

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
(Amendment No. 1)

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2000
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 (State or other jurisdiction of incorporation or organization)	76-0321760 (I.R.S. Employer Identification No.)
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15415 Katy Freeway
Houston, Texas
77094
(Address of principal executive offices)
(Zip Code)
(281) 492-5300
(Registrant's telephone number, including area code)

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

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

As of July 31, 2000	Common stock, \$0.01 par value per share	135,443,833 shares
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QUARTER ENDED JUNE 30, 2000

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	JUNE 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 340,255	\$ 112,316
Marketable securities and other invested assets	606,435	529,042
Accounts receivable	119,434	143,569
Rig inventory and supplies	39,993	38,760
Prepaid expenses and other	40,102	36,605
Total current assets	1,146,219	860,292
DRILLING AND OTHER PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	1,824,758	1,737,905
GOODWILL, NET OF ACCUMULATED AMORTIZATION	70,935	73,174
OTHER ASSETS	21,040	9,658
Total assets	\$ 3,062,952 =====	\$ 2,681,029 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 50,695	\$ 72,630
Accrued liabilities	45,663	44,051
Taxes payable	7,265	18,720
Total current liabilities	103,623	135,401
LONG-TERM DEBT	803,156	400,000
DEFERRED TAX LIABILITY	308,624	291,213
OTHER LIABILITIES	11,687	12,193
Total liabilities	1,227,090	838,807
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, 139,358,807 issued, 135,531,907 outstanding at June 30, 2000 and 139,342,381 issued, 135,824,281 outstanding December 31, 1999)	1,394	1,393
Additional paid-in capital	1,302,905	1,302,841
Retained earnings	635,148	635,943
Accumulated other comprehensive losses	(6,370)	(9,229)
Treasury stock, at cost (3,826,900 shares at June 30, 2000 and 3,518,100 shares at December 31, 1999)	(97,215)	(88,726)
Total stockholders' equity	1,835,862	1,842,222
Total liabilities and stockholders' equity	\$ 3,062,952 =====	\$ 2,681,029 =====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
REVENUES	\$ 143,317	\$ 215,337	\$ 311,145	\$ 443,374
OPERATING EXPENSES:				
Contract drilling	102,883	98,801	203,706	209,519
Depreciation and amortization	36,617	35,706	73,492	71,363
General and administrative	5,915	5,921	11,935	11,922
Total operating expenses	145,415	140,428	289,133	292,804
OPERATING INCOME (LOSS)	(2,098)	74,909	22,012	150,570
OTHER INCOME (EXPENSE):				
Gain on sale of assets	65	19	14,082	144
Interest income	9,912	8,598	18,534	16,949
Interest expense	(1,607)	(1,990)	(2,841)	(5,322)
Other, net	(597)	327	(686)	(766)
INCOME BEFORE INCOME TAX EXPENSE	5,675	81,863	51,101	161,575
INCOME TAX EXPENSE	(2,038)	(28,636)	(17,976)	(56,530)
NET INCOME	\$ 3,637	\$ 53,227	\$ 33,125	\$ 105,045
EARNINGS PER SHARE:				
Basic	\$ 0.03	\$ 0.39	\$ 0.24	\$ 0.77
Diluted	\$ 0.03	\$ 0.37	\$ 0.24	\$ 0.74
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Common shares	135,532	135,824	135,610	135,820
Dilutive potential common shares	--	9,876	10,828	9,876
Total weighted average shares outstanding	135,532	145,700	146,438	145,696

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
OPERATING ACTIVITIES:		
Net income	\$ 33,125	\$ 105,045
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	73,492	71,363
Gain on sale of assets	(14,082)	(144)
(Gain) loss on sale of investment securities	33	(23)
Deferred tax provision	15,546	16,803
Accretion of discounts on investment securities	(3,053)	(5,289)
Amortization of debt issuance costs	313	269
Amortization of discount on zero coupon convertible debentures	978	--
Changes in operating assets and liabilities:		
Accounts receivable	24,135	73,266
Rig inventory and supplies and other current assets	(5,380)	(14,135)
Other assets, non-current	(2,614)	242
Accounts payable and accrued liabilities	(20,323)	(38,869)
Taxes payable	(11,133)	26,885
Other liabilities, non-current	(506)	(1,485)
Other, net	818	(1,524)
Net cash provided by operating activities	91,349	232,404
INVESTING ACTIVITIES:		
Capital expenditures	(175,664)	(154,485)
Proceeds from sale of assets	32,292	174
Net change in marketable securities	(70,791)	(49,748)
Net cash used in investing activities	(214,163)	(204,059)
FINANCING ACTIVITIES:		
Acquisition of treasury stock	(8,489)	--
Payment of dividends	(33,920)	(33,955)
Proceeds from stock options exercised	65	35
Issuance of zero coupon convertible debentures	402,178	--
Debt issuance costs-zero coupon convertible debentures	(9,081)	--
Net cash provided by (used in) financing activities	350,753	(33,920)
NET CHANGE IN CASH AND CASH EQUIVALENTS	227,939	(5,575)
Cash and cash equivalents, beginning of period	112,316	101,198
Cash and cash equivalents, end of period	\$ 340,255	\$ 95,623
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The consolidated financial statements of Diamond Offshore Drilling, Inc. and subsidiaries (the "Company") should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-13926).

Interim Financial Information

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all disclosures required by generally accepted accounting principles for complete financial statements. The consolidated financial information has not been audited but, in the opinion of management, includes all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the consolidated balance sheets, statements of income, and statements of cash flows at the dates and for the periods indicated. Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years.

Cash and Cash Equivalents

Short-term, highly liquid investments that have an original maturity of three months or less which are considered part of the Company's cash management activities, rather than part of its investing activities, are considered cash equivalents.

Marketable Securities and Other Invested Assets

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 losses" 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 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)."

In January 2000, the Company sold its jack-up drilling rig, the Ocean Scotian, for \$32.0 million in cash which was invested with a third party pursuant to a Deferred Exchange Agreement (the "Agreement"). The Agreement provided for investment of the \$32.0 million in a money market fund at current interest rates and restricted the use of the cash to the purchase of replacement property for the Ocean Scotian for a period of up to 180 days subsequent to the sale of the rig. The Agreement expired in July 2000. No replacement property was purchased and the cash has been received by the Company. See "--Drilling and Other Property and Equipment."

Supplementary Cash Flow Information

Cash payments made for interest on long-term debt totaled \$7.5 million during both the six months ended June 30, 2000 and 1999. Cash payments made, net of refunds, for income taxes during the six months ended June 30, 2000 and 1999 totaled \$4.6 million and \$29.0 million, respectively.

Capitalized Interest

Interest cost for construction and upgrade of qualifying assets is capitalized. The Company incurred interest cost, including amortization of debt issuance costs, of \$4.9 million and \$8.8 million during the quarter and six months ended June 30, 2000, respectively. Interest cost capitalized during the quarter and six months ended June 30, 2000 was \$3.3 million and \$6.0 million, respectively. The Company incurred interest costs of \$3.9 million and

\$7.7 million during the quarter and six months ended June 30, 1999, respectively. Interest cost capitalized during the quarter and six months ended June 30, 1999 was \$1.9 million and \$2.4 million, respectively.

Goodwill

Goodwill from the merger with Arethusa (Off-Shore) Limited ("Arethusa") is amortized on a straight-line basis over 20 years. Amortization expense totaled \$1.1 million and \$2.2 million for the quarter and six months ended June 30, 2000, respectively. For the quarter and six months ended June 30, 1999, amortization expense totaled \$1.3 million and \$2.8 million, respectively.

Debt Issuance Costs

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

Treasury Stock

Depending on market conditions, the Company may, from time to time, purchase shares of its common stock in the open market. 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 six months ended June 30, 2000, the Company purchased 308,800 shares of its common stock at an aggregate cost of \$8.5 million, or at an average cost of \$27.49 per share.

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. For the quarter and six months ended June 30, 2000, comprehensive income totaled \$6.2 million and \$36.0 million, respectively. For the quarter and six months ended June 30, 1999, comprehensive income totaled \$50.1 million and \$100.7 million, respectively. Comprehensive income includes net income, foreign currency translation gains and losses, and unrealized holding gains and losses on investments.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported 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.

2. EARNINGS PER SHARE

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

	THREE MONTHS ENDED JUNE 30,	
	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
NET INCOME - BASIC (NUMERATOR):	\$ 3,637	\$ 53,227
Effect of dilutive potential shares:		
Convertible notes	--	1,293
NET INCOME INCLUDING CONVERSIONS (NUMERATOR):	\$ 3,637	\$ 54,520
SHARES - BASIC (DENOMINATOR):	135,532	135,824
Effect of dilutive potential shares:		
Convertible notes	--	9,876
SHARES INCLUDING CONVERSIONS (DENOMINATOR):	135,532	145,700
EARNINGS PER SHARE:		
Basic	\$ 0.03	\$ 0.39
Diluted	\$ 0.03	\$ 0.37

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
NET INCOME - BASIC (NUMERATOR):	\$ 33,125	\$ 105,045
Effect of dilutive potential shares:		
Convertible notes	1,652	3,459
Zero coupon debentures	194	--
NET INCOME INCLUDING CONVERSIONS (NUMERATOR):	\$ 34,971	\$ 108,504
SHARES - BASIC (DENOMINATOR):	135,610	135,820
Effect of dilutive potential shares:		
Convertible notes	9,876	9,876
Zero coupon debentures	952	--
SHARES INCLUDING CONVERSIONS (DENOMINATOR):	146,438	145,696
EARNINGS PER SHARE:		
Basic	\$ 0.24	\$ 0.77
Diluted	\$ 0.24	\$ 0.74

On June 6, 2000, the Company issued 20-year zero coupon convertible debentures (the "Debentures"). The Debentures were issued at a discount with a yield to maturity of 3.50% per year. The Debentures are convertible into approximately 6.9 million shares of the Company's common stock at any time prior to June 6, 2020 at a fixed conversion rate of 8.6075 shares per debenture. The number of shares outstanding for the six months ended June 30, 2000 was increased to include the weighted average number of shares issuable assuming full conversion of the notes on June 6, 2000.

The computation of diluted EPS for the quarter ended June 30, 2000 does not assume conversion of the convertible notes or zero coupon debentures since there would be an antidilutive effect on earnings per share.

At the 2000 Annual Meeting of Stockholders on May 16, 2000, the Diamond Offshore Drilling, Inc. 2000 Stock Option Plan was approved. On this date, 88,000 non-qualified stock options were granted at an exercise price of

\$43.03 per share. The options were not included in the computation of diluted EPS for the periods presented because the options' exercise price was greater than the average market price of the common stock.

3. MARKETABLE SECURITIES

Investments classified as available for sale are summarized as follows:

JUNE 30, 2000			
	COST	UNREALIZED GAIN (LOSS)	MARKET VALUE
(IN THOUSANDS)			
Debt securities issued by the U.S. Treasury			
Due within one year	\$ 99,106	\$ (580)	\$ 98,526
Due after one year through five years	24,997	(364)	24,633
Collateralized mortgage obligations	454,739	(6,325)	448,414
Equity securities	1,446	1,416	2,862
	-----	-----	-----
Total	\$ 580,288	\$ (5,853)	\$ 574,435
	=====	=====	=====

DECEMBER 31, 1999			
	COST	UNREALIZED GAIN (LOSS)	MARKET VALUE
(IN THOUSANDS)			
Debt securities issued by the U.S. Treasury			
Due within one year	\$ 259,090	\$ (1,123)	\$ 257,967
Due after one year through five years	124,935	(2,180)	122,755
Collateralized mortgage obligations	153,004	(6,130)	146,874
Equity securities	1,446	--	1,446
	-----	-----	-----
Total	\$ 538,475	\$ (9,433)	\$ 529,042
	=====	=====	=====

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

During the six months ended June 30, 2000 and 1999, certain debt securities due within one year were sold or matured for proceeds of \$558.4 million and \$393.9 million, respectively. Certain debt securities due after one year were sold for proceeds of \$197.3 million and \$50.5 million during the six months ended June 30, 2000 and 1999, respectively. The resulting after-tax realized gain and loss for the six months ended June 30, 2000 and 1999 was not material.

4. DRILLING AND OTHER PROPERTY AND EQUIPMENT

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

	JUNE 30, 2000	DECEMBER 31, 1999
(IN THOUSANDS)		
Drilling rigs and equipment	\$ 2,100,575	\$ 2,095,613
Construction work in progress	382,473	241,102
Land and buildings	14,180	13,992
Office equipment and other	18,029	17,552
	-----	-----
Cost	2,515,257	2,368,259
Less accumulated depreciation	(690,499)	(630,354)
	-----	-----
Drilling and other property and equipment, net	\$ 1,824,758	\$ 1,737,905
	=====	=====

In January 2000, the Company sold its 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 Netherlands prior to the sale.

5. 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 are summarized as follows:

	JUNE 30, ----- 2000 -----	DECEMBER 31, ----- 1999 -----
	(IN THOUSANDS)	
Goodwill	\$ 96,112	\$ 96,112
Less accumulated amortization	(25,177)	(22,938)
Total	<u>\$ 70,935</u>	<u>\$ 73,174</u>

6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	JUNE 30, ----- 2000 -----	DECEMBER 31, ----- 1999 -----
	(IN THOUSANDS)	
Personal injury and other claims	\$ 18,333	\$ 18,219
Payroll and benefits	17,911	16,281
Interest payable	5,667	5,667
Other	3,752	3,884
Total	<u>\$ 45,663</u>	<u>\$ 44,051</u>

7. LONG-TERM DEBT

Long-term debt consists of the following:

	JUNE 30, ----- 2000 -----	DECEMBER 31, ----- 1999 -----
	(IN THOUSANDS)	
Convertible subordinated notes-33/4%	\$ 400,000	\$ 400,000
Zero coupon convertible debentures	403,156	--
Total	<u>\$ 803,156</u>	<u>\$ 400,000</u>

Zero Coupon Convertible Debentures

On June 6, 2000, the Company issued zero coupon convertible debentures due June 6, 2020. The Debentures were issued 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 Debentures to interest-bearing debentures upon the occurrence of certain tax events. The 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 Debenture, subject to adjustments in certain events. The Debentures are senior unsecured obligations of the Company.

The Company has the right to redeem the Debentures, in whole or in part, after five years 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 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.

8. COMMITMENTS AND CONTINGENCIES

In August 1999, a customer terminated a contract for use of one of the Company's drilling rigs located offshore Australia. The termination was not the result of performance failures by the Company or its equipment. The Company believes the contract required the customer to pay approximately \$16.5 million in remaining revenue through the end of the contract period, which was previously scheduled to end in early January 2000. However, the customer believes that there was no further obligation under the contract and has refused to pay the \$16.5 million early termination fee. The Company filed suit in Australia in August 1999 requesting reconstruction of the contract and declaratory judgment requiring the customer to pay such early termination fee. The Company continues to vigorously pursue its claim. For financial statement purposes, the \$16.5 million early termination fee was not included in revenues in the Company's results of operations for the year ended December 31, 1999.

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.

9. SEGMENTS AND GEOGRAPHIC AREA ANALYSIS

The Company reports its operations as 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):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
High Specification Floaters	\$ 48,004	\$ 72,909	\$104,866	\$136,869
Other Semisubmersibles	66,835	120,390	155,346	259,843
Jack-ups	27,033	19,978	48,052	44,047
Integrated Services	1,350	3,942	3,951	7,410
Other	372	--	372	--
Eliminations	(277)	(1,882)	(1,442)	(4,795)
Total revenues	<u>\$143,317</u>	<u>\$215,337</u>	<u>\$311,145</u>	<u>\$443,374</u>

Geographic Areas

At June 30, 2000, the Company had drilling rigs located offshore seven countries other than 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.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
Revenues from unaffiliated customers:				
United States	\$ 77,885	\$ 96,947	\$157,506	\$208,155
Foreign:				
Europe/Africa	16,484	56,629	39,296	121,084
Australia/Southeast Asia	11,441	28,086	29,873	56,353
South America	37,507	33,675	84,470	57,782
Total revenues	\$143,317	\$215,337	\$311,145	\$443,374
	=====	=====	=====	=====

ITEM 2. 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) included elsewhere herein.

The Company is a leader in deep water drilling with a fleet of 45 offshore drilling rigs. The fleet consists of 30 semisubmersibles, 14 jack-ups and one drillship.

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. Revenues can also increase or decrease as a result of the acquisition or disposition 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, however, revenues may be adversely affected. In response to changes in demand, the Company may withdraw a rig from the market by stacking it or may reactivate a rig which was previously stacked, 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 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 are not affected by changes in dayrates, nor are they necessarily significantly affected by fluctuations in utilization. For instance, if a rig is to be idle for a short period of time, the Company realizes 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 painting, inspections and routine overhauls that maintain rather than upgrade its rigs. These expenses vary from period to period. Costs of rig enhancements and upgrades are capitalized and depreciated over the expected useful lives of the enhancements. Increased depreciation expense decreases operating income in periods subsequent to capital upgrades.

THREE MONTHS ENDED JUNE 30, 2000 AND 1999

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

	THREE MONTHS ENDED JUNE 30,		INCREASE/ (DECREASE)
	2000	1999	
	(IN THOUSANDS)		
REVENUES			
High Specification Floaters	\$ 48,004	\$ 72,909	\$ (24,905)
Other Semisubmersibles	66,835	120,390	(53,555)
Jack-ups	27,033	19,978	7,055
Integrated Services	1,350	3,942	(2,592)
Other	372	--	372
Eliminations	(277)	(1,882)	1,605
	-----	-----	-----
Total Revenues	\$ 143,317	\$ 215,337	\$ (72,020)
	=====	=====	=====
CONTRACT DRILLING EXPENSE			
High Specification Floaters	\$ 24,844	\$ 21,383	\$ 3,461
Other Semisubmersibles	51,594	54,738	(3,144)
Jack-ups	24,627	19,987	4,640
Integrated Services	881	3,513	(2,632)
Other	1,214	1,062	152
Eliminations	(277)	(1,882)	1,605
	-----	-----	-----
Total Contract Drilling Expense	\$ 102,883	\$ 98,801	\$ 4,082
	=====	=====	=====
OPERATING INCOME			
High Specification Floaters	\$ 23,160	\$ 51,526	\$ (28,366)
Other Semisubmersibles	15,241	65,652	(50,411)
Jack-ups	2,406	(9)	2,415
Integrated Services	469	429	40
Other	(842)	(1,062)	220
Depreciation and Amortization Expense	(36,617)	(35,706)	(911)
General and Administrative Expense	(5,915)	(5,921)	6
	-----	-----	-----
Total Operating Income	\$ (2,098)	\$ 74,909	\$ (77,007)
	=====	=====	=====

High Specification Floaters.

Revenues. Revenues from high specification floaters during the three months ended June 30, 2000 decreased by \$24.9 million from the same period in 1999. Approximately \$18.4 million of the revenue decline resulted from lower operating dayrates as compared to 1999. The average operating dayrate for high specification floaters during the second quarter of 2000 was \$102,000 per day as compared to \$127,500 per day during the second quarter of 1999. In addition, revenues were reduced \$6.5 million due to a decline in utilization. Utilization for the Company's high specification floaters during the second quarter of 2000 was 74% as compared to 88% during the second quarter of 1999. This decline in utilization resulted primarily because the Ocean America was mobilized from Trinidad to the Gulf of Mexico during the second quarter of 2000 and the Ocean Quest was stacked the entire quarter. Partially offsetting this utilization decline was the operation of the Ocean Clipper under its three-year contract offshore Brazil for a portion of the current quarter. During most of the second quarter of 1999, the Ocean Clipper was in the shipyard for modifications, upgrades and the replacement of the blow-out preventer control system.

Contract Drilling Expense. Contract drilling expense for high specification floaters during the three months ended June 30, 2000 increased \$3.5 million from the same period in 1999. This increase resulted primarily from an increase in contract drilling expense for the Ocean Clipper, which was operating under its three-year contract offshore Brazil, as compared to the second quarter of 1999 when the rig was in the shipyard for upgrades and repairs.

Other Semisubmersibles.

Revenues. Revenues from other semisubmersibles during the three months ended June 30, 2000 decreased \$53.6 million from the same quarter in 1999. Approximately \$31.8 million of the decrease resulted from a decline in

utilization as compared to the second quarter of 1999. Utilization of the Company's other semisubmersibles during the second quarter of 2000 was 53% as compared to 66% during the second quarter of 1999. The Ocean Epoch began the upgrade of its water depth capabilities and variable deckload during the second quarter of 2000. The Ocean Baroness, which was cold stacked during the second quarter of 2000, worked most of the second quarter of 1999. In addition, revenues were reduced by approximately \$20.8 million due to a decrease in operating dayrates as compared to the same period in 1999. The average operating dayrate for other semisubmersibles was \$61,200 per day during the second quarter of 2000 as compared to \$86,900 per day during the second quarter of 1999.

Contract Drilling Expense. Contract drilling expense for other semisubmersibles during the three months ended June 30, 2000 decreased \$3.1 million from the same quarter in 1999. This decrease resulted primarily from reductions in operating costs from rigs that were idle for all or part of the quarter ended June 30, 2000.

Jack-Ups.

Revenues. Revenues from jack-ups during the three months ended June 30, 2000 increased \$7.1 million from the same quarter in 1999. Approximately \$14.4 million of the increase in revenues resulted from improvements in utilization as compared to the second quarter of 1999. Utilization for the Company's jack-ups during the second quarter of 2000 was 93% as compared to 48% during the second quarter of 1999. This increase was partially offset by a decrease in revenues of \$7.3 million from the Ocean Scotian which was sold in January 2000 but worked throughout the second quarter of 1999.

Contract Drilling Expense. Contract drilling expense for jack-ups during the three months ended June 30, 2000 increased \$4.6 million over the same quarter in 1999. This increase was due to an increase in costs of \$7.3 million associated with improved utilization of jack-ups which were idle for all or part of the second quarter of 1999. This increase was partially offset by a decrease of \$2.7 million due to the January 2000 sale of the Ocean Scotian.

Integrated Services.

Revenues and contract drilling expense for integrated services decreased as a result of the difference in type and magnitude of projects in the second quarter of 2000 as compared to the second quarter of 1999.

Depreciation and Amortization Expense.

Depreciation and amortization expense for the three months ended June 30, 2000 of \$36.6 million increased \$0.9 million from \$35.7 million for the three months ended June 30, 1999. This increase resulted primarily from an increase in depreciation for the Ocean Clipper, Ocean General, Ocean Concord and Ocean King, which completed various upgrades in the second half of 1999. This increase was partially offset by a decrease in depreciation in the second quarter of 2000 due to the January 2000 sale of the Ocean Scotian and a decrease in goodwill amortization.

Interest Income.

Interest income of \$9.9 million for the three months ended June 30, 2000 increased \$1.3 million from \$8.6 million for the same period in 1999. This increase resulted primarily from the investment of additional excess cash generated by the Company's zero coupon convertible debentures (the "Debentures") issued June 6, 2000. See " --Liquidity."

Interest Expense.

Interest expense of \$1.6 million for the three months ended June 30, 2000 decreased \$0.4 million from \$2.0 million for the same period in 1999. This decrease resulted primarily from an increase in capitalized interest for the conversion of the Ocean Confidence offset by an increase in interest expense incurred during the second quarter of 2000. Interest cost capitalized during the quarter ended June 30, 2000 was \$3.3 million as compared to \$1.9 million capitalized during the quarter ended June 30, 1999. Interest expense incurred of \$4.9 million during the second quarter of 2000 increased from \$3.9 million for the same period in 1999. The higher interest expense resulted

primarily from the amortization of the discount on the Debentures issued June 6, 2000 accrued at a rate of 3.50% per year compounded semi-annually to the date of redemption. See "--Liquidity" and "--Capital Resources."

Income Tax Expense.

Income tax expense of \$2.0 million for the three months ended June 30, 2000 decreased \$26.6 million from \$28.6 million for the three months ended June 30, 1999. This decrease resulted primarily from the \$76.2 million decrease in income before income tax expense as compared to the three months ended June 30, 1999.

SIX MONTHS ENDED JUNE 30, 2000 AND 1999

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

	SIX MONTHS ENDED JUNE 30,		INCREASE/ (DECREASE)
	2000	1999	
	(IN THOUSANDS)		
REVENUES			
High Specification Floaters	\$ 104,866	\$ 136,869	\$ (32,003)
Other Semisubmersibles	155,346	259,843	(104,497)
Jack-ups	48,052	44,047	4,005
Integrated Services	3,951	7,410	(3,459)
Other	372	--	372
Eliminations	(1,442)	(4,795)	3,353
Total Revenues	\$ 311,145	\$ 443,374	\$(132,229)
CONTRACT DRILLING EXPENSE			
High Specification Floaters	\$ 48,151	\$ 45,773	\$ 2,378
Other Semisubmersibles	106,459	116,989	(10,530)
Jack-ups	44,472	42,695	1,777
Integrated Services	3,952	6,950	(2,998)
Other	2,114	1,907	207
Eliminations	(1,442)	(4,795)	3,353
Total Contract Drilling Expense	\$ 203,706	\$ 209,519	\$ (5,813)
OPERATING INCOME			
High Specification Floaters	\$ 56,715	\$ 91,096	\$ (34,381)
Other Semisubmersibles	48,887	142,854	(93,967)
Jack-ups	3,580	1,352	2,228
Integrated Services	(1)	460	(461)
Other	(1,742)	(1,907)	165
Depreciation and Amortization Expense	(73,492)	(71,363)	(2,129)
General and Administrative Expense	(11,935)	(11,922)	(13)
Total Operating Income	\$ 22,012	\$ 150,570	\$(128,558)

High Specification Floaters.

Revenues. Revenues from high specification floaters during the six months ended June 30, 2000 decreased \$32.0 million from the same period in 1999. Approximately \$42.7 million of the revenue decline resulted from lower operating dayrates as compared to 1999. The average operating dayrate for high specification floaters during the six months ended June 30, 2000 was \$96,400 per day as compared to \$130,500 per day during the six months ended June 30, 1999. This decrease was partially offset by an increase in revenues of approximately \$10.7 million due to an improvement in utilization. The Company's drillship, the Ocean Clipper, operated most of the first half of 2000 under its three-year contract offshore Brazil. During the first half of 1999, the rig was in the shipyard for

upgrades and repairs. Utilization for the Company's high specification floaters during the first six months of 2000 was 85% as compared to 84% during the first six months of 1999.

Contract Drilling Expense. Contract drilling expense for high specification floaters during the six months ended June 30, 2000 increased \$2.4 million from the same period in 1999. This increase in 2000 resulted primarily from costs of approximately \$6.2 million incurred for the Ocean Clipper which began operating under its three-year contract offshore Brazil. During the first half of 1999, the Ocean Clipper was in the shipyard for modifications, upgrades and the replacement of the blow-out preventer control system. This increase was partially offset by a decrease in contract drilling expense of approximately \$2.0 million for the 1999 mobilization of the Ocean Alliance from the North Sea to Angola and \$1.8 million in costs associated with the 1999 mandatory inspection and repairs of the Ocean America.

Other Semisubmersibles.

Revenues. Revenues from other semisubmersibles during the six months ended June 30, 2000 decreased \$104.5 million from the same period in 1999. Approximately \$52.3 million of the decrease resulted from a decline in operating dayrates as compared to the same period in 1999. The average operating dayrate for the Company's other semisubmersibles was \$64,200 per day during the six months ended June 30, 2000 as compared to \$90,300 per day during the six months ended June 30, 1999. In addition, revenues were reduced by \$45.9 million and \$5.3 million due to decreased utilization and rigs removed from service, respectively. Utilization for the Company's other semisubmersibles during the six months ended June 30, 2000 was 58% as compared to 69% during the six months ended June 30, 1999. The Ocean Epoch began the upgrade of its water depth capabilities and variable deckload during the second quarter of 2000. The Ocean Baroness, which was cold stacked during the first half of 2000, worked most of the first half of 1999.

