) months after such registration statement or other offering document becomes effective (unless the offering is a continuous offering of securities under Rule 415, in which case until the earliest of the date the offering is completed and the second anniversary of such effective date), keep effective and maintain any registration, qualification or approval obtained in connection with the offering of the shares of Registerable Common Stock, and amend or supplement the registration statement or prospectus or other offering document used in connection therewith to the extent necessary in order to comply with applicable securities laws;

(i) use its best efforts to have the shares of Registerable Common Stock listed on any domestic and foreign securities exchanges on which the Common Stock is then listed;

(j) as promptly as practicable notify Loews, at any time when a prospectus relating to the sale of the shares of Registerable Common Stock is required by law to be delivered in connection with sales by an underwriter or dealer, of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such shares, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and as promptly as practicable make available to Loews and to each managing underwriter, if any, any such supplement or amendment; in the event that Company shall give such notice, the Company shall extend the period during which such registration statement shall be maintained effective as provided in Section 5(h) by the number of days during the period from and including the date of the giving of such notice to the date when the Company shall make available to Loews such supplemented or amended prospectus;

(k) make available for inspection during the normal business hours of the Company by Loews, any underwriter participating in such offering and any attorney, accountant or other agent retained by Loews or any such underwriter in connection with the sale of shares of Registerable Common Stock (collectively, the "Inspectors"), all relevant financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility and cause the officers, directors and employees of the Company to supply all information reasonably requested by any such Inspector in connection with such registration statement; provided, however, that (i) in connection with any such inspection, any such Inspectors shall cooperate to the extent reasonably practicable to minimize any disruption to the operation by the Company of its business and (ii) any records, information or documents shall be kept confidential by such Inspectors, unless (1) such records, information or documents are in the public domain or otherwise publicly available or (2) disclosure of such records, information or documents is required by a court or administrative order or by applicable law (including, without limitation, the Act); and

(1) enter into usual and customary agreements (including an underwriting agreement in usual and customary form) and take such other actions as are reasonably required in order to expedite or facilitate the sale of the Registerable Common Stock.

SECTION 6.

RESTRICTIONS ON PUBLIC SALE BY THE COMPANY AND OTHERS

The Company agrees:

(a) not to effect any public sale or distribution of any securities during the 60-day period commencing on the effective date of a registration statement filed pursuant to Section 2.1, except in connection with any merger, acquisition, exchange offer, subscription offer, dividend reimbursement plan or stock option or other director or employee incentive or benefit plan;

(b) not to grant to any other party any registration rights permitting the registration of any of the Company's capital stock under the securities laws of the United States (or any state thereof) or any foreign jurisdiction that would be inconsistent with the rights granted to Loews hereunder, including, without limitation, that any "demand" or "piggyback" registration rights granted to any other party shall not be exercisable to the extent that such exercise would reduce the number of shares of Registrable Common Stock which Loews has elected to have included in a registration statement pursuant to Section 3.1; and

(c) that any agreement entered into after the date hereof pursuant to which the Company grants registration rights with respect to the Company's securities shall contain a provision under which holders of such securities agree, to the extent not inconsistent with applicable laws, not to effect any public sale or distribution of any such securities (excluding any sale in accordance with Rule 144 under the Act) during the period commencing with the effective date of a registration statement pursuant to Section 2.1 through the 60-day period beginning on the date that the registration statement filed pursuant to Section 2.1 becomes effective.

SECTION 7

EXPENSES

7.1 DEMAND REGISTRATION EXPENSES. All expenses incurred in connection with the exercise of Loews's registration rights in the United States under Section 2.1 hereof, including, without limitation, all registration and filing fees (including all expenses incident to any filing with the New York Stock Exchange or listing on any domestic or foreign securities exchange on which shares of Common Stock are then listed), fees and expenses of complying with securities and blue sky laws (including those of counsel retained to effect such compliance) and printing expenses (collectively, "Registration Expenses") shall be borne by Loews. All expenses incurred in complying with the laws or regulations of any foreign country or stock exchange upon Loews's request under Section 2.1 hereof shall be borne by Loews. Notwithstanding the foregoing (i) Loews shall pay all underwriting discounts and commissions and any stamp, duty or transfer tax relating to Registerable Common Stock; (ii) the Company shall pay (x) the fees and disbursements of its independent public accountants (including, without limitation, any such fees and expenses incurred in performing any special audits required in connection with any such offering and incurred in connection with the preparation of pro forma financial statements and comfort letters for any such offering), (y) transfer agents', depositaries and registrars' fees and the fees of any other agent appointed

in connection with such offering, and (z) all security engraving and printing expenses; and (iii) each party shall pay the fees and expenses of its counsel and accountants. In no event, however, shall Loews or the Company be required to pay any internal costs of the other.

7.2 PIGGYBACK REGISTRATION EXPENSES. All expenses incurred in complying with Section 3.1 including, without limitation, any Registration Expenses, shall be paid by the Company, except that (i) Loews shall pay all underwriting discounts, commissions and incremental expenses attributable to the inclusion in the offering under said Section 3.1 of shares of Registerable Common Stock, including, without limitation, any incremental registration and filing fees, and Loews shall pay any stamp, duty or transfer taxes relating to the Registerable Common Stock, and (ii) each party shall pay the fees and expenses of its counsel and accountants. In no event, however, shall Loews or the Company be required to pay any internal costs of the other.

SECTION 8.

