

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

Form 10-K

(MARK ONE)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2017

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

73-0618660

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

5 Greenway Plaza, Suite 100,
Houston, Texas

(Address of principal executive offices)

77046

(Zip code)

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

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered:</u>
Common Stock, par value \$0.16 ² / ₃ per share	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

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

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

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

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

(Do not check if a smaller reporting company)

Emerging growth company

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

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

The aggregate market value of our common stock held by non-affiliates on June 30, 2017 was \$180.9 million. At February 16, 2018, there were 138,908,085 shares of our common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for the Annual Meeting of Stockholders to be held on May 10, 2018 are incorporated by reference in Part III.

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PART I

Item 1. Business

General

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

We are an international provider of contract drilling and drilling-related services as well as rental tools and services. We have operated in over 50 countries since beginning operations in 1934, making us among the most geographically experienced drilling contractors and rental tools providers in the world. We currently have operations in 19 countries. Parker has participated in numerous world records for deep and extended-reach drilling land rigs and is an industry leader in quality, health, safety and environmental practices.

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. We report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We report our Rental Tools Services business as two reportable segments: (1) U.S. Rental Tools and (2) International Rental Tools. For information regarding our reportable segments and operations by geographic areas for the years ended December 31, 2017, 2016 and 2015, see Note 12 - Reportable Segments in Item 8. Financial Statements and Supplementary Data and Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Our Drilling Services Business

In our Drilling Services business, we drill oil, natural gas and geothermal wells for customers in both the U.S. and international markets. We provide this service with both Company-owned rigs and customer-owned rigs. We refer to the provision of drilling services with customer-owned rigs as our operations and management (“O&M”) service in which operators own their own drilling rigs but choose Parker Drilling to operate and manage the rigs for them. The nature and scope of activities involved in drilling an oil and natural gas well is similar whether it is drilled with a Company-owned rig (as part of a traditional drilling contract) or a customer-owned rig (as part of an O&M contract). In addition, we provide project-related services, such as engineering, procurement, project management and commissioning of customer-owned drilling rig projects. We have extensive experience and expertise in drilling geologically challenging wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas.

U.S. (Lower 48) Drilling

Our U.S. (Lower 48) Drilling segment provides drilling services with our Gulf of Mexico (“GOM”) barge drilling rig fleet, and markets our U.S. (Lower 48)-based O&M services. Our GOM barge drilling fleet operates barge rigs that drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama and Texas. The majority of these wells are drilled in shallow water depths ranging from 6 to 12 feet. Our rigs are suitable for a variety of drilling programs, from inland coastal waters requiring shallow draft barges, to open water drilling on both state and federal water projects requiring more robust capabilities. The barge drilling industry in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by oil and natural gas prices and our customers’ access to project financing. Contract terms typically consist of well-to-well or multi-well programs, most commonly ranging from 20 to 180 days.

International & Alaska Drilling

Our International & Alaska Drilling segment provides drilling services, using both Company-owned rigs and O&M contracts, and project-related services. The drilling markets in which this segment operates have one or more of the following characteristics:

- customers typically are major, independent, or national oil and natural gas companies or integrated service providers;
- drilling programs in remote locations with little infrastructure, requiring a large inventory of spare parts and other ancillary equipment and self-supported service capabilities;
- complex wells and/or harsh environments (such as high pressures, deep depths, hazardous or geologically challenging conditions and sensitive environments) requiring specialized equipment and considerable experience to drill; and

- O&M contracts that generally cover periods of one year or more.

During the year ended December 31, 2017, we had rigs operating on Sakhalin Island, Russia and in Alaska, Kazakhstan, the Kurdistan Region of Iraq, and Guatemala. In addition, we had O&M and ongoing project-related services for customer-owned rigs in Kuwait, Canada and on Sakhalin Island, Russia.

Our Rental Tools Services Business

In our Rental Tools Services business, we provide premium rental equipment and services to exploration & production (“E&P”) companies, drilling contractors and service companies on land and offshore in the U.S. and select international markets. Tools we provide include standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, drill collars, pressure control equipment, including blowout preventers and more. We also provide well construction services, which include tubular running services and downhole tool rentals, well intervention services, which include whipstock, fishing and related services, and inspection and machine shop support. Rental tools are used during drilling and/or workover programs and are requested by the customer as needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

U.S. Rental Tools

Our U.S. Rental Tools segment is headquartered in New Iberia, Louisiana. We maintain an inventory of rental tools for deepwater, drilling, completion, workover, and production applications at facilities in Louisiana, Texas, Oklahoma, Wyoming, North Dakota and West Virginia. Our largest single market for rental tools is U.S. land drilling, a cyclical market driven primarily by oil and natural gas prices and our customers’ access to project financing. A portion of our U.S. rental tools business is supplying tubular goods and other equipment to offshore GOM customers.

International Rental Tools

Our International Rental Tools segment is headquartered in Dubai, United Arab Emirates. We maintain an inventory of rental tools and provide well construction, well intervention, and surface and tubular services to our customers in the Middle East, Latin America, United Kingdom, Europe, and Asia-Pacific regions.

Our Business Strategy

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

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

Our Core Competencies

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

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

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

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

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

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

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

Customers and Scope of Operations

Our customer base consists of major, independent, and national oil and natural gas E&P companies and integrated service providers. Each of our segments depends on a limited number of key customers and the loss of any one or more key customers could have a material adverse effect on a segment. In 2017, our largest customer, Exxon Neftegas Limited ("ENL"), accounted for approximately 31.3 percent of our total consolidated revenues. In 2017, our second largest customer, BP Exploration Alaska, Inc. ("BP"), constituted approximately 9.7 percent of our total consolidated revenues. For information regarding our reportable segments and operations by geographic areas for the years ended December 31, 2017, 2016 and 2015, see Note 12 - Reportable Segments in Item 8. Financial Statements and Supplementary Data and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Competition

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

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

In international drilling markets, we compete with a number of international drilling contractors as well as local contractors. Although local drilling contractors often have lower labor and mobilization costs, we are generally able to distinguish ourselves from these companies based on our technical expertise, safety performance, quality of service, and experience. We believe our expertise in operating in challenging environments has been a significant factor in securing contracts.

In the GOM barge drilling market, we compete with a small number of contractors. We have the largest number and greatest diversity of rigs available in this market, allowing us to provide equipment and services that are well-matched to customers' requirements. We believe the market for drilling contracts will continue to be competitive with continued focus on reliability, efficiency, and safety, in addition to price.

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

Contracts

Most drilling contracts are awarded based on competitive bidding. The rates specified in drilling contracts vary depending upon the type of rig employed, equipment and services supplied, crew complement, geographic location, term of the contract, competitive conditions, and other variables. Our contracts generally provide for an operating dayrate during drilling operations, with lower rates for periods of equipment downtime, customer stoppage, well-to-well rig moves, adverse weather, or other conditions, and no payment when certain conditions continue beyond contractually established parameters. Contracts typically provide for a different dayrate or specified fixed payments during mobilization or demobilization. The terms of most of our contracts are based on either a specified period of time or a specified number of wells. The contract term in some instances may be extended by the customer exercising options for an additional time period or for the drilling of additional wells, or by exercising a right of first refusal. Most of our contracts allow termination by the customer prior to the end of the term without penalty under certain circumstances, such as the loss of or major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. See "Certain of our contracts are subject to cancellation by our customers without penalty and with little or no notice." in Item 1A. Risk Factors. Certain contracts require the customer to pay an early termination fee if the customer terminates a contract before the end of the term without cause. Our project services contracts include engineering,

procurement, and project management consulting, for which we are compensated through labor rates and cost-plus arrangements for non-labor items.

Rental tools contracts are typically on a dayrate basis with rates based on type of equipment and competitive conditions. Depending on market and competitive conditions, rental rates may be applied from the time the equipment leaves our facility or only when the equipment is actually in use by the customer. Rental contracts generally require the customer to pay for lost-in-hole or damaged equipment. Some of the services provided in the rental tools segment are billed per well section with pricing determined by the length and diameter of the well section.

Seasonality

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

Backlog

Backlog is our estimate of the dollar amount of drilling contract revenues we expect to realize in the future as a result of executing awarded contracts. The Company's backlog of firm orders was approximately \$241 million as of December 31, 2017 and \$379 million as of December 31, 2016 and is primarily attributable to the International & Alaska segment of our Drilling Services business. We estimate that, as of December 31, 2017, 46.0 percent of our backlog will be recognized as revenues within one year.

The amount of actual revenues earned and the actual periods during which revenues are earned could be different from amounts disclosed in our backlog calculations due to a lack of predictability of various factors, including unscheduled repairs, maintenance requirements, weather delays, contract terminations or renegotiations, new contracts, and other factors. See "Our backlog of contracted revenues may not be fully realized and may reduce significantly in the future, which may have a material adverse effect on our financial position, results of operations or cash flows" in Item 1A. Risk Factors.

Insurance and Indemnification

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

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

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

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

Based upon a risk assessment and due to the high cost, high self-insured retention, and limited availability of coverage for windstorms in the GOM, we have elected not to purchase windstorm insurance for our barge rigs in the GOM. Although we

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have retained the risk for physical loss or damage for these rigs arising from a named windstorm, we have procured insurance coverage for removal of a wreck caused by a windstorm.

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

Our customers typically assume responsibility for and indemnify us from any loss or liability resulting from pollution, including clean-up and removal and third-party damages, arising from operations under the contract and originating below the surface of the land or water, including losses or liability resulting from blowouts or cratering of the well. In some contracts, however, we may have liability for damages resulting from such pollution or contamination caused by our gross negligence or, in some cases, ordinary negligence.

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

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

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

Employees

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

	December 31,	
	2017	2016
U.S. (Lower 48) Drilling	111	111
International & Alaska Drilling	1,122	1,078
U.S. Rental Tools	214	198
International Rental Tools	648	636
Corporate	171	176
Total employees	2,266	2,199

Environmental Considerations

Our operations are subject to numerous U.S. federal, state, and local laws and regulations, as well as the laws and regulations of other jurisdictions in which we operate, pertaining to the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency (“EPA”), issue regulations to implement and enforce laws pertaining to the environment, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences; restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities; limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive, and other protected areas; require remedial action to clean up pollution from former operations; and impose substantial liabilities for pollution resulting from our operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance could adversely affect our operations and financial position, as well as those of similarly

situated entities operating in the same markets. While our management believes that we comply with current applicable environmental laws and regulations, there is no assurance that compliance can be maintained in the future.

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

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

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

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

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

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

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

Some scientific studies have suggested that emissions of certain gases including carbon dioxide and methane, commonly referred to as “greenhouse gases” (“GHGs”), may be contributing to the warming of the atmosphere resulting in climate change. There are a variety of legislative and regulatory developments, proposals, requirements, and initiatives that have been introduced

in the U.S. and international regions in which we operate that are intended to address concerns that emissions of GHGs are contributing to climate change and these may increase costs of compliance for our drilling services or our customer's operations. Among these developments, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change ("UNFCCC") established a set of emission targets for GHGs that became binding on all those countries that had ratified it. The Kyoto Protocol was followed by the Paris Agreement of the 2015 UNFCCC. The Paris Agreement entered into force on November 4, 2016 and, as of late 2017, had been ratified by 174 of the 197 parties to the UNFCCC. However, on August 4, 2017, the United States formally communicated to the United Nations its intent to withdraw from participation in the Paris Agreement, which entails a four-year process. In response to the announced withdrawal plan, a number of state and local governments in the United States have expressed intentions to take GHG-related actions.

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

Executive Officers

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

- *Gary G. Rich*, 59, joined the Company in October 2012 as the president and chief executive officer. Mr. Rich also serves as Chairman of the Company's board of directors. He is an industry veteran with over 30 years of global technical, commercial, and operations experience. Mr. Rich came to Parker Drilling after a 25-year career with Baker Hughes Incorporated. Mr. Rich served as vice president of global sales for Baker Hughes from August 2011 to October 2012, and prior to that role, he served as president of that company's European operations from April 2009 to August 2011. Previously, Mr. Rich was president of Hughes Christensen Company, a division of Baker Hughes primarily focused on the production and distribution of drilling bits for the petroleum industry.
- *Michael W. Sumruld*, 47, joined the Company in October 2017 as the senior vice president and chief financial officer. Prior to joining the Company, Mr. Sumruld served as vice president and chief accounting officer of LyondellBassell Industries N.V. from January through September 2017. From 2013 through 2016 Mr. Sumruld served as vice president and treasurer of Baker Hughes Incorporated; from 2012 to 2013 he served as vice president finance – Eastern Hemisphere of Baker Hughes; and in 2011 he served as Baker Hughes's Director of Investor Relations.
- *Jon-Al Duplantier*, 50, is the senior vice president, chief administrative officer, general counsel, and secretary of the Company, a position held since 2013. Mr. Duplantier has over 20 years' experience in the oil and natural gas industry. Mr. Duplantier joined the Company in 2009 as vice president and general counsel. From 1995 to 2009, Mr. Duplantier served in several legal and business roles at ConocoPhillips, including senior counsel – Exploration and Production, vice president and general counsel – Conoco Phillips Indonesia, and vice president and general counsel – Dubai Petroleum Company. Prior to joining ConocoPhillips, he served as a patent attorney for DuPont from 1992 to 1995.
- *Bryan R. Collins*, 51, was appointed president of drilling operations for the Company on January 1, 2017. Prior to this appointment, Mr. Collins served as vice president - Arctic and Latin America operations from April 2016 to December 2016, vice president of Arctic operations from March 2013 to April 2016, and global director of business development from February 2012 to March 2013. Before joining the Company, Mr. Collins served in various operational and senior management roles at Schlumberger, Ltd., including vice president for drilling and measurements operations in Russia. Prior to his time at Schlumberger, Mr. Collins served as a global account manager for ExxonMobil's worldwide drilling operations.

Other Parker Drilling Company Officers

- *Nathaniel C. Dockray*, 37, was appointed chief accounting officer in November, 2017. Mr. Dockray has also served as the Company's director of tax and financial planning & analysis since April 2016. From January 2014 through March 2016 he was the Company's director of tax. From December 2012 to January 2014 Mr. Dockray served as assistant

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director of tax, and prior to that he served as a senior tax manager of the Company. Prior to joining Parker Drilling, Mr. Dockray was employed by PricewaterhouseCoopers LLP.

- *David W. Tucker, 62*, treasurer, joined the Company in 1978 as a financial analyst and served in various financial and accounting positions before being named chief financial officer of our formerly wholly-owned subsidiary, Hercules Offshore Corporation, in February 1998. Mr. Tucker was named treasurer of the Company in 1999.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are made available free of charge on our website at <http://www.parkerdrilling.com> as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (“SEC”). Except to the extent explicitly stated herein, documents and information on our website are not incorporated by reference herein. The public may read and copy any materials we have filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Additionally, our reports, proxy and information statements and our other SEC filings are available on an Internet website maintained by the SEC at <http://www.sec.gov>.

Item 1A. Risk Factors

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

The volatility of prices for oil and natural gas has had, and may continue to have, a material adverse effect on our financial condition, results of operations, and cash flows.

Oil and natural gas prices and market expectations regarding potential changes in these prices are volatile and are likely to continue to be volatile in the future. Increases or decreases in oil and natural gas prices and expectations of future prices could have an impact on our customers' long-term exploration and development activities, which in turn could materially affect our business and financial performance. Furthermore, higher oil and natural gas prices do not necessarily result immediately in increased drilling activity because our customers' expectations of future oil and natural gas prices typically drive demand for our drilling services. The oil and natural gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure on the prices we charge. A prolonged downturn in the oil and natural gas industry could result in a further reduction in demand for oilfield services and could continue to adversely affect our financial condition, results of operations, and cash flows. The average price of oil during 2017 was well below the average prices in 2014. Oil and natural gas prices and demand for our services also depend upon numerous factors which are beyond our control, including:

- the level of supply and demand for oil and natural gas;
- the cost of exploring for, producing, and delivering oil and natural gas;
- expectations regarding future energy prices;
- advances in exploration, development, and production technology;
- the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels and prices;
- the level of production by non-OPEC countries;
- the adoption or repeal of laws and government regulations, both in the United States and other countries;
- the imposition or lifting of economic sanctions against certain regions, persons, and other entities;
- the number of ongoing and recently completed rig construction projects which may create overcapacity;
- local and worldwide military, political, and economic events, including events in the oil producing regions of Africa, the Middle East, Russia, Central Asia, Southeast Asia, and Latin America;
- weather conditions and natural disasters;
- expansion or contraction of worldwide economic activity, which affects levels of consumer and industrial demand;
- the rate of discovery of new oil and natural gas reserves;
- domestic and foreign tax policies;
- acts of terrorism in the United States or elsewhere;

- increased demand for alternative energy sources and electric vehicles, including government initiatives to promote the use of renewable energy sources and the growing public sentiment around alternatives to oil and gas; and
- the policies of various governments regarding exploration and development of their oil and natural gas reserves.

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

Demand for the majority of our services depends substantially on the level of expenditures for the exploration, development, and production of oil or natural gas reserves by the major, independent, and national oil and natural gas E&P companies and large integrated service companies that comprise our customer base. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Declines in oil and natural gas prices have and may continue to result in project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us, any of which could continue to have a material adverse effect on our financial condition, results of operations, and cash flows. Historically, when drilling activity and spending decline, utilization and dayrates also decline and drilling may be reduced or discontinued, resulting in an oversupply of drilling rigs. Sustained low oil prices have in turn caused a significant decline in the demand for drilling services over the last several years. The rig utilization rate of our International & Alaska Drilling segment has fallen to 36 percent for the year ended December 31, 2017 from 40 percent for the year ended December 31, 2016. Furthermore, operators implemented significant reductions in capital spending in their budgets, including the cancellation or deferral of existing programs, and are expected to continue to operate under reduced budgets for the foreseeable future.

We have a significant amount of debt. Our debt levels and debt agreement restrictions may have significant consequences for our future prospects, including limiting our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2017, we had:

- \$585.0 million principal amount of long-term debt;
- \$18.3 million of operating lease commitments; and
- \$5.7 million of standby letters of credit.

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

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

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

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

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

- result in a reduction of our credit rating, which would make it more difficult for us to obtain additional financing on acceptable terms;
- require us to dedicate a substantial portion of our cash flows from operating activities to the repayment of our debt and the interest associated with our debt;

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- limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt and creating liens on our properties;
- place us at a competitive disadvantage compared with our competitors that have relatively less debt; and
- make us more vulnerable to downturns in our business.

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

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

On February 14, 2018, we executed the Fifth Amendment (“Fifth Amendment”) to the Second Amended and Restated Credit Agreement (as amended, the “2015 Secured Credit Agreement”), which modified the credit facility to an Asset-Based Lending (ABL) structure and reduced the size of the Revolver from \$100 million to \$80 million. In addition, the Fifth Amendment eliminated the financial maintenance covenants previously in effect and replaced them with a liquidity covenant of \$30 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable, and removed our availability to make certain restricted payments. The liquidity covenant requires the Company to maintain a minimum of \$30 million of liquidity (defined as availability under the borrowing base and cash on hand), of which \$15 million is restricted, resulting in a maximum availability at any one time of the lesser of (a) an amount equal to our borrowing base minus \$15 million, or (b) \$65 million.

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

Our 2015 Secured Credit Agreement and the indentures for our Senior Notes impose significant operating and financial restrictions, which may prevent us in the future from obtaining financing or capitalizing on business opportunities.

The 2015 Secured Credit Agreement, the amendments thereto, and the indentures governing our Senior Notes impose significant operating and financial restrictions on us. These restrictions limit our ability to:

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

These limitations are subject to a number of important qualifications and exceptions.

The 2015 Secured Credit Agreement also includes a liquidity covenant of \$30 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable. The liquidity covenant requires the Company to maintain a minimum of \$30 million of liquidity (defined as availability under the borrowing base and cash on hand), of which \$15 million is restricted, resulting in a maximum availability at any one time of \$65 million. These covenants may adversely affect our ability to finance our future operations and capital needs and to pursue available business opportunities.

A breach of any of the covenants in the 2015 Secured Credit Agreement or in the Senior Notes could result in a default with

respect to the related indebtedness. If a default were to occur, the lenders under our 2015 Secured Credit Agreement and the holders of our Senior Notes could elect to declare the indebtedness, if any outstanding at that time, together with accrued interest, immediately due and payable. If the repayment of the indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness.

Our backlog of contracted revenues may not be fully realized and may reduce significantly in the future, which may have a material adverse effect on our financial position, results of operations, or cash flows.

Our expected revenues under existing contracts (“contracted revenues”) may not be fully realized due to a number of factors, including rig or equipment downtime or suspension of operations. Several factors could cause downtime or a suspension of operations, many of which are beyond our control, including:

- breakdowns of our equipment or the equipment of others necessary for continuation of operations;
- work stoppages, including labor strikes;
- shortages of material and skilled labor;
- severe weather or harsh operating conditions;
- the occurrence or threat of epidemic or pandemic diseases or any government response to such occurrence or threat;
- the early termination of contracts;
and
- force majeure events.

Liquidity issues could lead our customers to go into bankruptcy or could encourage our customers to seek to repudiate, cancel, or renegotiate our contracts for various reasons. Some of our contracts permit early termination of the contract by the customer for convenience (without cause), generally exercisable upon advance notice to us and in some cases without making an early termination payment to us. There can be no assurance that our customers will be able or willing to fulfill their contractual commitments to us.

Significant declines in oil prices, the perceived risk of low oil prices for an extended period, and the resulting downward pressure on utilization may cause some customers to consider early termination of select contracts despite having to pay early termination fees in some cases. In addition, customers may request to re-negotiate the terms of existing contracts. Furthermore, as our existing contracts roll off, we may be unable to secure replacement contracts for our rigs, equipment or services. We have been in discussions with some of our customers regarding these issues. Therefore, revenues recorded in future periods could differ materially from our current contracted revenues, which could have a material adverse effect on our financial position, results of operations or cash flows.

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

In periods of extended market weakness similar to the current environment, our customers may not be able to honor the terms of existing contracts, may terminate contracts even where there may be onerous termination fees, or may seek to renegotiate contract dayrates and terms in light of depressed market conditions. Certain of our contracts are subject to cancellation by our customers without penalty and with relatively little or no notice. Significant declines in oil prices, the perceived risk of low oil prices for an extended period, and the resulting downward pressure on utilization and may cause some customers to consider early termination of select contracts despite having to pay early termination fees in some cases. When drilling market conditions are depressed, a customer may no longer need a rig or rental tools currently under contract or may be able to obtain comparable equipment at lower dayrates. Further, due to government actions, a customer may no longer be able to operate in, or it may not be economical to operate in, certain regions. As a result, customers may leverage their termination rights in an effort to renegotiate contract terms.

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

Service contracts with national oil companies may expose us to greater risks than we normally assume in service contracts with non-governmental customers.

We currently provide services and own rigs and other equipment that may be used in connection with projects involving national oil companies. In the future, we may expand our international operations and enter into additional, significant contracts or subcontracts relating to projects with national oil companies. The terms of these contracts may require us to resolve disputes in jurisdictions with less robust legal systems and may contain non-negotiable provisions and may expose us to greater commercial, political, environmental, operational, and other risks than we assume in other contracts. These contracts may also expose us to materially greater environmental liability and other claims for damages (including consequential damages) and personal injury related to our operations, or the risk that the contract may be terminated by our customer without cause on short-term notice, contractually or by governmental action, or under certain conditions that may not provide us with an early termination payment. We can provide no assurance that increased risk exposure will not have an adverse impact on our future operations or that we will not increase the number of rigs or amount of equipment and services contracted to national oil companies with commensurate additional contractual risks. Risks that accompany contracts relating to projects with national oil companies could ultimately have a material adverse impact on our business, financial condition, and results of operation.

We derive a significant amount of our revenues from a few major customers. The loss of a significant customer could adversely affect us.

A substantial percentage of our revenues are generated from a relatively small number of customers and the loss of a significant customer could adversely affect us. In 2017, our largest customer, ENL, accounted for approximately 31.3 percent of our consolidated revenues. In 2017, our second largest customer, BP, constituted approximately 9.7 percent of our consolidated revenues. Our consolidated results of operations could be adversely affected if any of our significant customers terminate their contracts with us, fail to renew our existing contracts, or do not award new contracts to us.

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

A slowdown in economic activity in the United States or abroad could lead to uncertainty in corporate credit availability and capital market access and could reduce worldwide demand for energy and result in lower crude oil and natural gas prices. Concerns about global economic conditions have had a significant adverse impact on domestic and international financial markets and commodity prices, including oil and natural gas. Likewise, economic conditions in the United States or abroad could impact our vendors' and suppliers' ability to meet obligations to provide materials and services in general. All of these factors could have a material adverse effect on our business and financial results.