Contract Drilling Expense. Contract drilling expense for other semisubmersibles during the six months ended June 30, 2000 decreased \$10.5 million from the same period in 1999. This decrease resulted partially from a reduction in costs of \$6.6 million from the same period in 1999 associated with the inspection and repair of the Ocean Winner and its mobilization from the Gulf of Mexico to Brazil in the first half of 1999. Contract drilling expense was also reduced by \$4.2 million in 2000 due to costs associated with mandatory inspections and repairs of the Ocean New Era in 1999. In addition, 2000 costs were reduced by \$3.7 million and \$2.2 million for the Ocean Baroness and the Ocean Epoch, which were stacked in late 1999. Partially offsetting these decreases were increases in costs in 2000 of approximately \$3.0 million associated with the mandatory inspection and repairs of the Ocean Lexington and \$3.2 million of operating costs from the Ocean General, which was stacked throughout 1999.

Jack-Ups.

Revenues. Revenues from jack-ups during the six months ended June 30, 2000 increased \$4.0 million from the same period in 1999. Approximately \$19.1 million of the increase in revenues resulted from improvements in utilization as compared to the first half of 1999. Utilization for the Company's jack-ups during the first half of 2000 was 87% as compared to 55% during the first half of 1999. This increase was partially offset by a decrease in revenues of \$15.1 million from the Ocean Scotian, which was sold in January 2000 but worked throughout the first half of 1999.

Contract Drilling Expense. Contract drilling expense for jack-ups during the six months ended June 30, 2000 increased \$1.8 million over the same period in 1999. This increase was due to an increase in costs of \$7.1 million associated with improved utilization of jack-ups which were idle for all or part of the first half of 1999. This increase was partially offset by a decrease of \$5.3 million due to the January 2000 sale of the Ocean Scotian.

Integrated Services.

Revenues and contract drilling expense for integrated services decreased as a result of the difference in number, type and magnitude of projects in the first half of 2000 as compared to the first half of 1999.

Depreciation and Amortization Expense.

Depreciation and amortization expense for the six months ended June 30, 2000 of \$73.5 million increased \$2.1 million from \$71.4 million for the six months ended June 30, 1999. This increase resulted primarily from an

increase in depreciation for the Ocean Clipper, Ocean General, Ocean Concord and Ocean King, which completed various upgrades in the second half of 1999. This increase was partially offset by a decrease in depreciation in the first half of 2000 due to the January 2000 sale of the Ocean Scotian and a decrease in goodwill amortization.

Gain on Sale of Assets.

Gain on sale of assets for the six months ended June 30, 2000 of \$14.1 million increased \$14.0 million from \$0.1 million for the six months ended June 30, 1999. This increase resulted primarily from the January 2000 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 Netherlands prior to the sale.

Interest Income.

Interest income of \$18.5 million for the six months ended June 30, 2000 increased \$1.6 million from \$16.9 million for the same period in 1999. This increase resulted primarily from the investment of additional excess cash generated by the Debentures issued June 6, 2000. See " --Liquidity."

Interest Expense.

Interest expense of \$2.8 million for the six months ended June 30, 2000 decreased \$2.5 million from \$5.3 million for the same period in 1999. This decrease resulted primarily from an increase in capitalized interest for the conversion of the Ocean Confidence offset by an increase in interest expense incurred during the first half of 2000. Interest cost capitalized during the six months ended June 30, 2000 was \$6.0 million as compared to \$2.4 million capitalized during the six months ended June 30, 1999. Interest expense of \$8.8 million incurred during the first half of 2000 increased from \$7.7 million for the same period of 1999. The higher interest expense resulted primarily from the amortization of the discount on the Debentures issued June 6, 2000 accrued at a rate of 3.50% per year compounded semi-annually to the date of redemption. See "--Liquidity" and "--Capital Resources."

Income Tax Expense.

Income tax expense of \$18.0 million for the six months ended June 30, 2000 decreased \$38.5 million from \$56.5 million for the six months ended June 30, 1999. This decrease resulted primarily from the \$110.5 million decrease in income before income tax expense as compared to the six months ended June 30, 1999.

OUTLOOK

The offshore drilling industry has shown signs of improvement in drilling markets around the world as strong oil and gas prices have provided an environment of improved drilling economics for our customers leading to greater demand for drilling services offshore. The announcement by a major oil producer of its plans to increase exploration and production spending over the next three years further indicates support for a long-anticipated recovery in the offshore drilling industry. Although the Company cannot predict the extent to which current industry conditions may or may not continue, it believes there is reason to be optimistic that oil and gas companies will increase their spending on exploration and development in the future, potentially resulting in increased utilization levels and dayrates for offshore drilling rigs.

The Company continues to see improvement in the domestic jack-up market along with some stability in its high specification floater business as the industry concentrates on shallow water natural gas and deep water prospects offshore. In response to high gas prices, the Company expects its jack-up fleet to see improved results throughout the rest of the year as dayrates and utilization continue to improve, although there can be no assurance that this trend will continue. While some high specification floating units have seen idle time around the world, the Company has maintained high utilization for its rigs in this class. With a strategy of trying to maintain utilization through short-term commitments, the Company expects it will be in a position to respond as the high specification floater market improves. The market for intermediate floaters remains fairly weak worldwide as a result of the industry's concentration on shallow water natural gas and deep water prospects. However, the Company expects that the shallow water semisubmersible market will show some signs of improvement with the expected continuation of prevailing product prices.

The Company believes that, with its fleet size and composition, it is well positioned to take advantage of opportunities when market conditions improve.

LIQUIDITY

At June 30, 2000, cash and marketable securities totaled \$946.7 million, up from \$641.4 million at December 31, 1999. Cash provided by operating activities for the six months ended June 30, 2000 decreased by \$141.1 million to \$91.3 million, as compared to \$232.4 million for the same period in 1999. This decrease in cash was primarily attributable to a \$71.9 million reduction in net income and various other changes in operating assets and liabilities.

Investing activities used \$214.2 million of cash during the six months ended June 30, 2000, as compared to \$204.1 million during the same period in 1999. This increase resulted primarily from a \$21.2 million decrease in cash resulting from an increase in capital expenditures primarily attributable to the Ocean Confidence, a \$21.0 million increase in cash used for investments in marketable securities, and a \$32.1 million increase in cash provided by proceeds from the sale of assets, primarily the sale of the Ocean Scotian in January 2000.

Cash provided by financing activities for the six months ended June 30, 2000 increased \$384.7 million to \$350.8 million, as compared to \$33.9 million for the same period in 1999. Sources of financing during 2000 consisted primarily of the Company's issuance of the Debentures, which resulted in net proceeds of approximately \$393.0 million. The Company intends to use the net proceeds generated by the issuance of the Debentures for general corporate purposes. The Debentures were issued in June 2000 at a discount from their value at maturity and are due June 6, 2020. The 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 Debenture, subject to adjustments in certain events. The Company will not pay interest on the Debentures prior to maturity unless it elects to convert the Debentures to interest-bearing debentures upon the occurrence of certain tax events. The Company has the right to redeem the Debentures, in whole or in part, after five years 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 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.

Other sources of liquidity include the Company's \$20.0 million short-term revolving credit agreement with a U.S. bank. The agreement provides for borrowings at various interest rates and varying commitment fees dependent upon public credit ratings. The Company intends to use the facility primarily for letters of credit that the Company must post, from time to time, for bid and performance guarantees required in certain parts of the world. The agreement contains certain financial and other covenants and provisions that must be maintained by the Company for compliance. As of June 30, 2000, there were no outstanding borrowings under this agreement and the Company was in compliance with each of the covenants and provisions.

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.

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 continuing rig enhancement program, 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.

The Company expects to spend \$199.2 million for rig upgrade capital expenditures during 2000, which are primarily costs associated with the conversion of the Ocean Confidence. Also included in this amount is approximately \$18.2 million for variable deckload and water depth capability upgrades on the Ocean Epoch and \$20.0 million for the deepwater upgrade of the Ocean Baroness. During the six months ended June 30, 2000, the Company expended \$143.2 million, including capitalized interest expense, for rig upgrades, primarily for the conversion of the Ocean Confidence from an accommodation vessel to a semisubmersible drilling unit capable of operating in harsh environments and ultra-deep waters.

The conversion of the Ocean Confidence includes the following enhancements: capability for operation in 7,500 foot water depths; approximately 6,000 tons variable deckload; a 15,000 psi blow-out prevention system; and four mud pumps to complement the existing Class III dynamic-positioning system. The Company estimates its net cost of conversion for this rig to be approximately \$400.0 million. Upon completion of the conversion and customer acceptance, the rig is scheduled to begin a five-year drilling program in the Gulf of Mexico. A modification to the drilling contract was made providing for an extension of the delivery date and commencement of the five-year drilling program from July 1 to December 1, 2000. This extension will allow the Company additional time to complete and test the rig for performance in waters up to 7,500 feet. The Company will incur a penalty based upon the delivery date of the rig and will be liable for certain types of downtime which could occur during the first two wells under the drilling contract. These penalties would incrementally reduce revenue from the customer during the five-year contract term. Based upon the expected delivery date of September 30, 2000, future revenue is expected to be approximately \$316.4 million. Should the delivery occur on December 1, 2000, the expected revenue would be reduced to approximately \$313.9 million.

The Company has reached an agreement with a Singapore shipyard which provides for the significant upgrade of its semisubmersible, the Ocean Baroness, to fifth-generation capabilities. The deepwater upgrade will be an enhanced version of the Company's successful Victory-class upgrades. Initial outfitting will include stability enhancements and self-contained chain/wire mooring for operation in water depths to 6,000 feet with approximately 6,200 tons operating variable deck load, 15,000 psi blowout preventers and riser with a multiplex control system. Additional features including a high capacity deck crane, significantly enlarged cellar deck area and a 25' by 90' moon pool will provide enhanced subsea completion and development capabilities. Water depths in excess of 6,000 feet should be achievable utilizing preset taut-leg mooring systems. The preliminary estimated cost for the deepwater upgrade of the Ocean Baroness is approximately \$180.0 million and is anticipated to take approximately 18 months, including mobilization to the shipyard. The Company expects to finance the upgrade through the use of cash on hand or internally generated funds.

During the six months ended June 30, 2000, the Company expended \$32.5 million in association with its continuing rig enhancement program and to meet other corporate requirements. These expenditures included purchases of king-post cranes, anchor chain, riser, and other drilling equipment. The Company has budgeted \$70.8 million for 2000 capital expenditures associated with its continuing rig enhancement program and other corporate requirements.

From time to time, the Company may decide to add new capacity through rig conversions, upgrades to existing drilling units, or through new construction. The Company reviews certain criteria before committing to the challenging task of upgrading an existing rig or constructing a new one. These considerations include, but are not limited to, low cost opportunities, cost to upgrade existing equipment versus the cost of new construction, anticipated return on the upgrade or newbuild, construction time, opportunity for new technology, and offshore drilling market development.

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 it 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 agreement in the future and such acquisition could result in a material expansion of its existing operations or result in it 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, Diamond Offshore Team Solutions, Inc. ("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, with the profitability of the contract 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 the six months ended June 30, 2000, DOTS provided turnkey and integrated services at the break-even level.

OTHER

On July 5, 2000, the Company's jack-up drilling unit, the Ocean Crusader, while conducting routine operations offshore Louisiana, experienced a fire caused by gas from a well adjacent to the rig. Emergency procedures were initiated and the fire was extinguished. All personnel onboard the rig were evacuated. No injuries occurred and there was no environmental effect. Damage and related repairs were minimal. The rig did not experience any downtime and there was no material impact on results of operations.

Depending on market conditions, the Company may, from time to time, purchase shares of its common stock in the open market. During July 2000, The Company purchased 101,500 shares of its common stock at an aggregate cost of \$3.6 million, or at an average cost of \$35.03 per share. From January 1, 2000 through July 31, 2000, the Company has purchased 410,300 shares of its common stock at an aggregate cost of \$12.0 million, or at an average cost of \$29.36 per share.

ACCOUNTING STANDARDS

In June 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." This statement addresses a limited number of issues causing implementation difficulties for entities applying SFAS No. 133. SFAS No. 133 requires that an entity recognize all derivative instruments as either assets or liabilities in the balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (i) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (ii) a hedge of the exposure to variable cash flows of a forecasted transaction, or (iii) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. This Statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company is currently evaluating the effects of this Statement.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements". This bulletin summarizes certain of the SEC Staff's view in applying generally accepted accounting principles to revenue recognition in financial statements. This bulletin through its subsequent revised releases SAB No. 101A and No. 101B is effective for registrants no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. The Company does not expect the implementation of this bulletin to have a significant impact on the results of operations or equity of the company.

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 the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, performance or achievements, and may contain the words "expect," "intend," "plan," "anticipate," "estimate," "believe," "will be," "will continue," "will likely result," 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"), and future

uses of and requirements for financial resources, including, but not limited to, expenditures related to the conversion of the Ocean Confidence (see "-- Liquidity" and "-- Capital Resources"). 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, 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information included in this Item 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 2 of Part I of this report.

The Company's financial instruments include the Company's convertible subordinated notes, zero coupon convertible debentures and investments in debt securities, including U.S. Treasury securities and collateralized mortgage obligations ("CMO's"). The Company's convertible subordinated notes, which are due February 15, 2007, have a stated interest rate of 3.75 percent and an effective interest rate of 3.93 percent. At June 30, 2000, the fair value of these notes, based on quoted market prices, was approximately \$413.0 million, as compared to a carrying amount of \$400.0 million. At June 30, 2000, the fair value of the Company's zero coupon convertible debentures, based on quoted market prices, was approximately \$378.2, as compared to a carrying amount of \$403.2 million. At June 30, 2000, the fair market value of the Company's investment in debt securities issued by the U.S. Treasury was approximately \$123.2 million, which includes an unrealized holding loss of \$0.9 million. These securities bear interest at rates ranging from 4.00 percent to 6.00 percent. These securities are U.S. government-backed and generally short-term and readily marketable. The fair value of the Company's investment in CMO's at June 30, 2000 was approximately \$448.4 million, which includes an unrealized holding loss of \$6.3 million. The CMO's are also short-term and readily marketable with an implied AAA rating backed by U.S. government guaranteed mortgages.

The Company believes the declines in the fair value of its investments in debt securities due to interest rate sensitivity are temporary in nature. This determination was based on marketability of the instruments, the Company's ability to retain its investment in the instruments, past market movements and reasonably possible, near-term market movements. Therefore, the Company does not believe that potential, near-term losses in future earnings, fair values, or cash flows are likely to be material.

At June 30, 2000, the fair value of the Company's investment in equity securities was approximately \$2.9 million, which includes an unrealized holding gain of \$1.4 million.

Other than trade accounts receivable and trade accounts payable, the Company does not currently have financial instruments that are sensitive to foreign currency exchange rates.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company and its subsidiaries are named defendants in various 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 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

The Annual Meeting of Stockholders (the "Annual Meeting") of Diamond Offshore Drilling, Inc. was held on May 16, 2000 in New York, New York. At the Annual Meeting, the holders of 128,247,455 shares out of 135,824,281 shares entitled to vote as of the record date were represented in person or by proxy, constituting a quorum. The following matters were voted on and adopted by the margins indicated:

- a. To elect seven directors, each to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal.

	NUMBER OF SHARES		
	FOR	WITHHELD	BROKER NON-VOTE
James S. Tisch	127,292,609	954,846	0
Lawrence R. Dickerson	127,269,090	978,365	0
Alan R. Batkin	127,554,855	692,600	0
Herbert C. Hofmann	127,293,975	953,480	0
Arthur L. Rebell	127,276,084	971,371	0
Michael H. Steinhardt	120,368,772	7,878,683	0
Raymond S. Troubh	127,535,295	712,160	0

- b. To approve the Diamond Offshore Drilling, Inc. 2000 Stock Option Plan.

For	117,117,305
Against	10,838,929
Abstain	291,221
Broker Non-Vote	0

- c. To ratify the appointment of Deloitte & Touche LLP as independent certified public accountants for the Company and its subsidiaries for fiscal year 2000.

For	128,102,909
Against	76,409
Abstain	68,137
Broker Non-Vote	0

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

See the Exhibit Index for a list of those exhibits filed herewith.

(b) The Company filed the following report on Form 8-K during the second quarter of 2000:

Date of Report -----	Description of Event -----
June 1, 2000	Plan to offer and pricing of the Company's zero coupon convertible debentures with estimated net proceeds of approximately \$392 million.

SIGNATURES

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

DIAMOND OFFSHORE DRILLING, INC.
(Registrant)

Date 14-Aug-2000

By: \s\ Gary T. Krenek

Gary T. Krenek
Vice President and Chief Financial Officer

Date 14-Aug-2000

\s\ Beth G. Gordon

Beth G. Gordon
Controller (Chief Accounting Officer)

EXHIBIT INDEX

Exhibit No. -----	Description -----
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to 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 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998).
4.1	Indenture, dated as of February 4, 1997, between the Company and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 11, 1997).
4.2*	Second Supplemental Indenture, dated as of June 6, 2000, between the Company and The Chase Manhattan Bank, as Trustee.
10.1*	Purchase Agreement, dated May 31, 2000, between the Company and Credit Suisse First Boston Corporation.
10.2*	Registration Rights Agreement, dated June 6, 2000, between the Company and Credit Suisse First Boston Corporation.
27.1	Financial Data Schedule (incorporated by reference to Exhibit 27.1 to the Company's Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2000, filed August 8, 2000).

 * Filed herewith.

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SECOND SUPPLEMENTAL INDENTURE

BETWEEN

DIAMOND OFFSHORE DRILLING, INC.

AND

THE CHASE MANHATTAN BANK,

AS TRUSTEE

DATED AS OF

JUNE 6, 2000

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DIAMOND OFFSHORE DRILLING, INC.

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of June 6, 2000, between Diamond Offshore Drilling, Inc., A Delaware corporation (the "Company"), and The Chase Manhattan Bank, a banking corporation organized and existing under the laws of the State of New York (the "Trustee").

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of February 4, 1997 (the "Indenture"), providing for the issuance from time to time of one or more series of the Company's Securities;

WHEREAS, Section 901(5) of the Indenture provides that the Company and the Trustee may from time to time enter into one or more indentures supplemental thereto to establish the form or terms of Securities of a new series;

WHEREAS, Sections 901(2) and 901(7) of the Indenture permit the execution of supplemental indentures without the consent of any Holders to add to the covenants of the Company for the benefit of, and to add any additional Events of Default with respect to, all or any series of Securities;

WHEREAS, Section 301 of the Indenture provides that the Company may enter into supplemental indentures to establish the terms and provisions of a series of Securities issued pursuant to the Indenture;

WHEREAS, the Company desires to issue Zero Coupon Convertible Debentures due June 6, 2020 (the "2020 Debentures"), a new series of Security, the issuance of which was authorized by resolution of the Executive Committee of the Board of Directors of the Company, dated May 31, 2000;

WHEREAS, the Company, pursuant to the foregoing authority, proposes in and by this Second Supplemental Indenture to supplement and amend in certain respects the Indenture insofar as it will apply only to the 2020 Debentures (and not to any other series); and

WHEREAS, all things necessary have been done to make the 2020 Debentures, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Second Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW THEREFORE:

In consideration of the premises provided for herein, the Company and the Trustee mutually covenant and agree for the equal and proportionate benefit of all Holders of the 2020 Debentures as follows:

ARTICLE ONE

THE 2020 DEBENTURES

SECTION 101 Designation of 2020 Debentures; Establishment of Form.

There shall be a series of Securities designated "Zero Coupon Convertible Debentures Due June 6, 2020" of the Company, and the form thereof shall be substantially as set forth in Annex A hereto, which is incorporated into and shall be deemed a part of this Second Supplemental Indenture, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the 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 the rules of any securities exchange or as may, consistently herewith, be determined by the officers of the Company executing such 2020 Debentures, as evidenced by their execution of the 2020 Debentures.

(a) Restricted Global Securities. All of the 2020 Debentures are initially being offered and sold to qualified institutional buyers as defined in Rule 144A (collectively, "QIBs" or individually a "QIB") in reliance on Rule 144A under the Securities Act and shall be issued initially in the form of one or more Restricted Global Securities, which shall be deposited on behalf of the purchasers of the 2020 Debentures represented thereby with the Trustee, at its Corporate Trust Office, as Securities Custodian for the depositary, The Depository Trust Company ("DTC") (such depositary, or any successor thereto, being hereinafter referred to as the "Depository"), and registered in the name of its nominee, Cede & Co., duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate Principal Amount of a Restricted Global Security may from time to time be increased or decreased by adjustments made on the records of the Securities Custodian as hereinafter provided, subject in each case to compliance with the Applicable Procedures.

(b) Global Securities in General. Each Global Security shall represent such of the outstanding 2020 Debentures as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding 2020 Debentures from time to time endorsed thereon and that the aggregate amount of outstanding 2020 Debentures represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions, purchases or conversions of such 2020 Debentures. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the Principal Amount of Outstanding 2020 Debentures represented

thereby shall be made by the Securities Custodian in accordance with the standing instructions and procedures existing between the Depositary and the Securities Custodian.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or under the Global Security, and the Depositary (including, for this purpose, its nominee) may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and Holder of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall (A) prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or (B) impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any 2020 Debenture.

(c) Certificated Securities. Certificated Securities shall be issued only under the limited circumstances provided in Section 102(a)(1) hereof.

The Company initially appoints The Depositary Trust Company to act as Depositary with respect to the Global Securities.

The Company initially appoints the Trustee to act as Paying Agent and Conversion Agent with respect to the 2020 Debentures.

SECTION 102 Transfer and Exchange.

(a) Transfer and Exchange of Global Securities.

(1) Certificated Securities shall be issued in exchange for interests in the Global Securities only if (x) the Depositary notifies the Company that it is unwilling or unable to continue as depositary for the Global Securities or if it at any time ceases to be a "clearing agency" registered under the Exchange Act if so required by applicable law or regulation and a successor depositary is not appointed by the Company within 90 days, or (y) an Event of Default has occurred and is continuing. In either case, the Company shall execute, and the Trustee shall, upon receipt of a Company Order (which the Company agrees to deliver promptly), authenticate and deliver Certificated Securities in an aggregate Principal Amount equal to the Principal Amount of such Global Securities in exchange therefor. Only Restricted Certificated Securities shall be issued in exchange for beneficial interests in Restricted Global Securities, and only Unrestricted Certificated Securities shall be issued in exchange for beneficial interests in Unrestricted Global Securities. Certificated Securities issued in exchange for beneficial interests in Global Securities shall be registered in such names and shall be in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver or

cause to be delivered such Certificated Securities to the persons in whose names such Securities are so registered. Such exchange shall be effected in accordance with the Applicable Procedures. Nothing herein shall require the Trustee to communicate directly with beneficial owners, and the Trustee shall in connection with any transfers hereunder be entitled to rely on instructions received through the registered Holder.

(2) Notwithstanding any other provisions of this Indenture other than the provisions set forth in Section 102(a)(1) hereof, a Global Security may not be transferred as a whole except 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) Transfer and Exchange of Certificated Securities. When Certificated Securities are presented by a Holder to a Registrar with a request:

(1) to register the transfer of the Certificated Securities to a person who will take delivery thereof in the form of Certificated Securities only; or

(2) to exchange such Certificated Securities for an equal Principal Amount of Certificated Securities of other authorized denominations,

such Registrar shall register the transfer or make the exchange as requested; provided, however, that the Certificated Securities presented or surrendered for register of transfer or exchange:

(1) shall be duly endorsed or accompanied by a written instrument of transfer in accordance with the fifth paragraph of Section 305 of the Indenture; and

(2) in the case of a Restricted Certificated Security, such request shall be accompanied by the following additional information and documents, as applicable:

(A) if such Restricted Certificated Security is being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, or such Restricted Certificated Security is being transferred to the Company or a Subsidiary of the Company, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate required pursuant to Section 102(e)(1) hereof);

(B) if such Restricted Certificated Security is being transferred to a person the Holder reasonably believes is a QIB in accordance with Rule 144A or

pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate); or

(C) if such Restricted Certificated Security is being transferred (i) pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 or (ii) pursuant to an exemption from the registration requirements of the Securities Act (other than pursuant to Rule 144A or Rule 144) and as a result of which, in the case of a Security transferred pursuant to this clause (ii), such Security shall cease to be a "restricted security" within the meaning of Rule 144, a certification to that effect from the Holder (in substantially the form set forth in the Transfer Certificate) and, if the Company or such Registrar so requests, a customary opinion of counsel, certificates and other information reasonably acceptable to the Company and such Registrar to the effect that such transfer is in compliance with the Securities Act.

(c) Transfer of a Beneficial Interest in a Restricted Global Security for a Beneficial Interest in an Unrestricted Global Security. Any person having a beneficial interest in a Restricted Global Security may upon request, subject to the Applicable Procedures, transfer such beneficial interest to a person who is required or permitted to take delivery thereof in the form of an Unrestricted Global Security. Upon receipt by the Trustee of written instructions or such other form of instructions as is customary for the Depositary, from the Depositary or its nominee on behalf of any person having a beneficial interest in a Restricted Global Security and the following additional information and documents in such form as is customary for the Depositary from the Depositary or its nominee on behalf of the person having such beneficial interest in the Restricted Global Security (all of which may be submitted by facsimile or electronically):

(1) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferor (in substantially the form set forth in the Transfer Certificate); or

(2) if such beneficial interest is being transferred (i) pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 or (ii) pursuant to an exemption from the registration requirements of the Securities Act (other than pursuant to Rule 144A or Rule 144) and as a result of which, in the case of a Security transferred pursuant to this clause (ii), such Security shall cease to be a "restricted security" within the meaning of Rule 144, a certification to that effect from the transferor (in substantially the form set forth in the Transfer Certificate) and, if the Company or the Trustee so requests, a customary opinion of counsel, certificates and other information reasonably acceptable to the Company and the Trustee to the effect that such transfer is in compliance with the Securities Act,

the Trustee, as a Registrar and Securities Custodian, shall reduce or cause to be reduced the aggregate Principal Amount of the Restricted Global Security by the appropriate Principal Amount and shall increase or cause to be increased the aggregate Principal Amount of the Unrestricted Global Security by a like Principal Amount. Such transfer shall otherwise be effected in accordance with the Applicable Procedures. If no Unrestricted Global Security is then outstanding, the Company shall execute and the Trustee shall, upon receipt of a Company Order (which the Company agrees to deliver promptly), authenticate and deliver an Unrestricted Global Security.