INDEMNIFICATION

8.1 INDEMNIFICATION BY THE COMPANY. The Company agrees to indemnify and hold harmless Loews, its officers, directors and agents, and will agree to indemnify and hold harmless any underwriter of Registerable Common Stock, and each person, if any, who controls any of the foregoing persons within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (individually, a "Loss" and collectively, "Losses") arising from or caused by (x) any untrue statement or alleged untrue statement of a material fact contained in any registration statement, prospectus or any preliminary prospectus relating to the Registerable Common Stock (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and (y) any violation or alleged violation by the Company of the Act, any blue sky laws, securities laws or other applicable laws of any state in which shares of Registerable Common Stock are offered and relating to action or inaction required of the Company in connection with such offering; and will reimburse each such person for any legal or other out-of-pocket expenses reasonably incurred in connection with investigating, or defending against, any such Loss (or any proceeding in respect thereof), subject to the provisions of Section 8.3, except that the indemnification provided for in this Section 8.1 shall not apply to Losses that are caused by any such untrue statement or omission or alleged untrue statement or omission based upon and in conformity with information furnished in writing to the Company by or on behalf of Loews expressly for use therein. Notwithstanding the foregoing, the Company shall not be liable in any such case to the extent that any such Loss arises out of, or is based upon, an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus if (i) Loews failed to send or deliver a copy of the prospectus included in the relevant registration statement at the time it became effective (the "Prospectus") with or prior to the delivery of written confirmation of the sale of Registerable Common Stock to the person asserting such Loss or who purchased such Registerable Common Stock which are the subject thereof if, in either case, such delivery is required by the Act and (ii) the Prospectus would have corrected such untrue statement or alleged untrue statement or alleged omission; and the Company shall not be liable in any such case to the extent that any such Loss arises out of, or is based upon, an untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in the Prospectus, if such untrue statement or alleged untrue statement or omission or alleged omission is corrected in any amendment or supplement to the Prospectus and if, having previously been furnished by or on behalf of the Company with copies of the Prospectus as so amended or supplemented, Loews thereafter fails to deliver such Prospectus as so amended or supplemented prior to or concurrently with the sale of Registerable Common Stock if such delivery is required by the Act.

8.2 INDEMNIFICATION BY LOEWS. Loews agrees to indemnify and hold harmless the Company, its officers and directors, and each person, if any, who controls the Company within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the indemnity made pursuant to clause (x) of Section 8.1 above from the Company to Loews, but only with reference to information furnished in writing by or on behalf of Loews expressly for use in any registration statement or prospectus relating to shares of Registerable Common Stock, or any amendment or supplement thereto, or any preliminary prospectus.

8.3 CONDUCT OF INDEMNIFICATION PROCEEDINGS. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8.1 or 8.2, such person (the "Indemnified Party") shall promptly notify the

person against whom such indemnity may be sought (the "Indemnifying Party") in writing, provided that the omission to so notify the Indemnifying Party will not relieve the Indemnifying Party of any liability it may have under this Agreement or otherwise except to the extent of any loss, damage, liability or expense arising from such omission. The Indemnifying Party, upon the request of the Indemnified Party, shall retain counsel reasonably satisfactory to such Indemnified Party to represent such Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention, (ii) the Indemnified Party shall have failed to comply with its obligations under the preceding sentence or (iii) the Indemnifying Party shall have been advised by its counsel in writing that actual or potential differing interests exist between the Indemnifying Party and the Indemnified Party. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld. The Indemnifying Party shall not agree to any settlement as the result of which any remedy or relief, other than monetary damages for which the Indemnifying Party shall be fully responsible, shall be applied to or against an Indemnified Party without the prior written consent of such Indemnified Party, which consent shall not unreasonably be withheld.

8.4 CONTRIBUTION. If the indemnification provided for in this Section 8.4 from the Indemnifying Party is unavailable to an Indemnified Party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 8.3, any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. No party shall be liable for contribution with respect to any action or claim settled without its written consent, which consent shall not be unreasonably withheld.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8.4 were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

SECTION 9.

TERMINATION

This Agreement shall terminate at the first such instance as Loews's percentage ownership of the Company's outstanding Common Stock falls below fifteen percent (15%). For the purposes of this Section 9, Loews shall be deemed to own any and all Common Stock owned by (i) Loews and (ii) any of its Affiliates. Notwithstanding the foregoing, the Company's and Loews's rights, duties and obligations under Section 7 and Section 8 shall survive the termination of this Agreement.

SECTION 10

AVAILABLE INFORMATION

The Company shall take such reasonable actions and file such information, documents and reports as shall be required by the Commission as a condition to the availability of Rule 144 and Rule 144A or any successor provisions.

SECTION 11.

ASSIGNMENT OF RIGHTS

11.1 ASSIGNMENT OF RIGHTS. Subject to Section 11.2, the rights of Loews under this Agreement with respect to any Registerable Common Stock may be assigned to any one or more Affiliates of Loews that hold Registerable Common Stock. Any assignment of registration rights pursuant to this Section 11.1 shall be effective upon receipt by the Company of written notice from Loews stating (i) the name and address of any assignee, (ii) the nature of such assignee's relationship to Loews and (iii) identifying the Registerable Common Stock with respect to which the rights under this Agreement are being assigned.

11.2 SCOPE OF ASSIGNMENT. The rights of an assignee under Section 11.1 shall be the same rights granted to Loews under this Agreement, except that in no event shall the Company's obligations hereunder be increased due to any such assignment. In connection with any such assignment, the term "Loews" as used herein shall, where appropriate to assign the rights and obligations of Loews hereunder to such assignee, be deemed to refer to the assignee. After any such assignment, Loews shall retain its rights under this Agreement with respect to all other Registerable Common Stock owned by Loews.

SECTION 12.

MISCELLANEOUS

12.1 PROVISION OF INFORMATION. Loews shall, and shall cause it directors, officers, employees and agents to complete and execute all such questionnaires, powers of attorney, indemnities, underwriting agreements and other documents as the Company shall reasonably request in connection with any registration pursuant to this Agreement.

12.2 INJUNCTIONS. Irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specified terms or were otherwise breached. Therefore, the parties hereto shall be entitled to an injunction or injunctions to prevent breaches

of the provisions of this Agreement and to enforce specifically the terms of provisions hereof in any court having jurisdiction, such remedy being in addition to any other remedy to which they may be entitled at law or in equity.

12.3 SEVERABILITY. If any term or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms and provisions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term or provision.

12.4 FURTHER ASSURANCES. Subject to the specific terms of this Agreement, each of Loews and the Company shall make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions as may be reasonably required in order to effectuate the purposes of this Agreement and to consummate the transactions contemplated hereby.

12.5 ENTIRE AGREEMENT; MODIFICATION. This Agreement contains the entire understanding of the parties with respect to the transactions contemplated hereby and supersedes all agreements and understandings entered into prior to the execution hereof. This Agreement may be modified only by a written instrument duly executed by or on behalf of each party. No breach of any covenant, agreement, warranty or representation shall be deemed waived unless expressly waived in writing by or on behalf of the party who might assert such breach.

12.6 COUNTERPARTS. For the convenience of the parties hereto, any number of counterparts of this Agreement may be executed by the parties hereto, but all such counterparts shall be deemed one and the same instrument.