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

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

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

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

We regularly make significant expenditures in connection with upgrading and refurbishing our rig fleet. These activities include planned upgrades to maintain quality standards, routine maintenance and repairs, changes made at the request of customers,

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and changes made to comply with environmental or other regulations. Rig upgrade, refurbishment, and construction projects are subject to the risks of delay or cost overruns inherent in any large construction project, including the following:

- shortages of equipment or skilled labor;
- unforeseen engineering problems;
- unanticipated change orders;
- work stoppages;
- adverse weather conditions;
- unexpectedly long delivery times for manufactured rig components;
- unanticipated repairs to correct defects in construction not covered by warranty;
- failure or delay of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor or raw materials, particularly steel;
- disputes with customers, shipyards or suppliers;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- financial or other difficulties with current customers at shipyards and suppliers;
- loss of revenues associated with downtime to remedy malfunctioning equipment not covered by warranty;
- unanticipated cost increases;
- loss of revenues and payments of liquidated damages for downtime to perform repairs associated with defects, unanticipated equipment refurbishment and delays in commencement of operations; and
- lack of ability to obtain the required permits or approvals, including import/export documentation.

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

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

We derive a significant portion of our revenues from our international operations. In 2017, we derived approximately 60 percent of our revenues from operations in countries other than the United States. Our international operations are subject to the following risks, among others:

- political, social, and economic instability, war, terrorism, and civil disturbances;

- economic sanctions imposed by the U.S. government against other countries, groups, or individuals, or economic sanctions imposed by other governments against the U.S. or businesses incorporated in the U.S.;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- expropriation, confiscatory taxation, and nationalization of our assets;
- foreign laws and governmental regulation, including inconsistencies and unexpected changes in laws or regulatory requirements, and changes in interpretations or enforcement of existing laws or regulations;
- increases in governmental royalties;

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- import-export quotas or trade barriers;
- hiring and retaining skilled and experienced workers, some of whom are represented by foreign labor unions;
- work stoppages;
- damage to our equipment or violence directed at our employees, including kidnapping;
- piracy of vessels transporting our people or equipment;
- unfavorable changes in foreign monetary and tax policies;
- solicitation by government officials for improper payments or other forms of corruption;
- foreign currency fluctuations and restrictions on currency repatriation;
- repudiation, nullification, modification, or renegotiation of contracts; and
- other forms of governmental regulation and economic conditions that are beyond our control.

We currently have operations in 19 countries. Our operations are subject to interruption, suspension, and possible expropriation due to terrorism, war, civil disturbances, political and capital instability, and similar events, and we have previously suffered loss of revenues and damage to equipment due to political violence. Civil and political disturbances in international locations may affect our operations. We may not be able to obtain insurance policies covering risks associated with these types of events, especially political violence coverage, and such policies may only be available with premiums that are not commercially reasonable.

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

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

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

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

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import activities are governed by the unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U.S., control the export and re-export of certain goods, services, and technology and impose related export recordkeeping and reporting obligations. Governments may also impose economic sanctions against certain countries, persons, and other entities that may restrict or prohibit transactions involving such countries, persons, and entities. For example, in 2017 the U.S. Government imposed additional sanctions against Russia's oil and gas industry and certain Russian companies. Our ability to engage in certain future projects in Russia or involving certain Russian customers is dependent upon whether or not our involvement in such projects is restricted

under U.S. or EU sanctions laws and the extent to which any of our prospective operations in Russia or with certain Russian customers may be subject to those laws. The laws and regulations concerning import activity, export recordkeeping and reporting, export control, and economic sanctions are complex and constantly

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changing. These laws and regulations can cause delays in shipments and unscheduled operational downtime. Moreover, any failure to comply with applicable legal and regulatory trading obligations could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from governmental contracts, seizure of shipments, and loss of import and export privileges.

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

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

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

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

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

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

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

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

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

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

impact on our business activities, financial position, and results of operations.

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

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

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

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

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

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

Some scientific studies have suggested that emissions of greenhouse gases may be contributing to warming of the earth's atmosphere and other climatic changes. Such studies have resulted in increased local, state, regional, national, and international attention and actions relating to issues of climate change and the effect of GHG emissions, particularly emissions from fossil fuels. For example, the United States has been involved in international negotiations regarding greenhouse gas reductions under the UNFCCC. The U.S. was among 195 nations that participated in the creation of an international accord in December 2015, the Paris Agreement, with the objective of limiting greenhouse gas emissions. The Paris Agreement entered into force on November 4, 2016 and, as of late 2017, had been ratified by 174 of the 197 parties to the UNFCCC. However, on August 4, 2017, the United States formally communicated to the United Nations its intent to withdraw from participation in the Paris Agreement, which entails a four-year process. The EPA has also taken action under the CAA to regulate greenhouse gas emissions. In addition, a number of states have either proposed or implemented restrictions on greenhouse gas emissions. International accords such as the Paris Agreement may result in additional regulations to control greenhouse gas emissions. Other developments focused on restricting GHG emissions include but are not limited to the Kyoto Protocol; the European Union Emission Trading System; the United Kingdom's Carbon Reduction Commitment; and, in the U.S., the Regional Greenhouse Gas Initiative, the Western Regional Climate Action Initiative, and various state programs. These regulations could also adversely affect market demand or pricing for our services, by affecting the price of, or reducing the demand for, fossil fuels or providing competitive advantages to competing fuels and energy sources.

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

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

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

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

Hydraulic fracturing is a process sometimes used in the completion of oil and natural gas wells whereby water, other liquids, sand, and chemicals are injected under pressure into subsurface formations to stimulate natural gas and oil production. Various governmental entities (within and outside the United States) are in the process of studying, restricting, regulating, or preparing to regulate hydraulic fracturing, directly and indirectly. Many state governments require the disclosure of chemicals used in the fracturing process and, due to concerns raised relating to potential impacts of hydraulic fracturing, including on groundwater quality and seismic activity, legislative and regulatory efforts at the federal level and in some state and local jurisdictions have been initiated to render permitting and compliance requirements more stringent for hydraulic fracturing or prohibit the activity altogether. We do not directly engage in hydraulic fracturing activities. However, these and other developments could cause operational delays or increased costs in exploration and production, which could adversely affect the demand for our rental tools.

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

Our businesses and the oil and natural gas industry in general have become increasingly dependent on digital data, computer networks, and connected infrastructure. Digital technologies are subject to the risk of cyber-attack and other failures. If our systems for protecting against cybersecurity risks prove insufficient, we could be adversely affected by, among other things, loss or damage of intellectual property, proprietary information, or customer and employee data, having our business operations interrupted, and increased costs to prevent, respond to, or mitigate cybersecurity attacks. These risks could harm our relationships with customers, employees and other third parties, and have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

If we cannot meet the continued listing requirements of the NYSE, the NYSE may delist our common stock, which would have an adverse impact on the trading volume, liquidity and market price of our common stock.

If the average closing price of our common shares were to fall below \$1.00 over a period of 30 consecutive trading days, which is the minimum average share price required by the NYSE under Section 802.01C of the NYSE Listed Company Manual, we would no longer be in compliance with the NYSE's continued listing requirements and would expect to receive a notice of noncompliance from the NYSE. The notice would have no immediate impact on the listing of our common shares, which would continue to be listed and traded on the NYSE during the six-month period described below, subject to our compliance with other continued listing standards.

We would have six months following receipt of the NYSE's notice to regain compliance with the NYSE's minimum share price requirement. We would be able to regain compliance at any time during the six-month cure period if on the last trading day of any calendar month during the cure period our common shares has a closing share price of at least \$1.00 and an average closing share price of at least \$1.00 over the 30 trading-day period ending on the last trading day of such month. Notwithstanding the foregoing, if we were to determine that we must cure the price condition by taking an action that would require approval of our shareholders (such as a reverse stock split), we could also regain compliance by: (i) obtaining the requisite shareholder approval by no later than our next annual meeting and (ii) implementing the action promptly thereafter, such that the price of our common stock would promptly exceed \$1.00 per share, provided that the price must remain above that level for at least the following 30 trading days. However, there is no assurance that our stockholders would vote for such proposal.

On January 2, 2018, we received a notice from the NYSE that the average closing price of our common stock over a 30 consecutive trading day period was below \$1.00 per share, and, as a result, the price per share of the common stock was below the minimum average closing price required to maintain listing on the NYSE. Though we regained compliance with the NYSE continued listing requirements on January 31, 2018, we cannot assure you that the average closing price of our common stock over a consecutive 30 trading-day period will not fall below \$1.00 per share in the future. A delisting of our common stock from the NYSE could negatively impact us as it would likely reduce the liquidity and market price of our common stock; reduce the number of investors willing to hold or acquire our common stock; and negatively impact our ability to access equity markets and obtain financing.

The market price of our common stock has fluctuated significantly.

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

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

We do not anticipate paying any dividends on our common stock in the foreseeable future.

We do not anticipate paying any dividends on our common stock in the foreseeable future and the terms of our existing indebtedness restricts our ability to pay dividends on our common stock. Any declaration and payment of future dividends to holders of our common stock may be limited by the provisions of the Delaware General Corporation Law and our indebtedness. The future payment of dividends on our common stock will be at the sole discretion of our board of directors and will depend on many factors, including our earnings, capital requirements, financial condition, and other considerations that our board of directors deems relevant.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act). All statements contained in this Form 10-K, other than statements of historical facts, are forward-looking statements for purposes of these provisions. In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “outlook,” “may,” “should,” “will” and “would” or similar words. Forward-looking statements are based on certain assumptions and analyses we make in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are relevant. Although we believe that our assumptions are reasonable based on information currently available, those assumptions are subject to significant risks and uncertainties, many of which are outside of our control. Each forward-looking statement speaks only as of the date of this Form 10-K, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this Form 10-K could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

Land and Barge Rigs

The table below shows the locations and drilling depth ratings of our rigs as of December 31, 2017:

Name	Type ⁽¹⁾	Year entered into service/ upgraded	Drilling depth rating (in feet)	Location
International & Alaska Drilling				
Eastern Hemisphere				
Rig 231	L	1981/1997	13,000	Indonesia
Rig 253	L	1982/1996	15,000	Indonesia
Rig 107	L	1983/2009	15,000	Kazakhstan
Rig 216	L	2001/2009	25,000	Kazakhstan
Rig 249	L	2000/2009	25,000	Kazakhstan
Rig 257	B	1999/2010	30,000	Kazakhstan
Rig 258	L	2001/2009	25,000	Kazakhstan
Rig 247	L	1981/2008	20,000	Iraq, Kurdistan Region
Rig 269	L	2008	21,000	Iraq, Kurdistan Region
Rig 265	L	2007	20,000	Iraq, Kurdistan Region
Rig 264	L	2007	20,000	Tunisia
Rig 270	L	2011	21,000	Russia
Latin America				
Rig 271	L	1982/2009	30,000	Colombia
Rig 266	L	2008	20,000	Guatemala
Rig 122	L	1980/2008	18,000	Mexico
Rig 165	L	1978/2007	30,000	Mexico
Rig 221	L	1982/2007	30,000	Mexico
Rig 256	L	1978/2007	25,000	Mexico
Rig 267	L	2008	20,000	Mexico
Alaska				
Rig 272	L	2013	18,000	Alaska
Rig 273	L	2012	18,000	Alaska
U.S. (Lower 48) Drilling				
Rig 8	B	1978/2007	14,000	GOM
Rig 12	B	1979/2006	18,000	GOM
Rig 15	B	1978/2007	15,000	GOM
Rig 20	B	1981/2007	13,000	GOM
Rig 21	B	1979/2012	14,000	GOM
Rig 30	B	2014	18,000	GOM
Rig 50	B	1981/2006	20,000	GOM
Rig 51	B	1981/2008	20,000	GOM
Rig 54	B	1980/2006	25,000	GOM
Rig 55	B	1981/2014	25,000	GOM
Rig 72	B	1982/2005	25,000	GOM
Rig 76	B	1977/2009	30,000	GOM
Rig 77	B	2006/2006	30,000	GOM

(1) Type is defined as: L — land rig; B — barge rig.

The table above excludes Rig 121 and Rig 268, located in Colombia, which are currently not available for service. Additionally, during 2017 we sold Rig 226, located in Papua New Guinea.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

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

Quarter	2017		2016	
	High	Low	High	Low
First	\$ 2.90	\$ 1.35	\$ 2.34	\$ 0.98
Second	\$ 1.85	\$ 1.15	\$ 3.16	\$ 2.00
Third	\$ 1.43	\$ 1.10	\$ 2.44	\$ 1.84
Fourth	\$ 1.20	\$ 0.85	\$ 2.90	\$ 1.70

Most of our stockholders maintain their shares as beneficial owners in "street name" accounts and are not, individually, stockholders of record. As of February 16, 2018, there were 1,501 holders of record of our shares and we had an estimated 16,600 beneficial owners.

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

Issuer Purchases of Equity Securities

The Company currently has no active share repurchase programs.

Item 6. Selected Financial Data

The following table presents selected historical consolidated financial data derived from the audited financial statements of Parker Drilling Company for each of the five years in the period ended December 31, 2017. The following financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data.

	Year Ended December 31,				
	2017	2016	2015	2014	2013 (1)
<i>Dollars in Thousands, Except Per Share Amounts</i>					
<u>Income Statement Data</u>					
Total revenues	\$ 442,520	\$ 427,004	\$ 712,183	\$ 968,684	\$ 874,172
Total operating income (loss)	(65,805)	(111,257)	(17,338)	120,220	101,872
Net income (loss)	(118,701)	(230,814)	(94,284)	24,461	27,179
Net income (loss) attributable to controlling interest	(118,701)	(230,814)	(95,073)	23,451	27,015
Net income (loss) available to common stockholders	(121,752)	(230,814)	(95,073)	23,451	27,015
Basic earnings per share:					
Net income (loss)	\$ (0.87)	\$ (1.86)	\$ (0.77)	\$ 0.20	\$ 0.23
Net income (loss) attributable to controlling interest	\$ (0.87)	\$ (1.86)	\$ (0.78)	\$ 0.19	\$ 0.23
Net income (loss) available to common stockholders	\$ (0.89)	\$ (1.86)	\$ (0.78)	\$ 0.19	\$ 0.23
Diluted earnings per share:					
Net income (loss)	\$ (0.87)	\$ (1.86)	\$ (0.77)	\$ 0.20	\$ 0.22
Net income (loss) attributable to controlling interest	\$ (0.87)	\$ (1.86)	\$ (0.78)	\$ 0.19	\$ 0.22
Net income (loss) available to common stockholders	\$ (0.89)	\$ (1.86)	\$ (0.78)	\$ 0.19	\$ 0.22
<u>Balance Sheet Data</u>					
Total assets ⁽²⁾	\$ 990,279	\$ 1,103,551	\$ 1,366,702	\$ 1,509,000	\$ 1,521,775
Total long-term debt including current portion of long-term debt ⁽²⁾	577,971	576,326	574,798	603,341	640,800
Total equity	296,121	339,135	568,512	666,214	633,142

- (1) The 2013 results include \$22.5 million of acquisition costs related to the acquisition of International Tubular Services Limited on April 22, 2013.
- (2) The Company adopted, effective January 1, 2016, newly issued accounting guidance *ASU 2015-03, Interest - Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset.

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

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

Executive Summary

The oil and natural gas industry is highly cyclical. Activity levels are driven by traditional energy industry activity indicators, which include current and expected commodity prices, drilling rig counts, footage drilled, well counts, and our customers' spending levels allocated to exploratory and development drilling.

Historical market indicators are listed below:

	2017	% Change	2016	% Change	2015
Worldwide Rig Count ⁽¹⁾					
U.S. (land and offshore)	875	72 %	510	(48)%	978
International ⁽²⁾	948	(1)%	955	(18)%	1,167
Commodity Prices (annual average) ⁽³⁾					
Crude Oil (Brent)	\$ 54.74	21 %	\$ 45.13	(16)%	\$ 53.6
Crude Oil (West Texas Intermediate)	\$ 50.85	17 %	\$ 43.47	(11)%	\$ 48.78
Natural Gas (Henry Hub)	\$ 3.02	18 %	\$ 2.55	(3)%	\$ 2.63

(1) Estimate of drilling activity as measured by annual average active rig count for the periods indicated - Source: Baker Hughes Rig Count.

(2) Excludes Canadian Rig Count.

(3) Average daily commodity prices for the periods indicated based on NYMEX front-month composite energy prices.

Financial Results

In the 2017 fourth quarter we generated revenues of \$116.3 million, an increase of \$22.3 million, or 23.7 percent, compared with the 2016 fourth quarter. In 2017, revenues totaled \$442.5 million, an increase of \$15.5 million, or 3.6 percent, compared with 2016. The increases were primarily driven by higher U.S. land rentals associated with continued improved customer activity.

Overview

In 2017, gross margin, excluding depreciation and amortization, increased 35 percent. This is indicative of the efforts our employees are taking to insure we continue to grow the business while maintaining focus on our costs. We have thoroughly streamlined our company's cost structure to maximize future margin, positioning the company for continued improvement going forward.

Our U.S. Rental Tools business benefited from higher spending by shale operators as our 2017 revenues increased by 70 percent compared to 2016. In our International Rental Tools business, gross margin improved throughout the year and we achieved positive gross margin in the fourth quarter. Although our drilling services business has not yet seen the impact of higher commodity prices, we are well positioned with strong customer relationships and quality equipment as the recovery unfolds.

Some of our noteworthy achievements during the year include:

- The year 2017 was the safest in our recorded history and 95 percent of our active world-wide facilities went the entire year without a recordable incident as we continue to target zero injuries.
- In October 2017, we attained the International Association of Drilling Contractors' Competence Assurance Accreditation.
- 2017 was a record for our rig operations group as we limited rig downtime to less than 0.5 percent. Our operating rig in Alaska achieved two years without a single minute of downtime.
- We secured international land rig contracts throughout the year as International & Alaska Drilling segment utilization increased from a low of 32 percent in the three months ended June 30, 2017 to 40 percent for the three months ended December 31, 2017. Specifically, we were able to execute contracts in the Kurdistan Region of Iraq and in Indonesia. We

also received a letter of intent for a second rig to begin drilling in the Kurdistan Region of Iraq early in 2018, with growing interest in our services in the region.

- During the fourth quarter, as a part of our push to reduce the number of countries where we have one rig operations, we sold our rig in Papua New Guinea. The rig had been idle since May 2015 and we saw limited opportunity to put it to work. Closing the Papua New Guinea operation enables us to build scale in more favorable geographic locations as well as gain better returns on our assets.
- Finally, in February 2018 we amended our 2015 Secured Credit Agreement to replace financial maintenance covenants with a borrowing base and liquidity covenant, which we believe will help ensure we have available liquidity in addition to our cash on hand, in light of the delayed recovery in international markets.

Outlook

The year 2017 was a year of transition, as the oil and gas markets began to show increasing signs that an international recovery was taking hold. After years of underinvestment and tepid activity, it appears that fundamentals are finally coming further into balance, though at a very gradual pace. North American markets are growing, driven mostly by unconventional wells and oil exports; and international markets appear to have stabilized and are positioned for growth. We continue to believe market conditions are poised to improve over the medium term.

In our U.S. (Lower 48) Drilling segment, based on discussion with operators in the region, we anticipate utilization to improve year-on-year, weighted toward the second half of the year. For our International & Alaska Drilling segment, we expect activity to gradually improve in the second half of 2018, but the segment will likely have lower gross margin compared to 2017 as a result of lower utilization in Alaska and Kazakhstan.

In our U.S. Rental Tools segment, we anticipate higher utilization of our rental equipment as U.S. land oil and gas drilling activity increases. For our International Rental Tools segment, we expect higher activity levels largely driven by the additional well construction work.

Results of Operations

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. We report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We report our Rental Tools Services business as two reportable segments: (1) U.S. Rental Tools and (2) International Rental Tools. We eliminate inter-segment revenues and expenses.

We analyze financial results for each of our reportable segments. The reportable segments presented are consistent with our reportable segments discussed in our consolidated financial statements. See Note 12 - Reportable Segments in Item 8. Financial Statements and Supplementary Data for further discussion. We monitor our reporting segments based on several criteria, including operating gross margin and operating gross margin excluding depreciation and amortization. Operating gross margin excluding depreciation and amortization is computed as revenues less direct operating expenses, and excludes depreciation and amortization expense, where applicable. Operating gross margin percentages are computed as operating gross margin as a percent of revenues. The operating gross margin excluding depreciation and amortization amounts and percentages should not be used as a substitute for those amounts reported under accounting policies generally accepted in the United States (U.S. GAAP), but should be viewed in addition to the Company's reported results prepared in accordance with U.S. GAAP. Management believes this information provides valuable insight into the information management considers important in managing the business.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Revenues increased \$15.5 million, or 3.6 percent, to \$442.5 million for the year ended December 31, 2017 as compared with revenues of \$427.0 million for the year ended December 31, 2016. Operating gross margin increased \$40.0 million to a loss of \$35.3 million for the year ended December 31, 2017 as compared with a loss of \$75.3 million for the year ended December 31, 2016.

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

	Year Ended December 31,			
	2017		2016	
<i>Dollars in Thousands</i>				
Revenues:				
Drilling Services:				
U.S. (Lower 48) Drilling	\$ 12,389	3 %	\$ 5,429	1 %
International & Alaska Drilling	247,254	56 %	287,332	67 %
Total Drilling Services	259,643	59 %	292,761	68 %
Rental Tools Services:				
U.S. Rental Tools	121,937	27 %	71,613	17 %
International Rental Tools	60,940	14 %	62,630	15 %
Total Rental Tools Services	182,877	41 %	134,243	32 %
Total revenues	442,520	100 %	427,004	100 %
Operating gross margin (loss) excluding depreciation and amortization:				
Drilling Services:				
U.S. (Lower 48) Drilling	(7,135)	(58)%	(14,304)	(263)%
International & Alaska Drilling	40,702	16 %	64,508	22 %
Total Drilling Services	33,567	13 %	50,204	17 %
Rental Tools Services:				
U.S. Rental Tools	59,140	49 %	21,397	30 %
International Rental Tools	(5,674)	(9)%	(7,118)	(11)%
Total Rental Tools Services	53,466	29 %	14,279	11 %
Total operating gross margin (loss) excluding depreciation and amortization	87,033	20 %	64,483	15 %
Depreciation and amortization	(122,373)		(139,795)	
Total operating gross margin (loss)	(35,340)		(75,312)	
General and administrative expense	(25,676)		(34,332)	
Provision for reduction in carrying value of certain assets	(1,938)		—	
Gain (loss) on disposition of assets, net	(2,851)		(1,613)	
Total operating income (loss)	\$ (65,805)		\$ (111,257)	

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

<i>Dollars in Thousands</i>	U.S. (Lower 48) Drilling	International & Alaska Drilling	U.S. Rental Tools	International Rental Tools	Total
Year Ended December 31, 2017					
Operating gross margin (loss) ⁽¹⁾	\$ (20,656)	\$ (6,248)	\$ 15,651	\$ (24,087)	\$ (35,340)
Depreciation and amortization	13,521	46,950	43,489	18,413	122,373
Operating gross margin (loss) excluding depreciation and amortization	\$ (7,135)	\$ 40,702	\$ 59,140	\$ (5,674)	\$ 87,033
Year Ended December 31, 2016					
Operating gross margin (loss) ⁽¹⁾	\$ (34,353)	\$ 9,272	\$ (22,372)	\$ (27,859)	\$ (75,312)
Depreciation and amortization	20,049	55,236	43,769	20,741	139,795
Operating gross margin (loss) excluding depreciation and amortization	\$ (14,304)	\$ 64,508	\$ 21,397	\$ (7,118)	\$ 64,483

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

The following table presents our average utilization rates and rigs available for service for the years ended December 31, 2017 and 2016, respectively:

	December 31,	
	2017	2016
U.S. (Lower 48) Drilling		
Rigs available for service ⁽¹⁾	13.0	13.0
Utilization rate of rigs available for service ⁽²⁾	11%	5%
International & Alaska Drilling		
Eastern Hemisphere		
Rigs available for service ⁽¹⁾	13.0	13.0
Utilization rate of rigs available for service ⁽²⁾	38%	40%
Latin America Region		
Rigs available for service ⁽¹⁾	7.0	7.0
Utilization rate of rigs available for service ⁽²⁾	14%	23%
Alaska		
Rigs available for service ⁽¹⁾	2.0	2.0
Utilization rate of rigs available for service ⁽²⁾	97%	100%
Total International & Alaska Drilling		
Rigs available for service ⁽¹⁾	22.0	22.0
Utilization rate of rigs available for service ⁽²⁾	36%	40%

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

Drilling Services Business

U.S. (Lower 48) Drilling

U.S. (Lower 48) Drilling segment revenues increased \$7.0 million, or 129.6 percent, to \$12.4 million for the year ended December 31, 2017, as compared with revenues of \$5.4 million for the year ended December 31, 2016. The increase was primarily due to an increase in utilization to 11.0 percent for the year ended December 31, 2017 from 5.0 percent for the year ended December 31, 2016 as well as a moderate increase in revenues per day for certain barge rigs.