(d) Transfers of Certificated Securities for Beneficial Interest in Global Securities. In the event that Certificated Securities are issued in exchange for beneficial interests in Global Securities and, thereafter, the events or conditions specified in Section 102(a)(1) hereof which required such exchange shall have ceased to exist, the Company shall mail notice to the Trustee and to the Holders stating that Holders may exchange Certificated Securities for interests in Global Securities by complying with the procedures set forth in this Indenture and briefly describing such procedures and the events or circumstances requiring that such notice be given. Thereafter, if Certificated Securities are presented by a Holder to a Registrar with a request:

(1) to register the transfer of such Certificated Securities to a person who will take delivery thereof in the form of a beneficial interest in a Global Security, which request shall specify whether such Global Security will be a Restricted Global Security or an Unrestricted Global Security; or

(2) to exchange such Certificated Securities for an equal Principal Amount of beneficial interests in a Global Security, which beneficial interests will be owned by the Holder transferring such Certificated Securities (provided that in the case of such an exchange, Restricted Certificated Securities may be exchanged only for Restricted Global Securities and Unrestricted Certificated Securities may be exchanged only for Unrestricted Global Securities),

the Registrar shall register the transfer or make the exchange as requested by canceling such Certificated Security and causing, or directing the Securities Custodian to cause, the aggregate Principal Amount of the applicable Global Security to be increased accordingly and, if no such Global Security is then outstanding, the Company shall issue and the Trustee shall authenticate and deliver a new Global Security; provided, however, that the Certificated Securities presented or surrendered for registration of transfer or exchange:

(1) shall be duly endorsed or accompanied by a written instrument of transfer in accordance with the fifth paragraph of Section 305 of the Indenture;

(2) in the case of a Restricted Certificated Security to be transferred for a beneficial interest in an Unrestricted Global Security, such request shall be accompanied by the following additional information and documents, as applicable:

(A) if such Restricted Certificated Security is being transferred pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate); or

(B) if such Restricted Certificated Security is being transferred pursuant to (i) an exemption from the registration requirements of the Securities Act in accordance with Rule 144 or (ii) pursuant to an exemption from the registration requirements of the Securities Act (other than pursuant to Rule 144A or Rule 144) and as a result of which, in the case of a Security transferred pursuant to this clause (ii), such Security shall cease to be a "restricted security" within the meaning of Rule 144, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate), and, if the Company or the Registrar so requests, a customary opinion of counsel, certificates and other information reasonably acceptable to the Company and the Trustee to the effect that such transfer is in compliance with the Securities Act;

(3) in the case of a Restricted Certificated Security to be transferred or exchanged for a beneficial interest in a Restricted Global Security, such request shall be accompanied by a certification from such Holder (in substantially the form set forth in the Transfer Certificate) to the effect that such Restricted Certificated Security is being transferred to a person the Holder reasonably believes is a QIB (which, in the case of an exchange, shall be such Holder) in accordance with Rule 144A; and

(4) in the case of an Unrestricted Certificated Security to be transferred or exchanged for a beneficial interest in an Unrestricted Global Security, such request need not be accompanied by any additional information or documents.

(e) Legends.

(1) Except as permitted by the following paragraphs (2) and (3), each Global Security and Certificated Security (and all Securities issued in exchange therefor or upon registration of transfer or replacement thereof and any Common Stock issuable upon conversion thereof) shall bear a legend in substantially the form called for by footnote 2 to Annex A hereto (each a "Transfer Restricted Security" for so long as such Security or Common Stock issuable upon conversion thereof is required by this Indenture to bear such legend). Each Transfer Restricted Security shall have attached thereto a certificate (a "Transfer Certificate") in substantially the form called for by footnote 5 to Annex A hereto.

(2) Upon any sale or transfer of a Transfer Restricted Security (x) pursuant to Rule 144, (y) pursuant to an effective registration statement under the

Securities Act or (z) pursuant to any other available exemption (other than Rule 144A) from the registration requirements of the Securities Act and as a result of which, in the case of a Security transferred pursuant to this clause (z), such Security shall cease to be a "restricted security" within the meaning of Rule 144:

(A) in the case of any Restricted Certificated Security, any Registrar shall permit the Holder thereof to exchange such Restricted Certificated Security for an Unrestricted Certificated Security, or (under the circumstances described in Section 102(d) hereof) to transfer such Restricted Certificated Security to a transferee who shall take such Security in the form of a beneficial interest in an Unrestricted Global Security, and in each case shall rescind any restriction on the transfer of such Security; provided, however, that the Holder of such Restricted Certificated Security shall, in connection with such exchange or transfer, comply with the other applicable provisions of this Section 102; and

(B) in the case of any beneficial interest in a Restricted Global Security, the Trustee shall permit the beneficial owner thereof to transfer such beneficial interest to a transferee who shall take such interest in the form of a beneficial interest in an Unrestricted Global Security and shall rescind any restriction on transfer of such beneficial interest; provided, however, that such Unrestricted Global Security shall continue to be subject to the provisions of Section 102(a)(2) hereof; and provided further, however, that the owner of such beneficial interest shall, in connection with such transfer, comply with the other applicable provisions of this Section 102.

(3) Upon the exchange, registration of transfer or replacement of Securities not bearing the legend described in paragraph (1) above, the Company shall execute, the Trustee shall authenticate and deliver Securities that do not bear such legend and which do not have a Transfer Certificate attached thereto.

(f) Transfers to the Company. Nothing in this Indenture or in the Securities shall prohibit the sale or other transfer of any Securities (including beneficial interests in Global Securities) to the Company or any of its Subsidiaries, which Securities shall thereupon be canceled in accordance Section 309 of the Indenture.

SECTION 103 Amount.

(a) The Trustee shall authenticate and deliver 2020 Debentures for original issue in an aggregate Principal Amount of up to \$805,000,000 upon Company Order for the authentication and delivery of 2020 Debentures, without any further action by the Company. The aggregate Principal Amount of 2020 Debentures that may be authenticated and delivered under the Indenture may not exceed the amount set forth in the foregoing sentence, except for 2020 Debentures

authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other 2020 Debentures pursuant to Section 204, 304, 305, 306, 906 or 1107 of the Indenture.

(b) The Company may not issue new 2020 Debentures to replace 2020 Debentures that it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article Fourteen.

SECTION 104 Accrual of Original Issue Discount; Interest.

The 2020 Debentures shall be Original Issue Discount Securities. Original Issue Discount shall accrue with respect to the 2020 Debentures at the rate set forth under the caption "Interest" in the 2020 Debentures, commencing on the Issue Date of the 2020 Debentures. Except as provided under the caption "Tax Event" in the 2020 Debentures and in Article Sixteen hereof, there shall be no periodic payments of interest on the 2020 Debentures.

SECTION 105 Additional Interest.

Additional Interest with respect to the 2020 Debentures shall be payable in accordance with the provisions and in the amounts set forth in the Registration Rights Agreement.

SECTION 106 Denominations.

The 2020 Debentures shall be in fully registered form without coupons in denominations of \$1,000 of Principal Amount or any integral multiple thereof.

SECTION 107 Place of Payment.

The Place of Payment for the 2020 Debentures and the place or places where the 2020 Debentures may be surrendered for registration of transfer, exchange, repurchase, redemption or conversion and where notices may be given to the Company in respect of the 2020 Debentures is at the office of the Trustee in New York, New York and at the agency of the Trustee maintained for that purpose at the office of the Trustee; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register (as defined in the Indenture).

SECTION 108 Redemption.

(a) There shall be no sinking fund for the retirement of the 2020 Debentures.

(b) The Company, at its option, may redeem the 2020 Debentures in accordance with the provisions of and at the Redemption Prices set forth under the captions "Optional Redemption" and "Notice of Redemption" in the 2020 Debentures and in accordance with the provisions of the Indenture, including, without limitation, Article Eleven.

SECTION 109 Conversion.

The 2020 Debentures shall be convertible in accordance with the provisions and at the Conversion Rate set forth under the caption "Conversion" in the 2020 Debentures and in accordance with the provisions of the Indenture, including, without limitation, Article Fourteen.

SECTION 110 Maturity.

The date on which the principal of the 2020 Debentures matures and is payable, unless accelerated or required to be repurchased pursuant to the Indenture, shall be June 6, 2020.

SECTION 111 Repurchase.

(a) The 2020 Debentures shall be repurchased by the Company in accordance with the provisions and at the Repurchase Prices set forth under the caption "Repurchase by the Company at the Option of the Holder" in the 2020 Debentures and in accordance with the provisions of the Indenture, including, without limitation, Article Fifteen.

(b) The 2020 Debentures shall be repurchased by the Company in accordance with the provisions of and at the Change in Control Purchase Prices set forth under the caption "Purchase of Securities at Option of Holder Upon a Change in Control" in the 2020 Debentures and in accordance with the provisions of the Indenture, including, without limitation, Article Sixteen.

SECTION 112 Amount Due Upon Event of Default.

If an Event of Default described in paragraph (1), (2), (3) or (4) (if the Event of Default under paragraph (3) 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 2020 Debentures shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate Principal Amount of the 2020 Debentures then Outstanding hereunder (acting as a separate class), by notice in writing to the Company (and to the Trustee if given by Holders), may declare the Issue Price plus accrued Original Issue Discount of all the 2020 Debentures then Outstanding (or, if the 2020 Debentures have been converted to interest bearing 2020 Debentures pursuant to Section 1701, the Restated Principal Amount and all accrued interest thereon from the date of such conversion) 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 (3) (if the Event of Default under paragraph (3) 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 (or, in the case of the 2020 Debentures, such specified portion of the Principal Amount 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, in the case of the 2020 Debentures, such specified portion of the Principal Amount) 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, in the case of the 2020 Debentures, such specified portion of the Principal Amount) 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.

SECTION 113 Discharge of Liability on 2020 Debentures.

The 2020 Debentures may be discharged by the Company in accordance with the provisions of Article Four of the Indenture, as amended by Section 205 hereof.

SECTION 114 Other Terms of 2020 Debentures.

Without limiting the foregoing provisions of this Article One, the terms of the 2020 Debentures shall be as set forth in the form of the 2020 Debentures set forth in Annex A hereto and as provided in the Indenture.

ARTICLE TWO

AMENDMENTS TO THE INDENTURE

SECTION 201 Amendments Applicable Only to 2020 Debentures.

The amendments contained herein shall apply to the 2020 Debentures only and not to any other series of Security issued under the Indenture and any covenants provided herein are expressly being included solely for the benefit of the 2020 Debentures and not for the benefit of any other series of Security issued under the Indenture. These amendments shall be effective for so long as there remain any 2020 Debentures Outstanding.

SECTION 202 Definitions.

Section 101 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by inserting or restating, as the case may be, in their appropriate alphabetical position, the following definitions:

"Additional Interest" shall have the meaning set forth in the Registration Rights Agreement.

"Agent Members" has the meaning specified in Section 101.

"Applicable Procedures" means, with respect to any transfer or exchange of beneficial ownership interests in a Global Security, the rules and procedures of the Depositary that are applicable to such transfer or exchange.

"Beneficial Owner" has the meaning specified in Section 1601(a).

"Capital Stock" or "capital stock" of any Person means any and all shares, interests, partnership interests, participations, rights or other equivalents (however designated) of equity interests (however designated) issued by that Person.

"Certificated Security" means a Security that is in substantially the form attached hereto as Annex A and that does not include the information or the schedule called for by footnotes 1, 3 and 4 thereof.

"Change in Control" has the meaning specified in Section 1601.

"Change in Control Purchase Date" has the meaning specified in Section 1601.

"Change in Control Purchase Notice" has the meaning specified in Section 1601.

"Change in Control Purchase Price" has the meaning specified in Section 1601.

"Common Stock" means any stock of any class of the Company (including, without limitation, the Company's common stock, par value \$0.01 per share) which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company.

"Company Notice Date" has the meaning specified in Section 1503.

"Consolidated Net Tangible Assets" means the total amount of assets (less applicable reserves and other properly deductible items) after deducting (1) all current liabilities (excluding the amount of those which are by their terms extendable or renewable at the option of the obligor to a date more than 12 months after the date as of which the amount is being determined) and (2) all goodwill, tradenames, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent balance sheet of the Company and its consolidated subsidiaries and determined in accordance with generally accepted accounting principles.

"Consolidated Net Worth" means, at any time, the Net Worth of the Company and its Subsidiaries on a consolidated basis determined in accordance with GAAP.

"Conversion Agent" shall be the agent specified in Section 101.

"Conversion Date" has the meaning specified in Section 1402.

"Conversion Rate" has the meaning specified in Section 1401.

"Depository" has the meaning specified in Section 101.

"Determination Date" has the meaning specified in Section 1406(d)(1).

"DTC" has the meaning specified in Section 101.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute.

"Expiration Date" has the meaning specified in Section 1406(d)(2).

"Expiration Time" has the meaning specified in Section 1406(d)(2).

"Funded Debt" means indebtedness of the Company or a Subsidiary owning Restricted Property maturing by its terms more than one year after its creation and indebtedness classified as long-term debt under generally accepted accounting principles, and in each case ranking at least pari passu with the Securities.

"GAAP" means generally accepted accounting principles as in effect on the date of determination in the United States.

"Global Security" means a permanent Global Security that is in substantially the form attached hereto as Annex A and that includes the information and schedule called for by footnotes 1, 3 and 4 thereof and which is deposited with the Depository or the Securities Custodian and registered in the name of the Depository or its nominee.

"Group" has the meaning specified in Section 1601(a).

"Indenture" has the meaning specified in the recitals.

"Issue Date" of any 2020 Debenture means the date on which the 2020 Debenture was originally issued or deemed issued as set forth on the face of the 2020 Debenture.

"Issue Price" of any 2020 Debenture means, in connection with the original issuance of such 2020 Debenture, the initial issue price at which the 2020 Debenture is sold as set forth on the face of the 2020 Debenture.

"Lien" means any mortgage, pledge, lien, encumbrance, charge or security interest.

"Market Price" has the meaning specified in Section 1504.

"Net Worth" means, at any time with respect to the Company or a Subsidiary thereof, the net worth of the Company or such Subsidiary, as the case may be, determined in accordance with GAAP.

"NYSE" has the meaning specified in Section 1406(e).

"Option Exercise Date" has the meaning specified in Section 1701.

"Original Issue Discount" of any 2020 Debenture means the difference between the Issue Price and the Principal Amount of the 2020 Debenture as set forth on the face of the 2020 Debenture.

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

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

(2) Securities for whose payment, repurchase or redemption money or Common Stock in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) 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;

(3) Securities which have been cancelled pursuant to Section 309 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company; and

(4) 2020 Debentures converted for Common Stock pursuant to Article Fourteen;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, 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, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned 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 so to act 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 of such other obligor.

"Permitted Holders" has the meaning specified in Section 1601.

"Principal Amount" of a 2020 Debenture means the principal amount due at the Stated Maturity of the 2020 Debentures as set forth on the face of the 2020 Debenture.

"Purchased Shares" has the meaning specified in Section 1406(d)(2).

"QIB" has the meaning specified in Section 101.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of June 6, 2000, between the Company and Credit Suisse First Boston Corporation.

"Regulation S" means Regulation S under the Securities Act or any successor to such Rule.

"Repurchase Date" has the meaning specified in Section 1501.

"Repurchase Notice" has the meaning specified in Section 1501.

"Repurchase Price" has the meaning specified in Section 1501.

"Restated Principal Amount" has the meaning specified in Section 1701.

"Restricted Certificated Security" means a Certificated Security which is a Transfer Restricted Security.

"Restricted Global Security" means a Global Security that is a Transfer Restricted Security.

"Restricted Property" means (1) any drilling rig or drillship which is leased by the Company or any Subsidiary as a lessee, or greater than a 50% interest in which is owned by the Company or any Subsidiary, and which is used for drilling offshore oil and gas wells, which, in the opinion of the Board of Directors, is of material importance to the business of the Company and its Subsidiaries taken as a whole, but no such drilling rig or drillship, or portion thereof, shall be deemed of material importance if its net book value is less than 2% of Consolidated Net Tangible Assets, or (2) any shares of capital stock or indebtedness of any Subsidiary owning any such drilling rig or drillship.

"Rule 144" means Rule 144 under the Securities Act or any successor to such Rule.

"Rule 144A" means Rule 144A under the Securities Act or any successor to such Rule.

"Sale and Leaseback Transaction" means any arrangement with any Person pursuant to which the Company or any Subsidiary leases any Restricted Property that has been or is to be sold or transferred by the Company or the Subsidiary to such Person, other than (1) leases for a term, including renewals at the option of the lessee, of not more than five years, (2) leases between the Company and a Subsidiary or between Subsidiaries, (3) leases of a Restricted Property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation of the Restricted Property, and (4) arrangements pursuant to any provision of law with an effect similar to the former Section 168(f)(8) of the Internal Revenue Code of 1954.

"Sale Price" has the meaning specified in Section 1504.

"Securities" means any securities authenticated and delivered under the Indenture, as the same may be amended or supplemented, including 2020 Debentures.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute.

"Securities Custodian" means the Trustee, as custodian with respect to the Securities in global form, or any successor thereto.

"Significant Subsidiary" means any Subsidiary, the Net Worth of which represents more than 10% of the Consolidated Net Worth of the Company and its Subsidiaries.

"Tax Event" means that the Company shall have received an opinion from independent tax counsel experienced in such matters to the effect that, on or after June 6, 2000, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority, in each case, which amendment or change is enacted, promulgated, issued or announced or which interpretation is issued or announced or which action is taken, on or after June 6, 2000, there is more than an insubstantial risk that interest (including Original Issue Discount) payable on the 2020 Debentures either (i) would not be deductible on a current accrual basis or (ii) would not be deductible under any other method, in either case, in whole or in part, by the Company (by reason of deferral, disallowance or otherwise) for United States Federal income tax purposes.

"Tax Event Date" has the meaning specified in Section 1701.

"Tender Offer" has the meaning specified in Section 1406(d)(3).

"Trading Day" means a day during which trading in securities generally occurs on the New York Stock Exchange or, if the Common Stock is not listed on the New York Stock Exchange, on the principal other national or regional securities exchange on which the Common Stock is then

listed or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the other principal market on which the Common Stock are then traded.

"Transfer Certificate" has the meaning specified in Section 102(e)(1).

"Transfer Restricted Securities" has the meaning specified in Section 102(e)(1).

"Trigger Event" has the meaning specified in Section 1406(c).

"Triggering Distribution" has the meaning specified in Section 1406(d)(1).

"2020 Debentures" has the meaning specified in the recitals.

"Unrestricted Certificated Security" means a Certificated Security which is not a Transfer Restricted Security.

"Unrestricted Global Security" means a Global Security which is not a Transfer Restricted Security.

"Value" means, with respect to a Sale and Leaseback Transaction, an amount equal to the present value of the lease payments with respect to the term of the lease remaining on the date as of which the amount is being determined, without regard to any renewal or extension options contained in the lease (including the effective interest rate on any original issue discount Securities), which are outstanding on the effective date of such Sale and Leaseback Transaction and which have the benefit of Section 1010.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof under ordinary circumstances have the power to vote in the election of the board of directors, managers or trustees of any Person (or other Persons performing similar functions), irrespective of whether or not, at the time, Capital Stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency.

SECTION 203 Registration, Registration of Transfer and Exchange.

The Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by replacing the seventh paragraph of Section 305 with the following paragraph:

The Company shall not be required (i) to issue, register the transfer of or exchange the Securities 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 that series selected for redemption and ending at the close of

business on the day of such mailing, (ii) to register the transfer of or exchange any 2020 Debenture so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to exchange or register a transfer of any 2020 Debenture or portions thereof in respect of which a Change in Control Purchase Notice or Repurchase Notice has been delivered and not withdrawn by the Holder thereof (except, in the case of the purchase of a 2020 Debenture in part, the portion not to be purchased).

SECTION 204 Mutilated, Destroyed, Lost and Stolen Securities.

The Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by replacing the second paragraph of Section 306 with the following paragraph:

In case any such mutilated, destroyed, lost or stolen Security has or is about to become due and payable, or is about to be redeemed or purchased by the Company upon a Change in Control pursuant to Article Eleven or purchased by the Company on a Repurchase Date pursuant to Article Fifteen, the Company in its discretion may, instead of issuing a new Security, pay such Security.

SECTION 205 Payment of Interest; Interest Rights Preserved.

The Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by inserting the following paragraph before the final paragraph in Section 307:

In the event the Company exercises its option pursuant to Section 1701, then in the case of any 2020 Debenture or portion thereof which is surrendered for conversion after the Regular Record Date immediately preceding any Interest Payment Date and on or prior to such next succeeding Interest Payment Date (unless such 2020 Debenture or portion thereof which is being surrendered for conversion has been called for redemption on a Redemption Date within such period), interest whose Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that 2020 Debenture (or one or more Predecessor Securities) is registered at the close of business on such Regular Record Date; provided, however, that such payment of interest shall be subject to the payment to the Company by the Holder of such 2020 Debenture or portion thereof surrendered for conversion (such payment to accompany such surrender) of an amount equal to the amount of such interest, in accordance with Section 1402. Except as otherwise provided in the immediately preceding sentence, in the case of any 2020 Debenture which is converted, interest whose Stated Maturity is after the date of conversion of such 2020 Debenture shall not be payable.

SECTION 206 Amendment of Article Four of the Indenture.

Article Four of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by deleting Sections 401, 402 and 403 and replacing those sections with the following:

SECTION 401 Discharge of Liability on Securities.

When (i) the Company delivers to the Trustee or any Paying Agent all outstanding 2020 Debentures (other than 2020 Debentures replaced pursuant to Section 306) for cancellation or (ii) all outstanding 2020 Debentures have become due and payable and the Company deposits with the Trustee or any Paying Agent cash or, if expressly permitted by the terms of the 2020 Debentures, Common Stock sufficient to pay all amounts due and owing on all outstanding 2020 Debentures (other than 2020 Debentures replaced pursuant to Section 306), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Section 607, cease to be of further effect, except for the indemnification of the Trustee, which shall survive. The Trustee shall join in the execution of a document prepared by the Company acknowledging satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and Opinion of Counsel and at the cost and expense of the Company.

SECTION 402 Repayment to the Company.

The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the 2020 Debentures that remains unclaimed for two years, subject to applicable unclaimed property law. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person and the Trustee and the Paying Agent shall have no further liability to the Holders of 2020 Debentures with respect to such money or securities for that period commencing after the return thereof.

SECTION 207 Amendment to Section 501 of the Indenture.

Section 501 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by deleting subsections (1), (2), (3), (4), (5) and (6) thereof, and inserting the following as new subsections (1), (2), (3), (4), (5) and (6) thereof:

(1) default in the payment of any interest upon any 2020 Debenture when it becomes due and payable, after conversion of the 2020 Debentures to

interest bearing 2020 Debentures pursuant to Section 1701, or in the payment of any Additional Interest pursuant to the Registration Rights Agreement, and continuance of such default for a period of 30 days; or

(2) default in the payment of the Principal Amount at Maturity (or, if the 2020 Debentures have been converted to interest-bearing 2020 Debentures pursuant to Section 1701, the Restated Principal Amount), the Redemption Price, the Repurchase Price or the Change in Control Purchase Price of any 2020 Debenture at its Maturity, upon redemption, upon declaration of acceleration, when due for repurchase by the Company or otherwise; or

(3) default by the Company in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section 501 specifically dealt with), 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 2020 Debentures 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

(4) a default under any bonds, debentures, notes or other evidences of indebtedness for money borrowed by the Company or a Subsidiary or under any mortgages, indentures or instruments under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company or a Subsidiary, whether such indebtedness now exists or shall hereafter be created, which indebtedness, individually or in the aggregate, is in excess of \$25.0 million principal amount (excluding any such indebtedness of any Subsidiary other than a Significant Subsidiary, all the indebtedness of which Subsidiary is nonrecourse to the Company or any other Subsidiary), which default shall constitute a failure to pay any portion of the principal of such indebtedness when due and payable after the expiration of any applicable grace or cure period with respect thereto or shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 10 days after there shall have 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 2020 Debentures a written notice specifying such default and requiring the Company to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or a Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or a Significant Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or a Significant Subsidiary under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or a Significant Subsidiary or of any substantial part of their respective properties, or ordering the winding up or liquidation of the affairs of the Company or a Significant Subsidiary, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(6) the commencement by the Company or a Significant Subsidiary of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by either the Company or a Significant Subsidiary to the entry of a decree or order for relief in respect of the Company or a Significant Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against either the Company or a Significant Subsidiary, or the filing by either the Company or a Significant Subsidiary of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by either the Company or a Significant Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or a Significant Subsidiary or of any substantial part of their respective properties, or the making by either the Company or a Significant Subsidiary of an assignment for the benefit of creditors, or the admission by either the Company or a Significant Subsidiary in writing of an inability to pay the debts of either the Company or a Significant Subsidiary generally as they become due, or the taking of corporate action by the Company or a Significant Subsidiary in furtherance of any such action.

SECTION 208 Unconditional Right of Holders to Receive Principal, Premium and Interest.

Section 508 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by replacing that section with the following:

SECTION 508 Unconditional Right of Holders to Receive Principal,
Premium and Interest.

Notwithstanding any other provision 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 Stated Maturity or Maturities expressed in such Security (or in the case of redemption, to receive the Redemption Price on the Redemption Date, in the case of a repurchase, to receive the Repurchase Price on the Repurchase Date, or in the case of a Change in Control, to receive the Change in Control Purchase Price on the Change in Control Purchase Date) and to institute suit for the enforcement of any such payment on or after such respective dates, and such rights shall not be impaired without the consent of such Holder.

SECTION 209 Reports by Company.

Section 704 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by adding the following paragraph thereto:

(4) If at any time while any of the Securities are "restricted securities" within the meaning of Rule 144, the Company is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will prepare and will furnish to any Holder, any beneficial owner of Securities and any prospective purchaser of Securities designated by a Holder or a beneficial owner of Securities, promptly upon request, the information required pursuant to Rule 144A(d)(4) (or any successor thereto) under the Securities Act in connection with the offer, sale or transfer of Securities.

SECTION 210 Consolidation, Merger and Sale.

Section 801 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by inserting "and shall have provided for conversion rights in accordance with Section 1411" at the end of Section 801(1).

SECTION 211 Supplemental Indentures Without Consent of Holders.

Section 901 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by inserting the following paragraph:

(9) to make provision with respect to the conversion rights, if any, to Holders of 2020 Debentures pursuant to the requirements of Article Fourteen hereof.

SECTION 212 Supplemental Indenture with Consent of Holder.

Section 902 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by inserting ", or (4) adversely affect the right to convert any 2020 Debenture as provided in Article Fourteen, or adversely affect the right to require the Company to repurchase the 2020 Debentures as provided in Article Fifteen." at the end of Section 902(3).

SECTION 213 Amendment to Article Ten of the Indenture.

Article Ten of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by adding the following sections thereto:

SECTION 1006 Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order, normal wear and tear excepted, and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section 1006 shall prevent the Company from discontinuing the operation or maintenance of any of such properties, or disposing of any of them, if such discontinuance or disposition is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary.

SECTION 1007 Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a material Lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1008 Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant or condition set forth in Sections 1005 to 1010, inclusive, if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding 2020 Debentures shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

SECTION 1009 Limitation on Liens.

The Company shall not create, assume or suffer to exist any Lien on any Restricted Property to secure any debt of the Company, any Subsidiary or any other Person, or permit any Subsidiary so to do, without making effective provision whereby the 2020 Debentures then outstanding and having the benefit of this Section shall be secured by a Lien equally and ratably with such debt for so long as such debt shall be so secured, except that the foregoing shall not prevent the Company or any Subsidiary from creating, assuming or suffering to exist Liens of the following character:

(1) any Lien existing on the Issue Date of the 2020 Debentures;

(2) any Lien existing on Restricted Property owned or leased by a corporation at the time it becomes a Subsidiary;

(3) any Lien existing on Restricted Property at the time of the acquisition thereof by the Company or a Subsidiary;

(4) any Lien to secure any debt incurred prior to, at the time of, or within 12 months after the acquisition of Restricted Property for the purpose of financing all or any part of the purchase price thereof and any Lien to the extent that it secures debt which is in excess of such purchase price and for the payment of which recourse may be had only against such Restricted Property;

(5) any Lien to secure any debt incurred prior to, at the time of, or within 12 months after the completion of the construction and commencement of commercial operation, alteration, repair or improvement of Restricted Property for the purpose of financing all or any part of the cost thereof and any Lien to the extent that it secures debt which is in excess of such cost and for the payment of which recourse may be had only against such Restricted Property;

(6) any Lien securing debt of a Subsidiary owing to the Company or to another Subsidiary;

(7) any Lien in favor of the United States of America or any State thereof or any other country, or any agency, instrumentality of political subdivision of any of the foregoing, to secure partial, progress, advance or other payments or performance pursuant to the provisions of any contract or statute, or any Liens securing industrial development, pollution control, or similar revenue bonds;

(8) Liens imposed by law, such as mechanics', workmen's, repairmen's, materialmen's, carriers', warehousemen's, vendors' or other similar Liens arising in the ordinary course of business, or governmental (federal, state or municipal) Liens arising out of contracts for the sale of products or services by the Company or any Subsidiary, or deposits or pledges to obtain the release of any of the foregoing;

(9) pledges or deposits under workmen's compensation laws or similar legislation and Liens of judgments thereunder which are not currently dischargeable, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of money) or leases to which the Company or any Subsidiary is a party, or deposits to secure public or statutory obligations of the Company or any Subsidiary, or deposits in connection with obtaining or maintaining self-insurance or to obtain the benefits of any law, regulation or arrangement pertaining to unemployment insurance, old age pensions, social security or similar matters, or deposits of cash or obligations of the United States of America to secure surety, appeal or customs bonds to which the Company or any Subsidiary is a party, or deposits in litigation or other proceedings such as, but not limited to, interpleader proceedings;

(10) Liens created by or resulting from any litigation or other proceeding which is being contested in good faith by appropriate proceedings, including Liens arising out of judgments or awards against the Company or any Subsidiary with respect to which the Company or such Subsidiary is in good faith prosecuting an appeal or proceedings for review; or Liens incurred by the Company or any Subsidiary for the purpose of obtaining a stay or discharge in the course of any litigation or other proceeding to which the Company or such Subsidiary is a party;

(11) Liens for taxes or assessments or governmental charges or levies not yet due or delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings;

(12) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in

clauses (1) through (11) above, so long as the principal amount of the debt secured thereby does not exceed the principal amount of debt so secured at the time of the extension, renewal or replacement (except that, where an additional principal amount of debt is incurred to provide funds for the completion of a specific project, the additional principal amount, and any related financing costs, may be secured by the Lien as well) and the Lien is limited to the same property subject to the Lien so extended, renewed or replaced (plus improvements on the property); and

(13) any Lien not permitted by clauses (1) through (12) above securing debt that, together with the aggregate outstanding principal amount of all other debt of the Company and its Subsidiaries secured by Liens which would otherwise be prohibited by the foregoing restrictions and the aggregate Value of existing Sale and Leaseback Transactions which would be subject to the restrictions of Section 1010 but for this clause (13), does not at any time exceed 10% of Consolidated Net Tangible Assets.