12.7 NOTICES. All notices, consents, requests, demands and other communications hereunder shall be in writing and shall be given by hand or by mail (return receipt requested) or sent by overnight delivery service, cable, telegram or facsimile transmission to the parties at the following addresses or at such other address as shall be specified by the parties by like notice.

(a) if to the Company, to

Diamond Offshore Drilling, Inc.
15415 Katy Freeway, Suite 400
Houston, Texas 77094
Telecopy: (713) 647-2223
Attention: Richard L. Lionberger
Vice President, Secretary and General
Counsel

(b) if to Loews, to

Loews Corporation
667 Madison Avenue
New York, New York 10021-8087
Telecopy: (212) 935-6801
Attention: Barry Hirsch
Senior Vice President,
Secretary and General Counsel

Notice so given shall, in the case of notice so given by mail, be deemed to be given and received on the third business day after posting, in the case of notice so given by overnight delivery service, on the day after notice is deposited with such service, and in the case of notice so given by cable, telegram, facsimile transmission or, as the case may be, personal delivery, on the date of actual delivery.

12.8 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CHOICE OF LAW PRINCIPLES WHICH MIGHT REQUIRE OR PERMIT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

12.9 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto. Except as provided herein, the parties may not assign their rights under this Agreement and the Company may not delegate its obligations under this Agreement. Any attempted assignment or delegation prohibited hereby shall be void.

12.10 PARTIES IN INTEREST. Except as otherwise specifically provided herein, nothing in this Agreement expressed or implied is intended or shall be construed to confer any right or benefit upon any person, firm or corporation other than Loews and the Company and their respective successors and permitted assigns.

IN WITNESS WHEREOF, each of Loews and the Company have caused this Agreement to be duly executed as of the date first above written.

LOEWS CORPORATION

By: /s/ Herbert C. Hofmann

Name: Herbert C. Hofmann

Title: Senior Vice President

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ Richard L. Lionberger

Name: Richard L. Lionberger

Title: Vice President

EXHIBIT 10.3

SERVICES AGREEMENT

AGREEMENT, dated as of October 16, 1995 (this "Agreement"), by and between Loews Corporation, a Delaware corporation ("Loews"), and Diamond Offshore Drilling, Inc., a Delaware corporation ("Diamond Offshore").

WITNESSETH:

WHEREAS, Diamond Offshore (which term, as used in this Agreement, shall include Diamond Offshore and its subsidiaries unless the context otherwise requires) is a subsidiary of Loews;

WHEREAS, Loews performs certain administrative, technical and ministerial services in connection with the operation of its business (hereinafter referred to collectively as "Staff Services");

WHEREAS, greater efficiency and reduced costs result from the economies of scale associated with the provision of certain Staff Services by Loews for itself, Diamond Offshore and Loews's other subsidiaries;

WHEREAS, Loews is experienced in the provision of Staff Services for its subsidiaries and third parties, and, by virtue of its purchasing power, is able to obtain discounts from certain suppliers of goods and services;

WHEREAS, Loews has, from time to time, provided such Staff Services to Diamond Offshore pursuant to that certain Services Agreement, dated as of July 1, 1992, by and between Loews and Diamond Offshore (the "1992 Services Agreement");

WHEREAS, Diamond Offshore desires to continue to avail itself of such services, and Loews desires to continue to provide such services pursuant to this Agreement, which amends, restates and supersedes the 1992 Services Agreement in its entirety;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and affirmed, the parties hereto agree as follows:

SECTION 1. Services Provided By Loews.

Loews shall provide or cause to be provided to Diamond Offshore, as requested by Diamond Offshore, the following Staff Services in connection with the operations of Diamond Offshore:

(a) Personnel Services. Loews's Personnel Department shall assist Diamond Offshore with respect to the hiring, training and discharge of employees of Diamond Offshore, the establishment of personnel policies and practices and salary administration, negotiation with labor unions, if any, and the administration of employee benefits provided by Diamond Offshore, as the parties hereto may from time to time agree.

(b) Telecommunications. Loews shall assist Diamond Offshore in the acquisition, maintenance and management of telecommunications equipment and services, as the parties hereto may from time to time agree.

(c) Purchasing Services. Loews's Purchasing Department shall, from time to time, as the parties hereto may agree in individual circumstances, assist Diamond Offshore in the purchase of certain goods and services for Diamond Offshore.

(d) Accounting Services. Loews's Accounting Department shall assist Diamond Offshore's Accounting Department and provide general and specific accounting services including services in relation to financial reporting as the parties hereto may from time to time agree.

(e) Data Processing Services. Loews's MIS Department shall (i) assist Diamond Offshore in the establishing, maintaining and developing computer systems which Diamond Offshore shall maintain for its operations and (ii) provide access to Loews's centralized data processing services and facilities, where appropriate, as the parties hereto may from time to time agree.

(f) Cash Management Services. Loews's Treasurer's Department shall, as the parties hereto may from time to time agree, assist Diamond Offshore with respect to the collection, holding and disbursement of cash receipts of Diamond Offshore, all of which shall ultimately be under the control and for the benefit of Diamond Offshore.

(g) Tax Preparation. Loews shall advise and assist Diamond Offshore in preparing and filing foreign, federal, state and other tax returns, handling discussions and proceedings with tax authorities, and planning with respect to tax liabilities, as the parties hereto may from time to time agree.

(h) Insurance. Loews's Insurance Department shall assist Diamond Offshore in obtaining insurance and administering claims thereunder, as the parties hereto may from time to time agree.

(i) Real Estate Management. Loews's Real Estate Department shall, as the parties hereto may from time to time agree, assist Diamond Offshore in purchasing and selling real property, leasing and administering leased properties and handling tax proceedings concerning such properties.

(j) Internal Audit. Loews's Internal Audit Department shall, as the parties hereto may from time to time agree, provide internal audit services to Diamond Offshore.

(k) Miscellaneous. Loews shall provide other miscellaneous Staff Services to Diamond Offshore, as the parties hereto may from time to time agree.

SECTION 2. Relationship of the Parties.

(a) Each party acknowledges that the services provided hereunder by Loews are intended to be administrative, technical or ministerial and are not intended to set policy for Diamond Offshore. Each party shall continue to set corporate policy independently through its own Board of Directors.