U.S. (Lower 48) Drilling segment operating gross margin excluding depreciation and amortization increased \$7.2 million, or 50.3 percent, to a loss of \$7.1 million for the year ended December 31, 2017, compared with a loss of \$14.3 million for the year ended December 31, 2016. This increase was primarily due to the increase in utilization discussed above and reduced costs resulting from organizational efficiency initiatives.

International & Alaska Drilling

International & Alaska Drilling segment revenues decreased \$40.0 million, or 13.9 percent, to \$247.3 million for the year ended December 31, 2017, compared with \$287.3 million for the year ended December 31, 2016.

The decrease in revenues was primarily due to the following:

- a decrease of \$21.9 million related to our project services activities;
- a decrease in revenues from reimbursable costs (“reimbursable revenues”) of \$11.7 million, which decreased revenues but had a minimal impact on operating margins;
- a decrease of \$10.5 million resulting from a combined decrease in utilization and revenues per day for certain Company-owned rigs. The decline in revenues per day is a direct result of certain Company-owned rigs shifting to standby mode during 2017 compared with operating mode during 2016; and
- a decrease of \$5.4 million from mobilization and demobilization activities.

The decrease in revenues was partially offset by an increase of \$11.3 million primarily driven by O&M activities associated with the Hibernia platform located off the Atlantic Coast of Canada.

International & Alaska Drilling segment operating gross margin excluding depreciation and amortization decreased \$23.8 million, or 36.9 percent, to \$40.7 million for the year ended December 31, 2017, compared with \$64.5 million for the year ended December 31, 2016. The decrease in operating gross margin excluding depreciation and amortization was primarily due to a decrease in project services activities and the impact of reduced utilization discussed above.

Rental Tools Services Business

U.S. Rental Tools

U.S. Rental Tools segment revenues increased \$50.3 million, or 70.3 percent, to \$121.9 million for the year ended December 31, 2017 compared with \$71.6 million for the year ended December 31, 2016. The increase was primarily driven by an increase in U.S. land rentals due to improved customer activity, partially offset by a decline in offshore GOM rental revenues.

U.S. Rental Tools segment operating gross margin excluding depreciation and amortization increased \$37.7 million, or 176.2 percent, to \$59.1 million for the year ended December 31, 2017 compared with \$21.4 million for the year ended December 31, 2016. The increase was primarily due to the increase in revenues discussed above.

International Rental Tools

International Rental Tools segment revenues decreased \$1.7 million, or 2.7 percent, to \$60.9 million for the year ended December 31, 2017 compared with \$62.6 million for the year ended December 31, 2016. The decrease was primarily attributable to a decline in offshore rental revenues somewhat offset by international land rental revenues.

International Rental Tools segment operating gross margin excluding depreciation and amortization increased \$1.4 million, or 19.7 percent, to a loss of \$5.7 million for the year ended December 31, 2017 compared with loss of \$7.1 million for the year ended December 31, 2016. The increase was due to lower operating costs resulting from organizational efficiency initiatives.

Other Financial Data

General and administrative expense

General and administrative expense decreased \$8.6 million to \$25.7 million for the year ended December 31, 2017, compared with \$34.3 million for the year ended December 31, 2016 primarily due to reductions in incentive compensation and professional fees.

Provision for reduction in carrying value of certain assets

During the year ended December 31, 2017, we recorded \$1.9 million of provisions for reduction in carrying value of assets, all of which was recorded in the fourth quarter of 2017. This provision was related to certain assets in the International & Alaska Drilling segment that were deemed to be functionally obsolete. There was no provision for reduction in carrying value of certain assets recorded during the year ended December 31, 2016.

Gain (loss) on disposition of assets

Net losses recorded on asset dispositions were \$2.9 million and \$1.6 million for the years ended December 31, 2017 and December 31, 2016, respectively. The net loss for 2017 was primarily related to the sale of one rig located in Papua New Guinea. Activity in both periods included equipment retirements. We periodically sell equipment deemed to be excess, obsolete, or not currently required for operations.

Interest income and expense

Interest expense decreased \$1.6 million to \$44.2 million for the year ended December 31, 2017 compared with \$45.8 million for the year ended December 31, 2016. The decrease in interest expense was primarily related to a write off of \$1.1 million of debt issuance costs during the second quarter of 2016 in conjunction with the execution of an amendment to our revolving credit facility. Interest income during each of the years ended December 31, 2017 and 2016 was nominal.

Other income and expense

Other income and expense was \$0.1 million of income and \$0.4 million of income for the years ended December 31, 2017 and December 31, 2016, respectively. Other income for both periods included the impact of foreign currency fluctuations.

Income tax expense

On December 22, 2017 the United States enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes significant changes to U.S. corporate income tax laws, the most notable of which is a reduction in the U.S. corporate income tax rate from 35 percent to 21 percent, effective for tax years beginning January 1, 2018, and a one-time mandatory tax on previously deferred earnings of certain foreign subsidiaries associated with the transition from a worldwide to a modified territorial tax regime. The impact of the Tax Act for the year ended December 31, 2017 is discussed in more detail in Note 5 - Income Taxes of the Consolidated Financial Statements. As a result of the Company's net deferred tax position, inclusive of valuation allowances, the provisions of the Tax Act are not expected to materially impact the Company's cash tax position or effective tax rate in 2018. We are continuing our analysis of the effects the Tax Act will have on the Company in future periods.

Income tax expense was \$9.0 million on a pre-tax loss of \$109.7 million for the year ended December 31, 2017, compared with \$74.2 million on pre-tax loss of \$156.6 million for the year ended December 31, 2016. Our effective tax rate was negative 8.2 percent for the year ended December 31, 2017, compared with negative 47.3 percent for the year ended December 31, 2016. Income tax expense and our annual effective tax rate are primarily affected by the statutory tax rates applied in the jurisdictions where the income or losses are earned, and our ability to receive tax benefits for losses incurred. It is also affected by discrete items, such as return-to-accrual adjustments and changes in valuation allowances, and changes in reserves for uncertain tax positions, which may occur in any given year but are not consistent from year to year.

Income tax expense for the year ended December 31, 2017 includes a net tax benefit related to the change in valuation allowance of \$14.6 million. The change in valuation allowance includes a benefit of \$45.3 million related to the reduction in the corporate income tax rate under the Tax Act. This benefit was reduced by the change related to current net operating losses and other deferred taxes of \$30.7 million. We established the valuation allowance based on the weight of available evidence, both positive and negative, including results of recent and current operations and our estimates of future taxable income or loss by jurisdiction in which we operate. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other business considerations. Changes in these estimates and assumptions, including changes in tax laws and other changes impacting our ability to recognize the underlying deferred tax assets, could require us to adjust the valuation allowances.

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We are a U.S. based company that operates internationally through various branches and subsidiaries. Accordingly, our worldwide income tax provision includes the impact of income tax rates and foreign tax laws in the jurisdictions in which our operations are conducted and income is earned. We reported tax benefits for foreign statutory rates different from our U.S. statutory rate of \$2.0 million and \$3.6 million and tax expense of \$13.1 million and \$12.7 million for the impact of foreign tax laws in effect for the years ended December 31, 2017 and December 31, 2016, respectively. Differences between the U.S. and foreign tax rates and laws have a significant impact in Iraq, Kazakhstan, Mexico, Russia, United Arab Emirates and the United Kingdom.

Certain tax payments to foreign jurisdictions are available as credits to reduce tax expense in the U.S. and other foreign jurisdictions. We reported no tax benefits for foreign tax credits for the year ended December 31, 2017 and December 31, 2016. See Note 5 - Income Taxes in Item 8. Financial Statements and Supplementary Data for further discussion.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

Revenues decreased \$285.2 million, or 40.0 percent, to \$427.0 million for the year ended December 31, 2016 as compared with revenues of \$712.2 million for the year ended December 31, 2015. Operating gross margin decreased \$105.0 million to a loss of \$75.3 million for the year ended December 31, 2016 as compared with \$29.7 million for the year ended December 31, 2015.

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

	Year Ended December 31,			
	2016		2015	
<i>Dollars in Thousands</i>				
Revenues:				
Drilling Services:				
U.S. (Lower 48) Drilling	\$ 5,429	1 %	\$ 30,358	4 %
International & Alaska Drilling	287,332	67 %	435,096	61 %
Total Drilling Services	292,761	68 %	465,454	65 %
Rental Tools Services:				
U.S. Rental Tools	71,613	17 %	141,889	20 %
International Rental Tools	62,630	15 %	104,840	15 %
Total Rental Tools Services	134,243	32 %	246,729	35 %
Total revenues	427,004	100 %	712,183	100 %
Operating gross margin (loss) excluding depreciation and amortization:				
Drilling Services:				
U.S. (Lower 48) Drilling	(14,304)	(263)%	(5,889)	(19)%
International & Alaska Drilling ⁽¹⁾	64,508	22 %	109,750	25 %
Total Drilling Services	50,204	17 %	103,861	22 %
Rental Tools Services:				
U.S. Rental Tools	21,397	30 %	64,833	46 %
International Rental Tools	(7,118)	(11)%	17,199	16 %
Total Rental Tools Services	14,279	11 %	82,032	33 %
Total operating gross margin (loss) excluding depreciation and amortization	64,483	15 %	185,893	26 %
Depreciation and amortization	(139,795)		(156,194)	
Total operating gross margin (loss)	(75,312)		29,699	
General and administrative expense	(34,332)		(36,190)	
Provision for reduction in carrying value of certain assets	—		(12,490)	
Gain (loss) on disposition of assets, net	(1,613)		1,643	
Total operating income (loss)	\$ (111,257)		\$ (17,338)	

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

<i>Dollars in Thousands</i>	U.S. (Lower 48) Drilling	International & Alaska Drilling	U.S. Rental Tools	International Rental Tools	Total
Year Ended December 31, 2016					
Operating gross margin (loss) ⁽¹⁾	\$ (34,353)	\$ 9,272	\$ (22,372)	\$ (27,859)	\$ (75,312)
Depreciation and amortization	20,049	55,236	43,769	20,741	139,795
Operating gross margin (loss) excluding depreciation and amortization	\$ (14,304)	\$ 64,508	\$ 21,397	\$ (7,118)	\$ 64,483
Year Ended December 31, 2015					
Operating gross margin (loss) ⁽¹⁾	\$ (28,309)	\$ 45,211	\$ 17,380	\$ (4,583)	\$ 29,699
Depreciation and amortization	22,420	64,539	47,453	21,782	156,194
Operating gross margin (loss) excluding depreciation and amortization	\$ (5,889)	\$ 109,750	\$ 64,833	\$ 17,199	\$ 185,893

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

The following table presents our average utilization rates and rigs available for service for the years ended December 31, 2016 and 2015, respectively:

	December 31,	
	2016	2015
U.S. (Lower 48) Drilling		
Rigs available for service ⁽¹⁾	13.0	13.0
Utilization rate of rigs available for service ⁽²⁾	5%	15%
International & Alaska Drilling		
Eastern Hemisphere		
Rigs available for service ⁽¹⁾	13.0	13.0
Utilization rate of rigs available for service ⁽²⁾	40%	66%
Latin America Region		
Rigs available for service ⁽¹⁾	7.0	9.0
Utilization rate of rigs available for service ⁽²⁾	23%	40%
Alaska		
Rigs available for service ⁽¹⁾	2.0	2.0
Utilization rate of rigs available for service ⁽²⁾	100%	100%
Total International & Alaska Drilling		
Rigs available for service ⁽¹⁾	22.0	24.0
Utilization rate of rigs available for service ⁽²⁾	40%	59%

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

Drilling Services Business

U.S. (Lower 48) Drilling

U.S. (Lower 48) Drilling segment revenues decreased \$25.0 million, or 82.2 percent, to \$5.4 million for the year ended December 31, 2016, as compared with revenues of \$30.4 million for the year ended December 31, 2015. The decrease was largely due to lower utilization driven by substantial reductions in drilling activity by operators in the inland waters of the GOM resulting from lower oil prices. Utilization declined to 5.0 percent for the year ended December 31, 2016 from 15.0 percent for the year ended December 31, 2015, resulting in a \$15.2 million decrease in revenues. The remainder of the decrease in revenues was primarily due to a decrease of \$6.8 million from our O&M contract supporting three platform operations located offshore California that ended during the 2015 fourth quarter, as well as \$2.2 million resulting from reduced dayrates and reimbursable revenues.

U.S. (Lower 48) Drilling segment operating gross margin excluding depreciation and amortization decreased \$8.4 million, or 142.4 percent, to a loss of \$14.3 million for the year ended December 31, 2016, compared with a \$5.9 million loss for the year ended December 31, 2015. This decrease was primarily due to the decline in utilization and reduced dayrates discussed above.

International & Alaska Drilling

International & Alaska Drilling segment revenues decreased \$147.8 million, or 34.0 percent, to \$287.3 million for the year ended December 31, 2016, compared with \$435.1 million for the year ended December 31, 2015.

The decrease in revenues was primarily due to the following:

- a decrease of \$62.3 million, excluding reimbursable revenues, resulting from decreased utilization for Company-owned rigs. Utilization for the segment decreased to 40.0 percent for the year ended December 31, 2016 from 59.0 percent for the year ended December 31, 2015. The decline in utilization was primarily due to the decline in oil prices which led to reduced customer activity;
- a decrease of \$39.8 million driven by a decline in average revenues per day resulting from certain Company-owned and customer-owned rigs shifting to standby mode during 2016 compared with operating mode during 2015, as well as a reduction in average dayrates due to pricing pressures from customers resulting from the decline in oil prices;
- a decrease in reimbursable revenues of \$17.4 million, which decreased revenues but had a minimal impact on operating margins;
- a decrease of \$16.7 million from mobilization and demobilization activities;
and
- a decrease of \$12.5 million related to our project services activities.

International & Alaska Drilling segment operating gross margin excluding depreciation and amortization decreased \$45.3 million, or 41.3 percent, to \$64.5 million for the year ended December 31, 2016, compared with \$109.8 million for the year ended December 31, 2015. The decrease in operating gross margin excluding depreciation and amortization was primarily due to the impact of reduced utilization and reduced revenues per day discussed above.

Rental Tools Services Business

U.S. Rental Tools

U.S. Rental Tools segment revenues decreased \$70.3 million, or 49.5 percent, to \$71.6 million for the year ended December 31, 2016 compared with \$141.9 million for the year ended December 31, 2015. The decrease was primarily driven by continued reduction in customer activity and pricing pressures resulting from lower oil prices impacting both U.S. land and offshore GOM rentals.

U.S. Rental Tools segment operating gross margin excluding depreciation and amortization decreased \$43.4 million, or 67.0 percent, to \$21.4 million for the year ended December 31, 2016 compared with \$64.8 million for the year ended December 31, 2015. The decrease was due to the declines in oil prices and customer activity discussed above, partially offset by lower operating costs resulting from cost reduction efforts.

International Rental Tools

International Rental Tools segment revenues decreased \$42.2 million, or 40.3 percent, to \$62.6 million for the year ended December 31, 2016 compared with \$104.8 million for the year ended December 31, 2015. The decrease was due to the continued reduction in customer activity and price erosion resulting from lower oil prices across most of our markets, with the largest declines in our U.K. North Sea, Asia Pacific and Latin America operations.

International Rental Tools segment operating gross margin excluding depreciation and amortization decreased \$24.3 million, or 141.3 percent, to a loss of \$7.1 million for the year ended December 31, 2016 compared with gross margin of \$17.2 million for the year ended December 31, 2015. The decrease was due to the declines in oil prices and customer activity discussed above, partially offset by lower operating costs resulting from cost reduction efforts.

Other Financial Data

General and administrative expense

General and administrative expense decreased \$1.9 million to \$34.3 million for the year ended December 31, 2016, compared with \$36.2 million for the year ended December 31, 2015. General and administrative expense for the year ended December 31, 2016 benefited from reduced personnel costs and lower legal and professional fees resulting from cost savings initiatives. These benefits were partially offset by a \$0.9 million net severance charge recorded in the fourth quarter of 2016 related to executive departures. In addition, during the year ended December 31, 2015 we incurred higher professional and information technology expenses as we implemented the second phase of our new enterprise resource planning system in 2015.

Provision for reduction in carrying value of certain assets

There was no provision for reduction in carrying value of certain assets recorded during the year ended December 31, 2016. During the year ended December 31, 2015, we recorded \$12.5 million of provisions for reduction in carrying value of assets including, \$4.8 million associated with management's decision to exit the Drilling Services business in Colombia and \$7.5 million resulting from lower levels of activity impacting certain international rental tools and drilling equipment that management concluded were no longer marketable and the carrying value was no longer recoverable.

Gain (loss) on disposition of assets

Net losses recorded on asset dispositions for the year ended December 31, 2016 were \$1.6 million and net gains recorded on asset dispositions for December 31, 2015 were \$1.6 million. Activity in both periods included the results of asset sales. Additionally, we periodically sell equipment deemed to be excess, obsolete, or not currently required for operations. The net gains for the year ended December 31, 2015 were primarily due to an insurance settlement received during the period related to previously realized asset losses, partially offset by losses incurred during the 2015 fourth quarter related to equipment retirements.

Interest income and expense

Interest expense increased \$0.6 million to \$45.8 million for the year ended December 31, 2016 compared with \$45.2 million for the year ended December 31, 2015. The increase in interest expense was primarily related to a write off of \$1.1 million of debt issuance costs during the second quarter of 2016 in conjunction with the execution of an amendment to the 2015 Secured Credit Agreement on May 27, 2016. Interest income during each of the years ended December 31, 2016 and 2015 was nominal.

Other income and expense

Other income and expense was \$0.4 million of income and \$9.7 million of expense for the years ended December 31, 2016 and December 31, 2015, respectively. Foreign currency exchange losses decreased \$2.3 million for the year ended December 31, 2016 compared with the year ended December 31, 2015. In addition, during the year ended December 31, 2016 we reclassified \$1.9 million of realized foreign currency translation gains from accumulated other comprehensive income. Other expense for the year ended December 31, 2015 included a \$4.8 million loss on the sale of our controlling interest in a consolidated joint venture in Egypt, and a \$0.9 million loss on the divestiture of our controlling interest in a consolidated joint venture in Russia.

Income tax expense

Income tax expense was \$74.2 million on a pre-tax loss of \$156.6 million for the year ended December 31, 2016, compared with \$22.3 million on a pre-tax loss of \$72.0 million for the year ended December 31, 2015. Our effective tax rate was negative 47.4 percent for the year ended December 31, 2016, compared with negative 31.0 percent for the year ended December 31, 2015. Income tax expense and our annual effective tax rate are primarily affected by recurring items, such as the relative amounts of income or loss we earn in tax paying and non-tax paying jurisdictions, the statutory tax rates applied in the jurisdictions where

the income or losses are earned, and our ability to receive tax benefits for losses incurred. It is also affected by discrete items, such as return-to-accrual adjustments and changes in valuation allowances, and changes in reserves for uncertain tax positions, which may occur in any given year but are not consistent from year to year.

Despite the pre-tax loss for the year ended December 31, 2016, we recognized income tax expense as a result of a change in valuation allowance of \$117.7 million primarily on U.S. net operating losses and other deferred tax assets of \$104.7 million and certain foreign net operating losses and other deferred tax assets of \$13.0 million. We established the valuation allowance based on the weight of available evidence, both positive and negative, including results of recent and current operations and our estimates of future taxable income or loss by jurisdiction in which we operate. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other business considerations. Changes in these estimates and assumptions, including changes in tax laws and other changes impacting our ability to recognize the underlying deferred tax assets, could require us to adjust the valuation allowances.

We are a U.S. based company that operates internationally through various branches and subsidiaries. Accordingly, our worldwide income tax provision includes the impact of income tax rates and foreign tax laws in the jurisdictions in which our operations are conducted and income is earned. We reported tax benefits for foreign statutory rates different than our U.S. statutory rate of \$3.6 million and \$2.7 million and tax expense of \$12.7 million and \$16.0 million for the impact of foreign tax laws in effect for the years ended December 31, 2016 and December 31, 2015, respectively. Differences between the U.S. and foreign tax rates and laws have a significant impact in Colombia, Iraq, Kazakhstan, Mexico, Russia, United Arab Emirates and the United Kingdom.

Certain tax payments to foreign jurisdictions are available as credits to reduce tax expense in the U.S. and other foreign jurisdictions. We reported no tax benefits for foreign tax credits for the year ended December 31, 2016 and tax benefits for foreign tax credits of \$5.6 million for the year ended December 31, 2015, which were driven primarily by our operations in Kazakhstan. See Note 6 - Income Taxes in Item 8. Financial Statements and Supplementary Data for further discussion.

Liquidity and Capital Resources

We periodically evaluate our liquidity requirements, capital needs and availability of resources in view of expansion plans, debt service requirements, and other operational cash needs. To meet our short-term liquidity requirements we primarily rely on our cash from operations. We also have access to cash through the revolving credit facility (Revolver), subject to our compliance with the covenants contained in the 2015 Secured Credit Agreement. We expect that these sources of liquidity will be sufficient to provide us the ability to fund our current operations and required capital expenditures. We may need to fund expansion capital expenditures, acquisitions, debt principal payments, or pursuits of business opportunities that support our strategy, through additional borrowings or the issuance of additional common stock or other forms of equity. We do not pay dividends on our common stock.

Liquidity

Subsequent to December 31, 2017, we entered into the Fifth Amendment to the 2015 Secured Credit Agreement which modified the credit facility to an Asset-Based Lending (ABL) structure and reduced the size of the Revolver from \$100 million to \$80 million. The Fifth Amendment eliminated the financial maintenance covenants previously in effect and replaced them with a liquidity covenant of \$30 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable. The Liquidity covenant requires the Company to maintain a minimum of \$30 million of liquidity (defined as availability under the borrowing base and cash on hand), of which \$15 million is restricted, resulting in a maximum availability at any one time of \$65 million. Our ability to borrow under the 2015 Secured Credit Agreement is determined by reference to our borrowing base, which as of the effective date of the Fifth Amendment was \$67.5 million. The Fifth Amendment also allows for refinancing our existing Senior Notes with either secured or unsecured debt.

The following table provides a summary of our total liquidity:

	<u>December 31, 2017</u>
<i>Dollars in thousands</i>	
Cash and cash equivalents on hand ⁽¹⁾	\$ 141,549
Availability under Revolver ⁽²⁾	94,350
Total liquidity	<u>\$ 235,899</u>

(1) As of December 31, 2017, approximately \$45.6 million of the \$141.5 million of cash and equivalents was held by our foreign subsidiaries.

(2) Availability under the undrawn \$100.0 million Revolver was reduced by \$5.7 million of letters of credit outstanding. As of December 31, 2017 we were in compliance with all covenants contained in the 2015 Secured Credit Agreement. See Note 6 - Long Term Debt for discussion regarding the Fifth Amendment to the Secured Credit Agreement executed after December 31, 2017. Had the Fifth Amendment been in effect as of December 31, 2017, availability under the Revolver would have been approximately \$46.8 million based on a \$67.5 million borrowing base less \$15 million in restricted liquidity, less \$5.7 million of letters of credit.

The earnings of foreign subsidiaries as of December 31, 2017 were reinvested to fund our international operations. If in the future we decide to repatriate earnings, the Company may be required to pay taxes on those amounts, which could reduce the liquidity of the Company at that time.

We do not have any unconsolidated special-purpose entities, off-balance sheet financing arrangements or guarantees of third-party financial obligations. As of December 31, 2017, we have no energy, commodity, or foreign currency derivative contracts.

Cash Flow Activity

As of December 31, 2017, we had cash and cash equivalents of \$141.5 million, an increase of \$21.9 million from cash and cash equivalents of \$119.7 million as of December 31, 2016. The following table provides a summary of our cash flow activity for the last three years:

<i>Dollars in thousands</i>	2017	2016	2015
Operating Activities	\$ 6,733	\$ 22,441	\$ 162,110
Investing Activities	(54,130)	(26,513)	(101,243)
Financing Activities	69,255	(10,531)	(35,029)
Net change in cash and cash equivalents	\$ 21,858	\$ (14,603)	\$ 25,838

Operating Activities

Cash flows provided by operating activities were \$6.7 million, \$22.4 million, and \$162.1 million for the years ended December 31, 2017, 2016, and 2015, respectively. Cash flows from operating activities in each period were largely impacted by our earnings and changes in working capital. Changes in working capital were a use of cash of \$5.8 million for the year ended December 31, 2017, a source of cash of \$38.8 million for the year ended December 31, 2016, and a source of cash of \$80.7 million for the year ended December 31, 2015. In addition to the impact of earnings and working capital changes, cash flows from operating activities in each period were impacted by non-cash charges such as depreciation expense, gains and losses on asset sales, deferred tax expense and benefits, stock-based awards activity and amortization of debt issuance costs.