SECTION 1010 Limitation on Sale And Leasebacks.

The Company shall not enter into any Sale and Leaseback Transaction covering any Restricted Property, nor permit any Subsidiary so to do, unless either:

(1) the Company or such Subsidiary would be entitled to incur debt, in a principal amount at least equal to the Value of such Sale and Leaseback Transaction, which is secured by Liens on the property to be leased (without equally and ratably securing the Outstanding 2020 Debentures) because such Liens would be of such character that no violation of the provisions of Section 1009 would result, or

(2) the Company during the six months immediately following the effective date of such Sale and Leaseback Transaction causes to be applied to (A) the acquisition of Restricted Property or (B) the voluntary retirement of Funded Debt (whether by redemption, defeasance, repurchase, or otherwise) an amount equal to the Value of such Sale and Leaseback Transaction.

SECTION 214 Maintenance of Office or Agency.

The first paragraph of Section 1002 of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by changing the first sentence thereof to read in its entirety as follows:

The Company will maintain in each Place of Payment for the 2020 Debentures an office or agency where the 2020 Debentures may be presented or

surrendered for payment, where the 2020 Debentures may be surrendered for registration of transfer or exchange, where the 2020 Debentures may be surrendered for conversion and where notices and demands to or upon the Company in respect of the 2020 Debentures and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required 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 Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

SECTION 215 Redemption.

Article Eleven of the Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by inserting the following section in its entirety:

SECTION 1109 Conversion Arrangement on Call for Redemption.

In connection with 2020 Debentures, the Company may arrange for the purchase and conversion of any 2020 Debentures called for redemption by an agreement with one or more investment bankers or other purchasers to purchase such 2020 Debentures by paying to a Paying Agent (other than the Company or any of its Affiliates) in trust for the Holders, on or before 11:00 A.M. New York City time on the Redemption Date, an amount that, together with any amounts deposited with such Paying Agent by the Company for the redemption of such 2020 Debentures, is not less than the Redemption Price of such 2020 Debentures. Notwithstanding anything to the contrary contained in this Article Eleven, the obligation of the Company to pay the Redemption Price of such 2020 Debentures, including interest, if any, shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers; provided, however, that nothing in this Section 1109 shall relieve the Company of its obligation to pay the Redemption Price on 2020 Debentures called for redemption. If such an agreement is entered into, any 2020 Debentures called for redemption and not surrendered for conversion by the Holders thereof prior to the relevant Redemption Date may, at the option of the Company upon written notice to the Trustee, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such Holders and (notwithstanding anything to the contrary contained in Article Fourteen) surrendered by such purchasers for conversion, all as of 11:00 A.M. New York City time on the Redemption Date, subject to payment of the above amount as aforesaid. The Paying Agent shall hold and pay to the Holders whose 2020 Debentures are selected for redemption any such amount paid to it for purchase in the same manner as it would money deposited

with it by the Company for the redemption of 2020 Debentures. Without the Paying Agent's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any 2020 Debentures shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Paying Agent as set forth in this Indenture, and the Company agrees to indemnify the Paying Agent from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any 2020 Debentures between the Company and such purchasers, including the costs and expenses incurred by the Paying Agent in the defense of any claim or liability reasonably incurred without negligence or bad faith on its part arising out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture, in accordance with the indemnity provisions applicable to the Trustee set forth herein.

SECTION 216 Conversion, Tax Event, Repurchase.

The Indenture is hereby amended, subject to Section 201 hereof and with respect to the 2020 Debentures only, by adding the following Articles Fourteen, Fifteen, Sixteen and Seventeen to the Indenture:

ARTICLE FOURTEEN

CONVERSION

SECTION 1401 Conversion Privilege.

2020 Debentures shall be convertible in accordance with their terms and in accordance with this Article.

A Holder of a 2020 Debenture may convert the Principal Amount of such 2020 Debenture (or any portion thereof equal to a Principal Amount of \$1,000 or any integral multiple of a Principal Amount of \$1,000 in excess thereof) into Common Stock at any time prior to the close of business on the date specified in the 2020 Debentures, at the Conversion Rate then in effect. In case a 2020 Debenture or portion thereof is called for redemption pursuant to Article Eleven, such conversion right shall terminate at the close of business on the Business Day immediately preceding the Redemption Date for such 2020 Debenture or such earlier date as the Holder presents such 2020 Debenture for redemption (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such 2020 Debenture is redeemed). The number of shares of Common Stock issuable upon conversion of a 2020 Debenture per \$1,000 of

Principal Amount thereof (the "Conversion Rate") shall be that set forth under "Conversion" in the 2020 Debentures, subject to adjustment as herein set forth. Provisions of this Indenture that apply to conversion of all of a 2020 Debenture also apply to conversion of a portion of a 2020 Debenture.

A 2020 Debenture in respect of which a Holder has delivered a Repurchase Notice or Change in Control Purchase Notice exercising the option of such Holder to require the Company to purchase such 2020 Debenture, may be converted only if such notice of exercise is withdrawn in accordance with the terms of this Indenture. A Holder of 2020 Debentures is not entitled to any rights of a holder of Common Stock until such Holder has converted its 2020 Debentures to Common Stock, and only to the extent such 2020 Debentures are deemed to have been converted into Common Stock pursuant to this Article Fourteen.

SECTION 1402 Conversion Procedure.

To convert a 2020 Debenture, a Holder must (a) complete and manually sign the conversion notice on the back of the 2020 Debenture and deliver such notice to a Conversion Agent, (b) surrender the 2020 Debenture to a Conversion Agent, (c) furnish appropriate endorsements and transfer documents if required by the Security Registrar or a Conversion Agent, and (d) pay any transfer or similar tax, if required. The date on which the Holder satisfies all of those requirements is the "Conversion Date." As soon as practicable after the Conversion Date, the Company shall deliver to the Holder through a Conversion Agent a certificate for the number of whole shares of Common Stock issuable upon the conversion and cash in lieu of any fractional shares pursuant to Section 1403. Anything herein to the contrary notwithstanding, in the case of Global Securities, conversion notices may be delivered and such 2020 Debentures may be surrendered for conversion in accordance with the applicable procedures of the Depositary as in effect from time to time. The Person in whose name the Common Stock certificate is registered shall be deemed to be a shareholder of record on the Conversion Date; provided, however, that no surrender of a 2020 Debenture on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the Person or Persons entitled to receive the shares of Common Stock upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the Person or Persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; provided further, however, that such conversion shall be at the Conversion Rate in effect on the date that such 2020 Debenture shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed.

Upon conversion of a 2020 Debenture, such Person shall no longer be a Holder of such 2020 Debenture.

No payment or adjustment will be made for dividends on, or other distributions with respect to, any Common Stock except as provided in this Article Fourteen. On conversion of a 2020 Debenture, that portion of accrued Original Issue Discount (and interest, if the Company has exercised its option provided for in Section 1601) attributable to the period from the Issue Date (or, in the case of interest, if the Company has exercised the option provided for in Section 1601, the later of (x) the date of such exercise and (y) the date on which interest was last paid) of the 2020 Debenture through the Conversion Date with respect to the converted 2020 Debenture shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the Common Stock (together with the cash payment, if any, in lieu of fractional shares) in exchange for the 2020 Debenture being converted pursuant to the provisions hereof; and the fair market value of such shares of Common Stock (together with any such cash payment in lieu of fractional shares) shall be treated as issued, to the extent thereof, first in exchange for Original Issue Discount (and interest, if the Company has exercised its option provided for in Section 1601) accrued through the Conversion Date, and the balance, if any, of such fair market value of such Common Stock (and any such cash payment) shall be treated as issued in exchange for the Issue Price of the 2020 Debenture being converted pursuant to the provisions hereof.

If a Holder converts more than one 2020 Debenture at the same time, the number of shares of Common Stock issuable upon the conversion shall be based on the aggregate Principal Amount of 2020 Debentures converted.

Upon surrender of a 2020 Debenture that is converted in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new 2020 Debenture equal in Principal Amount to the Principal Amount of the unconverted portion of the 2020 Debenture surrendered.

Where the Company has exercised its option under Section 1701, 2020 Debentures or portions thereof surrendered for conversion during the period from the close of business on any Regular Record Date immediately preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (unless such 2020 Debentures or portions thereof have been called for redemption on a Redemption Date within such period) be accompanied by payment to the Company or its order, in New York Clearing House funds or other funds acceptable to the Company, of an amount equal to the interest payable on such Interest Payment Date on the principal amount of 2020 Debentures or portions thereof being surrendered for conversion.

SECTION 1403 Fractional Shares.

The Company will not issue fractional shares of Common Stock upon conversion of 2020 Debentures. In lieu thereof, the Company will pay an amount in cash based upon the closing price of the Common Stock on the Trading Day immediately prior to the Conversion Date.

SECTION 1404 Taxes on Conversion.

If a Holder converts a 2020 Debenture, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon such conversion. However, the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Conversion Agent may refuse to deliver the certificate representing the Common Stock being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulation.

SECTION 1405 Company to Provide Common Stock.

The Company shall, prior to issuance of any 2020 Debentures under this Article Fourteen, and from time to time as may be necessary, reserve, out of its authorized but unissued Common Stock, a sufficient number of shares of Common Stock to permit the conversion of all 2020 Debentures Outstanding into shares of Common Stock. All shares of Common Stock delivered upon conversion of the 2020 Debentures shall be newly issued shares, shall be duly authorized, validly issued, fully paid and nonassessable and shall be free from preemptive rights and free of any Lien or adverse claim.

The Company will endeavor promptly to comply with all federal and state securities laws regulating the registration of the offer and delivery of shares of Common Stock to a converting Holder upon conversion of 2020 Debentures, if any, and will list or cause to have quoted such shares of Common Stock on each national securities exchange or on the Nasdaq National Market or other over-the-counter market or such other market on which the Common Stock are then listed or quoted.

SECTION 1406 Adjustment of Conversion Rate.

The Conversion Rate shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall (i) pay a dividend on its Common Stock in shares of Common Stock, (ii) make a distribution on its Common Stock in shares of Common Stock, (iii) subdivide its outstanding Common Stock into a greater number of shares, or (iv) combine its outstanding Common Stock into a smaller number of shares, the Conversion Rate in effect immediately prior thereto shall be adjusted so that the Holder of any 2020 Debenture thereafter surrendered for conversion shall be entitled to receive that number of shares of Common Stock which it would have owned had such 2020 Debenture been converted immediately prior to the happening of such event. An adjustment made pursuant to this subsection (a) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of subdivision or combination.

(b) In case the Company shall issue rights or warrants to all or substantially all holders of its Common Stock entitling them (for a period commencing no earlier than the record date described below and expiring not more than 60 days after such record date) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a conversion price per share) less than the current market price per share of Common Stock (as determined in accordance with subsection (e) of this Section 1406) on the record date for the determination of shareholders entitled to receive such rights or warrants, the Conversion Rate in effect immediately prior thereto shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to such record date by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered (or into which the convertible securities so offered are convertible), and of which the denominator shall be the number of shares of Common Stock outstanding on such record date plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered, which shall be determined by multiplying the number of shares of Common Stock issuable upon conversion of such convertible securities by the conversion price per share of Common Stock pursuant to the terms of such convertible securities) would purchase at the current market price per share (as determined in accordance with subsection (e) of this Section 1406) of Common Stock on such record date. Such adjustment shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately after such record date. If at the end of the period during which such rights or warrants are exercisable not all rights or warrants shall have been exercised, the adjusted Conversion Rate shall be immediately readjusted to what it would have been based upon the number of additional shares of Common Stock actually issued (or the number of shares of

Common Stock issuable upon conversion of convertible securities actually issued).

(c) In case the Company shall distribute to all or substantially all holders of its Common Stock any shares of capital stock (other than dividends or distributions of Common Stock on Common Stock to which Section 1406(a) applies) of the Company, evidences of indebtedness or other assets (including securities of any Person other than the Company, but excluding all-cash distributions or any rights or warrants referred to in 1406(b)), then in each such case the Conversion Rate shall be adjusted so that the same shall equal the rate determined by multiplying the current Conversion Rate by a fraction of which the numerator shall be the current market price per share (as determined in accordance with subsection (e) of this Section 1406) of the Common Stock on the record date mentioned below, and of which the denominator shall be the current market price per share (as determined in accordance with subsection (e) of this Section 1406) of the Common Stock on such record date less the fair market value on such record date (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of the portion of the capital stock, evidences of indebtedness or other non-cash assets so distributed or of such rights or warrants applicable to one share of Common Stock (determined on the basis of the number of shares of Common Stock outstanding on the record date). Such adjustment shall be made successively whenever any such distribution is made and shall become effective immediately after the record date for the determination of shareholders entitled to receive such distribution.

In the event that the Company implements a shareholder rights plan, such rights plan shall provide, subject to customary exceptions and limitations, that upon conversion of the 2020 Debentures the Holders will receive, in addition to the Common Stock issuable upon such conversion, the rights issued under such rights plan (notwithstanding the occurrence of an event causing such rights to separate from the Common Stock at or prior to the time of conversion). Any distribution of rights or warrants pursuant to a shareholder rights plan complying with the requirements set forth in the immediately preceding sentence of this paragraph shall not constitute a distribution of rights or warrants for the purposes of this Section 1406(c).

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Trigger Event"): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of

Common Stock, shall be deemed not to have been distributed for purposes of this Section 1406(c) (and no adjustment to the Conversion Rate under this Section 1406(c) will be required) until the occurrence of the earliest Trigger Event. If such right or warrant is subject to subsequent events, upon the occurrence of which such right or warrant shall become exercisable to purchase different securities, evidences of indebtedness or other assets or entitle the holder to purchase a different number or amount of the foregoing or to purchase any of the foregoing at a different purchase price, then the occurrence of each such event shall be deemed to be the date of issuance and record date with respect to a new right or warrant (and a termination or expiration of the existing right or warrant without exercise by the holder thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto, that resulted in an adjustment to the Conversion Rate under this Section 1406(c), (1) in the case of any such rights or warrants which shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants all of which shall have expired or been terminated without exercise, the Conversion Rate shall be readjusted as if such rights and warrants had never been issued.

(d) (1) In case the Company shall, by dividend or otherwise, at any time distribute (a "Triggering Distribution") to all or substantially all holders of its Common Stock all-cash distributions in an aggregate amount that, together with the aggregate amount of (A) any cash and the fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence thereof and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of any other consideration payable in respect of any tender offer by the Company or a Subsidiary of the Company for Common Stock consummated within the 12 months preceding the date of payment of the Triggering Distribution and in respect of which no Conversion Rate adjustment pursuant to this Section 1406 has been made and (B) all other cash distributions to all or substantially all holders of its Common Stock made within the 12 months preceding the date of payment of the Triggering Distribution and in respect of which no Conversion Rate adjustment pursuant to this Section 1406 has been made, exceeds an amount equal to 12.5% of the product of the current market price per share of Common Stock (as determined in accordance with subsection (e) of this Section 1406) on the Business Day (the "Determination Date") immediately preceding the day on which such Triggering Distribution is declared by the Company multiplied by the

number of shares of Common Stock outstanding on the Determination Date (excluding shares held in the treasury of the Company), the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying such Conversion Rate in effect immediately prior to the Determination Date by a fraction of which the numerator shall be such current market price per share of Common Stock (as determined in accordance with subsection (e) of this Section 1406) on the Determination Date, and the denominator shall be the current market price per Ordinary Share (as determined in accordance with subsection (e) of this Section 1406) on the Determination Date less the sum of the aggregate amount of cash and the aggregate fair market value (determined as aforesaid) of any such other consideration so distributed, paid or payable within such 12 months (including, without limitation, the Triggering Distribution) applicable to one share of Common Stock (determined on the basis of the number of shares of Common Stock outstanding on the Determination Date), such increase to become effective immediately prior to the opening of business on the day following the date on which the Triggering Distribution is paid.

(2) In case any tender offer made by the Company or any of its Subsidiaries for Common Stock shall expire and such tender offer (as amended upon the expiration thereof) shall involve the payment of aggregate consideration in an amount (determined as the sum of the aggregate amount of cash consideration and the aggregate fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence thereof and which shall be evidenced by an Officers' Certificate delivered to the Trustee thereof) of any other consideration) that, together with the aggregate amount of (A) any cash and the fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence thereof and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of any other consideration payable in respect of any other tender offers by the Company or any Subsidiary of the Company for Common Stock consummated within the 12 months preceding the date of the Expiration Date (as defined below) and in respect of which no Conversion Rate adjustment pursuant to this Section 1406 has been made and (B) all cash distributions to all or substantially all holders of its Common Stock made within the 12 months preceding the Expiration Date and in respect of which no Conversion Rate adjustment pursuant to this Section 1406 has been made, exceeds an amount equal to 12.5% of the product of the current market price per share of Common Stock (as determined in accordance with subsection (e) of this Section 1406) as of the last date (the "Expiration Date") tenders could have been made pursuant to such tender offer (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "Expiration Time") multiplied by the number of shares of Common Stock outstanding (including tendered shares but excluding any shares held in the treasury of the Company) at the Expiration

Time, then, immediately prior to the opening of business on the day after the Expiration Date, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to close of business on the Expiration Date by a fraction of which the numerator shall be the sum of (x) the aggregate consideration (determined as aforesaid) payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer) of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares and excluding any shares held in the treasury of the Company) at the Expiration Time and the current market price per share of Common Stock (as determined in accordance with subsection (e) of this Section 1406) on the Trading Day next succeeding the Expiration Date, and the denominator shall be the product of the number of shares of Common Stock outstanding (including tendered shares but excluding any shares held in the treasury of the Company) at the Expiration Time multiplied by the current market price per share of Common Stock (as determined in accordance with subsection (e) of this Section 1406) on the Trading Day next succeeding the Expiration Date, such increase to become effective immediately prior to the opening of business on the day following the Expiration Date. In the event that the Company is obligated to purchase shares pursuant to any such tender offer, but the Company is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would have been in effect based upon the number of shares actually purchased. If the application of this Section 1406(d)(2) to any tender offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer under this Section 1406(d)(2).

(3) For purposes of this Section 1406(d), the term "tender offer" shall mean and include both tender offers and exchange offers, all references to "purchases" of shares in tender offers (and all similar references) shall mean and include both the purchase of shares in tender offers and the acquisition of shares pursuant to exchange offers, and all references to "tendered shares" (and all similar references) shall mean and include shares tendered in both tender offers and exchange offers.

(e) For the purpose of any computation under subsections (b), (c) and (d) of this Section 1406, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the 30 consecutive Trading Days commencing 45 Trading Days before (i) the Determination Date or the Expiration Date, as the case may be, with respect to

distributions or tender offers under subsection (d) of this Section 1406 or (ii) the record date with respect to distributions, issuances or other events requiring such computation under subsection (b) or (c) of this Section 1406. The closing price for each day shall be the last reported sales price or, in case no such reported sale takes place on such date, the average of the reported closing bid and asked prices in either case on the New York Stock Exchange (the "NYSE") or, if the Common Stock is not listed or admitted to trading on the NYSE, on the principal national securities exchange on which the Common Stock are listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, the last reported sales price of the Common Stock as quoted on NASDAQ (the term "NASDAQ" shall include, without limitation, the Nasdaq National Market) or, in case no reported sales takes place, the average of the closing bid and asked prices as quoted on NASDAQ or any comparable system or, if the Common Stock is not quoted on NASDAQ or any comparable system, the closing sales price or, in case no reported sale takes place, the average of the closing bid and asked prices, as furnished by any two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. If no such prices are available, the current market price per share shall be the fair value of an Ordinary Share as determined by the Board of Directors (which shall be evidenced by an Officers' Certificate delivered to the Trustee).

(f) In any case in which this Section 1406 shall require that an adjustment be made following a record date or a Determination Date or Expiration Date, as the case may be, established for purposes of this Section 1406, the Company may elect to defer (but only until five Business Days following the filing by the Company with the Trustee of the certificate described in Section 1409) issuing to the Holder of any 2020 Debenture converted after such record date or Determination Date or Expiration Date the shares of Common Stock and other capital stock of the Company issuable upon such conversion over and above the shares of Common Stock and other capital stock of the Company issuable upon such conversion only on the basis of the Conversion Rate prior to adjustment; and, in lieu of the shares the issuance of which is so deferred, the Company shall issue or cause its transfer agents to issue due bills or other appropriate evidence prepared by the Company of the right to receive such shares. If any distribution in respect of which an adjustment to the Conversion Rate is required to be made as of the record date or Determination Date or Expiration Date therefor is not thereafter made or paid by the Company for any reason, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect if such record date had not been fixed or such effective date or Determination Date or Expiration Date had not occurred.

SECTION 1407 No Adjustment.

No adjustment in the Conversion Rate shall be required unless the adjustment would require an increase or decrease of at least 1% in the Conversion Rate as last adjusted; provided, however, that any adjustments which by reason of this Section 1407 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article Fourteen shall be made to the nearest cent or to the nearest 1/1000th of a share, as the case may be.

No adjustment need be made for issuances of Common Stock pursuant to a Company plan for reinvestment of dividends or interest or for a change in the par value or a change to no par value of the Common Stock.

To the extent that the 2020 Debentures become convertible into the right to receive cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

SECTION 1408 Adjustment for Tax Purposes.

The Company shall be entitled to make such adjustments in the Conversion Rate, in addition to those required by Section 1406, as it in its discretion shall determine to be advisable in order that any stock dividends, subdivisions of shares, distributions of rights to purchase stock or securities or distributions of securities convertible into or exchangeable for stock hereafter made by the Company to its stockholders shall not be taxable.

SECTION 1409 Notice of Adjustment.

Whenever the Conversion Rate is adjusted, the Company shall promptly mail to Holders a notice of the adjustment and file with the Trustee an Officers' Certificate specifying the adjusted Conversion Rate, and briefly stating the facts requiring the adjustment and the manner of computing it.

SECTION 1410 Notice of Certain Transactions.

In the event that:

(1) the Company takes any action which would require an adjustment in the Conversion Rate,

(2) the Company takes any action that requires a supplemental indenture pursuant to Section 1411, or

(3) there is a dissolution or liquidation of the Company,

the Company shall mail to Holders and file with the Trustee a notice stating the proposed record or effective date, as the case may be. The Company shall mail the notice at least fifteen days before such date. Failure to mail such notice or any defect therein shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this Section 1410.

SECTION 1411 Effect of Reclassification, Consolidation, Merger or Sale on Conversion Privilege.

If any of the following shall occur, namely: (a) any reclassification or change of shares of Common Stock issuable upon conversion of the 2020 Debentures (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination); (b) any consolidation or merger in which the Company is a party consolidating with another entity or merging with or into another entity other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in, Outstanding shares of Common Stock; or (c) any sale or conveyance of all or substantially all of the property and assets of the Company to any Person, then the Company, or such successor, purchasing or transferee corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, sale or conveyance, execute and deliver to the Trustee a supplemental indenture providing that the Holder of each 2020 Debenture then Outstanding shall have the right to convert such 2020 Debenture into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock deliverable upon conversion of such 2020 Debenture immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Such supplemental indenture shall provide for adjustments of the Conversion Rate which shall be as nearly equivalent as may be practicable to the adjustments of the Conversion Rate provided for in this Article Fourteen. If, in the case of any such consolidation, merger, sale or conveyance, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock include shares of stock or other securities and property of a Person other than the successor, purchasing or transferee corporation, as the case may be, in such consolidation, merger, sale or conveyance, then such supplemental indenture shall also be executed by such other Person and shall contain such additional provisions to protect the interests of the Holders of the 2020 Debentures as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The

provisions of this Section 1411 shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

In the event the Company shall execute a supplemental indenture pursuant to this Section 1411, the Company shall promptly file with the Trustee (x) an Officers' Certificate briefly stating the reasons therefor, the kind or amount of shares of stock or other securities or property (including cash) receivable by Holders of the 2020 Debentures upon the conversion of their 2020 Debentures after any such reclassification, change, consolidation, merger, sale or conveyance, any adjustment to be made with respect thereto and that all conditions precedent have been complied with and (y) an Opinion of Counsel that all conditions precedent have been complied with, and shall promptly mail notice thereof to all Holders.

SECTION 1412 Trustee's Disclaimer.

The Trustee shall have no duty to determine when an adjustment under this Article Fourteen should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of that fact or the correctness of any such adjustment, and shall be protected in relying upon, an Officers' Certificate including the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 1409. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of 2020 Debentures, and the Trustee shall not be responsible for the Company's failure to comply with any provisions of this Article Fourteen.

The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 1411, but may accept as conclusive evidence of the correctness thereof, and shall be fully protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 1411.

SECTION 1413 Voluntary Increase.

The Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 days or such longer period as may be required by law and if the increase is irrevocable during the period.

ARTICLE FIFTEEN

REPURCHASE OF SECURITIES AT OPTION OF THE HOLDER

SECTION 1501 General.

The Company may be required to repurchase 2020 Debentures in accordance with their terms and in accordance with this Article.

2020 Debentures shall be purchased by the Company under the paragraph "Repurchase by the Company at the Option of the Holder" of the 2020 Debentures on June 6, 2005, June 6, 2010 and June 6, 2015 (each, a "Repurchase Date"), at the repurchase price specified therein (each, a "Repurchase Price"), at the option of the Holder thereof, upon:

(1) delivery to the Paying Agent, by the Holder of a written notice of purchase (a "Repurchase Notice") at any time from the opening of business on the date that is 20 Business Days prior to a Repurchase Date until the close of business on such Repurchase Date stating:

(A) the certificate number of the 2020 Debenture which the Holder will deliver to be repurchased,

(B) the portion of the Principal Amount of the 2020 Debenture which the Holder will deliver to be repurchased, which portion must be \$1,000 or an integral multiple thereof,

(C) that such 2020 Debenture shall be purchased as of the Repurchase Date pursuant to the terms and conditions specified under the paragraph "Repurchase by the Company at the Option of the Holder" of the 2020 Debentures and in this Indenture,

(D) in the event that the Company elects, pursuant to Section 1502 hereof, to pay the Repurchase Price to be paid as of such Repurchase Date, in whole or in part, in Common Stock but such portion of the Repurchase Price shall ultimately be payable to such Holder entirely in cash because any of the conditions to payment of the Repurchase Price in Common Stock is not satisfied prior to the close of business on such Repurchase Date, as set forth in Section 1503 hereof, whether such Holder elects (i) to withdraw such Repurchase Notice as to some or all of the 2020 Debentures to which such Repurchase Notice relates (stating the Principal Amount at Maturity and certificate numbers of the 2020 Debentures as to which such withdrawal shall relate), or (ii) to receive cash in respect of the entire Repurchase Price for all 2020 Debentures (or portions thereof) to which such Repurchase Price relates, and

(2) delivery of such 2020 Debenture to the Paying Agent prior to, on or after the Repurchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Repurchase Price therefor; provided, however, that such Repurchase Price shall be so paid pursuant to this Article Fifteen only if the 2020 Debenture so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Repurchase Notice.