(b) In all activities under this Agreement, each party shall be an independent contractor, except as may be otherwise specifically provided in writing and authorized by the appropriate Board of Directors. Nothing in this Agreement shall be deemed to (i) make either party or any employee of such party the agent, employee, joint venturer or partner of the other party or (ii) create in either party the right or authority to incur any obligation or contract for any services from third parties on behalf of the other party or to bind such other party in any way whatsoever except as may be expressly provided in this Agreement.

(c) Loews shall have no liability for any act or omission in connection with this Agreement other than repeating a service for the purpose of correcting an act or omission where reasonable and appropriate

under the circumstances. Neither party shall be liable to the other party in respect of an act or omission in connection with this Agreement, for loss of profits, good will or any other general, indirect, special or consequential damages of any kind. Except as expressly set forth in this Section 2, Loews makes no representations or warranties with respect to the services to be provided under this Agreement.

(d) Diamond Offshore hereby agrees to defend, indemnify and save Loews and its affiliates (other than Diamond Offshore and its subsidiaries), officers, directors, employees and agents harmless from and against any and all loss, claim, damage, liability, cost or expense, including reasonable attorneys' fees, incurred by Loews or any such affiliates based upon a claim by or liability to a third party arising out of the Staff Services to be provided by Loews hereunder, unless due to the gross negligence or wilful misconduct of Loews or its affiliates.

SECTION 3. Fee, Costs and Expenses.

Costs and expenses incurred by Loews in providing the Staff Services to Diamond Offshore shall be allocated as follows or as the parties may otherwise agree:

(a) Diamond Offshore shall reimburse Loews for the Staff Services received by it in an amount not to exceed the allocated personnel costs (i.e., wages, salaries, employee benefits and payroll taxes) of the Loews's personnel actually providing such services.

(b) All out-of-pocket costs for goods and services in relation to Staff Services shall be borne by Diamond Offshore.

SECTION 4. Term.

This Agreement may be terminated by Diamond Offshore at any time on not less than 30 days' prior written notice to Loews. This Agreement may be terminated by Loews at any time on not less than six months' prior written notice to Diamond Offshore.

SECTION 5. Notices.

All notices, consents and other communications hereunder shall be in writing and shall be deemed given hereunder when sent by certified mail, return receipt requested, or delivered by hand to the parties at the

following addresses, or at any other address as either party may, from time to time, specify by notice to the other:

If to Loews:

Loews Corporation
667 Madison Avenue
New York, New York 10021
Attention: Corporate Secretary

If to Diamond Offshore:

Diamond Offshore Drilling, Inc.
P.O. Box 4558
Houston, Texas 77210
Attention: Corporate Secretary

SECTION 6. Miscellaneous.

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New York. The headings of this Agreement are for ease of reference and do not limit or otherwise affect the meaning hereof. Neither party may assign any of its rights or obligations under this Agreement without the express written consent of the other party. This Agreement amends, restates and supersedes the 1992 Services Agreement in its entirety.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

LOEWS CORPORATION

By: /s/ Herbert C. Hofmann

Name: Herbert C. Hofmann

Title: Senior Vice President

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ Richard L. Lionberger

Name: Richard L. Lionberger

Title: Vice President

EXHIBIT 10.4

DIAMOND OFFSHORE DRILLING, INC.

DEFERRED COMPENSATION AND SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

1. PURPOSE

The purpose of the Diamond Offshore Drilling, Inc. Deferred Compensation Plan (the "Plan") is to provide select management employees of Diamond Offshore Drilling, Inc. (the "Corporation"), and certain of its Subsidiaries and Affiliates (hereinafter, with the Corporation, collectively referred to as the "Company") an opportunity, in accordance with the terms and conditions set forth herein, to defer, on a non-qualified basis, compensation that otherwise would be payable currently and to provide supplemental retirement income.

2. ADMINISTRATION

The Plan shall be administered by a committee (the "Deferred Compensation Committee", hereinafter referred to as the "Committee") consisting of at least three members appointed by the Board of Directors of the Corporation (the "Board"). The Committee shall have sole and complete authority to interpret the terms and provisions of the Plan and to adopt, alter and repeal such administrative rules, regulations and practices governing the operation of the Plan as it shall from time to time deem advisable, The Committee may appoint a person or persons to administer the Plan on a day-to-day basis.

3. ELIGIBILITY

The Committee shall have the sole and absolute discretion to select those employees who shall participate in the Plan ("Participants") and shall determine the extent to which Participants can defer base salary or any other form of compensation. A Participant shall continue to participate in the Plan until the Committee determines otherwise.

4. ELECTION TO DEFER

(a) Participant may elect to defer receipt of a portion of his/her base salary and/or any other form of compensation including incentive compensation, as (and to the extent) permitted by the Committee in accordance with rules and procedures to be established from time to time by the Committee. Amounts deferred under this Paragraph 4(a) shall be referred to as the "Deferred Amounts." Election forms for Participants to defer compensation shall be provided by the Committee, and all such elections shall be made in writing on such forms. Once made, and election cannot be revoked.

(b) The election by a Participant to defer compensation shall be made before the beginning of the calendar year in which such compensation is paid. A Participant must make separate elections with respect to each calendar year of participation in the Plan.

5. COMPANY DEFERRALS

To the extent hereinafter provided in this Paragraph 5, the Company shall establish a memo-randum account (a "Company Account") for each Participant on its books.

The Company Account of each Participant shall be credited quarterly with an amount equal to the excess, if any, of (a) over (b) where:

(a) equals the Company Contributions (as defined in the Retirement Plan) to which such Participant would have been entitled under the Diamond Offshore Defined Contribution

Retirement Plan ("Retirement Plan"" for each calendar quarter assuming none of the Limitations (as defined in the Retirement Plan) were imposed; and

(b) equals the Company Contributions which were made on behalf of such Participant under the Retirement Plan for each calendar quarter.

This would include any Participant whose Company Contributions were adversely affected by the Limitation on qualified plan income deferred to a non-qualified plan such as when a Participant earns less than the current limit on eligible compensation.

6. ESTABLISHMENT OF DEFERRED COMPENSATION ACCOUNT

At the time of the Participant's initial election to defer pursuant to Paragraph 4, the Company shall establish a memorandum account (a "Deferred Compensation Account") for each participant on its books. The Deferred Amount (as determined under the Participant's election form) shall be credited to the Participant's Deferred Compensation Account as of the day that the compensation would otherwise have been paid to the Participant.