It is our long-term intention to utilize our operating cash flows to fund maintenance and growth of our rental tool assets and drilling rigs. Given the decline in demand in the current oil and natural gas services market over the past few years, our short-term focus is to preserve liquidity by managing our costs and capital expenditures. While the overall market for oilfield services remains challenging, we are beginning to see a market recovery that is expected to increase our working capital and capital spending as we pursue attractive investment opportunities.

Investing Activities

Cash flows used in investing activities were \$54.1 million for the year ended December 31, 2017, compared with \$26.5 million and \$101.2 million for the years ended December 31, 2016 and 2015, respectively. Cash flows used in investing activities in 2017 and 2016 included capital expenditures of \$54.5 million and \$29.0 million, respectively, which were primarily used for tubular and other products for our Rental Tools Services business and rig-related maintenance. Cash flows used in investing activities in 2015 included capital expenditures of \$88.2 million, primarily for tubular and other products for our Rental Tools Services business and rig-related enhancements and maintenance. In addition, during 2015 we had a use of cash of \$10.4 million, net of cash acquired, for the acquisition of a business, and \$3.4 million related to the purchase of the remaining noncontrolling interest in ITS Arabia Limited.

Capital expenditures for 2018 are estimated to range from \$50.0 million to \$60.0 million and will primarily be directed to our Rental Tools Services business inventory and maintenance capital for our Drilling Services business. Future capital spending will be evaluated based upon adequate return requirements and available liquidity.

Financing Activities

Cash flows from financing activities were a source of \$69.3 million for the year ended December 31, 2017 primarily related to the issuances of common stock and Convertible Preferred Stock, which yielded combined proceeds of \$72.3 million, net of underwriting discount and offering expenses. Additionally, during the year ended December 31, 2017, the Company paid dividends of \$2.1 million on our Convertible Preferred Stock.

Cash flows from financing activities were a use of \$10.5 million and \$35.0 million for the years ended December 31, 2016 and 2015, respectively. For the 2016 comparable period, cash flows from financing activities were used primarily due to payment of \$6.0 million of the contingent consideration related to the April 2015 acquisition of a business, and \$3.4 million in connection with the final payment of the purchase price for the remaining noncontrolling interest of ITS Arabia Limited. For the 2015 comparable period, cash flows from financing activities were used primarily for the repayment of the \$30.0 million borrowing on our Revolver in the first quarter of 2015.

Long-Term Debt Summary

Our principal amount of long-term debt, including current portion, was \$585.0 million as of December 31, 2017, which consisted of:

- \$360.0 million aggregate principal amount of 6.75% Senior Notes; and
- \$225.0 million aggregate principal amount of 7.50% Senior Notes.

6.75% Senior Notes, due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of 6.75% Senior Notes due July 2022 (6.75% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The 6.75% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the Second Amended and Restated Senior Secured Credit Agreement, as amended from time-to-time (2015 Secured Credit Agreement) and our 7.50% Senior Notes due 2020 (7.50% Notes, and collectively with the 6.75% Notes, the Senior Notes). Interest on the 6.75% Notes is payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes of approximately \$7.6 million (\$4.6 million net of amortization as of December 31, 2017) are being amortized over the term of the notes using the effective interest rate method.

On and after January 15, 2018, we may redeem all or a part of the 6.75% Notes upon appropriate notice, at a redemption price of 103.375 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning January 15, 2020. We have not made any redemptions to date. If we experience certain changes in control, we must offer to repurchase the 6.75% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

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

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The 7.50% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes is payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes of approximately \$5.6 million (\$2.4 million, net of amortization as of December 31, 2017) are being amortized over the term of the notes using the effective interest rate method.

We may redeem all or a part of the 7.50% Notes upon appropriate notice, at redemption prices decreasing each year after August 1, 2016 to par beginning August 1, 2018. As of December 31, 2017, the redemption price is 101.875 percent and we have not made any redemptions to date. If we experience certain changes in control, we must offer to repurchase the 7.50% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

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

2015 Secured Credit Agreement

On January 26, 2015 we entered into the 2015 Secured Credit Agreement. The 2015 Secured Credit Agreement was originally comprised of a \$200 million revolving credit facility (Revolver), which was subsequently reduced to \$100 million. The

2015 Secured Credit Agreement formerly included financial maintenance covenants, including a Leverage Ratio, Consolidated Interest Coverage Ratio, Senior Secured Leverage Ratio, and Asset Coverage Ratio, many of which were suspended beginning in September 2015.

On February 21, 2017, we executed the fourth amendment to the 2015 Secured Credit Agreement (the Fourth Amendment) which, among other things, permits the sale and issuance of certain equity interests of the Company, including the Convertible Preferred Stock, and permits the Company to pay dividends on the Convertible Preferred Stock, up to certain aggregate amounts specified therein. The debt issuance costs incurred relating to the Fourth Amendment were nominal. Debt issuance costs remaining as of December 31, 2017 were \$0.8 million which are being amortized through January 2020 on a straight line basis.

On February 14, 2018, we executed the Fifth Amendment to the 2015 Secured Credit Agreement (the Fifth Amendment) which modified the credit facility to an Asset-Based Lending (ABL) structure and reduced the size of the Revolver from \$100 million to \$80 million. The Fifth Amendment eliminated the financial maintenance covenants previously in effect and replaced them with a liquidity covenant of \$30 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable. The liquidity covenant requires the Company to maintain a minimum of \$30 million of liquidity (defined as availability under the borrowing base and cash on hand), of which \$15 million is restricted, resulting in a maximum availability at any one time of the lesser of (a) an amount equal to our borrowing base minus \$15 million, or (b) \$65 million. Our ability to borrow under the 2015 Secured Credit Agreement is determined by reference to our borrowing base, which as of the effective date of the Fifth Amendment was \$67.5 million. The Fifth Amendment also allows for refinancing our existing Senior Notes with either secured or unsecured debt, adds the ability for the Company to designate certain of its subsidiaries as “Designated Borrowers” and removes our availability to make certain restricted payments.

Our obligations under the 2015 Secured Credit Agreement are guaranteed by substantially all of our direct and indirect domestic subsidiaries, other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which has executed guaranty agreements, and are secured by first priority liens on our accounts receivable, specified rigs including barge rigs in the GOM and land rigs in Alaska, certain U.S.-based rental equipment of the Company and its subsidiary guarantors and the equity interests of certain of the Company’s subsidiaries. In addition to the liquidity covenant and borrowing base requirements, the 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness and liens, and restrictions on entry into certain affiliate transactions and payments (including payment of dividends). As of December 31, 2017, we were in compliance with all covenants contained in the 2015 Secured Credit Agreement.

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Revolving loans are available subject to a quarterly asset coverage ratio calculation based on the Orderly Liquidation Value of certain specified rigs including barge rigs in the GOM and land rigs in Alaska, and certain U.S.-based rental equipment of the Company and its subsidiary guarantors and a percentage of eligible domestic accounts receivable. As of December 31, 2017 our ability to access the Revolver was restricted to \$94.4 million, due primarily to \$5.7 million in letters of credit outstanding. There were no amounts drawn on the Revolver as of December 31, 2017. Had the Fifth Amendment been in effect as of December 31, 2017, our ability to access the Revolver would have been limited to approximately \$46.8 million due to the impacts of (a) the reduction in commitments, (b) the borrowing base calculation, (c) the restricted fund requirement in our liquidity covenant, and (d) outstanding letters of credit.

Summary of Contractual Cash Obligations

The following table summarizes our future contractual cash obligations as of December 31, 2017:

	Total	2018	2019	2020	2021	2022	Beyond 2022
(Dollars in Thousands)							
Contractual cash obligations:							
Long-term debt — principal	\$ 585,000	\$ —	\$ —	\$ 225,000	\$ —	\$ —	\$ 360,000
Long-term debt — interest	172,125	41,175	41,175	41,175	24,300	24,300	—
Operating leases ⁽¹⁾	18,342	6,867	4,742	3,009	1,409	902	1,413
Purchase commitments ⁽²⁾	32,659	32,659	—	—	—	—	—
Total contractual obligations	\$ 808,126	\$ 80,701	\$ 45,917	\$ 269,184	\$ 25,709	\$ 25,202	\$ 361,413
Commercial commitments:							
Standby letters of credit ⁽³⁾	\$ 5,650	\$ 4,936	\$ 453	\$ 261	\$ —	\$ —	\$ —
Total commercial commitments	\$ 5,650	\$ 4,936	\$ 453	\$ 261	\$ —	\$ —	\$ —

(1) Operating leases consist of lease agreements in excess of one year for office space, equipment, vehicles and personal property.

(2) We had purchase commitments outstanding as of December 31, 2017 related to rental tools and rig related expenditures.

(3) As of December 31, 2017 the available capacity of the Revolver was \$100 million and as of that date \$5.7 million of availability had been used to support outstanding letters of credit.

Other Matters

Business Risks

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

Critical Accounting Policies

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

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

Fair Value Measurements. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

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

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

Goodwill. We account for all business combinations using the acquisition method of accounting. Under this method, assets and liabilities, including any remaining noncontrolling interests, are recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired, net of liabilities assumed, plus the value of any noncontrolling interests, is recognized as goodwill. We perform our annual goodwill impairment review during the fourth quarter, as of October 1, and more frequently if negative conditions or other triggering events arise. The quantitative impairment test we perform for goodwill utilizes certain assumptions, including forecasted revenues and costs assumptions.

Intangible Assets. Our intangible assets are related to trade names, customer relationships and developed technology, which were acquired through acquisition and are generally amortized over a weighted average period of approximately three to six years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations.

Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

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

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

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

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

Accounting for Income Taxes. We are a U.S. company and we operate through our various foreign legal entities and their branches and subsidiaries in numerous countries throughout the world. Consequently, our tax provision is based upon the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income tax rates imposed and methods of computing taxable income in these jurisdictions vary. Therefore, as a part of the process of preparing the consolidated financial statements, we are required to estimate the income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization and certain accrued liabilities for tax and accounting purposes. Our effective tax rate for financial statement purposes will continue to fluctuate from year to year as our operations are conducted in different taxing jurisdictions. Current income tax expense represents either liabilities expected to be reflected on our income tax returns for the current year, nonresident withholding taxes or changes in prior year tax estimates which may result from tax audit adjustments. Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities reported on the consolidated balance sheet. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding amounts and sources of future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, as well as changes in tax laws, could require us to adjust the deferred tax assets and liabilities or valuation allowances, including as discussed below.

Our ability to realize the benefit of our deferred tax assets requires that we achieve certain future earnings levels prior to expiration. Evaluations of the realizability of deferred tax assets are, by nature, highly subjective. They involve expectations about future operations and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in materially different determinations of our ability to realize deferred tax assets. In the event that our earnings performance projections do not indicate that we will be able to benefit from our deferred tax assets, valuation allowances are established following the "more likely than not" criteria. We periodically evaluate our ability to utilize our deferred tax assets and, in accordance with accounting guidance related to accounting for income taxes, will record any resulting adjustments that may be required to deferred income tax expense in the period for which an existing estimate changes.

We do not currently provide for deferred taxes on unremitted earnings of our foreign subsidiaries as such earnings were reinvested to fund our international operations. If the unremitted earnings were to be distributed, we could be subject to taxes and foreign withholding taxes though it is not practicable to determine the resulting liability, if any, that would result on the distribution of such earnings. We annually review our position and may elect to change our future tax position.

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

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

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

Legal and Investigation Matters. As of December 31, 2017, we have accrued an estimate of the probable and estimable costs for the resolution of certain legal and investigation matters. We have not accrued any amounts for other matters for which the liability is not probable and reasonably estimable. Generally, the estimate of probable costs related to these matters is developed in consultation with our legal advisors. The estimates take into consideration factors such as the complexity of the issues, litigation risks and settlement costs. If the actual settlement costs, final judgments, or fines, after appeals, differ from our estimates, our future financial results may be adversely affected.

Recent Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our consolidated financial statements, see Note 18 - Recent Accounting Pronouncements in Item 8. Financial Statements and Supplementary Data.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Rate Risk

Our international operations expose us to foreign currency exchange rate risk. There are a variety of techniques to minimize the exposure to foreign currency exchange rate risk, including customer contract payment terms and the possible use of foreign currency exchange rate risk derivative instruments. Our primary foreign currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign currency exchange rate risk needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have not had a material impact on our overall results. In situations where payments of local currency do not equal local currency requirements, foreign currency exchange rate risk derivative instruments, specifically spot purchases, may be used to mitigate foreign exchange rate currency risk. We do not enter into derivative transactions for speculative purposes. As of December 31, 2017, we had no open foreign currency exchange rate risk derivative contracts.

Interest Rate Risk

We are exposed to changes in interest rates through our fixed rate long-term debt. Typically, the fair market value of fixed rate long-term debt will increase as prevailing interest rates decrease and will decrease as prevailing interest rates increase. The fair value of our long-term debt is estimated based on quoted market prices where applicable, or based on the present value of expected cash flows relating to the debt discounted at rates currently available to us for long-term borrowings with similar terms and maturities. The estimated fair value of our \$360.0 million principal amount of 6.75% Notes, based on quoted market prices, was \$296.1 million as of December 31, 2017. The estimated fair value of our \$225.0 million principal amount of 7.50% Notes, based on quoted market prices, was \$206.4 million as of December 31, 2017. A hypothetical 100 basis point increase in interest rates relative to market interest rates as of December 31, 2017 would decrease the fair market value of our 6.75% Notes by approximately \$32.2 million and decrease the fair market value of our 7.50% Notes by approximately \$22.5 million.

Impact of Fluctuating Commodity Prices

We are exposed to the impact of fluctuations in commodity prices that affect spending by E&P companies on drilling programs. Prolonged price reductions in commodity prices have led to significant reductions in drilling activity for both oil and natural gas. This has resulted in cancellations of some existing contracts for our rigs and rental tools, as well as fewer opportunities to maintain utilization for our equipment when contracted work was completed. As a result, drilling rig and rental tools utilization declined along with associated dayrates and rental rates.

In response to the prolonged reduction in market prices for oil and natural gas, many E&P companies curtailed U.S. drilling activity, cut worldwide spending, terminated certain drilling contracts, requested pricing concessions and took other measures aimed at reducing the capital and operating expenses within their supply chain. This adversely impacted our rental tools activity and pricing, as well as utilization and pricing of our drilling rigs.

We have experienced lower pricing and utilization of tools, services and rigs in the U.S. and certain international markets. Although the severity and duration of the current industry downturn is contingent upon many factors beyond our control, we have taken several steps in an effort to generate free cash flow during this period, including lowering our cost base through headcount reductions and lower idle rig costs, and reducing our capital expenditures. Drilling activity is highly dependent on oil and natural gas prices. Many E&P companies are expected to increase their worldwide spending plans for 2018.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors
Parker Drilling Company:

Opinion on Internal Control over Financial Reporting

We have audited Parker Drilling Company's and subsidiaries (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated February 21, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control over Financial Reporting* in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ KPMG LLP

Houston, Texas
February 21, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors
Parker Drilling Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Parker Drilling Company and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 21, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Houston, Texas
February 21, 2018

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

	Year Ended December 31,		
	2017	2016	2015
Revenues	\$ 442,520	\$ 427,004	\$ 712,183
Expenses:			
Operating expenses	355,487	362,521	526,290
Depreciation and amortization	122,373	139,795	156,194
	<u>477,860</u>	<u>502,316</u>	<u>682,484</u>
Total operating gross margin (loss)	(35,340)	(75,312)	29,699
General and administration expense	(25,676)	(34,332)	(36,190)
Provision for reduction in carrying value of certain assets	(1,938)	—	(12,490)
Gain (loss) on disposition of assets, net	(2,851)	(1,613)	1,643
Total operating income (loss)	(65,805)	(111,257)	(17,338)
Other income (expense):			
Interest expense	(44,226)	(45,812)	(45,155)
Interest income	244	58	269
Other	126	367	(9,747)
Total other income (expense)	(43,856)	(45,387)	(54,633)
Income (loss) before income taxes	(109,661)	(156,644)	(71,971)
Income tax expense (benefit):			
Current tax expense (benefit)	9,264	5,108	19,604
Deferred tax expense (benefit)	(224)	69,062	2,709
Total income tax expense (benefit)	9,040	74,170	22,313
Net income (loss)	(118,701)	(230,814)	(94,284)
Less: Net income attributable to noncontrolling interest	—	—	789
Net income (loss) attributable to controlling interest	(118,701)	(230,814)	(95,073)
Less: Mandatory convertible preferred stock dividend			
	3,051	—	—
Net income (loss) available to common stockholders	\$ (121,752)	\$ (230,814)	\$ (95,073)
Basic earnings (loss) per share:	\$ (0.89)	\$ (1.86)	\$ (0.78)
Diluted earnings (loss) per share:	\$ (0.89)	\$ (1.86)	\$ (0.78)
Number of common shares used in computing earnings per share:			
Basic	136,266,843	124,130,004	122,562,187
Diluted	136,266,843	124,130,004	122,562,187

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2017	2016	2015
Comprehensive income (loss):			
Net income (loss)	\$ (118,701)	\$ (230,814)	\$ (94,284)
Other comprehensive gain (loss), net of tax:			
Currency translation difference on related borrowings	643	(691)	(2,012)
Currency translation difference on foreign currency net investments	2,689	(4,265)	405
Total other comprehensive gain (loss), net of tax:	3,332	(4,956)	(1,607)
Comprehensive income (loss)	(115,369)	(235,770)	(95,891)
Comprehensive (income) loss attributable to noncontrolling interest	—	—	4,606
Comprehensive income (loss) attributable to controlling interest	<u>\$ (115,369)</u>	<u>\$ (235,770)</u>	<u>\$ (91,285)</u>

See accompanying notes to the consolidated financial statements.

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

	December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 141,549	\$ 119,691
Accounts and Notes Receivable, net of allowance for bad debts of \$7,564 in 2017 and \$8,259 in 2016	122,511	113,231
Rig materials and supplies	31,415	32,354
Deferred costs	3,145	1,436
Other tax assets	4,889	6,475
Other current assets	14,327	13,131
Total current assets	<u>317,836</u>	<u>286,318</u>
Property, plant and equipment, net of accumulated depreciation of \$1,343,105 in 2017 and \$1,320,644 in 2016 (Note 4)	625,771	693,439
Goodwill (Note 2)	6,708	6,708
Intangible assets, net (Note 2)	7,128	9,928
Rig materials and supplies	18,788	22,439
Deferred income taxes	1,284	70,309
Other assets	12,764	14,410
Total assets	<u>\$ 990,279</u>	<u>\$ 1,103,551</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 41,523	\$ 42,655
Accrued liabilities	57,723	56,186
Accrued income taxes	4,430	4,080
Total current liabilities	<u>103,676</u>	<u>102,921</u>
Long-term debt, net of unamortized debt issuance costs of \$7,029 at December 31, 2017 and \$8,674 at December 31, 2016	577,971	576,326
Other long-term liabilities	12,433	15,836
Long-term deferred tax liability	78	69,333
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred Stock, \$1.00 par value, 1,942,000 shares authorized, 7.25% Series A Mandatory Convertible, 500,000 shares issued and outstanding (none in 2016)	500	—
Common Stock, \$0.16 ² / ₃ par value, authorized 280,000,000 shares, issued and outstanding, 138,935,734 shares (125,118,365 shares in 2016)	23,140	20,837
Capital in excess of par value	744,746	675,194
Accumulated deficit	(468,753)	(350,052)
Accumulated Other Comprehensive Income	(3,512)	(6,844)
Total stockholders' equity	<u>296,121</u>	<u>339,135</u>
Total liabilities and stockholders' equity	<u>\$ 990,279</u>	<u>\$ 1,103,551</u>

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	\$ (118,701)	\$ (230,814)	\$ (94,284)
Adjustments to reconcile net income (loss):			
Depreciation and amortization	122,373	139,795	156,194
Accretion of contingent consideration	—	419	826
(Gain) loss on debt modification	—	1,088	—
(Gain) loss on disposition of assets	2,851	1,613	(1,643)
Deferred tax expense (benefit)	(224)	69,062	2,709
Provision for reduction in carrying value of certain assets	1,938	—	12,490
Excess tax benefit (expense) from stock-based compensation	—	—	(1,045)
Expenses not requiring cash	4,251	2,518	6,136
Change in assets and liabilities:			
Accounts and notes receivable	(9,628)	60,391	103,995
Rig materials and supplies	4,710	(1,752)	2,722
Other current assets	(1,319)	2,140	12,548
Accounts payable and accrued liabilities	(8,714)	(19,494)	(27,425)
Accrued income taxes	538	(6,422)	(7,957)
Other assets	8,658	3,897	(3,156)
Net cash provided by (used in) operating activities	6,733	22,441	162,110
Cash flows from investing activities:			
Capital expenditures	(54,533)	(28,954)	(88,197)
Proceeds from the sale of assets	403	2,441	830
Proceeds from insurance settlements	—	—	2,500
Acquisitions, net of cash acquired	—	—	(13,806)
Divestitures, net of cash paid	—	—	(2,570)
Net cash provided by (used in) investing activities	(54,130)	(26,513)	(101,243)
Cash flows from financing activities:			
Repayments of long-term debt	—	—	(30,000)
Proceeds from the issuance of common stock	25,200	—	—
Proceeds from the issuance of mandatory convertible preferred stock	50,000	—	—
Payment of equity issuance costs	(2,864)	—	—
Mandatory convertible preferred stock dividend	(2,145)	—	—
Shares surrendered in lieu of tax	(936)	(1,156)	(1,033)
Payments of debt issuance costs	—	—	(1,996)
Payment for noncontrolling interest	—	(3,375)	—
Payment of contingent consideration	—	(6,000)	(2,000)
Net cash provided by (used in) financing activities	69,255	(10,531)	(35,029)
Net increase (decrease) in cash and cash equivalents	21,858	(14,603)	25,838
Cash and cash equivalents at beginning of year	119,691	134,294	108,456
Cash and cash equivalents at end of year	\$ 141,549	\$ 119,691	\$ 134,294
Supplemental cash flow information:			
Interest paid	41,175	41,175	41,393
Income taxes paid	8,422	14,341	26,208

See accompanying notes to the consolidated financial statements.

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

	Shares	Preferred Stock	Common Stock	Treasury Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Controlling Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances, December 31, 2014	122,046	\$ —	\$ 20,495	\$ (170)	\$ 666,769	\$ (24,165)	\$ (498)	\$ 662,431	\$ 3,783	\$ 666,214
Activity in employees' stock plans	1,160	—	193	—	(1,227)	—	—	(1,034)	—	(1,034)
Tax benefit increase from stock-based compensation	—	—	—	—	(1,045)	—	—	(1,045)	—	(1,045)
Amortization of stock-based awards	—	—	—	—	8,410	—	—	8,410	—	8,410
Disposal of noncontrolling interest related to sale of joint venture	—	—	—	—	—	—	—	—	(1,392)	(1,392)
Purchase of noncontrolling ownership interest	—	—	—	—	(3,787)	—	—	(3,787)	(2,963)	(6,750)
Comprehensive Income:	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	(95,073)	—	(95,073)	789	(94,284)
Other comprehensive income (loss)	—	—	—	—	—	—	(1,390)	(1,390)	(217)	(1,607)
Balances, December 31, 2015	123,206	\$ —	\$ 20,688	\$ (170)	\$ 669,120	\$ (119,238)	\$ (1,888)	\$ 568,512	\$ —	\$ 568,512
Activity in employees' stock plans	1,912	—	319	—	(1,475)	—	—	(1,156)	—	(1,156)
Amortization of stock-based awards	—	—	—	—	7,549	—	—	7,549	—	7,549
Comprehensive Income:	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	(230,814)	—	(230,814)	—	(230,814)
Other comprehensive income (loss)	—	—	—	—	—	—	(4,956)	(4,956)	—	(4,956)
Balances, December 31, 2016	125,118	\$ —	\$ 21,007	\$ (170)	\$ 675,194	\$ (350,052)	\$ (6,844)	\$ 339,135	\$ —	\$ 339,135
Activity in employees' stock plans	1,818	—	303	—	(1,239)	—	—	(936)	—	(936)
Amortization of stock-based awards	—	—	—	—	4,006	—	—	4,006	—	4,006
Issuance of common stock	12,000	—	2,000	—	22,059	—	—	24,059	—	24,059
Issuance of mandatory convertible preferred stock	500	500	—	—	47,777	—	—	48,277	—	48,277
Mandatory convertible preferred stock dividend	—	—	—	—	(3,051)	—	—	(3,051)	—	(3,051)
Comprehensive Income:	—	—	—	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	—	(118,701)	—	(118,701)	—	(118,701)
Other comprehensive income (loss)	—	—	—	—	—	—	3,332	3,332	—	3,332
Balances, December 31, 2017	139,436	\$ 500	\$ 23,310	\$ (170)	\$ 744,746	\$ (468,753)	\$ (3,512)	\$ 296,121	\$ —	\$ 296,121

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Nature of Operations — Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. We report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We report our Rental Tools Services business as two reportable segments: (1) U.S. Rental Tools and (2) International Rental Tools.