If a Holder, in such Holder's Repurchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 1509 hereof, fails to indicate such Holder's choice with respect to the election set forth in clause (D) of Section 1501(1), such Holder shall be deemed to have elected to receive cash in respect of the Repurchase Price for all 2020 Debentures subject to the Repurchase Notice in the circumstances set forth in such clause (D).

The Company shall purchase from the Holder thereof, pursuant to this Article Fifteen, a portion of a 2020 Debenture if the Principal Amount of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a 2020 Debenture also apply to the purchase of such portion of such 2020 Debenture.

Any purchase by the Company contemplated pursuant to the provisions of this Article Fifteen shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Repurchase Date and the time of delivery of the 2020 Debenture.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 1501 shall have the right to withdraw such Repurchase Notice at any time prior to the close of business on the Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 1509.

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

SECTION 1502 The Company's Right to Elect Manner of Payment of Repurchase Price.

(a) The Repurchase Price of 2020 Debentures in respect of which a Repurchase Notice pursuant to Section 1501 has been given, or a specified percentage thereof will be paid by the Company, at the election of the Company, with cash or Common Stock or in any combination of cash and Common Stock, subject to the conditions set forth in Section 1502 and 1503 hereof. The Company

shall designate, in the Company Notice delivered pursuant to Section 1505 hereof, whether the Company will purchase the 2020 Debentures for cash or Common Stock, or, if a combination thereof, the percentages of the Repurchase Price of 2020 Debentures in respect of which it will pay in cash and Common Stock; provided, however, that the Company will pay cash for fractional interests in Common Stock. For purposes of determining the existence of potential fractional interests, all 2020 Debentures subject to purchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented). Each Holder whose 2020 Debentures are purchased pursuant to this Article Fifteen shall receive the same percentage of cash or Common Stock in payment of the Repurchase Price for such 2020 Debentures, except (i) as provided in Section 1504 with regard to the payment of cash in lieu of fractional Common Stock and (ii) in the event that the Company is unable to purchase the 2020 Debentures of a Holder or Holders for Common Stock because any necessary qualifications or registrations of the Common Stock under applicable state securities laws cannot be obtained, the Company may purchase the 2020 Debentures of such Holder or Holders for cash. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given its Company Notice to Holders except pursuant to this Section 1502 or pursuant to Section 1504 in the event of a failure to satisfy, prior to the close of business on the Repurchase Date, any condition to the payment of the Repurchase Price, in whole or in part, in Common Stock.

At least three Business Days before the Company Notice Date, the Company shall deliver an Officers' Certificate to the Trustee specifying:

(i) the manner of payment selected by the Company,

(ii) the information required by Section 1505,

(iii) if the Company elects to pay the Repurchase Price, or a specified percentage thereof, in Common Stock, that the conditions to such manner of payment set forth in Section 1504 have been or will be complied with, and

(iv) whether the Company desires the Trustee to give the Company Notice required by Section 1505.

SECTION 1503 Purchase with Cash.

On each Repurchase Date, at the option of the Company, the Repurchase Price of 2020 Debentures in respect of which a Repurchase Notice pursuant to Section 1501 has been given, or a specified percentage thereof, may be paid by

the Company with cash equal to the aggregate Repurchase Price of such 2020 Debentures. If the Company elects to purchase 2020 Debentures with cash, the Company Notice, as provided in Section 1505, shall be sent to Holders (and to beneficial owners as required by applicable law) not less than 20 Business Days prior to such Purchase Date (the "Company Notice Date").

SECTION 1504 Payment by Issuance of Common Stock.

On each Repurchase Date, at the option of the Company, the Repurchase Price of 2020 Debentures in respect of which a Repurchase Notice pursuant to Section 1501 has been given, or a specified percentage thereof, may be paid by the Company by the issuance of a number of shares of Common Stock equal to the quotient obtained by dividing (i) the amount of cash to which the Holders would have been entitled had the Company elected to pay all or such specified percentage, as the case may be, of the Repurchase Price of such 2020 Debentures in cash by (ii) the Market Price of a share of Common Stock, subject to the next succeeding paragraph.

The Company will not issue a fractional share of Common Stock in payment of the Repurchase Price. Instead the Company will pay cash for the current market value of the fractional share. The current market value of a fraction of a share of Common Stock shall be determined by multiplying the Market Price by such fraction and rounding the product to the nearest whole cent with one half cent being rounded upwards. It is understood that if a Holder elects to have more than one 2020 Debenture repurchased, the number of shares of Common Stock shall be based on the aggregate amount of 2020 Debentures to be repurchased.

If the Company elects to purchase the 2020 Debentures by the issuance of Common Stock, the Company Notice, as provided in Section 1505, shall be sent to the Holders (and to beneficial owners as required by applicable law) not later than the Company Notice Date.

The Company's right to exercise its election to purchase the 2020 Debentures pursuant to this Article Fifteen through the issuance of Common Stock shall be conditioned upon:

(i) the Company's not having given its Company Notice of an election to pay entirely in cash and its giving of timely Company Notice of election to purchase all or a specified percentage of the 2020 Debentures with Common Stock as provided herein;

(ii) the registration of the Common Stock to be issued in respect of the payment of the Repurchase Price under the Securities Act or the Exchange Act, in each case, if required for the initial issuance thereof;

(iii) any necessary qualification or registration under applicable state securities laws or the availability of an exemption from such qualification and registration; and

(iv) the receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel each stating that (A) the terms of the issuance of the Common Stock are in conformity with this Indenture and (B) the Common Stock to be issued by the Company in payment of the Repurchase Price in respect of 2020 Debentures have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Repurchase Price in respect of the 2020 Debentures, will be validly issued, fully paid and non-assessable and, to the best of such counsel's knowledge, free from preemptive rights, and, in the case of such Officer's Certificate, stating that conditions (i), (ii) and (iii) above and the condition set forth in the second succeeding sentence have been satisfied and, in the case of such Opinion of Counsel, stating that conditions (ii) and (iii) above have been satisfied.

Such Officers' Certificate shall also set forth the number of shares of Common Stock to be issued for each \$1,000 Principal Amount of 2020 Debentures and the Sale Price of a share of Common Stock on each trading day during the period commencing on the first trading day of the period during which the Market Price is calculated and ending three Business Days prior to the applicable Repurchase Date. The Company may pay the Repurchase Price (or any portion thereof) in Common Stock only if the information necessary to calculate the Market Price is published in The Wall Street Journal or another daily newspaper of national circulation. If the foregoing conditions are not satisfied with respect to a Holder or Holders prior to the close of business on the Repurchase Date and the Company has elected to repurchase the 2020 Debentures pursuant to this Article Fifteen through the issuance of Common Stock, the Company shall pay, without further notice, the entire Repurchase Price of the 2020 Debentures of such Holder or Holders in cash.

The "Market Price" means the average of the Sale Prices of the Common Stock for the five trading day period ending on (if the third Business Day prior to the applicable Repurchase Date is a trading day, or if not, then on the last trading day prior to), the third Business Day prior to the applicable Repurchase Date appropriately adjusted to take into account the occurrence, during the period commencing on the first of such trading days during such five trading day period

and ending on such Repurchase Date, of any event described in Section 1406; subject, however, to the conditions set forth in Sections 1406(f) and 1407.

The "Sale Price" of the Common Stock on any date means the closing per share sale price (or, if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date as reported in the composite transactions for the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or its successors.

SECTION 1505 Notice of Election.

The Company's notice of election to repurchase with cash or Common Stock or any combination thereof shall be sent to the Holders in the manner provided in Section 106 of the Indenture at the time specified in Section 1503 or 1504, as applicable (the "Company Notice"). Such Company Notice shall state the manner of payment elected and shall contain the following information:

In the event the Company has elected to pay the Repurchase Price (or a specified percentage thereof) with Common Stock, the Company Notice shall:

(1) state that each Holder will receive Common Stock with a Market Price equal to such specified percentage of the Repurchase Price of the 2020 Debentures held by such Holder (except any cash amount to be paid in lieu of fractional shares);

(2) set forth the method of calculating the Market Price of the Common Stock; and

(3) state that because the Market Price of Common Stock will be determined prior to the Repurchase Date, Holders will bear the market risk with respect to the value of the Common Stock to be received from the date such Market Price is determined to the Repurchase Date.

In any case, each Company Notice shall include a form of Repurchase Notice to be completed by a Holder and shall state:

(A) the Repurchase Price and the Conversion Rate;

(B) the name and address of the Paying Agent and the Conversion Agent;

(C) that 2020 Debentures as to which a Repurchase Notice has been given may be converted pursuant to Article Fourteen hereof only if the applicable Repurchase Notice has been withdrawn in accordance with the terms of this Indenture;

(D) that 2020 Debentures must be surrendered to the Paying Agent to collect payment;

(E) that the Repurchase Price for any 2020 Debenture as to which a Repurchase Notice has been given and not withdrawn will be paid promptly following the later of the Repurchase Date and the time of surrender of such 2020 Debenture as described in (D);

(F) the procedures the Holder must follow to exercise repurchase rights under this Article Fifteen and a brief description of those rights;

(G) briefly, the conversion rights of the 2020 Debentures; and

(H) the procedures for withdrawing a Repurchase Notice (including, without limitation, for a conditional withdrawal pursuant to the terms of Section 1501 or 1509).

At the Company's request, the Trustee shall give such Company Notice in the Company's name and at the Company's expense; provided, however, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Upon determination of the actual number of shares of Common Stock to be issued for each \$1,000 Principal Amount of 2020 Debentures, the Company will publish such determination at the Company's Web site on the World Wide Web or through such other public medium as the Company may use at that time.

SECTION 1506 Covenants of the Company.

All Common Stock delivered upon purchase of the 2020 Debentures shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim. The Company shall use its reasonable efforts to list or cause to have quoted any Common Stock to be issued to purchase 2020 Debentures on the principal national securities exchange or over-the-counter or other domestic market on which the Common Stock is then listed or quoted.

SECTION 1507 Procedure upon Repurchase.

The Company shall deposit cash (in respect of a cash purchase under Section 1503 or for fractional Common Stock, as applicable) or Common Stock, or a combination thereof, as applicable, at the time and in the manner as provided in Section 1510, sufficient to pay the aggregate Repurchase Price of all 2020 Debentures to be purchased on the applicable Repurchase Date pursuant to this Article Fifteen.

As soon as practicable after the Repurchase Date, the Company shall deliver to each Holder entitled to receive Common Stock through the Paying Agent, a certificate for the number of full shares of Common Stock issuable in payment of the Repurchase Price and cash in lieu of any fractional shares of Common Stock. The Person in whose name the certificate for Common Stock is registered shall be treated as a holder of record of Common Stock on the Business Day following the Repurchase Date. Subject to Section 1504, no payment or adjustment will be made for dividends on the Common Stock the record date for which occurred on or prior to the Repurchase Date.

SECTION 1508 Taxes.

If a Holder of a 2020 Debenture is paid in Common Stock, the Company shall pay any documentary, stamp or similar issue or transfer tax due on such issue of Common Stock. However, the Holder shall pay any such tax which is due because the Holder requests the Common Stock to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient to pay any tax which will be due because the shares of Common Stock are to be issued in a name other than the Holder's name.

SECTION 1509 Effect of Repurchase Notice.

Upon receipt by the Paying Agent of the Repurchase Notice, the Holder of the 2020 Debenture in respect of which such Repurchase Notice was given shall (unless such Repurchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Repurchase Price with respect to such 2020 Debenture. Such Repurchase Price shall be paid to such Holder, subject to receipt of funds and/or Common Stock by the Paying Agent, promptly following the later of (x) the Repurchase Date with respect to such 2020 Debenture (provided the conditions in Section 1501 have been satisfied) and (y) the time of delivery of such 2020 Debenture to the Paying Agent by the Holder thereof in the manner required by Section 1501. 2020 Debentures in respect of

which a Repurchase Notice has been given by the Holder thereof may not be converted pursuant to Article Fourteen hereof on or after the date of the delivery of such Repurchase Notice unless such Repurchase Notice has first been validly withdrawn as specified in the following two paragraphs.

A Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Repurchase Notice at any time prior to the close of business on the applicable Repurchase Date specifying:

(1) the certificate number of the 2020 Debenture in respect of which such notice of withdrawal is being submitted;

(2) the Principal Amount of the 2020 Debenture with respect to which such notice of withdrawal is being submitted; and

(3) the Principal Amount, if any, of such 2020 Debenture which remains subject to the original Repurchase Notice and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of a Repurchase Notice may be in the form set forth in the preceding paragraph or may be in the form of (i) a conditional withdrawal contained in a Repurchase Notice pursuant to the terms of Section 1501(1)(D) or (ii) a conditional withdrawal containing the information set forth in Section 1501(1)(D) and the preceding paragraph and contained in a written notice of withdrawal delivered to the Paying Agent as set forth in the preceding paragraph.

There shall be no purchase of any 2020 Debentures pursuant to this Article Fifteen (other than through the issuance of Common Stock in payment of the Repurchase Price, including cash in lieu of fractional shares) if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such 2020 Debentures, of the required Repurchase Notice) and is continuing an Event of Default (other than a default in the payment of the Repurchase Price with respect to such 2020 Debentures). The Paying Agent will promptly return to the respective Holders thereof any 2020 Debentures (x) with respect to which a Repurchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Repurchase Price with respect to such 2020 Debentures) in which case, upon such return, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

SECTION 1510 Deposit of Repurchase Price.

Prior to 11:00 a.m. (New York City time) on the Business Day following the Repurchase Date, the Company shall deposit with the Trustee or with the Paying Agent an amount of money (in immediately available funds if deposited on such Business Day) and/or Common Stock, if permitted hereunder, sufficient to pay the aggregate Repurchase Price of all of the 2020 Debentures or portions thereof which are to be purchased as of the Repurchase Date.

SECTION 1511 Securities Repurchased in Part.

Any 2020 Debenture which is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company or the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such 2020 Debenture, without service charge, a new 2020 Debenture or 2020 Debentures, of any authorized denomination as requested by such Holder in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the 2020 Debenture so surrendered which is not purchased.

SECTION 1512 Comply with Securities Laws Upon Purchase of Securities.

In connection with any offer to purchase or purchase of 2020 Debentures under this Article Fifteen (provided that such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), the Company shall (i) comply with Rule 13e-4 under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, and (iii) otherwise comply with all Federal and state securities laws so as to permit the rights and obligations under Article Fifteen to be exercised in the time and in the manner specified in this Article Fifteen.

SECTION 1513 Repayment to the Company.

The Trustee and the Paying Agent shall return to the Company any cash or Common Stock that remain unclaimed for two years, subject to applicable unclaimed property law, together with interest or dividends, if any, thereon held by them for the payment of the Repurchase Price; provided, however, that to the extent that the aggregate amount of cash or Common Stock deposited by the Company pursuant to Section 1510 exceeds the aggregate Repurchase Price of the

2020 Debentures or portions thereof which the Company is obligated to purchase as of the Repurchase Date, then promptly after the Business Day following the Repurchase Date the Trustee shall return any such excess to the Company together with interest or dividends, if any, thereon. After that, Holders entitled to money must look to the Company for payment as general creditors, unless an applicable abandoned property law designates another Person.

SECTION 1514 Conversion Arrangement on Repurchase.

Any Securities required to be repurchased under this Article Fifteen, unless surrendered for conversion before the close of business on the Repurchase Date, may be deemed to be purchased from the Holders of such Securities for an amount in cash not less than the Repurchase Price, by one or more investment bankers or other purchasers who may agree with the Company to purchase such Securities from the Holders, to convert them into Common Stock of the Company and to make payment for such Securities to the Trustee in trust for such Holders.

ARTICLE SIXTEEN

PURCHASE OF SECURITIES AT OPTION OF THE HOLDER UPON CHANGE IN CONTROL

SECTION 1601 Right to Require Repurchase.

(a) If at any time that 2020 Debentures remain Outstanding there shall occur a Change in Control, 2020 Debentures shall be purchased by the Company at the option of the Holders thereof as of the date that is 35 Business Days after the occurrence of the Change in Control (the "Change in Control Purchase Date") at a purchase price equal to the Issue Price plus accrued Original Issue Discount through the Change in Control Purchase Date (or, if the option under Section 1701 has been exercised, the Restated Principal Amount plus accrued and unpaid interest from the Option Exercise Date to the Change in Control Purchase Date) (the "Change in Control Purchase Price"), subject to satisfaction by or on behalf of any Holder of the requirements set forth in subsection (c) of this Section 1601.

A "Change in Control" shall be deemed to have occurred at such time as (a) any Person, or any Persons acting together in a manner which would constitute a "group" (a "Group") for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto, together with any Affiliates thereof (in each case, excluding Permitted Holders) become the Beneficial Owners, directly or indirectly, of capital stock of the Company, entitling such Person or Persons and its or their Affiliates to exercise more than 50% of the total voting power of all classes of the Company's capital stock entitled to vote generally in the election

of the Company's directors or (b) the Company shall consolidate with or merge into any other Person (other than a Subsidiary), or any other Person (other than a Subsidiary) shall consolidate with or merge into the Company, or the Company shall sell, convey, transfer or lease its properties and assets substantially as an entirety to any Person other than a Subsidiary, and, in the case of any such transaction the outstanding Common Stock is reclassified into, exchanged for or converted into the right to receive any other property or security, unless the stockholders of the Company immediately before such transaction own, directly or indirectly, immediately following such transaction, at least a majority of the combined voting power of the outstanding voting securities of the Person resulting from such transaction or the Person acquiring such properties and assets, entitled to vote generally on the election of such resulting or acquiring Person's directors, in substantially the same proportion as their ownership of the Common Stock immediately before such transaction, provided, however, that, with respect to both clause (a) and (b), a Change in Control shall not be deemed to have occurred if at least 50% of the consideration (excluding cash payments for fractional shares) in the transaction or transactions constituting the Change in Control consists of shares of voting common stock of such Person that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States.

The term "Beneficial Owner" shall be determined in accordance with Rules 13d-3 and 13d-5 promulgated by the Securities and Exchange Commission under the Exchange Act or any successor provision thereto, except that a Person shall be deemed to have "beneficial ownership" of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time.

"Permitted Holders" means Loews Corporation, a Delaware corporation, and any of its Subsidiaries.

(b) Within 15 Business Days after the occurrence of a Change in Control, the Company shall mail a written notice of the Change in Control to the Trustee and to each Holder. The notice shall include the form of a Change in Control Purchase Notice to be completed by the Holder and shall state:

(1) the date of such Change in Control and, briefly, the events causing such Change in Control;

(2) the date by which the Change in Control Purchase Notice pursuant to this Section 1601 must be given;

- (3) the Change in Control Purchase Date;
- (4) the Change in Control Purchase Price;
- (5) briefly, the conversion rights of the 2020 Debentures;
- (6) the name and address of each Paying Agent and Conversion Agent;
- (7) the Conversion Rate and any adjustments thereto;
- (8) that 2020 Debentures as to which a Change in Control Purchase Notice has been given may be converted into Common Stock pursuant to Article Fourteen only to the extent that the Change in Control Purchase Notice has been withdrawn in accordance with the terms of this Indenture;
- (9) the procedures that the Holder must follow to exercise rights under this Section 1601;
- (10) the procedures for withdrawing a Change in Control Purchase Notice, including a form of notice of withdrawal; and
- (11) that the Holder must satisfy the requirements set forth in the 2020 Debentures in order to convert the Securities.

If any of the 2020 Debentures is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depositary applicable to the repurchase of Global Securities

(c) A Holder may exercise its rights specified in subsection (a) of this Section 1601 upon delivery of a written notice (which shall be in substantially the form included as an attachment to the 2020 Debentures and which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Global Securities, may be delivered electronically or by other means in accordance with the Depositary's customary procedures) of the exercise of such rights (a "Change in Control Purchase Notice") to any Paying Agent at any time prior to the close of business on the Business Day next preceding the Change in Control Purchase Date.

The delivery of such 2020 Debenture to any Paying Agent (together with all necessary endorsements) at the office of such Paying Agent shall be a

condition to the receipt by the Holder of the Change in Control Purchase Price therefor.

The Company shall purchase from the Holder thereof, pursuant to this Section 1601, a portion of a 2020 Debenture if the Principal Amount of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a 2020 Debenture pursuant to Sections 1601 through 1606 also apply to the purchase of such portion of such 2020 Debenture.

Notwithstanding anything herein to the contrary, any Holder delivering to a Paying Agent the Change in Control Purchase Notice contemplated by this subsection (c) shall have the right to withdraw such Change in Control Purchase Notice in whole or as to a portion thereof that is a Principal Amount of \$1,000 or an integral multiple thereof at any time prior to the close of business on the Business Day next preceding the Change in Control Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 1602.

A Paying Agent shall promptly notify the Company of the receipt by it of any Change in Control Purchase Notice or written withdrawal thereof.

Anything herein to the contrary notwithstanding, in the case of Global Securities, any Change in Control Purchase Notice may be delivered or withdrawn and such 2020 Debentures may be surrendered or delivered for purchase in accordance with the applicable procedures of the Depositary as in effect from time to time.

SECTION 1602 Effect of Change in Control Purchase Notice.

Upon receipt by any Paying Agent of the Change in Control Purchase Notice specified in Section 1601(c), the Holder of the 2020 Debenture in respect of which such Change in Control Purchase Notice was given shall (unless such Change in Control Purchase Notice is withdrawn as specified below) thereafter be entitled to receive the Change in Control Purchase Price with respect to such 2020 Debenture. Such Change in Control Purchase Price shall be paid to such Holder promptly following the later of (a) the Change in Control Purchase Date with respect to such 2020 Debenture (provided the conditions in Section 1601(c) have been satisfied) and (b) the time of delivery of such 2020 Debenture to a Paying Agent by the Holder thereof in the manner required by Section 1601(c). 2020 Debentures in respect of which a Change in Control Purchase Notice has been given by the Holder thereof may not be converted into Common Stock on or after the date of the delivery of such Change in Control Purchase Notice unless such Change in Control Purchase Notice has first been validly withdrawn.

A Change in Control Purchase Notice may be withdrawn by means of a written notice (which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Global Securities, may be delivered electronically or by other means in accordance with the Depositary's customary procedures) of withdrawal delivered by the Holder to a Paying Agent at any time prior to the close of business on the Business Day immediately preceding the Change in Control Purchase Date, specifying the Principal Amount of the Security or portion thereof (which must be a Principal Amount of \$1,000 or an integral multiple of \$1,000 in excess thereof) with respect to which such notice of withdrawal is being submitted.

SECTION 1603 Deposit of Change in Control Purchase Price.

On or before 11:00 a.m. New York City time on the Change in Control Purchase Date, the Company shall deposit with the Trustee or with a Paying Agent (other than the Company or an Affiliate of the Company) an amount of money (in immediately available funds if deposited on such Business Day) sufficient to pay the aggregate Change in Control Purchase Price of all the 2020 Debentures or portions thereof that are to be purchased as of such Change in Control Purchase Date. The manner in which the deposit required by this Section 1603 is made by the Company shall be at the option of the Company, provided, however, that such deposit shall be made in a manner such that the Trustee or a Paying Agent shall have immediately available funds on the Change in Control Purchase Date.

If a Paying Agent holds, in accordance with the terms hereof, money sufficient to pay the Change in Control Purchase Price of any 2020 Debenture for which a Change in Control Purchase Notice has been tendered and not withdrawn in accordance with this Indenture then, on the Change in Control Purchase Date, such 2020 Debenture will cease to be Outstanding and the rights of the Holder in respect thereof shall terminate (other than the right to receive the Change in Control Purchase Price as aforesaid). The Company shall publicly announce the Principal Amount of 2020 Debentures purchased as a result of such Change in Control on or as soon as practicable after the Change in Control Purchase Date.

SECTION 1604 Securities Purchased In Part.

Any 2020 Debenture that is to be purchased only in part shall be surrendered at the office of a Paying Agent and promptly after the Change in Control Purchase Date the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such 2020 Debenture, without service charge, a new 2020 Debenture or 2020 Debentures, of such authorized denomination or denominations as may be requested by such Holder, in aggregate

Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the 2020 Debenture so surrendered that is not purchased.

SECTION 1605 Compliance With Securities Laws Upon Purchase of Securities.

In connection with any offer to purchase or purchase of 2020 Debentures under Section 1601, the Company shall (a) comply with Rule 13e-4 (or any successor to either such Rule), if applicable, under the Exchange Act, (b) file the related Schedule T0 (or any successor or similar schedule, form or report) if required under the Exchange Act, and (c) otherwise comply with all federal and state securities laws in connection with such offer, all so as to permit the rights of the Holders and obligations of the Company under Sections 1601 through 1606 to be exercised in the time and in the manner specified therein.

SECTION 1606 Repayment to the Company.

To the extent that the aggregate amount of cash deposited by the Company pursuant to Section 1603 exceeds the aggregate Change in Control Purchase Price together with interest, if any, thereon of the 2020 Debentures or portions thereof that the Company is obligated to purchase, then promptly after the Change in Control Purchase Date the Trustee or a Paying Agent, as the case may be, shall return any such excess to the Company.

ARTICLE SEVENTEEN

SPECIAL TAX EVENT CONVERSION

SECTION 1701 Optional Conversion to Interest-Bearing Securities Upon Tax Event.

From and after (i) the date (the "Tax Event Date") of the occurrence of a Tax Event and (ii) the date the Company exercises such option, whichever is later (the "Option Exercise Date"), at the option of the Company with respect to its 2020 Debentures only, interest in lieu of future Original Issue Discount shall accrue at the rate of 3.5% per annum on a restated principal amount per \$1,000 original Principal Amount (the "Restated Principal Amount") equal to the Issue Price plus Original Issue Discount accrued to the Option Exercise Date and shall be payable semiannually on each Interest Payment Date to holders of record at the close of business on each Regular Record Date immediately preceding such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from the Option Exercise Date. Within 15 days of the occurrence of a Tax Event, the Company

shall mail a written notice of such Tax Event by first-class mail to the Trustee and within 15 days of its exercise of such option the Company shall mail a written notice of the Option Exercise Date by first-class mail to the Trustee and Holders of the 2020 Debentures. From and after the Option Exercise Date, (i) the Company shall be obligated to pay at Stated Maturity, in lieu of the Principal Amount of a Security, the Restated Principal Amount thereof and (ii) "Issue Price and accrued Original Issue Discount," "Issue Price plus Original Issue Discount" or similar words, as used herein, shall mean Restated Principal Amount plus accrued and unpaid interest with respect to any 2020 Debenture. 2020 Debentures authenticated and delivered after the Option Exercise Date may, and shall if required by the Trustee, bear a notation in a form approved by the Trustee as to the conversion of the 2020 Debentures to interest-bearing 2020 Debentures.

ARTICLE THREE

MISCELLANEOUS PROVISIONS

SECTION 301 Integral Part.

This Second Supplemental Indenture constitutes an integral part of the Indenture with respect to the 2020 Debentures only.

SECTION 302 General Definitions.

For all purposes of this Second Supplemental Indenture:

(a) capitalized terms used herein without definition shall have the meanings specified in the Indenture; and

(b) the terms "herein", "hereof", "hereunder" and other words of similar import refer to this Second Supplemental Indenture.