7. ADDITIONS TO DEFERRED AMOUNTS

Amounts equivalent to interest ("interest") shall be credited to a Participant's Deferred Compensation Account at the end of each calendar year based on the average balance (Including Deferred Amounts and prior interest credits) in the Participant's Account for such year. Interest for any calendar year shall be computed at such rate (which may be a floating rate) as shall be determined by the Committee with respect to all Deferred Compensation subaccounts, subject to a minimum rate equal to the average Federal Funds Rate for such year minus twenty-five basis points. A deferred Compensation Account that is paid out prior to the last day of a calendar year shall be credited with interest for a partial year ending with the date of payout based on the average balance in the Participant's Account for such partial year. The foregoing notwithstanding , a Deferred Compensation Account that is paid out because of a Participant's termination from employment pursuant to Paragraph 8 (c) (iii) below, shall receive no interest credit for the year in which such termination and/or payout occurs.

Amounts equivalent to interest ("interest") shall be credited to a Participant's Company Account at the end of each calendar year based on the average balance (including credits under section 5 of the Plan and prior interest credits) in the Participant's Company Account for such year. Interest for any calendar year shall be computed at such rate (which may be a floating rate) as shall be determined by the committee, subject to a minimum rate equal to the average Federal Funds Rate for such year minus twenty-five basis points. A Company Account that is paid out prior to the last day of a calendar year shall be credited with interest for a partial year ending with the date of payout based on the average balance in the Participant's Account for such partial year. The foregoing notwithstanding, a Company Account that is paid out because of a Participant's termination from employment pursuant to Paragraph 8 (c) (iii) below shall receive not interest credit for the year in which such termination and/or payout occurs.

8. PAYMENT OF DEFERRED AMOUNTS

For purposes of this Paragraph 8, continuous employment of the Participant with the Company and any corporation or other entity that is the successor, either directly or indirectly, to all or substantially all of the assets and/or business of the Company shall be deemed continuous employment with the Company.

(a) Subject to the provisions of subparagraphs (c) and (d) below, unless otherwise elected by the Participant in his/her election form in accordance with rules established by the Committee, the period of deferral shall be until termination of the Participant's employment with the Company.

(b) The Participant may elect, in his/her election to defer, that his/her Deferred Compensation Account be paid either (i) in a lump sum or (ii) in such number of annual installments each as nearly equal as possible, not to exceed fifteen, as the Participant shall elect under rules

established by the Committee. In the absence of an election by the Participant, the Committee shall determine the manner of payment.

(c)

(i) In the event of the Participant's death, payment of the balance in the Participant's Deferred Compensation Account shall be made as elected by the Participant in the election to defer, to the Participant's designated beneficiary , or if none, to the Participant's estate;

(ii) In the event of the Participant's termination from employment from the Company for disability or retirement, payment of the balance in the Participant's Deferred Compensation Account shall be made in a lump sum, as soon as practicable after the date of termination; the election of the Participant to the contrary in his/her election to defer notwithstanding.

(iii) In the event of the Participants termination from employment with the Company for any reason other than death, or disability or retirement, payment of the balance in the Participants' Deferred Compensation Account shall be made in a lump sum, as soon as practicable after the date of termination; the election of the Participant to the contrary in his/her election to defer notwithstanding.

(d) anything contained in this Paragraph 8 to the contrary notwithstanding, in the event a Participant incurs a severe financial hardship or a Participant becomes disabled, the Committee, in its sole and absolute discretion and upon written application of such Participant, may direct immediate payment of all or a portion of the then current value of such Participants' Deferred Compensation Account; provided that, in the case of a hardship, such payment shall in no event exceed the amount necessary to alleviate such financial hardship.

(e) A participant may make a new election at any time, provided that such election will not be effective until one full calendar year elapses, and further provided the Participant may not make a deferral election regarding that year's compensation.

The Participant's Company count will be paid out at termination of employment.

9. TRANSFERABILITY OF INTERESTS

Except for the right of a Participant to designate a beneficiary as hereinabove provided, a Participants' or beneficiary's, rights and interests may not be anticipated, alienated, assigned, pledged, transferred or otherwise encumbered.

10. AMENDMENT, SUSPENSION AND TERMINATION

The Corporation, in its sole and absolute discretion, at any time may amend, suspend or terminate the plan or any portion thereof in any manner and to any extent No such amendment, suspension or termination shall alter or impair the rights of a Participant with respect to then Deferred Amounts.

11. DEFINITIONS

(a) The term "Subsidiary" shall mean any corporation 50 percent or more of the voting stock of which shall at the time be owned directly or indirectly by the Corporation.

(b) The term "Affiliate" means any corporation or other entity which is not a Subsidiary but as to which the Corporation or a Subsidiary possesses a direct or indirect ownership interest.

12. UNFUNDED OBLIGATION

No assets of the Company have been set aside to provide for the payment of the Deferred Amounts. Assets of the Company are subject to the claims of the Company's general creditors. The Plan is intended to be, and shall be operated and administered so as to be, a plan which is unfunded and which is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The Company shall make no provision for the funding or insuring of Deferred Amounts that would cause the Plant to be (I) a "funded" plan for purposes of section 404(a)(5) of the Internal Revenue Code of 1986 or Title I of the Employee Retirement Income Security Act of 1974, as amended, or (ii) other than an "unfunded and unsecured promise to pay money or Property in the future" under Treasury Regulations sections 1.83-3(e). a Participant and his/her beneficiary shall be treated as a general, unsecured creditor of the Company at all times under this Plan, except as otherwise provided under applicable state law.

13. NO RIGHT TO EMPLOYMENT OR OTHER BENEFITS

This Plan shall not constitute a contract of employment between the Company and the Participant, and nothing contained herein shall be construed as conferring upon any Participant the right to continue in the employ of the Company, except to the extent expressly provided for in such employee benefit plans.

14. EFFECTIVE DATE

The Plan shall be effective immediately upon approval by the Board of Directors of the Corporation.

15. GOVERNING LAW

The Plan shall be governed by the laws of the State of Texas without reference to the principles of conflict of laws.

DIAMOND OFFSHORE DRILLING, INC.