In our Drilling Services business, we drill oil, natural gas and geothermal wells for customers in both the U.S. and international markets. We provide this service with both Company-owned rigs and customer-owned rigs. We refer to the provision of drilling services with customer-owned rigs as our operations and management (“O&M”) service in which operators own their own drilling rigs but choose Parker Drilling to operate and manage the rigs for them. The nature and scope of activities involved in drilling an oil and natural gas well is similar whether it is drilled with a Company-owned rig (as part of a traditional drilling contract) or a customer-owned rig (as part of an O&M contract). In addition, we provide project-related services, such as engineering, procurement, project management and commissioning of customer-owned drilling rig projects. We have extensive experience and expertise in drilling geologically challenging wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas.

Our U.S. (Lower 48) Drilling segment provides drilling services with our Gulf of Mexico (“GOM”) barge drilling rig fleet, and markets our U.S. (Lower 48)-based O&M services. Our GOM barge drilling fleet operates barge rigs that drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama and Texas. The majority of these wells are drilled in shallow water depths ranging from 6 to 12 feet. Our rigs are suitable for a variety of drilling programs, from inland coastal waters requiring shallow draft barges, to open water drilling on both state and federal water projects requiring more robust capabilities. The barge drilling industry in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by oil and natural gas prices and our customers’ access to project financing. Contract terms typically consist of well-to-well or multi-well programs, most commonly ranging from 20 to 180 days.

Our International & Alaska Drilling segment provides drilling services, using both Company-owned rigs and O&M contracts, and project-related services. The drilling markets in which this segment operates have one or more of the following characteristics:

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

During the year ended December 31, 2017, we had rigs operating on Sakhalin Island, Russia and in Alaska, Kazakhstan, the Kurdistan Region of Iraq, and Guatemala. In addition, we had O&M and ongoing project-related services for customer-owned rigs in Kuwait, Canada and on Sakhalin Island, Russia.

In our Rental Tools Services business, we provide premium rental equipment and services to exploration & production (“E&P”) companies, drilling contractors and service companies on land and offshore in the U.S. and select international markets. Tools we provide include standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, drill collars, pressure control equipment, including blowout preventers and more. We also provide well construction services, which include tubular running services and downhole tool rentals, well intervention services, which include whipstock, fishing and related services, and inspection and machine shop support. Rental tools are used during drilling and/or workover programs and are requested by the customer as needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

Our U.S. Rental Tools segment is headquartered in New Iberia, Louisiana. We maintain an inventory of rental tools for deepwater, drilling, completion, workover, and production applications at facilities in Louisiana, Texas, Oklahoma, Wyoming, North Dakota and West Virginia. Our largest single market for rental tools is U.S. land drilling, a cyclical market driven primarily by oil and natural gas prices and our customers’ access to project financing. A portion of our U.S. rental tools business is supplying tubular goods and other equipment to offshore GOM customers.

Our International Rental Tools segment is headquartered in Dubai, United Arab Emirates. We maintain an inventory of rental tools and provide well construction, well intervention, and surface and tubular services to our customers in the Middle East, Latin America, United Kingdom, Europe, and Asia-Pacific regions.

We have operated in over 50 countries since beginning operations in 1934, making us among the most geographically experienced drilling contractors and rental tools providers in the world. We currently have operations in 19 countries. Parker has set numerous world records for deep and extended-reach drilling land rigs and is an industry leader in quality, health, safety and environmental practices.

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

Noncontrolling Interest — We apply accounting standards related to noncontrolling interests for ownership interests in our subsidiaries held by parties other than Parker Drilling. We report noncontrolling interest as equity on the consolidated balance sheets and report net income (loss) attributable to controlling interest and to noncontrolling interest separately on the consolidated statements of operations.

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

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

Reimbursable Revenues — The Company recognizes reimbursements received for out-of-pocket expenses incurred as revenues and accounts for out-of-pocket expenses as direct operating costs. Such amounts totaled \$57.8 million, \$69.3 million, and \$87.8 million during the years ended December 31, 2017, 2016, and 2015, respectively. Additionally, the Company typically receives a nominal handling fee, which is recognized as earned in revenues in our consolidated statement of operations.

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

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

Goodwill — We perform our annual goodwill impairment review during the fourth quarter, as of October 1, and more frequently if negative conditions or other triggering events arise. The quantitative impairment test we perform for goodwill utilizes certain assumptions, including forecasted revenues and costs assumptions. See Note 2 - Goodwill and Other Intangible Assets for further discussion.

Intangible Assets — Our intangible assets are related to trade names, customer relationships, and developed technology, which were acquired through acquisition and are classified as definite lived intangibles, that are generally amortized over a weighted average period of approximately three to six years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss. See Note 2 - Goodwill and Other Intangible Assets for further discussion.

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

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

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

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

<i>Dollars in thousands</i>	December 31,	
	2017	2016
Trade	\$ 130,075	\$ 121,490
Allowance for bad debt ⁽¹⁾	(7,564)	(8,259)
Total accounts and notes receivable, net of allowance for bad debt	<u>\$ 122,511</u>	<u>\$ 113,231</u>

(1) Additional information on the allowance for bad debt for the years ended December 31, 2017, 2016 and 2015 is reported on Schedule II — Valuation and Qualifying Accounts.

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

Land drilling equipment	3 to 20 years
Barge drilling equipment	3 to 20 years
Drill pipe, rental tools and other	4 to 15 years
Buildings and improvements	5 to 30 years

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

Impairment — We evaluate the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate the carrying values of such assets may not be recoverable. We evaluate recoverability by determining the undiscounted estimated future net cash flows for the respective asset groups identified. If the sum of the estimated undiscounted cash flows is less than the carrying value of the asset group, we measure the impairment as the amount by which the assets' carrying value exceeds the fair value of such assets. Management considers a number of factors such as estimated future cash flows from the assets, appraisals and current market value analysis in determining fair value. Assets are written down to fair value if the final estimate of current fair value is below the net carrying value. The assumptions used in the impairment evaluation are inherently uncertain and require management judgment.

Capitalized Interest — Interest from external borrowings is capitalized on major projects until the assets are ready for their intended use. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets. Capitalized interest costs reduce net interest expense in the consolidated statements of operations. During 2017 capitalized interest costs were nominal. Capitalized interest costs were \$0.2 million and \$0.2 million during 2016 and 2015, respectively.

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

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

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

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

Income Taxes — Income taxes are accounted for under the asset and liability method and have been provided for based upon tax laws and rates in effect in the countries in which operations are conducted and income or losses are generated. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes as the countries in which we operate have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits, and other benefits. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled and the effect of changes in tax rates is recognized in income in the period in which the change is enacted. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other matters. Changes in these estimates and assumptions, including changes in tax laws and other changes impacting our ability to recognize the underlying deferred tax assets, could require us to adjust the valuation allowances.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized and changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

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

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. We generally do not require collateral on our trade receivables. We depend on a limited number of significant customers. In 2017, our largest customer, Exxon Neftegas Limited (ENL), constituted approximately 31.3 percent of our consolidated revenues. Excluding reimbursable revenues of \$50.8 million, ENL constituted approximately 22.7 percent of our total consolidated revenues. In 2017, our second largest customer, BP Exploration Alaska, Inc. (BP), constituted approximately 9.7 percent of our consolidated revenues.

As of December 31, 2017 and 2016, we had deposits in domestic banks in excess of federally insured limits of approximately \$97.6 million and \$81.4 million, respectively. In addition, we had uninsured deposits in foreign banks as of December 31, 2017 and 2016 of \$45.6 million and \$39.7 million, respectively.

Fair Value Measurements — For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation technique requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (Level 1), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (Level 2) and (3) unobservable inputs that require significant judgment for which there is little or no market data (Level 3). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

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

Stock-Based Compensation — Under our long term incentive plan, we are authorized to issue the following: stock options; stock appreciation rights; restricted stock awards; restricted stock units; performance-based awards; and other types of awards in cash or stock to key employees, consultants, and directors. We typically grant restricted stock units ("RSUs"), performance cash units ("PCUs"), performance-based phantom stock units and time-based phantom stock units.

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

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

Note 2 — Goodwill and Intangible Assets

We account for business combinations using the acquisition method of accounting. Under this method, assets and liabilities, including any remaining noncontrolling interests, are recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired, net of liabilities assumed, plus the value of any noncontrolling interests, is recognized as goodwill. We perform our annual goodwill impairment review during the fourth quarter, as of October 1, and more frequently if negative conditions or other triggering events arise. As a result of our 2017 analysis, we determined that the fair value of the reporting unit exceeded its carrying value and therefore, no goodwill impairment was identified. Should current market conditions worsen or persist for an extended period of time, an impairment of the carrying value of our goodwill could occur.

All of the Company's goodwill and intangible assets are allocated to the International Rental Tools segment.

Goodwill

The change in the carrying amount of goodwill for the year ended December 31, 2017 is as follows:

<i>Dollars in thousands</i>	Goodwill
Balance at December 31, 2016	\$ 6,708
Additions	—
Balance at December 31, 2017	\$ 6,708

Of the total amount of goodwill recognized, zero is expected to be deductible for income tax purposes.

Intangible Assets

Intangible Assets consist of the following:

<i>Dollars in thousands</i>	Estimated Useful Life (Years)	Balance at December 31, 2017			
		Gross Carrying Amount	Write-off Due to Sale ⁽¹⁾	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:					
Developed Technology	6	\$ 11,630	\$ —	\$ (5,330)	\$ 6,300
Customer Relationships	3	5,400	(264)	(5,136)	—
Trade Names	5	4,940	(332)	(3,780)	828
Total Amortized intangible assets		\$ 21,970	\$ (596)	\$ (14,246)	\$ 7,128

(1) During the 2015 fourth quarter, we sold our controlling interest in a joint venture in Egypt resulting in the write-off of \$0.6 million of intangible assets related to customer relationships and trade name.

Amortization expense was \$2.8 million, \$3.5 million, and \$4.3 million for the year ended December 31, 2017, 2016, and 2015 respectively.

Our remaining intangibles amortization expense for the next five years is presented below:

<i>Dollars in thousands</i>	Expected future intangible amortization expense
2018	\$ 2,306
2019	\$ 2,306
2020	\$ 2,030
2021	\$ 486
Beyond 2021	\$ —

Note 3 — Accumulated Other Comprehensive Income

Accumulated other comprehensive income consisted of the following:

<i>Dollars in thousands</i>	Foreign Currency Items	
December 31, 2016	\$	(6,844)
Current period other comprehensive income		3,332
December 31, 2017	\$	(3,512)

There were no amounts reclassified out of accumulated other comprehensive loss for the year ended December 31, 2017.

Note 4 — Property, Plant and Equipment

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

<i>Dollars in Thousands</i>	December 31,	
	2017	2016
Property, Plant and Equipment, at cost:		
Drilling Equipment	\$ 1,228,443	\$ 1,306,641
Rental Tools	552,461	516,144
Building, Land and Improvements	60,309	54,799
Other	115,910	111,142
Construction in Progress	11,753	25,357
Total Property, Plant and Equipment, at cost	1,968,876	2,014,083
Less: Accumulated Depreciation and Amortization	1,343,105	1,320,644
Property, Plant, and Equipment, Net	\$ 625,771	\$ 693,439

Depreciation expense was \$119.6 million, \$136.3 million and \$151.9 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Provision for Reduction in Carrying Value of an Asset

Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in materially different carrying values of our assets. We review the carrying amounts of long-lived assets for potential impairment when events occur, or circumstances change, which indicate the carrying values of such assets may not be recoverable.

Although no impairment of our asset groups was identified during the year ended December 31, 2017, we recorded a provision of \$1.9 million for reduction in carrying value of assets. This provision was related to certain assets in the International & Alaska Drilling segment that were deemed to be excess and functionally obsolete unless significant costs were incurred to refurbish them.

Disposition of Assets

During the normal course of operations, we periodically sell equipment deemed to be excess, obsolete, or not currently required for operations. Net losses recorded on asset disposition were \$2.9 million and \$1.6 million for the years ended December 31, 2017 and December 31, 2016, respectively. The net loss for 2017 was primarily related to the sale of one rig located in Papua New Guinea. Activity in both periods included equipment retirements.

Note 5 — Income Taxes

On December 22, 2017 the United States enacted the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act includes significant changes to U.S. corporate income tax laws, the most notable of which is a reduction in the U.S. corporate income tax rate from 35 percent to 21 percent, effective for tax years beginning January 1, 2018, and a one-time mandatory tax on previously deferred earnings of certain foreign subsidiaries associated with the transition from a worldwide to a modified territorial tax regime.

In accordance with the reduction to the U.S. corporate income tax rate from 35 percent to 21 percent, the Company has remeasured certain U.S. deferred tax assets and liabilities. However, as a result of the Company’s net deferred tax position, inclusive of valuation allowances, no net income tax expense was recorded related to this remeasurement. The Company has not recorded any income tax expense related to the one-time mandatory tax on previously deferred earnings of certain foreign subsidiaries associated with the transition from a worldwide to a modified territorial tax regime. We are continuing our analysis of the effects the Tax Act will have on the Company in future periods.

Income (loss) before income taxes is summarized below:

<i>Dollars in thousands</i>	Year Ended December 31,		
	2017	2016	2015
United States	\$ (89,233)	\$ (131,106)	\$ (77,368)
Foreign	(20,428)	(25,538)	5,397
	<u>\$ (109,661)</u>	<u>\$ (156,644)</u>	<u>\$ (71,971)</u>

Income tax expense (benefit) is summarized as follows:

<i>Dollars in thousands</i>	Year Ended December 31,		
	2017	2016	2015
Current:			
United States:			
Federal	\$ 80	\$ (1,921)	\$ 2,485
State	54	(9)	365
Foreign	9,130	7,038	16,754
Deferred:			
United States:			
Federal	167	64,066	(141)
State	—	(47)	(4,769)
Foreign	(391)	5,043	7,619
	<u>\$ 9,040</u>	<u>\$ 74,170</u>	<u>\$ 22,313</u>

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

<i>Dollars in thousands</i>	Year Ended December 31,					
	2017		2016		2015	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Computed expected tax expense	\$ (38,381)	35.0 %	\$ (54,825)	35.0 %	\$ (25,190)	35.0 %
Foreign taxes	13,084	(11.9)%	12,688	(8.1)%	16,043	(22.3)%
Tax effect different from statutory rates	(2,048)	1.9 %	(3,629)	2.3 %	(2,729)	3.8 %
State taxes, net of federal benefit	35	— %	(849)	0.5 %	(4,544)	6.3 %
Foreign tax credits	3	— %	20	— %	(5,566)	7.7 %
Change in valuation allowance (excluding impact of Tax Act)	30,704	(28.0)%	117,707	(75.1)%	40,676	(56.5)%
Uncertain tax positions	194	(0.2)%	(726)	0.5 %	(81)	0.1 %
Permanent differences	2,970	(2.7)%	1,442	(0.9)%	1,696	(2.4)%
Prior year return to provision adjustments	2,442	(2.3)%	2,078	(1.3)%	1,555	(2.1)%
Other	37	— %	264	(0.2)%	453	(0.6)%
Impact of Tax Act						
Effect of tax rate reduction on deferred tax	45,329	(41.3)%	—	— %	—	— %
Effect of tax rate on deferred tax valuation	(45,329)	41.3 %	—	— %	—	— %
Actual Tax Expense	\$ 9,040	(8.2)%	\$ 74,170	(47.3)%	\$ 22,313	(31.0)%

The components of the Company's deferred tax assets and liabilities as of December 31, 2017 and 2016 are shown below:

<i>Dollars in thousands</i>	December 31,	
	2017	2016
Deferred tax assets		
Deferred tax assets:		
Federal net operating loss carryforwards	95,867	120,986
State net operating loss carryforwards	11,089	7,168
Other state deferred tax asset, net	1,592	2,646
Foreign Tax Credits	46,913	46,859
FIN 48	953	883
Foreign tax	36,699	29,791
Asset Impairment	8,161	27,165
Accruals not currently deductible for tax purposes	2,926	1,657
Deferred compensation	1,204	3,424
Other	74	863
Gross long-term deferred tax assets	205,478	241,442
Valuation Allowance	(157,914)	(171,133)
Net deferred tax assets, net of valuation allowance	47,564	70,309
Deferred tax liabilities:		
Deferred tax liabilities:		
Property, Plant and equipment	(38,809)	(64,256)
Foreign tax local	(78)	490
Other state deferred tax liability, net	(6,140)	(5,567)
Intangibles	(1,331)	—
Gross deferred tax liabilities	(46,358)	(69,333)
Net deferred tax asset	\$ 1,206	\$ 976

As part of the process of preparing the consolidated financial statements, the Company is required to determine its provision for income taxes. This process involves measuring temporary and permanent differences resulting from differing treatment of items for tax and accounting purposes. These differences and the operating loss and tax credit carryforwards result in deferred tax assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of appropriate character in each taxing jurisdiction during the periods in which those temporary differences become deductible. Management considers the weight of available evidence, both positive and negative, including the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment. To the extent the Company believes that it does not meet the test that recovery is more likely than not, it establishes a valuation allowance. To the extent that the Company establishes a valuation allowance or changes this allowance in a period, it adjusts the tax provision or tax benefit in the consolidated statement of operations. We use our judgment in determining provisions or benefits for income taxes, and any valuation allowance recorded against previously established deferred tax assets. We have measured the value of our deferred tax assets for the year ended December 31, 2017 based on the cumulative weight of positive and negative evidence that exists as of the date of the financial statements. Should the cumulative weight of all available positive and negative evidence change in the forecast period, the expectation of realization of deferred tax assets existing as of December 31, 2017 and prospectively may change.

The 2017 results include a decrease in our valuation allowance of \$14.6 million primarily related to U.S. and certain foreign net operating losses and other deferred tax assets. Valuation allowances are established based on the weight of available evidence, both positive and negative, including results of recent and current operations and our estimates of future taxable income or loss by jurisdiction in which we operate. In order to determine the amount of deferred tax assets or liabilities, as well as the valuation allowances, we must make estimates and assumptions regarding future taxable income, where rigs will be deployed and other business considerations. Changes in these estimates and assumptions, including changes in tax laws and other changes impacting our ability to recognize the underlying deferred tax assets, could require us to adjust the valuation allowances.

The 2016 results include an increase in our valuation allowance of \$117.7 million primarily related to U.S. and certain foreign net operating losses and other deferred tax assets.

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

Dollars in thousands

Balance at January 1, 2016	\$ (4,628)
Reductions based on tax positions taken during a prior period	3
Additions based on tax positions taken during the current period	(770)
Balance at December 31, 2017	<u>\$ (5,395)</u>

In many cases, our uncertain tax positions are related to tax years that remain subject to examination by tax authorities. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2017:

Kazakhstan	2008-present
Mexico	2012-present
Russia	2014-present
United States — Federal	2009-present
United Kingdom	2014-present

As of December 31, 2017, we had a liability for unrecognized tax benefits of \$5.4 million (all of which, if recognized, would favorably impact our effective tax rate), on which no payments were made during 2017.

The Company recognized interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2017 and December 31, 2016 we had approximately \$2.1 million and \$1.9 million of accrued interest and penalties related to uncertain tax positions, respectively. We recognized a \$0.2 million increase in interest and nominal decrease in penalties on unrecognized tax benefits for the year ended December 31, 2017.

As of December 31, 2017, the Company has permanently reinvested accumulated undistributed earnings of foreign subsidiaries and, therefore, has not recorded a deferred tax liability related to subject earnings. Upon distribution of additional earnings in the form of dividends or otherwise, we could be subject to income taxes and withholding taxes. It is not practicable to determine precisely the amount of taxes that may be payable on the eventual remittance of these earnings due to many factors,

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including application of foreign tax credits, levels of accumulated earnings and profits at the time of remittance, and the sources of earnings remitted. The Company generally does not provide for taxes related to its undistributed earnings because such earnings either would not be taxable when remitted or they are considered to be indefinitely reinvested. Taxes that would be incurred if the undistributed earnings of other subsidiaries were distributed to their ultimate parent company would not be material.

Note 6 — Long-Term Debt

The following table illustrates the Company's current debt portfolio as of December 31, 2017 and December 31, 2016:

<i>Dollars in thousands</i>	December 31,	
	2017	2016
6.75% Senior Notes, due July 2022	\$ 360,000	\$ 360,000
7.50% Senior Notes, due August 2020	225,000	225,000
Total principal	585,000	585,000
Less: unamortized debt issuance costs	(7,029)	(8,674)
Total long-term debt	\$ 577,971	\$ 576,326

6.75% Senior Notes, due July 2022

On January 22, 2014, we issued \$360.0 million aggregate principal amount of 6.75% Senior Notes due July 2022 (6.75% Notes) pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The 6.75% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 6.75% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the Second Amended and Restated Senior Secured Credit Agreement, as amended from time-to-time (2015 Secured Credit Agreement) and our 7.50% Senior Notes due 2020 (7.50% Notes, and collectively with the 6.75% Notes, the Senior Notes). Interest on the 6.75% Notes is payable on January 15 and July 15 of each year, beginning July 15, 2014. Debt issuance costs related to the 6.75% Notes of approximately \$7.6 million (\$4.6 million net of amortization as of December 31, 2017) are being amortized over the term of the notes using the effective interest rate method.

On and after January 15, 2018, we may redeem all or a part of the 6.75% Notes upon appropriate notice, at a redemption price of 103.375 percent of the principal amount, and at redemption prices decreasing each year thereafter to par beginning January 15, 2020. We have not made any redemptions to date. If we experience certain changes in control, we must offer to repurchase the 6.75% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

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

7.50% Senior Notes, due August 2020

On July 30, 2013, we issued \$225.0 million aggregate principal amount of the 7.50% Notes pursuant to an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The 7.50% Notes are general unsecured obligations of the Company and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 7.50% Notes are jointly and severally guaranteed by all of our subsidiaries that guarantee indebtedness under the 2015 Secured Credit Agreement and the 6.75% Notes. Interest on the 7.50% Notes is payable on February 1 and August 1 of each year, beginning February 1, 2014. Debt issuance costs related to the 7.50% Notes of approximately \$5.6 million (\$2.4 million, net of amortization as of December 31, 2017) are being amortized over the term of the notes using the effective interest rate method.

We may redeem all or a part of the 7.50% Notes upon appropriate notice, at redemption prices decreasing each year after August 1, 2016 to par beginning August 1, 2018. As of December 31, 2017, the redemption price is 101.875 percent and we have not made any redemptions to date. If we experience certain changes in control, we must offer to repurchase the 7.50% Notes at 101.0 percent of the aggregate principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

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

2015 Secured Credit Agreement

On January 26, 2015 we entered into the 2015 Secured Credit Agreement. The 2015 Secured Credit Agreement was originally comprised of a \$200 million revolving credit facility (Revolver), which was subsequently reduced to \$100 million. The 2015 Secured Credit Agreement formerly included financial maintenance covenants, including a Leverage Ratio, Consolidated Interest Coverage Ratio, Senior Secured Leverage Ratio, and Asset Coverage Ratio, many of which were suspended beginning in September 2015.

On February 21, 2017, we executed the fourth amendment to the 2015 Secured Credit Agreement (the Fourth Amendment) which, among other things, permits the sale and issuance of certain equity interests of the Company, including the Convertible Preferred Stock, and permits the Company to pay dividends on the Convertible Preferred Stock, up to certain aggregate amounts specified therein. The debt issuance costs incurred relating to the Fourth Amendment were nominal. Debt issuance costs remaining as of December 31, 2017 were \$0.8 million which are being amortized through January 2020 on a straight line basis.

On February 14, 2018, we executed the Fifth Amendment to the 2015 Secured Credit Agreement (the Fifth Amendment) which modified the credit facility to an Asset-Based Lending (ABL) structure and reduced the size of the Revolver from \$100 million to \$80 million. The Fifth Amendment eliminated the financial maintenance covenants previously in effect and replaced them with a liquidity covenant of \$30 million and a monthly borrowing base calculation based on eligible rental equipment and eligible domestic accounts receivable. The liquidity covenant requires the Company to maintain a minimum of \$30 million of liquidity (defined as availability under the borrowing base and cash on hand), of which \$15 million is restricted, resulting in a maximum availability at any one time of the lesser of (a) an amount equal to our borrowing base minus \$15 million, or (b) \$65 million. Our ability to borrow under the 2015 Secured Credit Agreement determined by reference to our borrowing base, which as of the effective date of the Fifth Amendment was \$67.5 million. The Fifth Amendment also allows for refinancing our existing Senior Notes with either secured or unsecured debt, adds the ability for the Company to designate certain of its subsidiaries as “Designated Borrowers” and removes our availability to make certain restricted payments.