SECTION 303 Adoption, Ratification and Confirmation.

The Indenture, as supplemented and amended by this Second Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed, and this Second Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided. The provisions of this Supplemental Indenture shall, subject to the terms hereof, supersede the provisions of the Indenture to the extent the Indenture is inconsistent herewith.

SECTION 304 Counterparts.

This Second Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed an original; and all such counterparts shall together constitute but one and the same instrument.

SECTION 305 Governing Law.

THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW RULES OF SAID STATE.

SECTION 306 Conflict of Any Provision of Indenture with Trust Indenture Act of 1939.

If and to the extent that any provision of this Second Supplemental Indenture limits, qualifies or conflicts with a provision required under the terms of the Trust Indenture Act of 1939, as amended, such Trust Indenture Act provision shall control.

SECTION 307 Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 308 Severability of Provisions.

In case any provision in this Second Supplemental Indenture or in the 2020 Debentures 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 309 Successors and Assigns.

All covenants and agreements in this Second Supplemental Indenture by the parties hereto shall bind their respective successors and assigns and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 310 Benefit of Second Supplemental Indenture.

Nothing in this Second Supplemental Indenture, express or implied, shall give to any Person, other than the parties hereto, any Security Registrar, any Paying Agent and their successors hereunder, and the Holders of the Securities, any benefit or any legal or equitable right, remedy or claim under this Second Supplemental Indenture.

SECTION 311 Acceptance by Trustee.

The Trustee accepts the amendments to the Indenture effected by this Second Supplemental Indenture and agrees to execute the trusts created by the Indenture as hereby amended, but only upon the terms and conditions set forth in this Second Supplemental Indenture and the Indenture. Without limiting the generality of the foregoing, the Trustee assumes no responsibility for the correctness of the recitals contained herein, which shall be taken as the statements of the Company and except as provided in the Indenture the Trustee shall not be responsible or accountable in any way whatsoever for or with respect to the validity or execution or sufficiency of this Second Supplemental Indenture and the Trustee makes no representation with respect thereto.

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

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ LAWRENCE R. DICKERSON

Name: LAWRENCE R. DICKERSON

Title: PRESIDENT & CHIEF OPERATING OFFICER

THE CHASE MANHATTAN BANK

By: /s/ RONALD J. HALLERAN

Name: RONALD J. HALLERAN

Title: ASSISTANT VICE PRESIDENT

STATE OF TEXAS)

COUNTY OF HARRIS)

On the 6th day of June, 2000, before me personally came LAWRENCE R. DICKERSON to me known, who, being by me duly sworn, did depose and say that he is PRESIDENT of DIAMOND OFFSHORE DRILLING, INC., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board Directors of said corporation, and that he signed his name thereto by like authority.

[NOTARY STAMP]

/s/ PAULA L. HEADINGTON

Notary

STATE OF NEW YORK)

COUNTY OF NEW YORK)

On the 6th day of June, 2000, before me personally came R.J. HALLERAN, to me known, who, being by me duly sworn, did depose and say that such person is a ASSISTANT VICE PRESIDENT of THE CHASE MANHATTAN BANK, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board Directors of said corporation, and that such person signed his name thereto by like authority.

/s/ EMILY FAYAN

Notary

[NOTARY STAMP]

GLOBAL SECURITY

[FORM OF FACE OF SECURITY]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS 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.](1)

[THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY AND THE COMMON STOCK ISSUABLE UPON CONVERSION THEREOF MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

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(1) These paragraphs should be included only if the Security is a Global Security.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY AND THE COMMON STOCK ISSUABLE UPON CONVERSION THEREOF MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.](2)

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(2) [These paragraphs to be included only if the Security is a Transfer Restricted Security.]

[FORM OF FACE OF SECURITY]

DIAMOND OFFSHORE DRILLING, INC.

ZERO COUPON CONVERTIBLE DEBENTURES DUE JUNE 6, 2020

Issue Date: June 6, 2000

Maturity: June 6, 2020

Principal Amount: \$_____

CUSIP:25271C AB 8

Original Issue Discount: \$500.40
(per \$1,000 Principal Amount)Issue Price: \$499.60
(per \$1,000 Principal Amount)

Registered: No. R-

Diamond Offshore Drilling, Inc., a Delaware corporation (herein called the "Company", which term includes any successor corporation under the indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of _____ DOLLARS (\$_____) on June 6, 2020 [(or such greater or lesser amount as is indicated on the Schedule of Exchanges of Securities on the other side of this Security)](3). The principal of this Security shall not bear interest, except in the case of default in payment of principal upon acceleration, redemption or maturity or as specified on the other side of this Security. Original Issue Discount will accrue as specified on the other side of this Security. This Security is convertible as specified on the other side of this Security.

Payment of the principal of and interest, if any, on this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company, payment of interest, if any, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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(3) [These paragraphs to be included only if the Security is a Transfer Restricted Security.]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

DIAMOND OFFSHORE DRILLING, INC.

By: _____
Name:
Title:

- _____
Corporate Secretary

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

Authorized Signature

Date of Authentication: _____

[FORM OF REVERSE SIDE OF SECURITY]

DIAMOND OFFSHORE DRILLING, INC.

ZERO COUPON CONVERTIBLE DEBENTURE DUE JUNE 6, 2020

This Security is one of a duly authorized issue of senior securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of February 4, 1997, as amended by the Second Supplemental Indenture thereto, dated as of June 6, 2000 (as so amended, herein called the "Indenture"), between the Company and The Chase Manhattan Bank, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount at maturity to \$805,000,000.

INTEREST

This Security shall not bear interest, except as specified in this paragraph or as described under "Tax Event". If the Principal Amount hereof or any portion of such Principal Amount is not paid when due (whether upon acceleration pursuant to Section 502 of the Indenture, upon the date set for payment of the Redemption Price as described under "Optional Redemption", upon the date set for payment of the Change in Control Purchase Price pursuant to "Purchase of Securities at Option of Holder Upon a Change in Control", upon the date set for payment of the Repurchase Price under "Repurchase by the Company at the Option of the Holder" or upon the Stated Maturity of this Security) or if interest due hereon, if any (or any portion of such interest), is not paid when due, then in each such case the overdue amount shall, to the extent permitted by law, bear interest at the rate of 3.5% per annum, compounded semi-annually, which interest shall accrue from the date such overdue amount was originally due to the date payment of such amount, including interest thereon, has been made or duly provided for. All such interest shall be payable as set forth in the Indenture. The accrual of such interest on overdue amounts shall be in lieu of, and not in addition to, the continued accrual of Original Issue Discount. Original Issue Discount (the difference between the Issue Price and the Principal Amount of the Security), in the period during which a Security remains outstanding, shall accrue at 3.5% per annum, on a semiannual bond equivalent basis using a 360-day year composed of twelve 30-day months, from the Issue Date of this Security.

METHOD OF PAYMENT

Payments in respect of principal of and interest, if any, on the Securities shall be made by the Company in immediately available funds.

OPTIONAL REDEMPTION

No sinking fund is provided for the Securities. The Securities are redeemable as a whole, or from time to time in part, at any time at the option of the Company at the Redemption Price set forth below, after June 6, 2005.

The table below shows Redemption Prices of a Security per \$1,000 Principal Amount on the dates shown below and at Stated Maturity, which prices reflect accrued Original Issue Discount calculated through each such date. The Redemption Price of a Security redeemed between such dates shall include an additional amount reflecting the additional Original Issue Discount accrued since the immediately preceding date in the table.

REDEMPTION DATE	(1) DEBENTURE ISSUE PRICE	(2) ACCRUED ORIGINAL ISSUE DISCOUNT	(3) REDEMPTION PRICE (1)+(2)
- - - - -	- - - - -	- - - - -	- - - - -
June 6, 2005.....	\$ 499.60	\$ 94.65	\$ 594.25
June 6, 2006.....	499.60	115.63	615.23
June 6, 2007.....	499.60	137.35	636.95
June 6, 2008.....	499.60	159.84	659.44
June 6, 2009.....	499.60	183.12	682.72
June 6, 2010.....	499.60	207.22	706.82
June 6, 2011.....	499.60	232.18	731.78
June 6, 2012.....	499.60	258.02	757.62
June 6, 2013.....	499.60	284.76	784.36
June 6, 2014.....	499.60	312.46	812.06
June 6, 2015.....	499.60	341.13	840.73
June 6, 2016.....	499.60	370.81	870.41
June 6, 2017.....	499.60	401.54	901.14
June 6, 2018.....	499.60	433.36	932.96
June 6, 2019.....	499.60	466.30	965.90
At stated maturity.....	499.60	500.40	1,000.00

If converted to an interest-bearing debenture following the occurrence of a Tax Event, this Security will be redeemable at the Restated Principal Amount plus accrued and unpaid interest from the date of such conversion to the Redemption Date; but in no event will this Security be redeemable before June 6, 2005.

If the Company redeems less than all of the outstanding Securities, the Trustee will select the Securities to be redeemed (i) by lot; (ii) pro rata; or (iii) by another method the Trustee considers fair and appropriate. If the Trustee selects a portion of a Holder's Securities for partial redemption and the Holder converts a portion of the same Securities, the converted portion will be deemed to be from the portion selected for redemption.

NOTICE OF REDEMPTION

Notice of redemption will be mailed by first-class mail at least 15 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than \$1,000 Principal Amount may be redeemed in part, but only in whole multiples of \$1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price, Original Issue Discount (or interest, if the Security is converted to an interest-bearing debenture) ceases to accrue on Securities or portions thereof called for redemption.

PURCHASE OF SECURITIES AT OPTION OF HOLDER UPON A CHANGE IN CONTROL

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase all or any part specified by the Holder (so long as the Principal Amount of such part is \$1,000 or an integral multiple of \$1,000 in excess thereof) of the Securities held by such Holder on the date that is 35 Business Days after the occurrence of a Change in Control, at a Change in Control Purchase Price equal to the Issue Price plus accrued Original Issue Discount through the Change in Control Purchase Date. The Holder shall have the right to withdraw any Change in Control Purchase Notice (in whole or in a portion thereof that is \$1,000 Principal Amount or an integral multiple of \$1,000 in excess thereof) at any time prior to the close of business on the Business Day prior to the Change in Control Purchase Date by delivering a written notice of withdrawal to the Paying Agent in accordance with the terms of the Indenture.

If prior to a Change in Control Purchase Date this Security has been converted to an interest-bearing debenture following the occurrence of a Tax Event, the Change in Control Purchase Price shall be equal to the Restated Principal Amount plus accrued and unpaid interest from the date of conversion to the Change in Control Purchase Date.

CONVERSION

A Holder of a Security may convert the Security into shares of Common Stock at any time until the close of business on the Business Day prior to the Stated Maturity; provided, however, that if the Security is called for redemption, the conversion right will terminate at the close of business on the Business Day immediately preceding the Redemption Date for such Security or such earlier date as the Holder presents such Security for redemption (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Security is redeemed). A Security in respect of which a Holder has delivered a Repurchase Notice exercising the option of such Holder to require the Company to purchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture. The initial Conversion Rate is 8.6075 shares of Common Stock per \$1,000 Principal Amount, subject to adjustment in certain events described in the Indenture. The Company will deliver cash or a check in lieu of any fractional share of Common Stock.

In the event the Company exercises its option pursuant to Section 1701 of the Indenture to have interest in lieu of Original Issue Discount accrue on the Security following a Tax Event, the Holder will be entitled on conversion to receive the same number of shares of Common Stock such Holder would have received if the Company had not exercised such option. If the Company exercises such option, Securities surrendered for conversion during the period from the close of business on any Regular Record Date immediately preceding any Interest Payment Date to the opening of business of such Interest Payment Date (except Securities or portions of Securities to be redeemed on a Redemption Date occurring during the period from the close of business on a Regular Record Date and ending on the opening of business on the first Business Day after the next Interest Payment Date, or if this Interest Payment Date is not a Business Day, the second Business Day after the Interest Payment Date) must be accompanied by payment from the Holder of an amount equal to the interest thereon that the registered Holder is to receive from the Company on such Interest Payment Date. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest on converted Securities will be payable by the Company on any Interest Payment Date subsequent to the date of conversion.

A Holder may convert a portion of a Security if the Principal Amount of such portion is \$1,000 or an integral multiple of \$1,000. No payment or adjustment will be made for dividends on the Common Stock except as provided in the Indenture. On conversion of a Security, that portion of accrued Original Issue Discount (and interest if the Security is converted to an interest-bearing debenture) attributable to the period from the Issue Date (or, in the case of interest, if the Company has exercised the option referred to in "Tax Event", the later of (x) the date of such exercise and (y) the date on which interest was last paid) through the Conversion Date with respect to the converted Security shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through the delivery of the Common Stock (together with the cash payment, if any, in lieu of fractional shares) in exchange for the Security being converted pursuant to the terms hereof; and the fair market value of such shares of Common Stock (together with any such cash payment in lieu of fractional shares) shall be treated as issued, to the extent thereof, first in exchange for Original Issue Discount (and interest, if the Company has exercised its option provided for in "Tax Event") accrued through the Conversion Date, and the balance, if any, of such fair market value of such Common Stock (and any such cash payment) shall be treated as issued in exchange for the Issue Price of the Security being converted pursuant to the provisions hereof.

No fractional shares will be issued upon conversion; in lieu thereof, an amount will be paid in cash based upon the closing price of the Common Stock on the Trading Day immediately prior to the Conversion Date.

To convert a Security, a Holder must (a) complete and manually sign the conversion notice set forth below and deliver such notice to a Conversion Agent, (b) surrender the Security to the Conversion Agent, (c) furnish appropriate endorsements and transfer documents (including any certification that may be required under applicable law) if required by the Conversion Agent, and (d) pay any transfer or similar tax, if required.

REPURCHASE BY THE COMPANY AT THE OPTION OF THE HOLDER

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, the Securities held by such Holder on the following Repurchase Dates and at the following Repurchase Prices per \$1,000 Principal Amount, upon delivery of a Repurchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Repurchase Date until the close of business on such Repurchase Date and upon delivery of the Securities to the Paying Agent by the Holder as set forth in the Indenture.

REPURCHASE DATE -----	REPURCHASE PRICE -----
June 6, 2005.....	\$ 594.25
June 6, 2010.....	\$ 706.82
June 6, 2015.....	\$ 840.73

The Repurchase Price (equal to the Issue Price plus accrued Original Issue Discount through the Repurchase Date) may be paid, at the option of the Company, in cash or by the issuance of Common Stock (as provided in the Indenture), or in any combination thereof.

If prior to a Repurchase Date this Security has been converted to an interest-bearing debenture following the occurrence of a Tax Event, the Repurchase Price will be equal to the Restated Principal Amount plus accrued and unpaid interest from the date of conversion to the Repurchase Date.

Holders have the right to withdraw any Repurchase Notice by delivering to the Paying Agent a written notice of withdrawal prior to the close of business on the Repurchase Date in accordance with the provisions of the Indenture.

If cash (and/or securities if permitted under the Indenture) sufficient to pay the Repurchase Price of all Securities or portions thereof to be purchased as of the Repurchase Date, is deposited with the Paying Agent on the Business Day following the Repurchase Date, Original Issue Discount (or interest, if this Security has been converted to an interest-bearing debenture following the occurrence of a Tax Event) ceases to accrue on such Securities (or portions thereof) immediately after such Repurchase Date, and the Holder thereof shall have no other rights as such (other than the right to receive the Repurchase Price upon surrender of such Security).

TAX EVENT

From and after (i) the date (the "Tax Event Date") of the occurrence of a Tax Event and (ii) the date the Company exercises such option, whichever is later (the "Option Exercise Date"), at the option of the Company, interest in lieu of future Original Issue Discount shall accrue at the rate of 3.5% per annum on a Principal Amount per Security (the "Restated Principal Amount") equal to the

Issue Price plus Original Issue Discount accrued through the Option Exercise Date and shall be payable semiannually on June 6 and December 6 of each year (each an "Interest Payment Date") to holders of record at the close of business on May 23 or November 22 (each a "Regular Record Date") immediately preceding such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Option Exercise Date.

Interest on any Security that 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 is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose. Each installment of interest on any Security shall be paid in same-day funds by transfer to an account maintained by the payee located inside the United States.

Except as otherwise specified with respect to the Securities, any Defaulted Interest on any Security shall forthwith cease to be payable to the registered Holder thereof on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company as provided for in Section 307 of the Indenture.

CONVERSION ARRANGEMENT ON CALL FOR REDEMPTION

Any Securities called for redemption, unless surrendered for conversion before the close of business on the Redemption Date, may be deemed to be purchased from the Holders of such Securities at an amount not less than the Redemption Price, by one or more investment bankers or other purchasers who may agree with the Company to purchase such Securities from the Holders, to convert them into Common Stock of the Company and to make payment for such Securities to the Paying Agent in trust for such Holders.

TRANSFER

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration or transfer at the office or agency in a Place of Payment for Securities of this series, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of any authorized denominations and for the same aggregate principal amount, executed by the Company and authenticated and delivered by the Trustee, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations set forth therein and on the face of this Security, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee or any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

AMENDMENT, SUPPLEMENT AND WAIVER

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

SUCCESSOR CORPORATION

When a successor corporation assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor corporation will (except in certain circumstances specified in the Indenture) be released from those obligations.

DEFAULTS AND REMEDIES

Under the Indenture, Events of Default include (i) default in the payment of interest which default continues for a period of 30 days, after the Securities have been converted to semiannual coupon debentures following a Tax Event, or in the payment of any Additional Interest; (ii) default in payment of the Principal Amount (or, if the Securities have been converted to semiannual coupon debentures following a Tax Event, the Restated Principal Amount), Issue Price plus accrued Original Issue Discount, Redemption Price, Repurchase Price or Change in Control Purchase Price, as the case may be, in respect of the Securities when the same becomes due and payable; (iii) failure by the Company to comply with other agreements in the Indenture or the Securities, subject to notice and lapse of time; (iv) default under any bond, debenture, note or other evidence of indebtedness for money borrowed of the Company or any Subsidiary having an aggregate outstanding principal

amount of in excess of \$25,000,000 (excluding such indebtedness of any Subsidiary other than a Significant Subsidiary, all the indebtedness of which is nonrecourse to the Company or any other Subsidiary), which default shall be with respect to payment or shall have resulted in such indebtedness being accelerated, without such indebtedness being discharged or such acceleration having been rescinded or annulled, subject to notice and passage of time; and (v) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary. If an Event of Default with respect to Securities of this series shall occur and be continuing, all unpaid Issue Price plus accrued Original Issue Discount through the acceleration date (or, if the Security has been converted to an interest bearing debenture, the Restated Principal Amount plus accrued and unpaid interest from the date of conversion to the acceleration date) of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture. If an Event of Default occurs as a result of certain events of bankruptcy, insolvency or reorganization of the Company, such specified amount of the Securities outstanding shall become due and payable immediately without any declaration or other act on the part of the Trustee or any Holder, all as and to the extent provided in the Indenture.

NO RECOURSE AGAINST OTHERS

No recourse shall be had for the payment of the principal of or the interest, if any, on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

AUTHENTICATION

This Security shall not be valid until the Trustee or an authenticating agent manually signs the certificate of authentication on the other side of this Security.

INDENTURE TO CONTROL; GOVERNING LAW

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW RULES OF SAID STATE.

ABBREVIATIONS AND DEFINITIONS

Customary abbreviations may be used in the name of the Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common),

CUST (= Custodian) and U/G/M/A (= Uniform Gifts to Minors Act).

All terms defined in the Indenture and used in this Security but not specifically defined herein are defined in the Indenture and are used herein as so defined.

CONVERSION NOTICE

To convert this Security into Common Stock of the Company, check the box: []

To convert only part of this Security, state the Principal Amount to be converted (must be \$1,000 or a multiple of \$1,000): \$

If you want the stock certificate made out in another person's name, fill in the form below:

(Insert other person's soc. sec. or tax I.D. no.)

(Print or type other person's name, address and zip code)

Your Signature: _____

Date: _____

(Sign exactly as your name appears on the other side of this Security)

*Signature guaranteed by: _____

By: _____

* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guaranty program acceptable to the Trustee.

OPTION OF HOLDER TO ELECT PURCHASE ON CHANGE IN
CONTROL

If you want to elect to have this Security purchased, in whole or in part, by the Company pursuant to Section 1601 of the Indenture, check the following box: []

If you want to have only part of this Security purchased by the Company pursuant to Section 1601 of the Indenture, state the Principal Amount you want to be purchased (must be \$1,000 or a multiple of \$1,000): \$

Your Signature: _____ Date: _____

(Sign exactly as your name appears on the other side of this Security)

Signature guaranteed by: _____

By: _____

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* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs; (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guaranty program acceptable to the Trustee

SCHEDULE OF EXCHANGES OF SECURITIES(4)

The following exchanges, redemptions, repurchases or conversions of a part of this Global Security have been made:

Date of Transaction	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of the Global Security
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(4) This schedule should be included only if the Security is a Global Security.

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR
REGISTRATION OF TRANSFER OF RESTRICTED SECURITIES(5)

Re: Zero Coupon Convertible Debentures Due June 6, 2020 (the
"Securities") of Diamond Offshore Drilling, Inc.

This certificate relates to \$_____ principal amount at maturity of
Securities owned in (check applicable box)

☐ book-entry or

☐ definitive form

by _____ (the "Transferor").

The Transferor has requested a Registrar or the Trustee to exchange or
register the transfer of such Securities.

In connection with such request and in respect of each such Security,
the Transferor does hereby certify that the Transferor is familiar with
transfer restrictions relating to the Securities as provided in Section 102 of
the Indenture dated as of June 6, 2000 (the "Indenture"), between Diamond
Offshore Drilling, Inc. and The Chase Manhattan Bank.

In connection with any transfer of any of the Securities evidenced by
this certificate occurring prior to the expiration of the period referred to in
Rule 144(k) under the Securities Act after the later of the date of original
issuance of such Securities and the last date, if any, on which such Securities
were owned by the Company or any Affiliate of the Company, the undersigned
confirms that such Securities are being transferred in accordance with its
terms:

CHECK ONE BOX BELOW

- (1) ☐ to the Company; or
- (2) ☐ pursuant to an effective registration statement under the
Securities Act of 1933; or
- (3) ☐ inside the United States to a "qualified institutional
buyer" (as defined in Rule 144A under the Securities Act of
1933) that purchases for its own account or for the account
of a qualified institutional buyer to whom notice

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- (5) This certificate should only be included if this Security is a Transfer
Restricted Security.

is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

- (4) ☐ outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933; or
- (5) ☐ pursuant to another available exemption from registration provided by Rule 144 under the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (4) or (5) is checked, the Trustee may require, prior to registering any such transfer of the Securities, such legal opinions, certifications and other information as the Company has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, such as the exemption provided by Rule 144 under such Act.

Signature

Signature Guarantee:

Signature must be guaranteed

Signature

TO BE COMPLETED BY PURCHASER IF (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

NOTICE: To be executed by an
executive officer

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\$805,000,000

DIAMOND OFFSHORE DRILLING, INC.

ZERO COUPON CONVERTIBLE DEBENTURES
DUE JUNE 6, 2020

PURCHASE AGREEMENT

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PURCHASE AGREEMENT

May 31, 2000

Credit Suisse First Boston Corporation
Eleven Madison Avenue
New York, N.Y. 10010-3629

Dear Sirs:

1. Introductory. Diamond Offshore Drilling, Inc., a Delaware corporation (the "COMPANY"), proposes, subject to the terms and conditions stated herein, to issue and sell to Credit Suisse First Boston Corporation (the "PURCHASER") and the Purchaser proposes to purchase and accept from the Company U.S. \$805,000,000 aggregate principal amount of its Zero Coupon Convertible Debentures Due June 6, 2020 (the "OFFERED SECURITIES") to be issued under an Indenture dated as of February 4, 1997, as supplemented by a Second Supplemental Indenture to be dated as of the Closing Date (as defined below) (as so amended and supplemented, the "INDENTURE"), between the Company and The Chase Manhattan Bank, as Trustee, on a private placement basis pursuant to an exemption under Section 4(2) of the United States Securities Act of 1933, as amended (the "SECURITIES ACT"), and hereby agrees with the Purchaser as follows:

2. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, the Purchaser that:

(a) An offering memorandum relating to the Offered Securities has been prepared by the Company. Such offering memorandum (the "OFFERING MEMORANDUM"), as supplemented as of the Closing Date, and any other document approved in writing by the Company for use in connection with the contemplated resale of the Offered Securities, are hereinafter collectively referred to as the "OFFERING DOCUMENT." On the Closing Date, the Offering Document will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Offering Document based upon written information furnished to the Company by the Purchaser specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 7(b) hereof. Except as disclosed in the Offering Document, on the Closing Date (as defined herein), the Company's Annual Report on Form 10-K most recently filed with the Securities and Exchange Commission (the "COMMISSION") and all subsequent reports (collectively, the "EXCHANGE ACT REPORTS") which have been filed by the Company with the Commission pursuant to the Securities Exchange Act of 1934 (the "EXCHANGE ACT"), do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Exchange Act Reports,

when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder.

(b) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Document; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure of the Company to be so qualified would not have a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries, taken as a whole (a "MATERIAL ADVERSE EFFECT").

(c) Each subsidiary of the Company has been duly incorporated and is an existing corporation in good standing under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Offering Document; and each subsidiary of the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure of such subsidiary to be so qualified would not have a Material Adverse Effect; all of the issued and outstanding capital stock of each subsidiary of the Company has been duly authorized and validly issued and is fully paid and nonassessable, except where the failure of such capital stock to have been so authorized and issued would not have a Material Adverse Effect; and the capital stock of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects, except where the failure of the Company to own such capital stock would not have a Material Adverse Effect.

(d) The Indenture has been duly authorized; the Offered Securities have been duly authorized; and when the Offered Securities are delivered and paid for pursuant to this Agreement on the Closing Date (as defined below), the Indenture will have been duly executed and delivered, such Offered Securities will have been duly executed, authenticated, issued and delivered and will conform to the description thereof contained in the Offering Document and the Indenture and such Offered Securities will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(e) When the Offered Securities are delivered and paid for pursuant to this Agreement on each Closing Date, such Offered Securities will be convertible at the rate of 8.6075 shares (the "UNDERLYING SHARES") of common stock, par value \$.01 per share (the "COMMON STOCK"), of the Company per \$1,000 principal amount of such Offered Securities in accordance with the terms of the Indenture; the Underlying Shares initially issuable upon conversion of such Offered Securities have been duly authorized and reserved for issuance upon such conversion and, when issued upon such conversion, will be validly issued, fully paid and nonassessable; the outstanding

shares of Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and conform to the description thereof contained in the Offering Document; and the stockholders of the Company have no preemptive rights with respect to the Offered Securities or the Underlying Shares.

(f) Except as disclosed in the Offering Document, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or the Purchaser for a brokerage commission, finder's fee or other like payment.

(g) Except for the Registration Rights Agreement dated October 16, 1995, between the Company and Loews Corporation, as amended (the "LOEWS REGISTRATION RIGHTS AGREEMENT") and the Registration Rights Agreement (as defined below), there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act.

(h) The outstanding shares of Common Stock are listed on The New York Stock Exchange (the "STOCK EXCHANGE").

(i) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated by this Agreement and the Registration Rights Agreement, dated as of the Closing Date, between the Company and the Purchaser (the "REGISTRATION RIGHTS AGREEMENT") in connection with the issuance and sale of the Offered Securities by the Company, except for the filing of the Shelf Registration Statement (as defined in the Registration Rights Agreement) and the order of the Commission declaring the Shelf Registration Statement (as defined in the Registration Rights Agreement) effective and such as may be required under state securities laws.