2000 STOCK OPTION PLAN

GENERAL

1.1. Purpose. The Diamond Offshore 2000 Stock Option Plan (the "Plan") has been established by Diamond Offshore Drilling, Inc. (the "Company") to (i) attract and retain persons eligible to participate in the Plan, (ii) motivate Participants, by means of appropriate incentives, to achieve long-term Company goals, and reward Participants for achievement of those goals, and (iii) provide incentive compensation opportunities that are competitive with those of other similar companies, and thereby promote the financial interest of the Company and its Subsidiaries.

1.2. Operation and Administration. The operation and administration of the Plan shall be subject to the provisions of Section 3 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 6 of the Plan).

OPTIONS

1.3. Option Grant. The Board of Directors (the "Board") may grant Options in accordance with this Section 2.

1.4. Definitions. The grant of an "Option" permits the Participant to purchase shares of Stock at an Exercise Price established by the Board. Any Option granted under the Plan may be either an incentive stock option (an "ISO") or a non-qualified option (an "NQO"), as determined in the discretion of the Board. An "ISO" is an Option that is intended to be an "incentive stock option" described in section 422(b) of the Code and does in fact satisfy the requirements of that section. An "NQO" is an Option that is not intended to be an "incentive stock option" as that term is described in section 422(b) of the Code, or that fails to satisfy the requirements of that section.

1.5. Exercise Price. The "Exercise Price" of each Option granted under this Section 2 shall be established by the Board or shall be determined by a method established by the Board at the time the Option is granted; except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant (or, if greater, the par value of a share of Stock).

1.6. Vesting and Exercise. An Option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Board.

(a) Unless otherwise provided by the Board at the time of grant or thereafter, each Option shall vest and become exercisable in four equal annual installments beginning on the first anniversary of the date of grant, and shall thereafter remain exercisable during the Option Term.

(b) Unless otherwise provided by the Board at the time of grant or thereafter, the Option Term of each Option shall end on the earliest of (1) the date on which such Option has been exercised in full, (2) the date on which the Participant experiences a Termination for Cause or a voluntary Termination, (3) the one-year anniversary of the date on which the Participant experiences a Termination due to death or Disability, (4) the three-year anniversary of the date on which the Participant experiences a Termination due to such person's Retirement, and (5) the 90th day after the Participant experiences a Termination for any other reason; provided, that in no event may the Option Term exceed ten (10) years from the date of grant of the Option. Except as otherwise determined by the Board at the time of grant or thereafter, upon the occurrence of a Termination of a Participant for any reason, the Option Term of all outstanding Options held by the Participant that are unvested as of the date of such Termination shall thereupon end and such unvested Options shall be forfeited immediately; provided, however, that the Board may, in its sole discretion, accelerate the vesting of any Option and/or extend the exercise period of any Option (but not beyond the ten-year anniversary of the grant date).

(c) An Option may be exercised and the underlying shares purchased in accordance with this Section 2 at any time after the Option with respect to those shares vests and before the expiration of the Option Term. To exercise an Option, the Participant shall give written notice to the Company stating the number of shares with respect to which the Option is being exercised.

(d) The full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Board and described in the last sentence of this paragraph (d), payment may be made as soon as practicable after the exercise). The Exercise Price shall be payable by check, or such other instrument as the Board may accept. The Board may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise. In the case of any ISO such permission must be provided for at the time of grant and set forth in an Option Certificate. In addition, if approved by the Board, payment, in full or in part, may also be made in the form of unrestricted Mature Shares, based on the Fair Market Value of the Mature Shares on the date the Option is exercised; provided, however, that, in the case of an ISO the right to make a payment in such Mature Shares may be authorized only at the time the Option is granted.

1.7. Effective Date. Subject to the approval of the stockholders of the Company at the Company's 2000 annual meeting of its stockholders, the Plan shall be effective as of May 15, 2000 (the "Effective Date"); provided, however, that to the extent that Options are granted under the Plan prior to its approval by stockholders, the Options shall be contingent on approval of the Plan by the stockholders of the Company at such annual meeting. The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Options under it are outstanding.

1.8. Shares Subject to Plan. The shares of Stock for which Options may be granted under the Plan shall be subject to the following:

(a) The shares of Stock with respect to which Options may be granted under the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions.

(b) Subject to the following provisions of this subsection 3.2, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 750,000 shares of Stock.

(c) To the extent any shares of Stock covered by an Option are not delivered to a Participant or beneficiary because the Option is forfeited or canceled, or the shares of Stock are used to pay the Exercise Price or satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(d) Subject to paragraph 3.2(e), the maximum number of shares that may be covered by Options granted to any one individual during any one calendar year period shall be 200,000 shares.

(e) In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Board may make adjustments to preserve the benefits or potential benefits of the Plan and outstanding Options. Action by the Board may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares referred to in Section 3.2(d); (iii) adjustment of the number and kind of shares subject to outstanding Options; (iv) adjustment of the Exercise Price of outstanding Options; (v) settlement in cash or Stock in an amount equal to the excess of the value of the Stock subject to such Option over the aggregate Exercise Price (as determined by the Board) of such Options; and (vi) any other adjustments that the Board determines to be equitable.

1.9. General Restrictions. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

1.10. Tax Withholding. All distributions under the Plan are subject to withholding of all applicable taxes, and the delivery of any shares or other benefits under the Plan shall be conditioned on satisfaction of the applicable withholding obligations. The Board, in its discretion, and subject to such requirements as the Board may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant, through the surrender of shares of Stock which the Participant already owns, or through the surrender of shares of Stock to which the Participant is otherwise entitled under the Plan; provided that surrender of shares may be used only to satisfy the minimum withholding required by law.

1.11. Grant and Use of Options. In the discretion of the Board, more than one Option may be granted to a Participant. Options may be granted as alternatives to or replacements of Options granted or outstanding under the Plan, or any other plan or arrangement of the Company or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary). Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Board may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including the plans and arrangements of the Company or a Subsidiary assumed in business combinations. Notwithstanding the foregoing, the assumption by the Company of options in connection with the acquisition of a business or other entity and the conversion of such options into options to acquire Stock shall not be treated as a new grant of Options under the Plan unless specifically so provided by the Board.

1.12. Settlement of Options. The Board may from time to time establish procedures pursuant to which a Participant may elect to defer, until a time or times later than the exercise of an Option, receipt of all or a portion of the shares of Stock subject to such Option and/or to receive cash at such later time or times in lieu of such deferred shares, all on such terms and conditions as the Board shall determine. If any such deferrals are permitted, then a Participant who elects such deferral shall not have any rights as a stockholder with respect to such deferred shares unless and until shares are actually delivered to the Participant with respect thereto, except to the extent otherwise determined by the Board.