Our obligations under the 2015 Secured Credit Agreement are guaranteed by substantially all of our direct and indirect domestic subsidiaries, other than immaterial subsidiaries and subsidiaries generating revenues primarily outside the United States, each of which has executed guaranty agreements, and are secured by first priority liens on our accounts receivable, specified rigs including barge rigs in the GOM and land rigs in Alaska, certain U.S.-based rental equipment of the Company and its subsidiary guarantors and the equity interests of certain of the Company’s subsidiaries. In addition to the liquidity covenant and borrowing base requirements, the 2015 Secured Credit Agreement contains customary affirmative and negative covenants, such as limitations on indebtedness and liens, and restrictions on entry into certain affiliate transactions and payments (including payment of dividends). As of December 31, 2017, we were in compliance with all covenants contained in the 2015 Secured Credit Agreement.

Our Revolver is available for general corporate purposes and to support letters of credit. Interest on Revolver loans accrues at a Base Rate plus an Applicable Rate or LIBOR plus an Applicable Rate. Revolving loans are available subject to a quarterly asset coverage ratio calculation based on the Orderly Liquidation Value of certain specified rigs including barge rigs in the GOM and land rigs in Alaska, and certain U.S.-based rental equipment of the Company and its subsidiary guarantors and a percentage of eligible domestic accounts receivable. As of December 31, 2017 our ability to access the Revolver was restricted to \$94.4 million, due primarily to \$5.7 million in letters of credit outstanding. There were no amounts drawn on the Revolver as of December 31, 2017. Had the Fifth Amendment been in effect as of December 31, 2017, our ability to access the Revolver would have been limited to approximately \$46.8 million due to the impacts of (a) the reduction in commitments, (b) the borrowing base calculation, (c) the restricted fund requirement in our liquidity covenant, and (d) outstanding letters of credit.

Note 7 — Fair Value of Financial Instruments

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. For purposes of recording fair value adjustments for certain financial and non-financial assets and liabilities, and determining fair value disclosures, we estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability.

The fair value measurement and disclosure requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 820, Fair Value Measurement and Disclosures requires inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows:

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

When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the entire measurement even though we may also have utilized significant inputs that are more readily observable. The amounts reported in our consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value.

Fair value of our debt instruments is determined using Level 2 inputs. Fair values and related carrying values of our debt instruments were as follows for the periods indicated:

<i>Dollars in thousands</i>	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt				
6.75% Notes	\$ 360,000	\$ 296,100	\$ 360,000	\$ 311,400
7.50% Notes	225,000	206,438	225,000	201,375
Total	\$ 585,000	\$ 502,538	\$ 585,000	\$ 512,775

Market conditions could cause an instrument to be reclassified from Level 1 to Level 2, or Level 2 to Level 3. There were no transfers between levels of the fair value hierarchy or any changes in the valuation techniques used during the year ended December 31, 2017.

Note 8 — Stock-Based Compensation**Stock Plan**

Stock-based compensation awards were granted to employees under the Company's 2010 Long-Term Incentive Plan, as Amended and Restated as of May 10, 2016 (the Stock Plan). The Stock Plan was approved by the stockholders at the Annual Meeting of Stockholders on May 10, 2016. The Stock Plan authorizes the compensation committee or the board of directors to issue stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance-based awards, time-based awards, and other types of awards in cash or stock to key employees, consultants, and directors. The maximum number of shares that may be delivered pursuant to the awards granted under the Stock Plan is 16,800,000 shares of common stock. As of December 31, 2017 there were 4,617,521 shares remaining available under the Stock Plan.

Stock-Based Awards

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

In 2017, we issued three types of stock-based awards: restricted stock units (RSUs), performance-based phantom stock units and time-based phantom stock units:

- RSUs entitle a grantee to receive a share of common stock on a specified vesting date. RSUs are service-based awards and compensation expense is recognized ratably over the applicable vesting period. The grant-date fair value of nonvested RSUs is determined based on the closing trading price of the Company's shares on the grant date. RSUs are settled in shares of our common stock upon vesting.
- Performance-based phantom stock units are performance-based awards and represent the equivalent of one share of common stock as of the grant date. Compensation costs for performance-based phantom stock units are recognized based on the change in fair value of the awards during the performance period. Performance-based phantom stock units vest fully at the end of a three-year performance period and are settled in cash upon vesting.
- Time-based phantom stock units are service-based awards and represent the equivalent of one share of common stock as of the grant date. Compensation costs for time-based phantom stock units are recognized ratably over a three-year vesting period and based on the change in fair value of the awards during the three-year period. Time-based phantom stock units are settled in cash upon vesting.

The following table presents RSUs granted, vested and forfeited during 2017 under the Stock Plan:

	Units	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2017	5,333,522	\$ 2.85
Granted	2,711,546	\$ 1.42
Vested	(2,512,552)	\$ 3.41
Forfeited	(998,338)	\$ 2.29
Nonvested at December 31, 2017	4,534,178	\$ 1.81

We issued 2,711,546 units, 3,289,569 units, and 2,996,151 units, respectively, of RSUs during 2017, 2016 and 2015, respectively, to selected key personnel. The per-share weighted-average grant-date fair value of units granted during 2017, 2016, and 2015 was \$1.42, \$2.07, and \$3.08, respectively. Stock-based compensation expense is included in our consolidated statements of operations in "General and administration expenses."

Total stock-based compensation expense recognized relating to RSUs for the years ended December 31, 2017, 2016, and 2015 was \$4.0 million, \$7.5 million, and \$8.4 million, respectively, all of which was related to nonvested RSUs. The total fair value of the units vested during the years ended December 31, 2017, 2016, and 2015 was \$8.6 million, \$10.0 million, and \$8.0 million, respectively. The fair value of RSUs is determined based on the closing trading price of the Company's stock on the grant date.

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Nonvested RSUs as of December 31, 2017 totaled 4,534,178 and total unrecognized compensation cost related to unamortized RSUs was \$3.3 million as of December 31, 2017. The remaining unrecognized compensation cost related to non-vested RSUs will be amortized over a weighted-average vesting period of approximately 33 months.

The following table presents time-based phantom stock units granted, vested, and forfeited during 2017 under the Stock Plan:

	Time-Based Phantom Stock Units
Nonvested at January 1, 2017	985,938
Granted	648,755
Vested	(299,796)
Forfeited	(216,793)
Nonvested at December 31, 2017	<u>1,118,104</u>

In 2017 we issued 648,755 units and 1,188,854 units of time-based phantom stock units during 2017 and 2016 to selected key personnel. We did not issue any time-based phantom stock units in 2015.

Compensation expense recognized related to time-based phantom stock units for the year ended December 31, 2017 was nominal. Expense recognized for the year ended December 31, 2016 was \$1.4 million.

Performance-Based Awards

In 2017, we issued two types of performance-based awards: Performance Cash Units (PCUs) and performance-based phantom stock units.

PCUs are performance-based awards that contain payout conditions which are based on our performance against a group of selected peer companies with regard to relative return on capital employed (ROCE) over a three-year performance period. Each PCU has a nominal value of \$100.00. A maximum of 200 percent of the number of PCUs granted may be earned if performance at the maximum level is achieved. PCUs vest to the extent earned at the end of a three-year performance period and are settled in cash.

Performance-based phantom stock units are performance-based awards denominated in a number of shares which contain payout conditions based on our performance against a group of selected peer companies with regard to relative total shareholder return (TSR) over a three-year performance period. They represent a grant of hypothetical stock to the equivalent number of shares of common stock but, with the employee receiving cash upon vesting. We used a simulation-based option pricing approach to determine the fair value of these awards. A maximum of 250 percent of the number of performance-based phantom stock units granted may be earned if performance at the maximum level is achieved. Performance-based phantom stock units vest to the extent earned at the end of the three-year performance period and are settled in cash.

We evaluate the terms of each award to determine if the award should be accounted for as equity or a liability under the stock compensation rules of U.S. GAAP. PCUs and performance-based phantom stock units are classified as liability awards.

For performance-based awards with graded vesting conditions, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. For market-based awards that vest at the end of the service period, we recognize compensation expense on a straight-line basis through the end of the service period.

The following table presents PCUs granted, vested, and forfeited during 2017 under the Stock Plan:

	PCUs
Nonvested at January 1, 2017	26,352
Granted	14,153
Vested	(11,022)
Forfeited	(6,462)
Nonvested at December 31, 2017	<u>23,021</u>

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In 2017, 2016, and 2015 we issued 14,153 units, 17,091 units, and 17,091 units, respectively, of PCUs to selected key personnel.

Compensation expense recognized related to PCUs for the years ended December 31, 2017, 2016, and 2015 was \$1.0 million, \$2.3 million, and \$2.3 million, respectively.

The following table presents performance-based phantom stock units granted, vested, and forfeited during 2017 under the Stock Plan:

	Performance-Based Phantom Stock Units
Nonvested at January 1, 2017	1,315,228
Granted	660,370
Vested	(348,962)
Forfeited	(315,579)
Nonvested at December 31, 2017	<u>1,311,057</u>

In 2017, 2016, and 2015 we issued 660,370 units, 1,164,880 units, and 541,127 units, respectively, of performance-based phantom stock units to selected key personnel.

Compensation expense recognized related to performance-based phantom stock units for the year ended December 31, 2017 was a gain of \$0.9 million, and an expense of \$1.3 million, and \$0.4 million for the years ended December 31, 2016 and 2015, respectively.

Note 9 — Earnings (Loss) Per Share (EPS)

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

The following table represents the computation of earnings per share for the twelve months ended December 31, 2017 and 2016, respectively:

	For the Year Ended December 31, 2017		
	Net Income (Loss) Available to Common Stockholders (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings (loss) per common share	\$ (121,752,000)	136,266,843	\$ (0.89)
Effect of dilutive securities:			
Restricted stock units ⁽¹⁾		—	\$ —
Mandatory convertible preferred stock ⁽²⁾			
Diluted earnings (loss) per common share	\$ (121,752,000)	136,266,843	\$ (0.89)

	For the Year Ended December 31, 2016		
	Net Income (Loss) Available to Common Stockholders (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings (loss) per common share	\$ (230,814,000)	124,130,004	\$ (1.86)
Effect of dilutive securities:			
Restricted stock units ⁽¹⁾		—	\$ —
Diluted earnings (loss) per common share	\$ (230,814,000)	124,130,004	\$ (1.86)

	For the Year Ended December 31, 2015		
	Net Income (Loss) Available to Common Stockholders (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings (loss) per common share	\$ (95,073,000)	122,562,187	\$ (0.78)
Effect of dilutive securities:			
Restricted stock units ⁽¹⁾		—	\$ —
Diluted earnings (loss) per common share	\$ (95,073,000)	122,562,187	\$ (0.78)

(1) For each of the years ended December 31, 2017, 2016, and 2015, all common shares potentially issuable in connection with outstanding restricted stock unit awards have been excluded from the calculation of diluted EPS as the Company incurred losses during the periods, therefore, inclusion of such potential common shares would be anti-dilutive.

(2) Weighted average common shares issuable upon the assumed conversion of our Convertible Preferred Stock (as defined below) totaling 23,809,500 shares were excluded from the computation of diluted EPS as such shares would be anti-dilutive.

Note 10 — Common and Preferred Stock Issuances

In February 2017, we issued 12,000,000 shares of common stock, par value \$0.16 ²/₃ per share, at the public offering price of \$2.10 per share, and 500,000 shares of 7.25% Series A Mandatory Convertible Preferred Stock (Convertible Preferred Stock), par value \$1.00 per share, with a liquidation preference of \$100 per share, for total net proceeds of \$72.3 million, after underwriting discount and offering expenses.

The dividends on our Convertible Preferred Stock will be payable on a cumulative basis when, as and if declared by our board of directors, or an authorized committee of our board of directors, at an annual rate of 7.25 percent of the liquidation preference of \$100 per share. We may pay declared dividends in cash or, subject to certain limitations, in shares of our common stock, or in any combination of cash and shares of our common stock on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 2017 and ending on, and including, March 31, 2020.

Unless converted earlier, each share of our Convertible Preferred Stock will automatically convert into between 41.4079 and 47.6190 shares of our common stock (respectively, the “minimum conversion rate” and “maximum conversion rate”), subject to anti-dilution adjustments. The number of shares of our common stock issuable on conversion will be determined based on the volume weighted-average price, of our common stock over the 20 consecutive trading day period beginning on, and including, the 23rd scheduled trading day immediately preceding March 31, 2020. Except in limited circumstances, at any time prior to March 31, 2020, a holder may convert Convertible Preferred Stock into shares of our common stock at the minimum conversion rate of 41.4079 shares of common stock per share of Convertible Preferred Stock, subject to anti-dilution adjustments.

On May 9, 2017, our board of directors declared a cash dividend of \$2.4771 per share of our Convertible Preferred Stock for the period from and including February 22, 2017 through and including June 29, 2017, which was paid on June 30, 2017 to mandatory convertible preferred shareholders of record as of June 15, 2017. On August 3, 2017, the audit committee, on behalf of our board of directors declared a cash dividend of \$1.8125 per share of our Convertible Preferred Stock for the period from and including June 30, 2017 through and including September 29, 2017, which was paid on October 2, 2017 to mandatory convertible preferred shareholders of record as of September 15, 2017. On December 4, 2017, our audit committee, on behalf of our board of directors declared a cash dividend of \$1.8125 per share of our Convertible Preferred Stock for the period from and including September 30, 2017 through and including December 30, 2017, which was paid on January 2, 2018 to mandatory convertible preferred shareholders of record as of December 15, 2017.

Note 11 — Employee Benefit Plan

The Company sponsors a defined contribution 401(k) plan (the Plan) in which substantially all U.S. employees are eligible to participate. The Company match was suspended in May 2016 and resumed in May 2017. During 2017 the Company matched 25 percent of each participant’s pre-tax contributions in an amount not exceeding 6 percent of the participant’s compensation, up to the maximum amount of contributions allowed by law. The costs of matching contributions to the Plan were \$0.7 million, \$1.1 million and \$4.0 million in 2017, 2016 and 2015, respectively. Plan participants hired prior to July 2017 become 100 percent vested immediately in the Company’s matching contributions, and plan participants hired after July 2017 become vested on a pro-rata basis over three years.

Note 12 — Reportable Segments

Our business is comprised of two business lines: (1) Drilling Services and (2) Rental Tools Services. We report our Drilling Services business as two reportable segments: (1) U.S. (Lower 48) Drilling and (2) International & Alaska Drilling. We report our Rental Tools Services business as two reportable segments: (1) U.S. Rental Tools and (2) International Rental Tools.

Within the four reportable segments, we have aggregated our Arctic, Eastern Hemisphere and Latin America business units under International & Alaska Drilling, one business unit under U.S. (Lower 48) Drilling, one business unit under U.S. Rental Tools and one business unit under International Rental Tools, for a total of six business units. The Company has aggregated each of its business units in one of the four reporting segments based on the guidelines of the FASB ASC Topic No. 280, Segment Reporting. We eliminate inter-segment revenues and expenses. We disclose revenues under the four reportable segments based on the similarity of the use and markets for the groups of products and services within each segment.

Drilling Services Business

In our Drilling Services business, we drill oil, natural gas and geothermal wells for customers in both the U.S. and international markets. We provide this service with both Company-owned rigs and customer-owned rigs. We refer to the provision of drilling services with customer-owned rigs as our operations and management (“O&M”) service in which operators own their own drilling rigs but choose Parker Drilling to operate and manage the rigs for them. The nature and scope of activities involved in drilling an oil and natural gas well is similar whether it is drilled with a Company-owned rig (as part of a traditional drilling contract) or a customer-owned rig (as part of an O&M contract). In addition, we provide project-related services, such as engineering, procurement, project management and commissioning of customer-owned drilling rig projects. We have extensive experience and expertise in drilling geologically challenging wells and in managing the logistical and technological challenges of operating in remote, harsh and ecologically sensitive areas.

U.S. (Lower 48) Drilling

Our U.S. (Lower 48) Drilling segment provides drilling services with our Gulf of Mexico (“GOM”) barge drilling rig fleet, and markets our U.S. (Lower 48)-based O&M services. Our GOM barge drilling fleet operates barge rigs that drill for oil and natural gas in shallow waters in and along the inland waterways and coasts of Louisiana, Alabama and Texas. The majority of these wells are drilled in shallow water depths ranging from 6 to 12 feet. Our rigs are suitable for a variety of drilling programs, from inland coastal waters requiring shallow draft barges, to open water drilling on both state and federal water projects requiring more robust capabilities. The barge drilling industry in the GOM is characterized by cyclical activity where utilization and dayrates are typically driven by oil and natural gas prices and our customers’ access to project financing. Contract terms typically consist of well-to-well or multi-well programs, most commonly ranging from 20 to 180 days.

International & Alaska Drilling

Our International & Alaska Drilling segment provides drilling services, using both Company-owned rigs and O&M contracts, and project-related services. The drilling markets in which this segment operates have one or more of the following characteristics:

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

During the year ended December 31, 2017, we had rigs operating on Sakhalin Island, Russia and in Alaska, Kazakhstan, the Kurdistan Region of Iraq, and Guatemala. In addition, we had O&M and ongoing project-related services for customer-owned rigs in Kuwait, Canada and on Sakhalin Island, Russia.

Rental Tools Services Business

In our Rental Tools Services business, we provide premium rental equipment and services to exploration & production (“E&P”) companies, drilling contractors and service companies on land and offshore in the U.S. and select international markets. Tools we provide include standard and heavy-weight drill pipe, all of which are available with standard or high-torque connections, tubing, drill collars, pressure control equipment, including blowout preventers and more. We also provide well

construction services, which include tubular running services and downhole tool rentals, well intervention services, which include whipstock, fishing and related services, and inspection and machine shop support. Rental tools are used during drilling and/or workover programs and are requested by the customer as needed, requiring us to keep a broad inventory of rental tools in stock. Rental tools are usually rented on a daily or monthly basis.

U.S. Rental Tools

Our U.S. Rental Tools segment is headquartered in New Iberia, Louisiana. We maintain an inventory of rental tools for deepwater, drilling, completion, workover, and production applications at facilities in Louisiana, Texas, Oklahoma, Wyoming, North Dakota and West Virginia. Our largest single market for rental tools is U.S. land drilling, a cyclical market driven primarily by oil and natural gas prices and our customers' access to project financing. A portion of our U.S. rental tools business is supplying tubular goods and other equipment to offshore GOM customers.

International Rental Tools

Our International Rental Tools segment is headquartered in Dubai, United Arab Emirates. We maintain an inventory of rental tools and provide well construction, well intervention, and surface and tubular services to our customers in the Middle East, Latin America, United Kingdom, Europe, and Asia-Pacific regions.

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

<i>Dollars in thousands</i>	Year Ended December 31,		
	2017	2016	2015
Revenues: ⁽¹⁾			
<u>Drilling Services:</u>			
U.S. (Lower 48) Drilling	\$ 12,389	\$ 5,429	\$ 30,358
International & Alaska Drilling	247,254	287,332	435,096
Total Drilling Services	259,643	292,761	465,454
<u>Rental Tools Services:</u>			
U.S. Rental Tools	121,937	71,613	141,889
International Rental Tools	60,940	62,630	104,840
Total Rental Tools Services	182,877	134,243	246,729
Total revenues	442,520	427,004	712,183
Operating gross margin: ⁽²⁾			
<u>Drilling Services:</u>			
U.S. (Lower 48) Drilling	(20,656)	(34,353)	(28,309)
International & Alaska Drilling	(6,248)	9,272	45,211
Total Drilling Services	(26,904)	(25,081)	16,902
<u>Rental Tools Services:</u>			
U.S. Rental Tools	15,651	(22,372)	17,380
International Rental Tools	(24,087)	(27,859)	(4,583)
Total Rental Tools Services	(8,436)	(50,231)	12,797
Total operating gross margin	(35,340)	(75,312)	29,699
General and administrative expense	(25,676)	(34,332)	(36,190)
Provision for reduction in carrying value of certain assets	(1,938)	—	(12,490)
Gain (loss) on disposition of assets, net	(2,851)	(1,613)	1,643
Total operating income (loss)	(65,805)	(111,257)	(17,338)
Interest expense	(44,226)	(45,812)	(45,155)
Interest income	244	58	269
Other income (loss)	126	367	(9,747)
Income (loss) from continuing operations before income taxes	\$ (109,661)	\$ (156,644)	\$ (71,971)

- (1) For the years ended December 31, 2017, 2016, and 2015, our largest customer, ENL, constituted approximately 31.3 percent, 38.7 percent, and 27.9 percent, respectively, of our total consolidated revenues and approximately 55.9 percent, 57.5 percent, and 45.6 percent, respectively, of our International & Alaska Drilling segment revenues.

Excluding reimbursable revenues of \$50.8 million, \$67.0 million, and \$75.8 million, ENL constituted approximately 22.7 percent, 27.5 percent, and 19.7 percent, respectively, of our total consolidated revenues and approximately 46.1 percent, 45.0 percent, and 35.3 percent, respectively of our International & Alaska Drilling segment revenues.

For the year ended December 31, 2017, our second largest customer, BP, constituted 9.7 percent, of our total consolidated revenues and approximately 17.4 percent of our International & Alaska Drilling segment revenues.

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

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

<i>Dollars in thousands</i>	Year Ended December 31,		
	2017	2016	2015
Capital expenditures:			
U.S. (Lower 48) Drilling	\$ 230	\$ 264	\$ 2,731
International & Alaska Drilling	3,673	5,258	13,458
U.S. Rental Tools	39,948	10,848	47,673
International Rental Tools	8,584	9,725	19,516
Corporate	2,098	2,859	4,819
Total capital expenditures	\$ 54,533	\$ 28,954	\$ 88,197
Depreciation and amortization: ⁽¹⁾			
U.S. (Lower 48) Drilling	\$ 13,521	\$ 20,049	\$ 22,420
International & Alaska Drilling	46,950	55,236	64,539
U.S. Rental Tools	43,489	43,769	47,453
International Rental Tools	18,413	20,741	21,782
Total depreciation and amortization	\$ 122,373	\$ 139,795	\$ 156,194

(1) For presentation purposes, for the years then ended December 31, 2017, 2016 and 2015 depreciation for corporate assets of \$8.7 million, \$8.3 million, and \$7.5 million, respectively, has been allocated to the corresponding reportable segments.

The following table represents identifiable assets by reportable segment:

<i>Dollars in Thousands</i>	Year Ended December 31,	
	2017	2016
Identifiable assets:		
U.S. (Lower 48) Drilling	\$ 62,980	\$ 77,628
International & Alaska Drilling	421,753	591,120
U.S. Rental Tools	198,664	126,289
International Rental Tools	168,511	170,431
Total identifiable assets	851,908	965,468
Corporate	138,371	138,083
Total assets	\$ 990,279	\$ 1,103,551

The following table represents selected geographic information :

<i>Dollars in Thousands</i>	Year Ended December 31,		
	2017	2016	2015
<u>Revenues by geographic area:</u>			
Russia	\$ 139,144	\$ 142,538	\$ 165,193
Other CIS	23,768	33,659	61,145
EMEA & Asia	64,572	79,870	148,015
Latin America	11,594	12,952	69,989
United States	177,630	127,596	231,779
Other ⁽¹⁾	25,812	30,389	36,062
Total revenues	<u>\$ 442,520</u>	<u>\$ 427,004</u>	<u>\$ 712,183</u>
<u>Long-lived assets by geographic area:</u> ⁽²⁾			
Russia	\$ 19,415	\$ 21,395	
Other CIS	29,402	35,914	
EMEA & Asia	108,621	116,857	
Latin America	38,959	48,528	
United States	429,374	470,745	
Other ⁽¹⁾	—	—	
Total long-lived assets	<u>\$ 625,771</u>	<u>\$ 693,439</u>	

(1) This category includes our Canada O&M operations and our project services activities. Revenues generated by our project service activities benefit our various geographic locations.

(2) Long-lived assets consist of property, plant and equipment, net.

Note 13 — Commitments and Contingencies

The Company has various lease agreements for office space, equipment, vehicles and personal property. These obligations extend through 2025 and are typically non-cancelable. Most leases contain renewal options and certain of the leases contain escalation clauses. Future minimum lease payments as of December 31, 2017, under operating leases with non-cancelable terms are as follows:

<i>Dollars in Thousands</i>	Year Ended December 31,
2018	\$ 6,867
2019	4,742
2020	3,009
2021	1,409
2022	902
Thereafter	1,413
Total	\$ 18,342

Total rent expense for all operating leases amounted to \$23.8 million, \$21.8 million and \$19.2 million for the years then ended December 31, 2017, 2016, and 2015, respectively.