(j) The execution, delivery and performance of the Indenture, this Agreement and the Registration Rights Agreement, the issuance and sale of the Offered Securities and compliance with the terms and provisions thereof and the issuance of the Underlying Shares will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound, or to which any of the property or assets of the Company or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the charter or bylaws of the Company or any of its subsidiaries or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or the property of the Company or any of its subsidiaries except, in each case other than

with respect to such charter or bylaws, which conflict, breach or default or violation would not impair the Company's or any of its subsidiaries' ability to perform the obligations hereunder or have any material adverse effect upon the consummation of the transactions contemplated hereby; and the Company has full power and authority to authorize, issue and sell the Offered Securities and the Underlying Shares as contemplated by this Agreement.

(k) This Agreement has been duly authorized, executed and delivered by the Company; the Registration Rights Agreement has been duly authorized and, as of the Closing Date, will have been duly executed and delivered by the Company.

(l) Except for Permitted Liens, as such term is defined below, the Company and its subsidiaries have good and marketable title to all offshore drilling rigs described as being owned by them in the Offering Document or the Exchange Act Reports, and good and marketable title to all real property and all other properties and assets owned by them, in each case free from liens, encumbrances and defects that would materially affect the value thereof, taken as a whole, or materially interfere with the use made or to be made thereof by them; and except as disclosed in the Offering Document or the Exchange Act Reports, the Company and its subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions to such validity or enforceability that would materially interfere with the use made or to be made thereof by them. "PERMITTED LIENS" means (i) liens for taxes not yet due or liens for taxes that are being contested in good faith and by appropriate proceedings diligently prosecuted and for which appropriate reserves have been established by the Company as required by generally accepted accounting principles in the United States; (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's, maritime, statutory or other like liens arising in the ordinary course of business that are not overdue for more than 30 days or that are being contested in good faith and by appropriate proceedings diligently prosecuted; (iii) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security legislation; and (iv) deposits to secure the performance of bids, contracts in the ordinary course of business (other than for borrowed money), leases, statutory obligations, surety and appeal bonds and performance bonds, and other obligations of a like nature that are incurred in the ordinary course of business.

(m) The Company and its subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them in all material respects and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(n) No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent that might have a Material Adverse Effect.

(o) The Company and its subsidiaries own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents,

copyrights, confidential information and other intellectual property (collectively, "INTELLECTUAL PROPERTY RIGHTS") necessary to conduct the business now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(p) Neither the Company nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "ENVIRONMENTAL LAWS"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim.

(q) There are no pending actions, suits or proceedings against or affecting the Company, any of its subsidiaries or any of their respective properties except as disclosed in the Offering Document or the Exchange Act Reports, or as individually or in the aggregate do not now have and to the best of the knowledge of the Company, are not reasonably expected in the future to have a Material Adverse Effect or would materially and adversely affect the ability of the Company to perform its obligations under the Indenture, this Agreement or the Registration Rights Agreement, or which are otherwise material in the context of the sale of the Offered Securities; and no such actions, suits or proceedings are, to the Company's knowledge, threatened or contemplated.

(r) The financial statements included or incorporated by reference in the Offering Document present fairly in all material respects the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis.

(s) Except as disclosed in the Offering Document or in the Exchange Act Reports, since the date of the latest audited financial statements included or incorporated by reference in the Offering Document, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole, and there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(t) The Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Offering Document, will not be (i) an "investment company" or a company "controlled" by an "investment company"

within the meaning of in the Investment Company Act of 1940, as amended (the "INVESTMENT COMPANY ACT") or (ii) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended (the "HOLDING COMPANY ACT").

(u) No securities of the same class (within the meaning of Rule 144A(d)(3) under the Securities Act) as the Offered Securities are listed on any national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.

(v) Assuming the accuracy of the Purchaser's representations and performance by the Purchaser of its covenants and warranties contained in Section 4 herein, the offer and sale of the Offered Securities by the Company to the Purchaser in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof; and it is not necessary to qualify an indenture in respect of the Offered Securities under the United States Trust Indenture Act of 1939, as amended (the "TRUST INDENTURE ACT").

(w) Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf (i) has, within the six-month period prior to the date hereof, offered or sold the Offered Securities or any security of the same class or series as the Offered Securities or (ii) has offered or will offer or sell the Offered Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act. The Company has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except for this Agreement.

3. Purchase, Sale and Delivery of Offered Securities. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Company, at a purchase price of 97.75% of issue price of U.S. \$499.60 per \$1,000 principal amount at maturity thereof, U.S. \$805,000,000 aggregate principal amount at maturity of the Offered Securities.

The Company will deliver against payment of the purchase price the Offered Securities in the form of one or more permanent global Offered Securities in definitive form (the "GLOBAL SECURITIES") deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC. Interests in any Global Securities will be held only in book-entry form through DTC, except in the limited circumstances described in the Offering Document. Payment for the Offered Securities shall be made by the Purchaser in Federal (same day) funds by wire transfer to an account at a bank acceptable to the Purchaser drawn to the order of the Company at the office of Andrews & Kurth L.L.P., Houston, Texas, at 9:00 A.M. (Houston time), on June 6, 2000, or at such other time not later than seven full business days thereafter as the Purchaser and the Company determine, such time being herein referred to as the "CLOSING DATE," against delivery to the Trustee as custodian for DTC of the Global Securities

representing all of the Offered Securities. The Global Securities will be made available for checking at the above office of Andrews & Kurth L.L.P., Houston, Texas at least 24 hours prior to the Closing Date.

4. Representations by Purchaser; Resale by Purchaser.

(a) The Purchaser represents and warrants to the Company that it is an "accredited investor" within the meaning of Regulation D under the Securities Act.

(b) The Purchaser acknowledges that the Offered Securities have not been registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Purchaser represents and agrees that it has not offered and sold the Offered Securities and will not offer and sell the Offered Securities, except to qualified institutional buyers within the meaning of Rule 144A under the Securities Act.

(c) The Purchaser agrees that it and each of its affiliates has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except with the prior written consent of the Company.

(d) The Purchaser agrees that it and each of its affiliates will not offer or sell the Offered Securities by means of any form of general solicitation or general advertising, within the meaning of Rule 502(c) under the Securities Act, including, but not limited to (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. The Purchaser agrees, with respect to resales made in reliance on Rule 144A of any of the Offered Securities, to deliver either with the confirmation of such resale or otherwise prior to settlement of such resale a notice to the effect that the resale of such Offered Securities has been made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

5. Certain Agreements of the Company. The Company agrees with the Purchaser that:

(a) The Company will advise the Purchaser promptly of any proposal to amend or supplement the Offering Document after the Closing Date and will not effect such amendment or supplementation without the Purchaser's consent, which will not be reasonably withheld. If, at any time prior to the completion of the resale of the Offered Securities by the Purchaser any event occurs as a result of which the Offering Document as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any such time to amend or supplement the Offering Document to comply with any applicable law, the Company promptly will notify the Purchaser of such event and promptly will prepare, at its own expense, an amendment or supplement which will correct such statement or

omission or effect such compliance. Neither the Purchaser's consent to, nor delivery to offerees or investors of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6.

(b) The Company will furnish to the Purchaser copies of the Offering Document and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Purchaser requests, and the Company will furnish to the Purchaser on the Closing Date three copies of the Offering Document signed by a duly authorized officer of the Company, one of which will include the independent accountants' reports therein manually signed by such independent accountants. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will promptly furnish or cause to be furnished to the Purchaser and, upon request of holders and prospective purchasers of the Offered Securities, to such holders and purchasers, copies of the information required to be delivered to holders and prospective purchasers of the Offered Securities pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto) in order to permit compliance with Rule 144A in connection with resales by such holders of the Offered Securities in reliance upon Rule 144A. The Company will pay the expenses of printing and distributing to the Purchaser all such documents.

(c) The Company will arrange for the qualification of the Offered Securities for sale and the determination of their eligibility for investment under the laws of such states in the United States as the Purchaser designates and will continue such qualifications in effect so long as required for the resale of the Offered Securities by the Purchaser; provided that the Company will not be required to qualify as a foreign corporation or to file a general consent to service of process in any such state.

(d) During the period of five years hereafter, the Company will furnish to the Purchaser as soon as practicable after the end of each fiscal year, a copy of its annual report to stockholders for such year; and the Company will furnish to the Purchaser as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to stockholders. It is understood and agreed that the Company may satisfy its obligations under this Section 5(d) by publishing such reports and proxy statements at the Company's Web site on the World Wide Web or through such other public medium as the Company may use at that time.

(e) During the period of two years after the Closing Date, the Company will, upon request, furnish to the Purchaser and any holder of Offered Securities a copy of the restrictions on transfer applicable to the Securities.

(f) During the period of two years after the Closing Date, the Company will not, and will not permit any of its affiliates (as defined in Rule 144 under the Securities Act) to, resell any of the Offered Securities that have been reacquired by any of them.

(g) The Company will pay all expenses incidental to the performance of its obligations under this Agreement, for any filing fees or other expenses (including fees and disbursements of counsel not to exceed \$5,000) in connection with the qualification pursuant to Section 5(c) of the Offered Securities or Underlying Shares for sale and any determination for eligibility for investment under the laws of such jurisdictions as the Purchaser may designate and the printing of memoranda relating thereto, for any fees charged by investment rating agencies for the rating of the Offered Securities, the fees and expenses of the Trustee and its professional advisers; all expenses in connection with the execution, issue, authentication, packaging and initial delivery of the Offered Securities and, as applicable, the Underlying Shares, the preparation and printing of this Agreement, the Registration Rights Agreement, the Offered Securities, the Indenture, the Offering Document and amendments and supplements thereto, and any other document relating to the issuance, offer, sale and delivery of the Offered Securities and as applicable the Underlying Shares; the cost of qualifying the Offered Securities for trading in The Portal(SM) Market ("PORTAL") of The Nasdaq Stock Market, Inc. and any expenses incidental thereto, the cost of any advertising approved by the Company in connection with the issue of the Offered Securities; for any travel expenses of the Company's officers and employees and any other expenses of the Company in connection with attending or hosting meetings with prospective purchasers of Registered Securities and for expenses incurred in distributing the Offering Document (including any amendments and supplements thereto). Except as provided in the preceding sentence, the Purchaser will pay the expenses incident to the performance of its obligations under this Agreement and will reimburse the Company (if and to the extent incurred by the Company) for any travel expenses of the Purchaser's representatives and any other expenses of the Purchaser in connection with attending or hosting meetings with prospective purchasers of the Offered Securities.

(h) The Company will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act to cease to be applicable to the offer and sale of the Offered Securities.

(i) For a period of 90 days after the date hereof, the Company will not offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock without the prior written consent of the Purchaser, or publicly disclose the intention to make any such offer, sale, pledge or disposition, except grants of employee or director stock options, stock appreciation rights or restricted stock grants pursuant to the terms of a plan in effect on the date hereof, issuances of Common Stock pursuant to the exercise of such options or the exercise of any other employee stock options currently outstanding or upon the conversion of the Company's 3 3/4% Convertible Subordinated Notes due 2007.

(j) The Company will promptly apply for the listing on the Stock Exchange of the Underlying Shares and will use its reasonable best efforts to obtain such listing within 15 days of the Closing Date.

6. Conditions of the Obligation of the Purchaser. The obligation of the Purchaser to purchase and pay for the Offered Securities will be subject to the accuracy of the representations and warranties on the part of the Company herein, to the accuracy of the statements of officers of the Company made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) The Purchaser shall have received a letter, dated the Closing Date, of Deloitte & Touche LLP confirming that they are independent public accountants within the meaning of the Securities Act and the applicable published rules and regulations thereunder ("RULES AND REGULATIONS") and to the effect that:

(i) In their opinion the financial statements examined by them and included or incorporated by reference in the Offering Document and in the Exchange Act Reports comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related published Rules and Regulations;

(ii) they have performed the procedures specified by the American Institute of Certified Public Accountants for a review of interim financial information as described in Statement of Auditing Standards No. 71, Interim Financial Information, on the unaudited financial statements included or incorporated by reference in the Offering Document and in the Exchange Act Reports;

(iii) on the basis of the review referred to in clause (ii) above, a reading of the latest available interim financial statements of the Company, inquiries of officials of the Company who have responsibility for financial and accounting matters and other specified procedures, nothing came to their attention that caused them to believe that:

(A) the unaudited financial statements included or incorporated by reference in the Offering Document or in the Exchange Act Reports do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related published Rules and Regulations or any material modifications should be made to such unaudited financial statements for them to be in conformity with generally accepted accounting principles;

(B) at the date of the latest available balance sheet read by such accountants, or at a subsequent specified date not more than three business days prior to the date of this Agreement, there was any change in the capital stock or any increase in short-term indebtedness or long-term debt of the Company and its consolidated subsidiaries or, at the date of the latest available balance sheet read by such accountants, there was any decrease in consolidated net current assets or net assets, as compared with amounts shown on the latest balance sheet included or incorporated by reference in the Offering Document and the Exchange Act Reports; or

(C) for the period from the closing date of the latest income statement included in or incorporated by reference in the Offering Document and Exchange Act Reports to the closing date of the latest available income statement read by such accountants there were any decreases, as compared with the corresponding period of the previous year and with the period of corresponding length ended the date of the latest income statement included in or incorporated by references in the Offering Document and Exchange Act Reports, in the contract drilling revenue, net operating income or in the total or per share amounts of consolidated income before extraordinary items or net income or in the ratio of earnings to fixed charges;

except in all cases set forth in clauses (B) and (C) above for changes, increases or decreases which the Offering Document and Exchange Act Reports disclose have occurred or may occur or which are described in such letter; and

(iv) they have compared specified dollar amounts (or percentages derived from such dollar amounts) and other financial information contained in the Offering Document and the Exchange Act Reports (in each case to the extent that such dollar amounts, percentages and other financial information are derived from the general accounting records of the Company and its subsidiaries subject to the internal controls of the Company's accounting system or are derived directly from such records by analysis or computation) with the results obtained from inquiries, a reading of such general accounting records and other procedures specified in such letter and have found such dollar amounts, percentages and other financial information to be in agreement with such results, except as otherwise specified in such letter.

(b) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Company or its subsidiaries which, in the judgment of the Purchaser is material and adverse and makes it impractical or inadvisable to proceed with completion of the offering or the sale of and payment for the Offered Securities; (ii) any downgrading in the rating of any debt securities of the Company by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (iii) any material suspension or material limitation of trading in securities generally on the New York Stock Exchange or any setting of minimum prices for trading on such exchange; (iv) or any suspension of trading of any securities of the Company on any exchange in the over-the-counter market; (v) any banking moratorium declared by U.S. Federal or New York authorities; or (vi) any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if, in the judgment of the Purchaser, the effect of any such outbreak, escalation, declaration, calamity or

emergency makes it impractical or inadvisable to proceed with completion of the offering or sale of and payment for the Offered Securities.

(c) The Purchaser shall have received an opinion, dated the Closing Date, of William C. Long, Esq., the General Counsel of the Company, to the effect that:

(i) The Company is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its activities requires such qualification, except where the failure of the Company to be so qualified would not have a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries taken as a whole.

(ii) All of the issued and outstanding shares of capital stock or membership interests, as applicable, of (i) each subsidiary of the Company listed on Exhibit A attached hereto (each, a "Subsidiary" and collectively, the "Subsidiaries") and, (ii) to such counsel's knowledge, Diamond Offshore Limited and Diamond Offshore Drilling (UK) Limited, are owned, directly or indirectly, of record and beneficially by the Company, free and clear of all liens, claims, limitations on voting rights, options, security interests and other encumbrances and have been duly authorized and validly issued and are fully paid and nonassessable, except to the extent that any such liens, claims, limitations, options, security interests and other encumbrances, individually or in the aggregate, would not have a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries, taken as a whole.

(iii) Each Subsidiary is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Subsidiary is duly qualified to transact business and is in good standing as a foreign corporation or limited liability company, as applicable, in the states listed by such Subsidiary's name on the attached Exhibit A (such states being the only states in which each such Subsidiary is required to be qualified, except where the failure to be so qualified would not have a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries, taken as a whole).

(iv) Except as described under the caption "Risk Factors -- The sale of shares available for future sale could hurt our common stock price," and under the caption "Description of the Debentures -- Registration Rights" in the Offering Memorandum, there are no contracts, agreements or understandings known to such counsel between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act.

(v) The execution, delivery and performance by the Company of the Indenture and the Agreement and the issuance and sale of the Offered Securities to the Purchaser thereunder and the compliance by the Company with all the provisions of the Indenture and this Agreement and the consummation of the transactions contemplated thereby and hereby will not conflict with, constitute a default under or violate (i) any of the terms, conditions or provisions of the certificate of incorporation or by-laws of any of the Subsidiaries, (ii) any of the terms, conditions or provisions of any document, agreement or other instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries is bound or to which any of the properties of the Company or any of the Subsidiaries is subject or (iii) any judgment, writ, injunction, decree, order or ruling of any court or governmental authority binding on any of the Subsidiaries, except (other than with respect to clause (i)) any such default, breach or violation which would not, individually or in the aggregate, have a material adverse effect on the business, operations or financial condition of the Company and its subsidiaries, taken as a whole.

(vi) To such counsel's knowledge, there are no legal or governmental proceedings that are required to be described in the Offering Document that are not described therein.

(vii) Except as disclosed in the Offering Document, there is no litigation, proceeding or governmental investigation pending or, to such counsel's knowledge, overtly threatened against the Company or any of its subsidiaries or to which any of the property of the Company or any of its subsidiaries is subject which, in such counsel's opinion, if adversely determined would, individually or in the aggregate, have a material adverse effect on the business, assets or financial condition of the Company and its subsidiaries, taken as a whole.

(viii) No consent or approval of any federal governmental agency with respect to any federal maritime law matter is required in connection with performance by the Company of its obligations under this Agreement or the issuance and sale of the Offered Securities or the Underlying Shares. Neither the issuance, offer, sale or delivery by the Company of the Offered Securities pursuant to this Agreement nor the execution, delivery and performance thereof by the Company or consummation of the transactions contemplated thereby, including the issuance and delivery of the Underlying Shares, will violate any existing federal maritime laws, including, without limitation, the Shipping Act, 1916, as amended, and the rules and regulations of the Maritime Administration and the United States Coast Guard.

The opinions expressed in such opinion may be limited to the laws of the State of Texas, the corporate laws of the State of Delaware and the federal laws of the United States.

(d) The Purchaser shall have received an opinion, dated the Closing Date, of Weil, Gotshal & Manges LLP, counsel for the Company, to the effect that:

(i) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Offering Document and Exchange Act Reports.

(ii) The Offered Securities are convertible into Common Stock in accordance with the Indenture. The shares of Common Stock issuable upon conversion of the Offered Securities have been duly authorized and reserved for issuance upon such conversion, and such Common Stock, when issued upon such conversion and upon receipt by the Company of the conversion price therefor, will be validly issued, fully paid and non-assessable. All of the outstanding shares of the Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, are free of any preemptive rights pursuant to law or the Company's Certificate of Incorporation and conform as to legal matters in all material respects to the description thereof contained in the Offering Document.

(iii) The Company has the requisite corporate power and authority to authorize, issue and sell the Offered Securities as contemplated by this Agreement. The Offered Securities to be issued pursuant to this Agreement have been duly authorized. The Offered Securities have been duly executed, authenticated, issued and delivered and conform in all material respects to the description thereof contained in the Offering Document.

(iv) The Company has all requisite corporate power and authority to execute and deliver the Indenture, the Registration Rights Agreement and this Agreement and to issue, sell and deliver the Offered Securities to the Purchaser pursuant to the Indenture and this Agreement. The execution, delivery and performance of the Indenture and this Agreement and the issuance, sale and delivery of the Offered Securities by the Company to the Purchaser thereunder have been duly authorized by all necessary corporate action on the part of the Company. This Agreement and the Indenture have been duly executed and delivered by the Company. The Indenture (assuming the due authorization, execution and delivery thereof by the Trustee), the Offered Securities and the Registration Rights Agreement (other than Section 4 as to which no opinion need be expressed) constitute legal, valid and binding obligations of the Company, enforceable against it in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(v) The execution and delivery by the Company of the Indenture, this Agreement and the Registration Rights Agreement and the performance by the Company of its obligations thereunder and the issuance and sale of the Offered Securities to the Purchaser pursuant to the Indenture and this Agreement and the compliance by the Company with the

provisions of the Indenture, this Agreement and the Registration Rights Agreement and the consummation by the Company of the transactions contemplated thereby will not conflict with, constitute a default under or violate (i) any of the terms, conditions or provisions of the Certificate of Incorporation or Amended Bylaws, of the Company, (ii) any New York, Texas, Delaware corporate or federal law or regulation (other than federal and state securities or blue sky laws, the Shipping Act, 1916, as amended, as to which no opinion need be expressed), or (iii) any judgment, writ, injunction, decree, order or ruling of any federal or state court or governmental authority binding on the Company or any of its properties of which we are aware, except in each case other than with respect to clause (i), any such conflict, default, breach or violation as would not impair the Company's ability to perform its obligations under the Indenture, this Agreement or the Registration Rights Agreement or have any material adverse effect upon the consummation of the transactions contemplated by the Indenture, this Agreement or the Registration Rights Agreement.

(vi) No consent, approval, waiver, license, order or authorization or other action by or filing with any New York, Texas, Delaware corporate or federal governmental agency, body or court is required in connection with the execution and delivery by the Company of this Agreement or the Registration Rights Agreement or the consummation by the Company of the transactions contemplated thereby and hereby, in connection with the issuance or sale of the Offered Securities by the Company, except for filings and other actions required pursuant to federal and state securities or blue sky laws or the order of the Commission declaring the Shelf Registration Statement effective, as to which no opinion need be expressed, or the Shipping Act, 1916, as amended, as to which no opinion need be expressed, and those already obtained and made under the Delaware General Corporation Law ("DGCL").

(vii) The Company is not (A) an "investment company" or an entity "controlled" by an "investment company" under the Investment Company Act or (B) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act. In rendering the opinion in this paragraph (vii) Weil, Gotshal & Manges LLP shall have assumed with the Purchaser's permission that Loews Corporation (x) is not and is not controlled by an "investment company" under the Investment Company Act and (y) is not a "holding company" or a "subsidiary company" or an "affiliate" of a holding company under the Holding Company Act.

(viii) The statements in the Offering Document under the caption "Description of the Debentures", insofar as they constitute descriptions of the Indenture or the Offered Securities or refer to statements of law or legal conclusions under the DGCL, constitute fair summaries thereof in all material respects. The statements in the Offering Document under the caption "Description of Common Stock", insofar as they constitute descriptions of the Common Stock or refer to statements of law or legal conclusions under the DGCL, constitute fair summaries thereof in all material respects. The discussion under

the caption "Certain United States Federal Income Tax Considerations" in the Offering Document accurately describes in all material respects the U.S. federal income tax aspects of the acquisition, ownership and disposition of the Offered Securities and the Underlying Shares, and provides a fair summary in all material respects of the provisions of the Internal Revenue Code of 1986, as amended, summarized therein.

(ix) The Registration Rights Agreement has been duly authorized, executed and delivered by the Company;

(x) It is not necessary in connection with (i) the offer, sale and delivery of the Offered Securities by the Company to the Purchaser pursuant to this Agreement or (ii) the resales of the Offered Securities by the Purchaser in the manner contemplated hereby to register the Offered Securities under the Securities Act or to qualify an indenture in respect thereof under the Trust Indenture Act; and

(xi) Such counsel has participated in conferences with directors, officers and other representatives of the Company, representatives of the independent public accountants for the Company, representatives of the Purchaser and representatives of counsel for the Purchaser, at which conferences the contents of the Offering Document and related matters were discussed, and, although such counsel has not independently verified and is not passing upon and assumes no responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Document (except to the extent specified in such counsel's opinion), no facts have come to such counsel's attention which lead such counsel to believe that the Offering Document, at the time the Offering Document was issued or at the Closing Date, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading or that the documents incorporated by reference in the Offering Document as filed with the Commission prior to the Closing Date as of the dates they were filed with the Commission contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading (it being understood that such counsel need express no view with respect to the financial statements and related notes and the other financial, statistical and accounting data included or which should be included in the Offering Document).

Such opinion may be limited to the laws of the States of New York and Texas, the corporate laws of the State of Delaware and the federal laws of the United States.

(e) The Purchaser shall have received from Andrews & Kurth L.L.P., counsel for the Purchaser, such opinion or opinions, dated the Closing Date, with respect to the incorporation of the Company, the validity of the Offered Securities, the Offering Memorandum, the exemption from registration for the offer and sale of the Offered Securities by the Company to the Purchaser and the resales by the Purchaser as contemplated hereby and other related matters as the Purchaser

may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(f) The Purchaser shall have received a certificate, dated the Closing Date, of the President or any Vice President and a principal financial or accounting officer of the Company in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date, and that, subsequent to the respective date of the most recent financial statements in the Offering Document and Exchange Act Reports there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole except as set forth in or contemplated by the Offering Document or Exchange Act Reports or as described in such certificate.

The Company will furnish the Purchaser with such conformed copies of such opinions, certificates, letters and documents as the Purchaser reasonably requests. The Purchaser may in its sole discretion waive on behalf of the Purchaser compliance with any conditions to the obligations of the Purchaser hereunder, whether in respect of an Optional Closing Date or otherwise.

(g) The Purchaser shall have received from Loews Corporation ("LOEWS") an executed copy of an agreement that Loews, for a period of 90 days after the date hereof, will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of Common Stock of the Company or any securities convertible into or exercisable or exchangeable for such Common Stock without the prior written consent of the Purchaser, or publicly disclose the intention to make any such offer sale, pledge or disposition, except for the exchange of shares of Common Stock for any of Loews' outstanding 3 1/8% Exchangeable Subordinated Notes due 2007.

(h) The Purchaser shall have received an executed copy of an agreement between Loews and the Company under which Loews waives any provisions in the Loews Registration Rights Agreement that are inconsistent with and would impair the Company's ability to comply with its covenants and agreements in the Registration Rights Agreement.

7. Indemnification and Contribution. (a) The Company will indemnify and hold harmless the Purchaser, its partners, directors and officers and each person, if any, who controls such Purchaser within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which the Purchaser may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Offering Document, or any amendment or supplement thereto, or the Exchange Act Reports, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and will reimburse the Purchaser

for any legal or other expenses reasonably incurred by the Purchaser in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by the Purchaser specifically for use therein, it being understood and agreed that the only such information consists of the information described as such in subsection (b) below.

(b) The Purchaser will indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities to which the Company may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Offering Document, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Purchaser specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred, it being understood and agreed that the only such information furnished by the Purchaser consists of the following information in the Offering Document furnished on behalf of the Purchaser: the sixth paragraph below the "Table of Contents" and the second, third and sixth paragraphs under the caption "Plan of Distribution;" provided however, that the Purchaser shall not be liable for any losses, claims, damages or liabilities arising out of or based upon the Company's failure to perform its obligations under Section 5(a) of this Agreement.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) above, except to the extent a defense or counterclaim has been foreclosed. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or

other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include any statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified person.

(d) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Purchaser on the other from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Purchaser on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Purchaser on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total discounts and commissions received by the Purchaser from the Company under this Agreement. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Purchaser and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), the Purchaser shall not be required to contribute any amount in excess of the amount by which the total price at which the Offered Securities purchased by it were resold exceeds the amount of any damages which the Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The obligations of the Company under this Section shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls the Purchaser within the meaning of the Securities Act or the Exchange Act; and the obligations of the Purchaser under this Section shall be in addition to any liability which the Purchaser may otherwise have and shall extend, upon the same terms and

conditions, to each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act.

8. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the Purchaser set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of the Purchaser, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If for any reason the purchase of the Offered Securities by the Purchaser is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5 and the respective obligations of the Company and the Purchaser pursuant to Section 7 shall remain in effect and if any Offered Securities have been purchased hereunder the representations and warranties in Sections 2 and 4 and all obligations under Section 5 shall remain in effect. If the purchase of the Offered Securities by the Purchaser is not consummated for any reason other than solely because of the occurrence of any event specified in clause (iii), (iv), (v) or (vi) of Section 6(b), the Company will reimburse the Purchaser for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by it in connection with the offering of the Offered Securities.