1.13. Other Plans. Amounts payable under this Plan shall not be taken into account as compensation for purposes of any other employee benefit plan or program of the Company or any of its Subsidiaries, except to the extent otherwise provided by such plans or programs, or by an agreement between the affected Participant and the Company.

1.14. Heirs and Successors. The terms of the Plan shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.

1.15. Transferability. Options granted under the Plan are not transferable except (i) as designated by the Participant by will or by the laws of descent and distribution or (ii) in the case of an NQO, as otherwise expressly permitted by the Board including, if so permitted, pursuant to a transfer to such Participant's immediate family, whether directly or indirectly or by means of a trust or partnership or otherwise. If any rights exercisable by a Participant or benefits deliverable to a Participant under any Option Certificate under the Plan have not been exercised or delivered, respectively, at the time of the Participant's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be delivered to the Designated Beneficiary, in accordance with the provisions of the applicable terms of the Option Certificate and the Plan. The "Designated Beneficiary" shall be the beneficiary or beneficiaries designated by the Participant to receive benefits under the Company's group term life insurance plan or such other person or persons as the Participant may designate by notice to the Company. If a deceased Participant fails to have designated a beneficiary, or if the Designated Beneficiary does not survive the Participant, any rights that would have been exercisable by the Participant and any benefits distributable to the Participant shall be exercised by or distributed to the legal representative of the estate of the Participant. If a deceased Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the Designated Beneficiary's exercise of all rights under the Option Certificate or before the complete distribution of benefits to the Designated Beneficiary under the Option Certificate, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary. All Options shall be exercisable, subject to the terms of this Plan, only by the Participant or any person to whom such Option is transferred pursuant to this paragraph, it being understood that the term Participant shall include such transferee for purposes of the exercise provisions contained herein.

1.16. Notices. Any written notices provided for in the Plan or under any Option Certificate shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by confirmed fax or overnight courier, or by postage paid first class mail. Notice and communications shall be effective when actually received by the addressee. Notices shall be directed, if to the Participant, at the Participant's address indicated in the Option Certificate, or if to the Company, at the Company's principal executive office to the attention of the Company's Corporate Secretary.

1.17. Action by Company. Any action required or permitted to be taken by the Company shall be by resolution of the Board of Directors, or by action of one or more members

of the Board (including a Committee of the Board) who are duly authorized to act for the Board, or by a duly authorized officer of the Company.

1.18. Limitation of Implied Rights.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the amounts, if any, payable under the Plan, unsecured by any assets of the Company, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any Participant the right to be retained in the employ of, or as a director or consultant to, the Company or any Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

1.19. Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

1.20. Laws Applicable to Construction. The interpretation, performance and enforcement of this Plan and all Option Certificates shall be governed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware.

1.21. Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

BOARD OF DIRECTORS

1.22. Administration. The authority to control and manage the operation and administration of the Plan shall be vested in the Board in accordance with this Section 4.

1.23. Powers of Board. The Board's administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Board will have the authority and discretion to select from among the Eligible Grantees those persons who shall receive Options, to determine the grant date of, the number of shares subject to and the Exercise Price of those Options, to establish all other terms and conditions of such Options, and (subject to the restrictions imposed by Section 5) to cancel or suspend Options.

(b) The Board will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) Any interpretation of the Plan by the Board and any decision made by it under the Plan is final and binding on all persons.

(d) In controlling and managing the operation and administration of the Plan, the Board shall take action in a manner that conforms to the articles and by-laws of the Company, and applicable state corporate law.

1.24. Delegation by Board. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Board may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Board at any time.

1.25. Information to be Furnished to Board. The Company and Subsidiaries shall furnish the Board with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Participant's employment, engagement, Termination, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons eligible for benefits under the Plan must furnish the Board such evidence, data or information as the Board considers desirable to carry out the terms of the Plan.

AMENDMENT AND TERMINATION

The Board may, at any time, amend or terminate the Plan; provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Option granted under the Plan prior to the date such amendment is adopted by the Board; and further provided that adjustments pursuant to paragraph 3.2(e) shall not be subject to the foregoing limitations of this Section 5.

DEFINED TERMS

In addition to the other definitions contained herein, the following definitions shall apply:

(a) Board. The term "Board" means the Board of Directors of the Company.

(b) Cause: The term "Cause" shall have the meaning set forth in the employment or engagement agreement between a Participant and the Company or any Subsidiary thereof, if such an agreement exists and contains a definition of Cause; otherwise Cause shall mean (1) conviction of the Participant for committing a felony under Federal law or

the law of the state in which such action occurred, (2) dishonesty in the course of fulfilling a Participant's employment, engagement or directorial duties, (3) willful and deliberate failure on the part of a Participant to perform the Participant's employment, engagement or directorial duties in any material respect or (4) such other events as shall be determined in good faith by the Board. The Board shall, unless otherwise provided in the Option Certificate or an employment agreement with the Participant, have the sole discretion to determine whether Cause exists, and its determination shall be final.

(c) Code. The term "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(d) Company. The term "Company" shall have the meaning set forth in Section 1.1.

(e) Designated Beneficiary. The term "Designated Beneficiary" shall have the meaning set forth in Section 3.9.

(f) Disability. The term "Disability" shall mean, unless otherwise provided by the Board, (1) "Disability" as defined in any individual Option Certificate to which the Participant is a party, or (2) if there is no such Option Certificate or it does not define "Disability," permanent and total disability as determined under the Company's long-term disability plan applicable to the Participant.

(g) Effective Date. The term "Effective Date" shall have the meaning set forth in Section 3.1.

(h) Eligible Grantee. The term "Eligible Grantee" shall mean any individual who is employed on a full-time or part-time basis by, or who serves as a consultant to, the Company or a Subsidiary and any non-employee director of the Company. An Option may be granted to an individual in connection with such individual's hiring or engagement prior to the date the individual first performs services for the Company or the Subsidiaries, provided that the individual will be an Eligible Grantee upon his hiring or engagement, and further provided that such Options shall not become vested prior to the date the individual first performs such services.

(i) Exercise Price. The term "Exercise Price" shall have the meaning set forth in Section 2.3.