Self Insurance

We are self-insured for certain losses relating to workers' compensation, employers' liability, general liability (for onshore liability), protection and indemnity (for offshore liability) and property damage. Our exposure (that is, the retention or deductible) per occurrence is \$250,000 for worker's compensation and employer's liability, and \$500,000 for general liability, protection and indemnity and maritime employers' liability (Jones Act). There is no annual aggregate deductible for protection and indemnity and maritime employers' liability claims. The annual aggregate deductible is reduced by every dollar that exceeds the \$500,000 per occurrence retention. We also assume retention for foreign casualty exposures of \$100,000 for workers' compensation, employers' liability, and \$1,000,000 for general liability losses and a \$100,000 deductible for auto liability claims. For all primary insurances mentioned above, the Company has excess coverage for those claims that exceed the retention and annual aggregate deductible. We maintain actuarially-determined accruals in our consolidated balance sheets to cover the self-insurance retentions.

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

As of December 31, 2017 and 2016, our gross self-insurance accruals for workers' compensation, employers' liability, general liability, protection and indemnity and maritime employers' liability totaled \$3.2 million and \$3.9 million, respectively and the related insurance recoveries/receivables were \$1.9 million and \$1.5 million, respectively.

Other Commitments

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

Contingencies

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

Note 14 — Related Party Transactions***Consulting Agreement***

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

In connection with Mr. Parker's retirement, the Company and Mr. Parker entered into a Retirement and Separation Agreement dated as of November 1, 2013 (the "Retirement Agreement"). Under the terms of the Retirement Agreement, in 2014 Mr. Parker received a cash bonus of \$411,188, a cash payment of \$1,096,687 pursuant to the 2010 Long-Term Incentive Program of the Company's Stock Plan, and a severance payment of \$2,488,024. The value of benefits provided by the Company to Mr. Parker in 2014 was \$12,876. In 2015, Mr. Parker received a cash payment of \$706,082 pursuant to the 2010 Long-Term Incentive Program of the Company's Stock Plan. The value of benefits provided by the Company to Mr. Parker in 2015 was \$14,441.

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

Other Related Party Agreements

During 2015 we purchased the legal rights to certain rental tool software from two employees and a relative of the employees. As part of the purchase, we paid \$180,000 to the relative of the employees in 2015 and \$90,000 to each employee in both January 2016 and 2017.

In 2015, one of our directors acquired \$550,000 aggregate principal amount of our 7.50% Notes and \$650,000 aggregate principal amount of our 6.75% Notes.

Note 15 — Supplementary Information

The significant components of "Accrued liabilities" on our consolidated balance sheets as of December 31, 2017 and 2016 are presented below:

<i>Dollars in Thousands</i>	Year Ended December 31,	
	2017	2016
Accrued liabilities:		
Accrued Payroll & Related Benefits	\$ 27,252	\$ 20,714
Accrued Interest Expense	18,169	18,169
Accrued Professional Fees & Other	7,888	13,039
Deferred Mobilization Fees	3,149	2,681
Workers' Compensation Liabilities, net	1,265	1,583
Total accrued liabilities	\$ 57,723	\$ 56,186

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

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

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

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

We are providing consolidating condensed financial information of the parent, Parker Drilling, the guarantor subsidiaries, and the non-guarantor subsidiaries as of December 31, 2017 and December 31, 2016 and for the years ended December 31, 2017, 2016, and 2015. The consolidating condensed financial statements present investments in both the consolidated and unconsolidated subsidiaries using the equity method of accounting.

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

Year ended December 31, 2017

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 168,490	\$ 355,044	\$ (81,014)	\$ 442,520
Operating expenses	—	94,546	341,955	(81,014)	355,487
Depreciation and amortization	—	81,260	41,113	—	122,373
Total operating gross margin (loss)	—	(7,316)	(28,024)	—	(35,340)
General and administration expense ⁽¹⁾	(323)	(24,887)	(466)	—	(25,676)
Provision for reduction in carrying value of certain assets	—	—	(1,938)	—	(1,938)
Gain (loss) on disposition of assets, net	—	(247)	(2,604)	—	(2,851)
Total operating income (loss)	(323)	(32,450)	(33,032)	—	(65,805)
Other income (expense):					
Interest expense	(47,135)	(220)	(7,906)	11,035	(44,226)
Interest income	831	744	9,704	(11,035)	244
Other	—	71	55	—	126
Equity in net earnings of subsidiaries	(40,752)	—	—	40,752	—
Total other income (expense)	(87,056)	595	1,853	40,752	(43,856)
Income (loss) before income taxes	(87,379)	(31,855)	(31,179)	40,752	(109,661)
Income tax expense (benefit):					
Current tax expense (benefit)	26,537	(22,494)	5,221	—	9,264
Deferred tax expense (benefit)	4,785	(7,750)	2,741	—	(224)
Total income tax expense (benefit)	31,322	(30,244)	7,962	—	9,040
Net income (loss)	(118,701)	(1,611)	(39,141)	40,752	(118,701)
Less: Net income attributable to noncontrolling interest	—	—	—	—	—
Net income (loss) attributable to controlling interest	\$ (118,701)	\$ (1,611)	\$ (39,141)	\$ 40,752	\$ (118,701)
Less: Mandatory convertible preferred stock dividend	\$ 3,051	\$ —	\$ —	\$ —	\$ 3,051
Net income (loss) available to common stockholders	\$ (121,752)	\$ (1,611)	\$ (39,141)	\$ 40,752	\$ (121,752)

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

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

Year ended December 31, 2016

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 152,263	\$ 380,931	\$ (106,190)	\$ 427,004
Operating expenses	—	103,013	365,698	(106,190)	362,521
Depreciation and amortization	—	90,218	49,577	—	139,795
Total operating gross margin (loss)	—	(40,968)	(34,344)	—	(75,312)
General and administration expense ⁽¹⁾	(410)	(29,355)	(4,567)	—	(34,332)
Provision for reduction in carrying value of certain assets	—	—	—	—	—
Gain (loss) on disposition of assets, net	—	(565)	(1,048)	—	(1,613)
Total operating income (loss)	(410)	(70,888)	(39,959)	—	(111,257)
Other income (expense):					
Interest expense	(48,160)	(642)	(6,434)	9,424	(45,812)
Interest income	758	695	8,029	(9,424)	58
Other	—	484	(117)	—	367
Equity in net earnings of subsidiaries	(94,469)	—	—	94,469	—
Total other income (expense)	(141,871)	537	1,478	94,469	(45,387)
Income (loss) before income taxes	(142,281)	(70,351)	(38,481)	94,469	(156,644)
Income tax expense (benefit):					
Current tax expense (benefit)	40,562	(35,572)	118	—	5,108
Deferred tax expense (benefit)	47,971	14,846	6,245	—	69,062
Total income tax expense (benefit)	88,533	(20,726)	6,363	—	74,170
Net income (loss)	(230,814)	(49,625)	(44,844)	94,469	(230,814)
Less: Net income attributable to noncontrolling interest	—	—	—	—	—
Net income (loss) attributable to controlling interest	\$ (230,814)	\$ (49,625)	\$ (44,844)	\$ 94,469	\$ (230,814)
Less: Mandatory convertible preferred stock dividend	\$ —	\$ —	\$ —	\$ —	\$ —
Net income (loss) available to common stockholders	\$ (230,814)	\$ (49,625)	\$ (44,844)	\$ 94,469	\$ (230,814)

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

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

	Year ended December 31, 2015				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Total revenues	\$ —	\$ 254,182	\$ 584,204	\$ (126,203)	\$ 712,183
Operating expenses	—	143,563	508,930	(126,203)	526,290
Depreciation and amortization	—	95,071	61,123	—	156,194
Total operating gross margin (loss)	—	15,548	14,151	—	29,699
General and administration expense ⁽¹⁾	(1,279)	(38,643)	3,732	—	(36,190)
Provision for reduction in carrying value of certain assets	—	(2,088)	(10,402)	—	(12,490)
Gain (loss) on disposition of assets, net	—	439	1,204	—	1,643
Total operating income (loss)	(1,279)	(24,744)	8,685	—	(17,338)
Other income (expense):					
Interest expense	(47,659)	(1,035)	(11,579)	15,118	(45,155)
Interest income	1,424	852	13,111	(15,118)	269
Loss on extinguishment of debt	—	—	—	—	—
Other	—	(200)	(9,547)	—	(9,747)
Equity in net earnings of subsidiaries	(36,631)	—	—	36,631	—
Total other income (expense)	(82,866)	(383)	(8,015)	36,631	(54,633)
Income (loss) before income taxes	(84,145)	(25,127)	670	36,631	(71,971)
Income tax expense (benefit):					
Current tax expense (benefit)	29,643	(22,970)	12,931	—	19,604
Deferred tax expense (benefit)	(18,715)	11,718	9,706	—	2,709
Total income tax expense (benefit)	10,928	(11,252)	22,637	—	22,313
Net income (loss)	(95,073)	(13,875)	(21,967)	36,631	(94,284)
Less: Net income attributable to noncontrolling interest	—	—	789	—	789
Net income (loss) attributable to controlling interest	\$ (95,073)	\$ (13,875)	\$ (22,756)	\$ 36,631	\$ (95,073)
Less: Mandatory convertible preferred stock dividend	\$ —	\$ —	\$ —	\$ —	\$ —
Net income (loss) available to common stockholders	\$ (95,073)	\$ (13,875)	\$ (22,756)	\$ 36,631	\$ (95,073)

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

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

	Year Ended December 31, 2017				
	Parent	Guarantor	Non- Guarantor	Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	\$ (118,701)	\$ (1,611)	\$ (39,141)	\$ 40,752	\$ (118,701)
Other comprehensive gain (loss), net of tax:					
Currency translation difference on related borrowings	—	—	643	—	\$ 643
Currency translation difference on foreign currency net investments	—	—	2,689	—	\$ 2,689
Total other comprehensive gain (loss), net of tax:	—	—	3,332	—	3,332
Comprehensive income (loss) attributable to controlling interest	\$ (118,701)	\$ (1,611)	\$ (35,809)	\$ 40,752	\$ (115,369)

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

	Year Ended December 31, 2016				
	Parent	Guarantor	Non- Guarantor	Eliminations	Consolidated
Comprehensive income (loss):					
Net income (loss)	\$ (230,814)	\$ (49,625)	\$ (44,844)	\$ 94,469	\$ (230,814)
Other comprehensive gain (loss), net of tax:					
Currency translation difference on related borrowings	—	—	(691)	—	(691)
Currency translation difference on foreign currency net investments	—	—	(4,265)	—	(4,265)
Total other comprehensive gain (loss), net of tax:	—	—	(4,956)	—	(4,956)
Comprehensive income (loss) attributable to controlling interest	\$ (230,814)	\$ (49,625)	\$ (49,800)	\$ 94,469	\$ (235,770)

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

	Year ended December 31, 2015				
	Parent	Guarantor	Non- Guarantor	Eliminations	Consolidated
Comprehensive income:					
Net income (loss)	\$ (95,073)	\$ (13,875)	\$ (21,967)	\$ 36,631	\$ (94,284)
Other comprehensive gain (loss), net of tax:					
Currency translation difference on related borrowings	—	—	(2,012)	—	(2,012)
Currency translation difference on foreign currency net investments	—	—	405	—	405
Total other comprehensive gain (loss), net of tax:	—	—	(1,607)	—	(1,607)
Comprehensive income (loss)	(95,073)	(13,875)	(23,574)	36,631	(95,891)
Comprehensive (income) loss attributable to noncontrolling interest	—	—	4,606	—	4,606
Comprehensive income (loss) attributable to controlling interest	<u>\$ (95,073)</u>	<u>\$ (13,875)</u>	<u>\$ (18,968)</u>	<u>\$ 36,631</u>	<u>\$ (91,285)</u>

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

December 31, 2017

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 75,342	\$ 20,655	\$ 45,552	\$ —	\$ 141,549
Accounts and notes receivable, net	—	32,338	90,173	—	122,511
Rig materials and supplies	—	(3,025)	34,440	—	31,415
Deferred costs	—	17	3,128	—	3,145
Other tax assets	—	—	4,889	—	4,889
Other current assets	—	6,345	7,982	—	14,327
Total current assets	<u>75,342</u>	<u>56,330</u>	<u>186,164</u>	<u>—</u>	<u>317,836</u>
Property, plant and equipment, net	(19)	428,556	197,234	—	625,771
Goodwill	—	6,708	—	—	6,708
Intangible assets, net	—	7,128	—	—	7,128
Investment in subsidiaries and intercompany advances	2,955,050	2,971,456	3,955,553	(9,882,059)	—
Other noncurrent assets	(261,232)	237,755	537,124	(480,811)	32,836
Total assets	<u>\$ 2,769,141</u>	<u>\$ 3,707,933</u>	<u>\$ 4,876,075</u>	<u>\$ (10,362,870)</u>	<u>\$ 990,279</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	(51,060)	179,247	588,536	(617,477)	99,246
Accrued income taxes	76,883	(56,870)	(15,583)	—	4,430
Total current liabilities	<u>25,823</u>	<u>122,377</u>	<u>572,953</u>	<u>(617,477)</u>	<u>103,676</u>
Long-term debt, net	577,971	—	—	—	577,971
Other long-term liabilities	2,867	5,741	3,825	—	12,433
Deferred tax liability	(1)	—	79	—	78
Intercompany payable	1,865,810	1,465,744	2,430,340	(5,761,894)	—
Total liabilities	<u>2,472,470</u>	<u>1,593,862</u>	<u>3,007,197</u>	<u>(6,379,371)</u>	<u>694,158</u>
Total equity	296,671	2,114,071	1,868,878	(3,983,499)	296,121
Total liabilities and stockholders' equity	<u>\$ 2,769,141</u>	<u>\$ 3,707,933</u>	<u>\$ 4,876,075</u>	<u>\$ (10,362,870)</u>	<u>\$ 990,279</u>

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

December 31, 2016

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 65,000	\$ 14,365	\$ 40,326	\$ —	\$ 119,691
Accounts and notes receivable, net	—	15,749	97,482	—	113,231
Rig materials and supplies	—	(5,369)	37,723	—	32,354
Deferred costs	—	16	1,420	—	1,436
Other tax assets	(50,296)	35,733	21,038	—	6,475
Other current assets	—	5,555	7,576	—	13,131
Total current assets	14,704	66,049	205,565	—	286,318
Property, plant and equipment, net	(19)	469,927	223,531	—	693,439
Goodwill	—	6,708	—	—	6,708
Intangible assets, net	—	9,434	494	—	9,928
Investment in subsidiaries and intercompany advances	2,979,413	2,932,375	3,676,402	(9,588,190)	—
Other noncurrent assets	(253,679)	301,771	539,877	(480,811)	107,158
Total assets	\$ 2,740,419	\$ 3,786,264	\$ 4,645,869	\$ (10,069,001)	\$ 1,103,551
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	(10,080)	149,210	577,188	(617,477)	98,841
Accrued income taxes	—	1,576	2,504	—	4,080
Total current liabilities	(10,080)	150,786	579,692	(617,477)	102,921
Long-term debt, net	576,326	—	—	—	576,326
Other long-term liabilities	2,867	9,338	3,631	—	15,836
Deferred tax liability	(28)	73,039	(3,678)	—	69,333
Intercompany payables	1,828,317	1,437,417	2,161,864	(5,427,598)	—
Total liabilities	2,397,402	1,670,580	2,741,509	(6,045,075)	764,416
Total equity	343,017	2,115,684	1,904,360	(4,023,926)	339,135
Total liabilities and stockholders' equity	\$ 2,740,419	\$ 3,786,264	\$ 4,645,869	\$ (10,069,001)	\$ 1,103,551

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

Year Ended December 31, 2017

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (118,701)	\$ (1,611)	\$ (39,141)	\$ 40,752	(118,701)
Adjustments to reconcile net income (loss):					
Depreciation and amortization	—	81,260	41,113	—	122,373
(Gain) loss on disposition of assets	—	247	2,604	—	2,851
Deferred tax expense (benefit)	4,785	(7,750)	2,741	—	(224)
Provision for reduction in carrying value of certain assets	—	—	1,938	—	1,938
Expenses not requiring cash	5,651	(218)	9,880	(11,062)	4,251
Change in assets and liabilities:					
Accounts and notes receivable	—	(16,540)	13,483	(6,571)	(9,628)
Rig materials and supplies	—	(760)	5,470	—	4,710
Other current assets	(50,296)	34,941	14,036	—	(1,319)
Accounts payable and accrued liabilities	(4,393)	56,354	262,884	(323,559)	(8,714)
Accrued income taxes	79,319	(60,882)	(17,899)	—	538
Other assets	24,722	(35,829)	(280,675)	300,440	8,658
Net cash provided by (used in) operating activities	(58,913)	49,212	16,434	—	6,733
Cash flows from investing activities:					
Capital expenditures	—	(42,990)	(11,543)	—	(54,533)
Proceeds from the sale of assets	—	68	335	—	403
Net cash provided by (used in) investing activities	—	(42,922)	(11,208)	—	(54,130)
Cash flows from financing activities:					
Proceeds from the issuance of common stock	25,200	—	—	—	25,200
Proceeds from the issuance of mandatory convertible preferred stock	50,000	—	—	—	50,000
Payment of equity issuance costs	(2,864)	—	—	—	(2,864)
Mandatory convertible preferred stock dividend	(2,145)	—	—	—	(2,145)
Shares surrendered in lieu of tax	(936)	—	—	—	(936)
Net cash provided by (used in) financing activities	69,255	—	—	—	69,255
Net increase (decrease) in cash and cash equivalents	10,342	6,290	5,226	—	21,858
Cash and cash equivalents at beginning of year	65,000	14,365	40,326	—	119,691
Cash and cash equivalents at end of year	\$ 75,342	\$ 20,655	\$ 45,552	\$ —	\$ 141,549

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

Year Ended December 31, 2016

	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (230,814)	\$ (49,625)	\$ (44,844)	\$ 94,469	(230,814)
Adjustments to reconcile net income (loss):					
Depreciation and amortization	—	90,218	49,577	—	139,795
Accretion of contingent consideration	—	419	—	—	419
Loss on extinguishment of debt	1,088	—	—	—	1,088
(Gain) loss on disposition of assets	—	565	1,048	—	1,613
Deferred tax expense (benefit)	47,971	14,846	6,245	—	69,062
Expenses not requiring cash	9,545	(1,624)	(5,403)	—	2,518
Equity in net earnings (losses) of subsidiaries	94,469	—	—	(94,469)	—
Change in assets and liabilities:					
Accounts and notes receivable	—	25,923	34,468	—	60,391
Rig materials and supplies	—	(73)	(1,679)	—	(1,752)
Other current assets	50,296	(35,322)	(12,834)	—	2,140
Accounts payable and accrued liabilities	(121,016)	97,315	4,207	—	(19,494)
Accrued income taxes	(10,381)	(626)	4,585	—	(6,422)
Other assets	(299)	101	4,095	—	3,897
Net cash provided by (used in) operating activities	(159,141)	142,117	39,465	—	22,441
Cash flows from investing activities:					
Capital expenditures	—	(15,384)	(13,570)	—	(28,954)
Proceeds from the sale of assets	—	437	2,004	—	2,441
Net cash provided by (used in) investing activities	—	(14,947)	(11,566)	—	(26,513)
Cash flows from financing activities:					
Payment for noncontrolling interest	(3,375)	—	—	—	(3,375)
Payment of contingent consideration	—	(6,000)	—	—	(6,000)
Shares surrendered in lieu of tax	(1,156)	—	—	—	(1,156)
Intercompany advances, net	154,687	(120,659)	(34,028)	—	—
Net cash provided by (used in) financing activities	150,156	(126,659)	(34,028)	—	(10,531)
Net increase (decrease) in cash and cash equivalents	(8,985)	511	(6,129)	—	(14,603)
Cash and cash equivalents at beginning of year	73,985	13,854	46,455	—	134,294
Cash and cash equivalents at end of year	\$ 65,000	\$ 14,365	\$ 40,326	\$ —	\$ 119,691

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

	Year Ended December 31, 2015				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (95,073)	\$ (13,875)	\$ (21,967)	\$ 36,631	\$ (94,284)
Adjustments to reconcile net income (loss):					
Depreciation and amortization	—	95,071	61,123	—	156,194
Accretion of contingent consideration	—	826	—	—	826
Gain (loss) on disposition of assets	—	(439)	(1,204)	—	(1,643)
Deferred tax expense (benefit)	(18,715)	11,718	9,706	—	2,709
Excess tax benefit (expense) from stock-based compensation	(1,045)	—	—	—	(1,045)
Provision for reduction in carrying value of certain assets	—	2,088	10,402	—	12,490
Expenses not requiring cash	7,344	854	(2,062)	—	6,136
Equity in net earnings of subsidiaries	36,631	—	—	(36,631)	—
Change in assets and liabilities:					
Accounts and notes receivable	(33)	61,818	42,210	—	103,995
Rig materials and supplies	—	51	2,671	—	2,722
Other current assets	19,885	(16,257)	8,920	—	12,548
Accounts payable and accrued liabilities	10,228	(21,396)	(16,257)	—	(27,425)
Accrued income taxes	15,368	(9,405)	(13,920)	—	(7,957)
Other assets	(198,955)	186,591	9,208	—	(3,156)
Net cash provided by (used in) operating activities	(224,365)	297,645	88,830	—	162,110
Cash flows from investing activities:					
Capital expenditures	—	(58,817)	(29,380)	—	(88,197)
Proceeds from the sale of assets	—	500	330	—	830
Proceeds from insurance settlements	—	—	2,500	—	2,500
Acquisitions, net of cash acquired	(3,375)	(10,431)	—	—	(13,806)
Divestitures, net of cash paid	—	—	(2,570)	—	(2,570)
Net cash provided by (used in) investing activities	(3,375)	(68,748)	(29,120)	—	(101,243)
Cash flows from financing activities:					
Proceeds from debt issuance	—	—	—	—	—
Repayments of long term debt	(30,000)	—	—	—	(30,000)
Payments of debt issuance costs	(1,996)	—	—	—	(1,996)
Payment of contingent consideration	—	(2,000)	—	—	(2,000)
Shares surrendered in lieu of tax	(1,033)	—	—	—	(1,033)
Intercompany advances, net	298,026	(226,589)	(71,437)	—	—
Net cash provided by (used in) financing activities	264,997	(228,589)	(71,437)	—	(35,029)
Net increase (decrease) in cash and cash equivalents	37,257	308	(11,727)	—	25,838
Cash and cash equivalents at beginning of year	36,728	13,546	58,182	—	108,456
Cash and cash equivalents at end of year	\$ 73,985	\$ 13,854	\$ 46,455	\$ —	\$ 134,294

Note 17 — Selected Quarterly Financial Data

Year 2017	Quarter				
	First	Second	Third	Fourth	Total
	(Dollars in Thousands Except Per Share Amounts)				
	(Unaudited)				
Revenues	\$ 98,271	\$ 109,607	\$ 118,308	\$ 116,334	\$ 442,520
Operating gross margin (loss)	\$ (19,745)	\$ (11,016)	\$ 121	\$ (4,700)	\$ (35,340)
Operating income (loss)	\$ (27,137)	\$ (17,632)	\$ (6,815)	\$ (14,221)	\$ (65,805)
Net income (loss) attributable to controlling interest	\$ (39,809)	\$ (29,888)	\$ (20,311)	\$ (28,693)	\$ (118,701)
Net income (loss) available to common stockholders	\$ (39,809)	\$ (31,127)	\$ (21,217)	\$ (29,599)	\$ (121,752)
Basic earnings per share — net income (loss) ⁽¹⁾	\$ (0.31)	\$ (0.23)	\$ (0.15)	\$ (0.21)	\$ (0.89)
Diluted earnings per share — net income (loss) ⁽¹⁾	\$ (0.31)	\$ (0.23)	\$ (0.15)	\$ (0.21)	\$ (0.89)
Year 2016	Quarter				
	First	Second	Third	Fourth	Total
	(Dollars in Thousands Except Per Share Amounts)				
	(Unaudited)				
Revenues	\$ 130,503	\$ 105,287	\$ 97,189	\$ 94,025	\$ 427,004
Operating gross margin (loss)	\$ (13,428)	\$ (20,225)	\$ (21,965)	\$ (19,694)	\$ (75,312)
Operating income (loss)	\$ (23,269)	\$ (28,222)	\$ (29,576)	\$ (30,190)	\$ (111,257)
Net income (loss) attributable to controlling interest	\$ (95,835)	\$ (39,822)	\$ (46,228)	\$ (48,929)	\$ (230,814)
Net income (loss) available to common stockholders	\$ (95,835)	\$ (39,822)	\$ (46,228)	\$ (48,929)	\$ (230,814)
Basic earnings per share — net income (loss)	\$ (0.78)	\$ (0.32)	\$ (0.37)	\$ (0.39)	\$ (1.86)
Diluted earnings per share — net income (loss)	\$ (0.78)	\$ (0.32)	\$ (0.37)	\$ (0.39)	\$ (1.86)

(1) As a result of shares issued during the year, earnings (loss) per share for each of the year's four quarters, which are based on weighted average shares outstanding during each quarter, may not equal the annual earnings (loss) per share, which is based on the weighted average shares outstanding during the year. Additionally, as a result of rounding to the thousands, earnings per share may not equal the year-to-date results.