9. Notices. All communications hereunder will be in writing and, if sent to the Purchaser will be mailed, delivered or telegraphed and confirmed to the Purchaser at Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: Investment Banking Department -- Transactions Advisory Group, or, if sent to the Company, will be mailed, delivered or telegraphed and confirmed to it at 15415 Katy Freeway, Houston, Texas 77094, Attention: Corporate Secretary.

10. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder, except that holders of Offered Securities shall be entitled to enforce the agreements for their benefit contained in the second and third sentences of Section 5(b) hereof against the Company as if such holders were parties hereto.

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

APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

[SIGNATURE PAGE FOLLOWS]

If the foregoing is in accordance with the Purchaser's understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement between the Company and the Purchaser in accordance with its terms.

Very truly yours,

DIAMOND OFFSHORE DRILLING,
INC.

By: /s/ LAWRENCE R. DICKERSON

Lawrence R. Dickerson
President and Chief Operating
Officer

The foregoing Purchase Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE FIRST BOSTON CORPORATION

By: /s/ ROME G. ARNOLD

Rome G. Arnold
Managing Director

SCHEDULE A

PURCHASER

PRINCIPAL AMOUNT
OF OFFERED
SECURITIES

Credit Suisse First Boston Corporation.....

\$805,000,000

Total.....

\$805,000,000

Execution Copy

\$805,000,000 AT MATURITY

DIAMOND OFFSHORE DRILLING, INC.

ZERO COUPON CONVERTIBLE DEBENTURES DUE JUNE 6, 2020

REGISTRATION RIGHTS AGREEMENT

June 6, 2000

Credit Suisse First Boston Corporation
Eleven Madison Avenue
New York, New York 10010-3629

Dear Sirs:

Diamond Offshore Drilling, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to Credit Suisse First Boston Corporation (the "Initial Purchaser"), and the Initial Purchaser proposes to purchase and accept from the Company, upon the terms set forth in a purchase agreement of even date herewith (the "Purchase Agreement"), \$805,000,000 aggregate principal amount at maturity of its Zero Coupon Convertible Debentures due June 6, 2020 (the "Debentures"). The Debentures will be issued pursuant to a Second Supplemental Indenture, dated as of June 6, 2000, which supplements the Indenture dated February 4, 1997 (taken together, the "Indenture") by and between the Company and The Chase Manhattan Bank (the "Trustee"). Under the terms of the Indenture, the Debentures are convertible, in whole or in part, into shares of Common Stock, par value \$.01 per share (the "Conversion Shares" and, together with the Debentures, the "Securities"), at the option of the holders thereof at any time following the date of original issuance thereof at the Conversion Rate (as defined in the Indenture) set forth in the Debentures, as adjusted from time to time pursuant to the Indenture. As an inducement to the Initial Purchaser, the Company agrees with the Initial Purchaser, for the benefit of the holders of the Debentures (including, without limitation, the Initial Purchaser) and Conversion Shares (collectively, the "Holders"), as follows:

1. Resale Shelf Registration. (a) The Company shall, at its cost, use its reasonable best efforts to file as promptly as practicable (but in no event more than 90 days after the Closing Date (as defined in the Purchase Agreement)) with the Securities and Exchange Commission (the "Commission") and thereafter shall use its reasonable best efforts to cause to be declared effective no later than 180 days after the Closing Date a registration statement (the "Resale Shelf Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act") relating to the offer and sale of the Transfer Restricted Securities (as defined in Section 5 hereof) by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Resale Shelf Registration Statement and Rule 415 under the Securities Act (hereinafter, the "Resale Shelf Registration"); provided, however, that no Holder (other than the Initial Purchaser) shall be entitled to have the Securities held by it covered by such Resale Shelf Registration

Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Company shall use its reasonable best efforts to keep the Resale Shelf Registration Statement continuously effective in order to permit the prospectus included therein to be lawfully delivered by the Holders of the relevant Securities, for a period of two years from the date of its effectiveness or such shorter period that will terminate when all the Securities covered by the Resale Shelf Registration Statement (i) have been sold pursuant thereto or (ii) are no longer Transfer Restricted Securities as defined in Section 5(d) (in any such case, such period being called the "Shelf Registration Period"). The Company shall be deemed not to have used its reasonable best efforts to keep the Resale Shelf Registration Statement effective during the requisite period if it voluntarily takes any action (other than as contemplated by Section 2(h)) that would result in Holders of Securities covered thereby not being able to offer and sell such Securities during that period, unless such action is required by applicable law.

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Company shall cause the Resale Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of the Resale Shelf Registration Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Each Holder agrees that if such Holder wishes to sell such Holder's Securities pursuant to a Resale Shelf Registration Statement and related prospectus, it will do so in accordance with this Section 1(d). Each Holder wishing to sell Securities pursuant to a Resale Shelf Registration Statement and related prospectus agrees to deliver a Notice and Questionnaire (the form of which is attached as Annex A to the Offering Memorandum and in connection with the offering of the Debentures) to the Company prior to any intended distribution of Securities under the Resale Shelf Registration Statement. From and after the date the Resale Shelf Registration Statement is declared effective, the Company shall, as promptly as is practicable after the date a Notice and Questionnaire is delivered, and in any event within five (5) Business Days after such date, (i) if required by applicable law, file with the Commission a post-effective amendment to the Shelf Registration Statement or prepare and, if required by applicable law, file a supplement to the related prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that the Holder delivering such Notice and Questionnaire is named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of the Securities in accordance with applicable law and, if the Company shall file a post-effective amendment to the Resale Shelf Registration Statement, use all reasonable efforts to cause such post-effective

amendment to be declared effective under the Securities Act as promptly as is practicable, but in any event by the date that is sixty (60) days after the date such post-effective amendment is required by this clause to be filed; (ii) provide such Holder copies of any documents filed pursuant to Section 1(d)(i); and (iii) notify such Holder as promptly as practicable after the effectiveness under the Securities Act of any post-effective amendment filed pursuant to Section 1(d)(i); provided, that if such Notice and Questionnaire is delivered during a period in which the use of the prospectus is suspended pursuant to Section 2(h), the Company shall so inform the Holder delivering such Notice and Questionnaire and shall take the actions set forth in clauses (i), (ii) and (iii) above upon expiration of the suspension period. Notwithstanding anything contained herein to the contrary, the Company shall be under no obligation to name any Holder that has not supplied the requisite information required by Section 1(d) as a selling securityholder in any Registration Statement or related Prospectus; provided, however, that any Holder that has subsequently supplied the requisite information required by this Section 1(d) pursuant to the provisions of this Section (whether or not such Holder has supplied the requisite information required by this Section 1(d) at the time the Resale Shelf Registration Statement was declared effective) shall be named as a selling securityholder in the Resale Shelf Registration Statement or related prospectus in accordance with the requirements of this Section 1(d).

2. Registration Procedures. In connection with the Resale Shelf Registration contemplated by Section 1 hereof, the following provisions apply:

(a) The Company shall (i) furnish to the Initial Purchaser, prior to the filing thereof with the Commission, a copy of the Resale Shelf Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and, in the event that the Initial Purchaser (with respect to any portion of an unsold allotment from the original offering) is participating in the Resale Shelf Registration, the Company shall use its reasonable best efforts to reflect in each such document, when so filed with the Commission, such comments as the Initial Purchaser reasonably may propose; and (ii) include the names of the Holders, who propose to sell Securities pursuant to the Resale Shelf Registration Statement, as selling securityholders.

(b) The Company shall give written notice to the Initial Purchaser and Holders of the Securities (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when the Resale Shelf Registration Statement or any amendment thereto has been filed with the Commission and when the Resale Shelf Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Resale Shelf Registration Statement or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Resale Shelf Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event (which need not be described with any particular degree of specificity) that requires the Company to make changes in the prospectus which forms a part of the Resale Shelf Registration Statement in order that the prospectus does not contain an untrue statement of a material fact or omit to state a 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.

(c) The Company shall make every reasonable effort to obtain the withdrawal, at the earliest possible time, of any order suspending the effectiveness of the Resale Shelf Registration Statement.

(d) The Company shall furnish to each Holder of Securities included within the coverage of the Resale Shelf Registration, without charge, at least one copy of the Resale Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(e) The Company shall, during the Resale Shelf Registration Period, deliver to each Holder of Securities included within the coverage of the Resale Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Resale Shelf Registration Statement and any amendment or supplement thereto as such person may reasonably request. The Company consents, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by each of the selling Holders of the Securities in connection with the offering and sale of the Securities covered by the prospectus, or any amendment or supplement thereto, included in the Resale Shelf Registration Statement in the manner described therein.

(f) Prior to any public offering of the Securities, pursuant to any Resale Shelf Registration Statement, the Company shall register or qualify or cooperate with the Holders of the Securities included therein and their respective counsel in connection with the registration or qualification of the Securities for offer and sale under the securities or "blue sky" laws of such states of the United States as any Holder of the Securities reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the

Securities covered by such Resale Shelf Registration Statement; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(g) The Company shall cooperate with the Holders of the Securities to facilitate the timely preparation and delivery of certificates representing the Securities to be sold pursuant to any Resale Shelf Registration Statement (to the extent such Securities are certificated) free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Securities pursuant to such Resale Shelf Registration Statement.

(h) Upon the occurrence of any event contemplated by paragraphs (ii) through (v) of Section 2(b) above during the Shelf Registration Period, the Company shall promptly prepare and file a post-effective amendment to the Resale Shelf Registration Statement or a supplement to the related prospectus and any other required document so that, as thereafter delivered to Holders or purchasers of Securities, the 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; provided however, that the Company may delay preparing, filing and distributing any such supplement or amendment (and continue the suspension of the use of the prospectus) if the Company determines in good faith that such supplement or amendment would, in the reasonable judgment of the Company, (i) interfere with or affect the negotiation or completion of a transaction that is being contemplated by the Company (whether or not a final decision has been made to undertake such transaction) or (ii) involve initial or continuing disclosure obligations that are not in the best interests of the Company's stockholders at such time; provided further, that neither such delay nor such suspension shall extend for a period of more than 30 days in any three month period or more than 90 days for all such periods in any twelve month period. If the Company notifies the Initial Purchaser and the Holders of the Securities in accordance with paragraphs (ii) through (v) of Section 2(b) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Initial Purchaser and the Holders shall suspend use of such prospectus.

(i) Not later than the effective date of the Resale Shelf Registration Statement, the Company will provide CUSIP numbers for the Debentures and the Conversion Shares registered under the Resale Shelf Registration Statement and provide the Trustee with a certificate for the Debentures, in a form eligible for deposit with The Depository Trust Company.

(j) The Company will comply with all rules and regulations of the Commission to the extent and so long as they are applicable to the Resale Shelf Registration and will make generally available to its security holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11(a) of the Securities

Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Resale Shelf Registration Statement, which statement shall cover such 12-month period.

(k) The Company shall cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, in a timely manner and containing such changes, if any, as shall be necessary for such qualification. In the event that such qualification would require the appointment of a new trustee under the Indenture, the Company shall appoint a new trustee thereunder pursuant to the applicable provisions of the Indenture.

(l) The Company shall enter into such customary agreements (including, if requested an underwriting agreement in customary form) and take all such other action, if any, as any Holder shall reasonably request in order to facilitate the disposition of the Securities pursuant to any Resale Shelf Registration.

(m) The Company shall (i) make reasonably available for inspection by the Holders, any underwriter participating in any disposition pursuant to the Resale Shelf Registration Statement and any attorney, accountant or other agent retained by the Holders or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders or any such underwriter, attorney, accountant or agent in connection with the Resale Shelf Registration Statement, in each case, as shall be reasonably necessary to enable such persons, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that the foregoing inspection and information gathering shall be coordinated on behalf of the Initial Purchaser and the other parties, by one firm of counsel, which firm shall be Andrews & Kurth L.L.P. until another firm shall be designated as described in Section 3 hereof; provided further, that (w) no Holder that is a competitor of the Company shall have any right whatsoever to conduct any inspection of the Company's records and information; (x) in connection with any such inspection, any such inspectors shall use their reasonable best efforts to minimize any disruption to the operation by the Company of its business; (y) records and information obtained hereunder shall be used by such persons only to exercise their due diligence responsibility; and (z) records or information furnished or made available hereunder shall be kept confidential and shall not be disclosed by any such Holder, underwriter or inspectors unless (A) the disclosure of such records or information is reasonably necessary to avoid or correct a misstatement or omission in the Resale Shelf Registration Statement, (B) the release of such records or information is ordered pursuant to a subpoena or other order from a court or governmental authority of competent jurisdiction or (C) such records or information otherwise become generally available to the public other than through disclosure by such Holder, underwriter or inspector in breach hereof or by any person in breach of any other confidentiality arrangement. Each Holder agrees that information obtained by it as a result of such

inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Company or its affiliates unless and until such information is made generally available to the public. Such Holder further agrees that it will, upon learning that disclosure of such records or information is sought by a court or governmental authority, give notice to the Company and allow the Company, at the expense of the Company, to undertake appropriate action to prevent disclosure of the records or information deemed confidential.

(n) The Company shall (i) cause its counsel to deliver an opinion and updates thereof relating to the Securities in customary form addressed to the Holders and the managing underwriters, if any, thereof and dated, in the case of the initial opinion, the effective date of such Resale Shelf Registration Statement (it being agreed that the matters to be covered by such opinion shall include, without limitation, the due incorporation and good standing of the Company and its material subsidiaries; the qualification of the Company and its material subsidiaries to transact business as foreign corporations; the due authorization, execution and delivery of the relevant agreement of the type referred to in Section 2(1) hereof; the due authorization, execution, authentication and issuance, and the validity and enforceability, of the applicable Securities; the absence of governmental approvals required to be obtained in connection with the Resale Shelf Registration Statement, the offering and sale of the applicable Securities or any agreement of the type referred to in Section 2(n) hereof; the compliance as to form of such Resale Shelf Registration Statement and any documents incorporated by reference therein and of the Indenture with the requirements of the Securities Act and the Trust Indenture Act, respectively; and, as of the date of the opinion and as of the effective date of the Resale Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, a customary statement of negative assurance regarding the absence from such Resale Shelf Registration Statement and the prospectus included therein, as then amended or supplemented, and from any documents incorporated by reference therein of an untrue statement of a material fact or the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any such documents, in the light of the circumstances existing at the time that such documents were filed with the Commission under the Exchange Act); (ii) cause its officers to execute and deliver all customary documents and certificates and updates thereof requested by any underwriters of the applicable Securities; and (iii) use its reasonable best efforts to cause its independent public accountants and the independent public accountants, if any with respect to any other entity for which financial information is provided in the Resale Shelf Registration Statement to provide to the selling Holders of the applicable Securities and any underwriter therefor a comfort letter in customary form; and covering matters of the type customarily covered in comfort letters in connection with primary underwritten offerings, subject to receipt of appropriate documentation as contemplated, and only if permitted by Statement of Auditing Standards No. 72.

(o) In the event that any broker-dealer registered under the Exchange Act shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Conduct Rules (the "Rules") of the National

Association of Securities Dealers, Inc. ("NASD")) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company will assist such broker-dealer in complying with the requirements of such Rules, including, without limitation, by (i) if such Rules, including Rule 2720, shall so require, engaging a "qualified independent underwriter" (as defined in Rule 2720) to participate in the preparation of the Resale Shelf Registration Statement relating to such Securities, to exercise usual standards of due diligence in respect thereto and, if any portion of the offering contemplated by such Resale Shelf Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Securities, (ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 4 hereof and (iii) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules.

(p) The Company shall use its reasonable best efforts to take all other steps necessary to effect the registration of the Securities covered by the Resale Shelf Registration Statement contemplated hereby.

3. Registration Expenses. The Company shall bear all fees and expenses (but not including any underwriting discounts or commissions or transfer taxes, if any, attributable to the sale of the Securities which discounts, commissions or taxes shall be paid by Holders of such Securities) incurred in connection with the performance of its obligations under Sections 1 and 2 hereof whether or not a Resale Shelf Registration is filed or becomes effective, shall bear or reimburse the Holders of the Securities covered thereby for the reasonable fees and disbursements of one firm of counsel, which firm shall be Andrews & Kurth L.L.P. until another firm shall be designated by the Holders of a majority in principal amount of the Debentures covered thereby to act as counsel for the Holders in connection therewith.

4. Indemnification. (a) The Company agrees to indemnify and hold harmless each Holder of the Securities and each person, if any, who controls such Holder within the meaning of the Securities Act or the Exchange Act (each Holder and such controlling persons are referred to collectively as the "Indemnified Parties") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Securities) to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Resale Shelf Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to the Resale Shelf Registration, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made, not misleading, and shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses

reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action in respect thereof; provided however, that (i) the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in the Resale Shelf Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to the Resale Shelf Registration in reliance upon and in conformity with written information pertaining to a Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein, and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus relating to the Resale Shelf Registration Statement, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a prospectus relating to such Securities was required to be delivered by such Holder under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final prospectus if the Company had previously furnished copies thereof to such Holder, provided, further, however, that this indemnity agreement will be in addition to any liability which the Company may otherwise have to such Indemnified Party. The Company shall also indemnify underwriters, their officers and directors and each person who controls such underwriters within the meaning of the Securities Act or the Exchange Act to the same extent as provided above with respect to the indemnification of the Holders if requested by such Holders.

(b) Each Holder, severally and not jointly, will indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act from and against any losses, claims, damages or liabilities or any actions in respect thereof, to which the Company or any such controlling person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Resale Shelf Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to the Resale Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein in light of the circumstances in which they were made, not misleading, but in each case only to the extent that the untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, the Company for any legal or other expenses reasonably incurred by the Company or any such controlling person in connection with investigating or defending any loss, claim, damage, liability or action in respect thereof. This indemnity agreement

will be in addition to any liability which such Holder may otherwise have to the Company or any of its controlling persons.

(c) Promptly after receipt by an indemnified party under this Section 4 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 4, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in subsection (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnified party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnified party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof the indemnifying party will not be liable to such indemnified party under this Section 4 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent; provided, however, that such consent will not be reasonably withheld.

(d) If the indemnification provided for in this Section 4 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the sale of the Securities, pursuant to the Resale Shelf Registration, or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or such Holder or such

other indemnified party, as the case may be, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 4(d), the Holders shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Securities pursuant to a Resale Shelf Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subsection (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Company.

(e) The agreements contained in this Section 4 shall survive the sale of the Securities pursuant to the Resale Shelf Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

5. Additional Interest Under Certain Circumstances. (a) Additional interest (the "Additional Interest") with respect to the Debentures and Conversion Shares that are Transfer Restricted Securities shall be assessed as follows if any of the following events occur (each such event in clauses (i) through (iii) below a "Registration Default"):

(i) If on or prior to the 90th day after the first date of original issuance of the Debentures, the Resale Shelf Registration Statement has not been filed with the Commission;

(ii) If on or prior to the 180th day after the first date of original issuance of the Debentures, the Resale Shelf Registration Statement has not been declared effective by the Commission; or

(iii) If after the Resale Shelf Registration Statement is declared effective (A) such Resale Shelf Registration Statement thereafter ceases to be effective; or (B) such Resale Shelf Registration Statement or the related prospectus ceases to be usable (except as permitted in Section 5(b)) in connection with resales of Transfer Restricted Securities during the periods specified herein because either (1) any event occurs as a result of which the

related prospectus forming part of such Resale Shelf Registration Statement would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, or (2) it shall be necessary to amend such Resale Shelf Registration Statement or supplement the related prospectus, to comply with the Securities Act or the Exchange Act or the respective rules thereunder.

Additional Interest shall accrue on the outstanding Debentures and/or the issued and outstanding Conversion Shares that are Transfer Restricted Securities over and above the interest set forth in the title of the Securities from and including the date on which any such Registration Default shall occur to but excluding the date on which all such Registration Defaults have been cured, at a rate of 0.25% per annum in the case of (i) and 0.50% per annum in the case of (ii) or (iii) of the sum of (x) the aggregate Applicable Principal Amount of such outstanding Debentures and (y) in the case of any issued and outstanding Conversion Shares, the aggregate Applicable Conversion Price.

(b) A Registration Default referred to in Section 5(a)(iii)(B) hereof shall be deemed not to have occurred and be continuing in relation to the Resale Shelf Registration Statement or the related prospectus if such Registration Default has occurred solely as a result of (i) the filing of a post-effective amendment to such Resale Shelf Registration Statement pursuant to Section 1(d) or to incorporate annual audited financial information with respect to the Company where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related prospectus or (ii) imposition of a suspension period pursuant to clause (ii) or (v) of Section 2(b) and in the case of clause (ii), the Company is proceeding promptly (subject to the provisions of Section 2(h)) and in good faith to amend or supplement such Resale Shelf Registration Statement and related prospectus to describe such events; provided, however, that in any case if such Registration Default occurs for a continuous period in excess of 30 days, Additional Interest shall be payable in accordance with the above paragraph from the day such Registration Default occurs until such Registration Default is cured.

(c) Any amounts of Additional Interest due pursuant to clause (i), (ii) or (iii) of Section 5(a) above will be payable in cash to the Record Holder on the Damages Payment Dates with respect to the Debentures and Conversion Shares. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest rate by, in the case of the Debentures, the Applicable Principal Amount and, in the case of the Conversion Shares, the Applicable Conversion Price, multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months), and the denominator of which is 360.

(d) The parties hereto agree that the Additional Interest shall constitute a reasonable estimate of the damages that may be incurred by the Holders of Securities (other than the

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Initial Purchaser) for a Registration Default and shall constitute liquidated damages; the actual damages that the Holders of the Securities might sustain as a result of a Registration Default would be difficult to ascertain; and the payment of Additional Interest would be reasonable and just compensation for a Registration Default.

(e) Certain Definitions. For purposes of this Section 5:

Applicable Conversion Price. The Applicable Conversion Price means the Applicable Principal Amount divided by the Conversion Rate in effect as of the next succeeding June 6 or December 6 following such Registration Default in the case of the first such payment of Additional Interest with respect to a Registration Default (and thereafter at the next succeeding June 6 or December 6 until the cure of such Registration Default) or, if no Debentures are then outstanding, the last Conversion Rate that was in effect when the Debentures were last outstanding.

Applicable Principal Amount. Applicable Principal Amount with respect to each \$1,000 principal amount at maturity of Debentures means the sum of the initial issue price of such Debenture (\$499.60) plus accrued original issue discount with respect to such Debenture through the next succeeding June 6 or December 6 following such Registration Default in the case of the first such payment of Additional Interest with respect to a Registration Default (and thereafter at the next succeeding June 6 or December 6 until the cure of such Registration Default) or, if no Debentures are then outstanding, such sum calculated as if such Debentures were then outstanding.

Damages Payment Date. Each June 6 and December 6 in the case of Debentures and the Conversion Shares.

Record Holder. With respect to any Damages Payment Date relating to any Debenture or Conversion Shares as to which any Additional Interest has accrued, the registered holder of such Debenture or Conversion Shares, as the case may be, 15 days prior to such Damages Payment Date.

Transfer Restricted Securities. Each Security until (i) the date on which such Security has been effectively registered under the Securities Act and disposed of in accordance with the Resale Shelf Registration Statement or (ii) the date on which such Security is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

6. Rules 144 and 144A. The Company shall use its reasonable best efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the request of any Holder of Transfer Restricted Securities, make publicly available such other information as is necessary to permit sales of their securities pursuant to Rules 144 and 144A. The Company covenants that it will take such further action as any Holder of Transfer Restricted Securities may

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reasonably request, all to the extent required from time to time to enable such Holder to sell Transfer Restricted Securities without registration under the Securities Act within the limitation of the exemptions provided by Rules 144 and 144A (including the requirements of Rule 144A(d)(4)). The Company will provide a copy of this Agreement to prospective purchasers of Transfer Restricted Securities identified to the Company by the Initial Purchaser upon request. Upon the request of any Holder of Transfer Restricted Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements. Notwithstanding the foregoing, nothing in this Section 6 shall be deemed to require the Company to register any of the Debentures pursuant to the Exchange Act.

7. Underwritten Registrations. If the Holders of Transfer Restricted Securities representing at least 25% of the total of the aggregate principal amount of Debentures originally issued so elect, any one or more offerings of such Securities pursuant to any Resale Shelf Registration shall be in the form of an underwritten offering. If any of the Transfer Restricted Securities covered by any Resale Shelf Registration are to be sold in an underwritten offering, a nationally recognized investment banker or investment bankers and manager or managers that will administer the offering ("Managing Underwriters") will be selected by the Company. No person may participate in any underwritten registration hereunder unless such person (i) agrees to sell such person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting agreements.

8. Miscellaneous.

(a) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of Holders of a majority of the then outstanding Conversion Shares constituting Transfer Restricted Securities (with Holders of Debentures deemed to be the Holders, for purposes of this Section 8, of the number of outstanding shares of Conversion Shares into which such Debentures are or would be convertible or exchangeable as of the date on which such consent is requested). Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Transfer Restricted Securities whose securities are being sold pursuant to a Resale Shelf Registration Statement and that does not directly or indirectly affect the rights of other Holders of Transfer Restricted Securities may be given by Holders of at least a majority of the Transfer Restricted Securities being sold by such Holders pursuant to such Resale Shelf Registration Statement; provided, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence. Each Holder of Transfer Restricted Securities outstanding at the time of any such amendment, modification, supplement, waiver or consent or thereafter shall

be bound by any such amendment, modification, supplement, waiver or consent effected pursuant to this Section 8, whether or not any notice, writing or marking indicating such amendment, modification, supplement, waiver or consent appears on the Transfer Restricted Securities or is delivered to such Holder. Each Holder may waive compliance with respect to any obligation of the Company under this Agreement as it may apply or be enforced by such particular Holder.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail, facsimile transmission, or air courier which guarantees overnight delivery:

(1) if to a Holder of the Securities, at the most current address given by such Holder to the Company.

(2) if to the Initial Purchaser:

Credit Suisse First Boston Corporation
Eleven Madison Avenue
New York, NY 10010-3629
Fax No.: (212) 325-8278
Attention: Transactions Advisory Group

with a copy to:

Andrews & Kurth L.L.P.
805 Third Avenue, 7th Floor
New York, NY 10022
Fax No.: (212) 850-2929
Attention: Allan D. Reiss

(3) if to the Company, at its address as follows:

Diamond Offshore Drilling, Inc.
15415 Katy Freeway
Houston, TX 77094
Fax No.: (281) 492-5316

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Attention: Corporate Secretary

with a copy to:

Weil Gotshal & Manges LLP
700 Louisiana, Suite 1600
Houston, TX 77002
Fax No.: (713) 224-9511
Attention: James L. Rice III

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by recipient's facsimile machine operator, if sent by facsimile transmission; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery.

(c) No Inconsistent Agreements. The Company has not, as of the date hereof, entered into, nor shall it, on or after the date hereof, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof, other than any inconsistencies in any such agreement that have been waived by the beneficiary thereof.

(d) Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns.

(e) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

(h) Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(i) Securities Held by the Company. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder, Securities held by the Company or its affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(j) Remedies. In the event of a breach by the Company of its obligations under this Agreement, each Holder of Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement, provided, that the sole damages payable for a Registration Default shall be Additional Interest as expressly provided in Section 5 hereof. Subject to the provisions of the preceding sentence, the Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

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If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement on the Initial Purchaser and the Company in accordance with its terms.

Very truly yours,

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ LAWRENCE R. DICKERSON

Name: Lawrence R. Dickerson
Title: President & Chief Operating
Officer

The foregoing Registration Rights
Agreement is hereby confirmed and
accepted as of the date first above
written.

CREDIT SUISSE FIRST BOSTON
CORPORATION

By: CREDIT SUISSE FIRST BOSTON
CORPORATION

By: /s/ ROME G. ARNOLD

Name: ROME G. ARNOLD
Title: Managing Director