(j) Fair Market Value. The "Fair Market Value" of a share of Stock shall be, as of any given date, the mean between the highest and lowest reported sales prices on the immediately preceding date (or, if there are no reported sales on such immediately preceding date, on the last date prior to such date on which there were sales) of the Stock on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national securities exchange on which the Stock is listed or on NASDAQ. If there is no regular public trading market for such Stock, the Fair Market Value of the Stock shall be determined by the Board in good faith.

(k) ISO. The term "ISO" shall have the meaning set forth in Section 2.2.

(l) Mature Shares. The term "Mature Shares" shall mean shares of Stock that have been owned by the Participant in question for at least six months.

(m) NQO. The term "NQO" shall have the meaning set forth in Section 2.2.

(n) Option. The term "Option" shall have the meaning set forth in Section 2.2.

(o) Option Certificate: The term "Option Certificate" shall mean a written Option certificate setting forth the terms and conditions of an Option, in the form attached hereto as Exhibit A or such other form as the Board may from time to time prescribe.

(p) Option Term: The term "Option Term" shall mean the period beginning on the date of grant of an Option and ending on the date the Option expires pursuant to the Plan and the relevant Option Certificate.

(q) Plan: The term "Plan" shall have the meaning set forth in Section 1.1.

(r) Retirement: The term "Retirement" shall mean retirement from active employment with the Company pursuant to any retirement plan or program of the Company or any Subsidiary in which the Participant participates. A Termination by a consultant or non-employee director shall in no event be considered a Retirement.

(s) Stock. The term "Stock" shall mean shares of common stock of the Company.

(t) Subsidiary. The term "Subsidiary" means any business or entity in which at any relevant time the Company holds at least a 50% equity (voting or non-voting) interest.

(u) Termination. A Participant shall be considered to have experienced a Termination if he or she ceases, for any reason, to be an employee, consultant or non-employee director of the Company or any of its Subsidiaries, including, without limitation, as a result of the fact that the entity by which he or she is employed or engaged or of which he or she is a director has ceased to be affiliated with the Company.

EXHIBIT 12.1

DIAMOND OFFSHORE DRILLING, INC.
STATEMENT RE COMPUTATION OF RATIOS
(THOUSANDS OF DOLLARS)

RATIO OF EARNINGS TO FIXED CHARGES:

YEAR ENDED DECEMBER 31,					
	2001	2000	1999	1998	1997
COMPUTATION OF EARNINGS:					
Pretax income (loss) from continuing operations	$ 272,365	$ 110,867	$ 240,363	$ 590,231	$ 430,061
Less: Interest capitalized during the period and actual preferred dividend requirements of majority-owned subsidiaries and 50%-owned persons included in fixed charges but not deducted from pretax income from above	(2,643)	(13,844)	(6,329)	(1,031)	(4,382)
Add: Previously capitalized interest amortized during the period	1,183	334	334	334	192
Total earnings, before fixed charge addition	270,905	97,357	234,368	589,534	425,871
COMPUTATION OF FIXED CHARGES:					
Interest, including interest capitalized	29,191	24,500	16,009	16,121	15,241
Total fixed charges	29,191	24,500	16,009	16,121	15,241
TOTAL EARNINGS AND FIXED CHARGES	$ 300,096	$ 121,857	$ 250,377	$ 605,655	$ 441,112
RATIO OF EARNINGS TO FIXED CHARGES	10.28	4.97	15.64	37.57	28.94

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-19987 on Form S-3, Registration Statement No. 333-22745 on Form S-8, Registration Statement No. 333-23547 on Form S-4, Registration Statement No. 333-63443 on Form S-3, Registration Statement No. 333-42930 on Form S-8, Registration Statement No. 333-44960 on Form S-3 and Registration Statement No. 333-63980 on Form S-3 of Diamond Offshore Drilling, Inc. (the "Company") of our report dated January 22, 2002, (February 14 , 2002 as to the settlement of put options described in Note 1) appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2001.

DELOITTE & TOUCHE LLP

Houston, Texas
March 18, 2002

EXHIBIT 24.1

POWER OF ATTORNEY

James S. Tisch hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ JAMES S. TISCH	Chief Executive Officer & Chairman of the Board	February 14, 2002
James S. Tisch		

POWER OF ATTORNEY

Herbert C. Hofmann hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ HERBERT C. HOFMANN	Director	February 14, 2002
Herbert C. Hofmann		

POWER OF ATTORNEY

Michael H. Steinhardt hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
-- /s/ MICHAEL H. STEINHARDT	Director	February 14, 2002

Michael H. Steinhardt

POWER OF ATTORNEY

Arthur L. Rebell hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ ARTHUR L. REBELL	Director	February 14, 2002
Arthur L. Rebell		

POWER OF ATTORNEY

Raymond S. Troubh hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ RAYMOND S. TROUBH	Director	February 14, 2002
Raymond S. Troubh		

POWER OF ATTORNEY

Lawrence R. Dickerson hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ LAWRENCE R. DICKERSON	President and Chief Operating Officer	February 14, 2002
Lawrence R. Dickerson		

POWER OF ATTORNEY

Gary T. Krenek hereby designates and appoints William C. Long as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorney-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as the Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ GARY T. KRENEK	Vice President and Chief Financial Officer	February 14, 2002
Gary T. Krenek		

POWER OF ATTORNEY

Alan R. Batkin hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ ALAN R. BATKIN	Director	February 14, 2002
Alan R. Batkin		

POWER OF ATTORNEY

Beth G. Gordon hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
-- /s/ BETH G. GORDON	Controller	February 14, 2002
Beth G. Gordon		

POWER OF ATTORNEY

William B. Richardson hereby designates and appoints William C. Long and Gary T. Krenek and each of them (with full power to each of them to act alone) as his attorney-in-fact, with full power of substitution and re-substitution (the "Attorneys-in-Fact"), for him and in his name, place and stead, in any and all capacities, to execute the Annual report on Form 10-K (the "Annual Report") to be filed by Diamond Offshore Drilling, Inc. with the Securities and Exchange Commission and any amendment(s) to the Annual Report, which amendment(s) may make such changes in the Annual Report as either Attorney-in-Fact deems appropriate, and to file the Annual Report and each such amendment to the Annual Report together with all exhibits thereto and any and all documents in connection therewith.

SIGNATURE	TITLE	DATE
/s/ WILLIAM B. RICHARDSON	Director	February 14, 2002
William B. Richardson		