Note 18 — Recent Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The standard simplifies the subsequent measurement of goodwill by eliminating the second step of the goodwill impairment test. This standard is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Effective January 1, 2017, we adopted ASU 2017-04 and it did not have a material impact on our consolidated statements of financial position, results of operations, cash flows, and on the disclosures contained in our notes to the consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory. The ASU requires entities to recognize at the transaction date the income tax consequences of intercompany asset transfers other than inventory. The standard becomes effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, but only at the beginning of the annual period for which no financial statements have been issued or been made available for issuance. Effective January 1, 2017, we adopted ASU 2016-16 prospectively and it did not have a material impact on our consolidated statements of financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The ASU is intended to reduce diversity in current practice regarding the manner in which certain cash receipts and cash payments are presented and classified in the cash flow statement. The standard becomes effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. Effective January 1, 2017, we adopted ASU 2016-15 retrospectively and it did not have a material impact on our statement of cash flows.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718). The objective of this update is to simplify several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard became effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Effective January 1, 2017, we adopted ASU 2016-09. The adoption did not have a material impact on our consolidated statements of financial position, results of operations or cash flows. In accordance with the ASU requirements, we adopted certain aspects of the ASU as follows:

- Accounting for excess tax benefits and certain tax deficiencies - The guidance requires all excess tax benefits, and certain tax deficiencies to be recorded through the income statement instead of additional paid in capital, where the activity was historically recorded. We adopted this change prospectively. There is no cumulative effect of the adoption as we have no unrecognized excess tax benefits or minimum withholding requirements that impact the income statement and, accordingly, prior periods have not been adjusted.
- Cash flow presentation of excess tax benefits and certain tax deficiencies - We adopted this change retrospectively. Tax related cash flows from share based payments are to be presented as operating activities in the statement of cash flows. Consequently, activity for the year ended December 31, 2016 and 2015, recorded through equity, has been reclassified from financing activities to operating activities in the statement of cash flows. The impact of such reclassification was nominal for 2016. For the year ended December 31, 2015, we have reclassified \$1.0 million from operating activities to financing activities.
- Accounting for forfeitures - We have made an entity-wide accounting policy election to continue to estimate forfeitures and adjust the estimate when it is likely to change. This election does not change our current policy and, accordingly, there is no impact on our consolidated statements of financial position, results of operations or cash flows.
- Cash paid to a tax authority when shares are withheld to satisfy the employer's statutory income tax withholding obligation - We adopted this change retrospectively. The activity is now required to be presented as financing activities in the statement of cash flows. For the year ended December 31, 2016 and 2015, we have reclassified \$1.2 million and \$1.0 million, respectively, from operating activities to financing activities.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This accounting standards update requires (a) an entity to separate the lease components from the non-lease components in a contract where the lease component will be accounted for under ASU 2016-02 and the non-lease component will be accounted for under ASU 2014-09, (b) recognition of lease assets and lease liabilities by lessees and derecognition of the leased asset and recognition of a net investment in the lease by the lessor and (c) additional disclosure requirements for both lessees and lessors. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, although early adoption is permitted. Upon

adoption, a retrospective approach is required for leases that exist, or are entered into, after the beginning of the earliest comparative period presented. Under the updated accounting standard, we have determined that our drilling contracts may contain a lease component; therefore, our adoption of the standard could require that we separately recognize revenues associated with the lease and service components. We will adopt ASU 2016-02 on January 1, 2019, and we expect to apply the modified retrospective approach. Our adoption, and the ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances, and such effect could introduce variability to the timing of our revenue recognition relative to current accounting standards. We are evaluating the requirements to determine the effect such requirements may have on our consolidated statements of financial position, results of operations, cash flows and on the disclosures contained in our notes to the consolidated financial statements upon the adoption of ASU 2016-02. Depending on the results of the evaluation our ultimate conclusions may vary.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which is effective for annual reporting periods that begin after December 15, 2017. This ASU supersedes the revenue recognition requirements in ASC 605 - Revenue Recognition and most industry-specific guidance throughout the Codification and provides a five step analysis for transactions to determine how and when revenue is recognized. The standard requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. Effective January 1, 2018, we adopted ASU 2014-09 using the modified retrospective approach, in which we will record the cumulative effect of applying the new standard to all outstanding contracts as of January 1, 2018, as an adjustment to opening retained earnings. In applying the new standard, we plan to account for the integrated services provided within our drilling, O&M and rentals contracts as a single performance obligation composed of a series of distinct time increments, which will be satisfied over time. We will determine the total transaction price for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. Consideration that does not relate to a distinct good or service, such as mobilization and contract preparation revenue, will be allocated across the single performance obligation and recognized ratably over the term of the contract. All other components of consideration within a contract, including the dayrate revenue, will continue to be recognized in the period when the services are performed. We do not anticipate the adoption of the new standard to have a material impact on our consolidated statements of financial position, results of operations and cash flows. Expanded revenue disclosures are expected in our notes to the consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40). The objective of this update is to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and provide footnote disclosures. The amendments in this update become effective for public companies for the annual period after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Effective January 1, 2017, we adopted ASU 2014-15 prospectively and it did not have a material impact on our consolidated statements of financial position, results of operations, cash flows, and on the disclosures contained in our notes to the consolidated financial statements.

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

None.

Item 9A. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2017 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and is (2) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

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

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

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

The Company's management with the participation of the chief executive officer and chief financial officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2017 based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of the design and testing of the operational effectiveness of our internal control over financial reporting. Management reviewed the results of its assessment with the audit committee of the board of directors.

Based on that assessment and those criteria, management has concluded that our internal control over financial reporting was effective as of December 31, 2017.

KPMG LLP, our independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued a report with respect to our internal control over financial reporting as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information with respect to directors can be found under the captions “Item 1 — Election of Directors” and “Board of Directors” in our 2018 Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2018. Such information is incorporated herein by reference.

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

Information with respect to our audit committee and audit committee financial expert can be found under the caption “The Audit Committee” of our 2018 Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2018 and is incorporated herein by reference.

The information in our 2018 Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2018 set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” is incorporated herein by reference.

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

Item 11. Executive Compensation

The information under the captions “Executive Compensation,” “Fees and Benefit Plans for Non-Employee Directors,” “2017 Director Compensation Table,” and “Compensation Committee Report” in our 2018 Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2018 is incorporated herein by reference.

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

The information required by this item is hereby incorporated by reference to the information appearing under the captions “Security Ownership of Officers, Directors and Principal Stockholders” and “Equity Compensation Plan Information” in our 2018 Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2018.

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

The information required by this item is hereby incorporated by reference to such information appearing under the captions “Certain Relationships and Related Party Transactions” and “Director Independence Determination” in our 2018 Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2018.

Item 14. Principal Accounting Fees and Services

The information required by this item is hereby incorporated by reference to the information appearing under the captions “Audit and Non-Audit Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm” in our 2018 Proxy Statement for the Annual Meeting of the Stockholders to be held on May 10, 2018.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

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

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	47
Consolidated Statement of Operations for the years ended December 31, 2017, 2016 and 2015	48
Consolidated Statement of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015	49
Consolidated Balance Sheet as of December 31, 2017 and 2016	50
Consolidated Statement of Cash Flows for the years ended December 31, 2017, 2016 and 2015	51
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015	52
Notes to the Consolidated Financial Statements	53

(2) Financial Statement Schedule:

Schedule II — Valuation and qualifying accounts	99
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(3) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>
2.1	— Sale and Purchase Agreement, dated April 22, 2013, among ITS Tubular Services (Holdings) Limited, as Seller, Ian David Green, John Bruce Cartwright and Graham Douglas Frost, as joint administrators of the Seller, ITS Holdings, Inc. and PD International Holdings C.V., Parker Drilling Offshore Corporation and Parker Drilling Company (Incorporated by reference to Exhibit 2.1 to Parker Drilling Company's Current Report on Form 8-K filed on April 23, 2013).
3.1	— Restated Certificate of Incorporation of the Company, as amended on May 16, 2007 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2007).
3.2	— By-laws of Parker Drilling Company, as amended and restated as of March 9, 2017 (Incorporated by reference to Exhibit 3.1 to Parker Drilling Company's Current Report on Form 8-K filed on March 14, 2017).
3.3	— Certificate of Designations of 7.25% Series A Mandatory Convertible Preferred Stock of Parker Drilling Company, dated February 27, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 27, 2017).
4.1	— Indenture, dated July 30, 2013, between Parker Drilling Company, the subsidiary guarantors from time to time parties hereto, as, collectively, Guarantors, and The Bank of New York Mellon Trust Company, N.A. as Trustee (Incorporated by reference to Exhibit 4.1 to Parker Drilling Company's Current Report on Form 8-K filed on July 31, 2013).
4.2	— Form of 7.500% Senior Note due 2020 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 31, 2013).
4.3	— Indenture, dated January 22, 2014, among Parker Drilling Company, the Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 28, 2014).
4.4	— Form of 6.750% Senior Note due 2022 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 28, 2014).
10.1	— Parker Drilling Company Incentive Compensation Plan (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on March 1, 2011).*

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- [10.2](#) — [Parker Drilling Company 2010 Long-Term Incentive Plan \(as amended and restated effective May 8, 2013\) \(incorporated by reference to Appendix A to the Company’s Definitive Proxy Statement filed on March 28, 2013\).](#)*
- [10.3](#) — [Form of Parker Drilling Company Restricted Stock Unit Incentive Agreement under the 2010 LTIP \(as amended and restated effective May 8, 2013\) \(incorporated by reference to Exhibit 10.6 to the Company’s Annual Report on Form 10-K filed on February 25, 2015\).](#)*
- [10.4](#) — [Form of Parker Drilling Company Performance Cash Unit Award Incentive Agreement under the 2010 LTIP \(as amended and restated effective May 8, 2013\) \(incorporated by reference to Exhibit 10.8 to the Company’s Annual Report on Form 10-K filed on February 25, 2015\).](#)*
- [10.5](#) — [Form of Parker Drilling Company Performance-Based Phantom Stock Unit Award Incentive Agreement under the 2010 LTIP \(as amended and restated effective May 8, 2013\) \(incorporated by reference to Exhibit 10.9 to the Company’s Annual Report on Form 10-K filed on February 25, 2016\).](#)*
- [10.6](#) — [Form of Parker Drilling Company Time-Based Phantom Stock Unit Award Incentive Agreement under the 2010 LTIP \(as amended and restated effective May 8, 2013\) \(incorporated by reference to Exhibit 10.7 to the Company’s Annual Report on Form 10-K filed on February 21, 2017\).](#)*
- [10.7](#) — [Parker Drilling Company 2010 Long-Term Incentive Plan \(as amended and restated as of May 10, 2016\) \(incorporated by reference to Appendix A of the Company’s Notice of Annual Meeting of Stockholders and Proxy Statement filed on March 31, 2016\).](#)*
- [10.8](#) — [Form of Parker Drilling Company Restricted Stock Unit Incentive Agreement under the 2010 LTIP \(as amended as of May 10, 2016\) \(incorporated by reference to Exhibit 10.9 to the Company’s Annual Report on Form 10-K filed on February 21, 2017\).](#)*
- [10.9](#) — [Form of Indemnification Agreement entered into between Parker Drilling Company and each director and executive officer of Parker Drilling Company \(incorporated by reference to Exhibit 10\(g\) to the Company’s Annual Report on Form 10-K filed on March 20, 2003\).](#)*
- [10.10](#) — [Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 \(incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on March 25, 2011\).](#)*
- [10.11](#) — [First Amendment dated August 29, 2011 to Employment Agreement between Mr. Jon-Al Duplantier and Parker Drilling Company, effective March 21, 2011 \(incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K filed on August 30, 2011\).](#)*
- [10.12](#) — [Employment Agreement, dated as of September 17, 2012, by and between Parker Drilling Company and Gary Rich \(incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on September 24, 2012\).](#)*
- [10.13](#) — [Retirement and Separation Agreement, dated November 1, 2013, between Parker Drilling Company and Robert L. Parker, Jr. \(incorporated by reference to Exhibit 10.1 to Parker Drilling Company’s Current Report on Form 8-K filed on November 4, 2013\).](#)*
- [10.14](#) — [Second Amended and Restated Credit Agreement, dated January 26, 2015, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto \(incorporated by reference to Exhibit 10.20 to the Company’s Annual Report on Form 10-K filed on February 25, 2015\).](#)
- [10.15](#) — [First Amendment to the Second Amended and Restated Credit Agreement, dated June 1, 2015, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto \(incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed on August 6, 2015\).](#)

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- [10.16](#) — [Second Amendment to the Second Amended and Restated Credit Agreement, dated September 29, 2015, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto \(incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed on November 4, 2015\).](#)
- [10.17](#) — [Third Amendment to the Second Amended and Restated Credit Agreement, dated May 27, 2016, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto \(incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed on August 3, 2016\).](#)
- [10.18](#) — [Fourth Amendment to the Second Amended and Restated Credit Agreement, dated February 21, 2017, among Parker Drilling Company, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, Wells Fargo Bank, National Association, as Syndication Agent, Barclays Bank PLC, as Documentation Agent, and the other lenders and L/C issuers from time to time party thereto \(incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on February 27, 2017\).](#)
- [10.19](#) — [Employment Agreement dated September 21, 2017 by and between Parker Drilling Company and Michael W. Sumruld \(incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on September 26, 2017\).*](#)
- [10.20](#) — [Fifth Amendment to the Second Amended and Restated Credit Agreement, dated February 14, 2018, among Parker Drilling Company, as Borrower, and Bank of America, N.A., as Administrative Agent and L/C Issuer.](#)
- [12.1](#) — [Computation of Ratio of Earnings to Fixed Charges.](#)
- [21](#) — [Subsidiaries of the Registrant.](#)
- [23.1](#) — [Consent of KPMG LLP — Independent Registered Public Accounting Firm.](#)
- [31.1](#) — [Gary G. Rich, Chairman, President and Chief Executive Officer, Rule 13a-14\(a\)/15d-14\(a\) Certification.](#)
- [31.2](#) — [Michael W. Sumruld, Senior Vice President and Chief Financial Officer, Rule 13a-14\(a\)/15d-14\(a\) Certification.](#)
- [32.1](#) — [Gary G. Rich, Chairman, President and Chief Executive Officer, 18 U.S.C. Section 1350 Certification.](#)
- [32.2](#) — [Michael W. Sumruld, Senior Vice President and Chief Financial Officer, 18 U.S.C. Section 1350 Certification.](#)
- [101.INS](#) — XBRL Instance Document.
- [101.SCH](#) — XBRL Taxonomy Schema Document.
- [101.CAL](#) — XBRL Calculation Linkbase Document.
- [101.LAB](#) — XBRL Label Linkbase Document.
- [101.PRE](#) — XBRL Presentation Linkbase Document.
- [101.DEF](#) — XBRL Definition Linkbase Document.

* — Management contract, compensatory plan or agreement.

PARKER DRILLING COMPANY AND SUBSIDIARIES**Schedule II—Valuation and Qualifying Accounts**

Classifications	Balance at beginning of year	Charged to cost and expenses	Charged to other accounts	Deductions	Balance at end of year
<i>Dollars in Thousands</i>					
Year Ended December 31, 2017					
Allowance for bad debt	\$ 8,259	\$ 444	\$ (414)	\$ (725)	\$ 7,564
Allowance for obsolete rig materials and supplies	\$ 1,166	65	—	(422)	809
Deferred tax valuation allowance	\$ 171,133	\$ (14,625)	\$ 1,406	\$ —	\$ 157,914
Year Ended December 31, 2016					
Allowance for bad debt	\$ 8,694	\$ 1,483	\$ 4	\$ (1,922)	\$ 8,259
Allowance for obsolete rig materials and supplies	\$ 626	978	\$ (3)	\$ (435)	\$ 1,166
Deferred tax valuation allowance	\$ 51,105	\$ 117,707	\$ 2,321	\$ —	\$ 171,133
Year Ended December 31, 2015					
Allowance for bad debt	\$ 11,188	\$ 341	\$ (825)	\$ (2,010)	\$ 8,694
Allowance for obsolete rig materials and supplies	\$ 530	\$ —	\$ 236	\$ (140)	\$ 626
Deferred tax valuation allowance	\$ 9,922	\$ 40,676	\$ 507	\$ —	\$ 51,105

Item 16. Form 10-K Summary

None.

SIGNATURES

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

PARKER DRILLING COMPANY

By: /s/ Michael W. Sumruld
Michael W. Sumruld
Senior Vice President and Chief Financial Officer

Date: February 21, 2018

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

	<u>Signature</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ Gary G. Rich</u> Gary G. Rich	Chairman, President, and Chief Executive Officer (Principal Executive Officer)	February 21, 2018
By:	<u>/s/ Michael W. Sumruld</u> Michael W. Sumruld	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2018
By:	<u>/s/ Nathaniel C. Dockray</u> Nathaniel C. Dockray	Principal Accounting Officer (Principal Accounting Officer)	February 21, 2018
By:	<u>/s/ Jonathan M. Clarkson</u> Jonathan M. Clarkson	Director	February 21, 2018
By:	<u>/s/ Peter T. Fontana</u> Peter T. Fontana	Director	February 21, 2018
By:	<u>/s/ Gary R. King</u> Gary R. King	Director	February 21, 2018
By:	<u>/s/ Robert L. Parker Jr.</u> Robert L. Parker Jr.	Director	February 21, 2018
By:	<u>/s/ Richard D. Paterson</u> Richard D. Paterson	Director	February 21, 2018
By:	<u>/s/ Zaki Selim</u> Zaki Selim	Director	February 21, 2018

**FIFTH AMENDMENT TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT**

THIS FIFTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated as of February 14, 2018 is by and among PARKER DRILLING COMPANY, a Delaware corporation (the "Parent Borrower"), each of the other Loan Parties, the Lenders (as such term is hereinafter defined) party hereto and BANK OF AMERICA, N.A., as the administrative agent for the Lenders party to the Existing Credit Agreement referenced below (in such capacity, together with the successors in such capacity, the "Administrative Agent") and L/C Issuer.

RECITALS

A. The Parent Borrower, the lenders from time to time party thereto (collectively, the "Lenders" and, individually, a "Lender"), the Administrative Agent and the other agents referred to therein are parties to that certain Second Amended and Restated Credit Agreement dated as of January 26, 2015, as amended by the First Amendment dated as of June 1, 2015, the Second Amendment dated as of September 29, 2015, the Third Amendment dated as of May 27, 2016 and the Fourth Amendment dated as of February 21, 2017 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the "Existing Credit Agreement"), pursuant to which the Lenders have made certain extensions of credit (subject to the terms and conditions thereof) to the Parent Borrower.

B. The Parent Borrower has previously informed the Administrative Agent that it desires to amend certain provisions of the Existing Credit Agreement and certain Loan Documents subject to satisfying certain conditions set forth herein (the Existing Credit Agreement, as amended hereby, the "Credit Agreement"); and

C. In order to amend such provisions of the Existing Credit Agreement, the Lenders signatory hereto and the Administrative Agent are willing to amend the Existing Credit Agreement on the terms and conditions more fully described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Existing Credit Agreement or Credit Agreement, as the context may require. Unless otherwise indicated, all article, schedule, exhibit and section references in this Amendment refer to articles, schedules, exhibits and sections of the Existing Credit Agreement or Credit Agreement, as the context may require.

Section 2. Amendments to Credit Agreement. Upon the occurrence of the Effective Date (as defined below), the Existing Credit Agreement (excluding the Schedules and Exhibits thereto) is

hereby amended as set forth in the composite conformed copy of the Credit Agreement (excluding the Schedules and Exhibits thereto) attached hereto as Annex I.

Section 3. Amendments to Exhibits. Upon the occurrence of the Effective Date, (i) Exhibits A, B-1, B-2, B-3, B-4, C, D and E-1 of the Existing Credit Agreement are hereby amended by deleting each in its entirety and replacing such Exhibits with Exhibits A, B-1, B-2, B-3, B-4, C, D and E-1 attached hereto on Annex II, (ii) Exhibit F of the Existing Credit Agreement is hereby amended by deleting it in its entirety and (iii) new Exhibits G, H, I, and J are hereby added to the Credit Agreement with Exhibits G, H, I, and J, respectively, attached hereto on Annex II.

Section 4. Amendments to Schedules. Upon the occurrence of the Effective Date, (i) Schedules 2.01, 5.04, 5.07(A), 5.07(B), 5.14, 5.16 and 10.02 of the Existing Credit Agreement are hereby amended by deleting them in their entirety and replacing them with Schedules 2.01, 5.04, 5.07(A), 5.07(B), 5.14, 5.16 and 10.02, respectively attached hereto on Annex III and (ii) new Schedules 6.11 and 6.15(b) are hereby added to the Credit Agreement with Schedules 6.11 and 6.15(b) attached hereto on Annex III.

Section 5. Conditions Precedent for Amendments. This Amendment shall not become effective until the date (the “Effective Date”) on which each of the following conditions is satisfied (or waived in accordance with Section 10.01 of the Credit Agreement):

5.1 Counterparts to Amendment. The Administrative Agent shall have received from all of the Lenders and the Loan Parties executed counterparts (in such number as may be requested by the Administrative Agent) of this Amendment, which in the case of each Loan Party shall be properly executed by a Responsible Officer of such Loan Party, and the Administrative Agent shall have acknowledged this Amendment.

5.2 No Default or Event of Default. As of the date hereof and as of Effective Date, immediately before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

5.3 Representations and Warranties. Each of the Loan Parties shall represent and warrant to the Administrative Agent and the Lenders that as of the date hereof and as of the Effective Date, after giving effect to the terms of this Amendment, all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects, subject to such qualification as expressed therein), except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects, subject to such qualification as expressed therein) as of such specified earlier date.

5.4 Collateral Documents. The Administrative Agent shall have received the following, and in the case of documents delivered by each Loan Party, each properly executed by a Responsible Officer of such Loan Party and, where appropriate, by the Administrative Agent, each dated the

Effective Date and each in form and substance satisfactory to the Administrative Agent and the Required Lenders:

- (a) counterparts of the Security Agreement;
- (b) counterparts of the Guaranty; and
- (c) a perfection certificate.

5.5 Ancillary Deliverables. The Administrative Agent shall have received the following, and in the case of documents delivered by the Loan Parties, each properly executed by a Responsible Officer of such Loan Party, each dated the Effective Date (or, in the case of certificates of governmental officials, a recent date before the Effective Date) and each in form and substance satisfactory to the Administrative Agent and the Required Lenders:

- (a) a Note executed by the Borrowers in favor of each Lender requesting a Note;
- (b) such certificates concerning resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Amendment and the other Loan Documents to which such Loan Party is a party;
- (c) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is in good standing in the jurisdiction of its incorporation or formation;
- (d) a certificate of a Responsible Officer of the Parent Borrower certifying that as of the Effective Date, the Loan Parties are in compliance with the insurance requirements set forth in Section 6.05 of the Credit Agreement;
- (e) a certificate of a Responsible Officer of the Parent Borrower certifying as of the Effective Date to the matters specified in Sections 5.2 and 5.3 of this Amendment; and
- (f) a certificate of a Responsible Officer certifying that there are (1) no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Parent Borrower, threatened in writing or (2) ongoing, pending or threatened investigation known to the Parent Borrower, in each case, in any court or conducted before or by any arbitrator or Governmental Authority, by or against the Parent Borrower or any of its Subsidiaries or against any of their properties or revenues that purport to affect or pertain to this Amendment and the transactions contemplated hereby.

5.6 Lien Searches. The Administrative Agent shall have received copies of any Uniform Commercial Code, judgment, tax lien, bankruptcy, intellectual property, or other searches reasonably requested by the Administrative Agent with respect to the Collateral, together with copies of the financing statements (or similar documents) disclosed by such searches, and accompanied by evidence that any Liens indicated in any such financing statement that are not permitted by Section

7.01 of the Credit Agreement have been or contemporaneously will be released or terminated (or otherwise provided for in a manner reasonably acceptable to the Administrative Agent).

5.7 Borrowing Base Certificate. The Administrative Agent shall have received an executed Borrowing Base Certificate as of a date no earlier than December 31, 2017, in form and substance reasonably acceptable to the Administrative Agent.

5.8 Field Exams and Appraisals. The Administrative Agent shall have received (i) field examinations with respect to the Borrowers' Eligible Domestic Accounts Receivable and certain other matters and (ii) an appraisal with respect to the Eligible Rental Equipment in form and substance reasonably satisfactory to the Administrative Agent.

5.9 Opinions. The Administrative Agent shall have received such favorable opinions of counsel to the Loan Parties addressed to the Administrative Agent and the Lenders and concerning such customary matters as the Administrative Agent and the Lenders may reasonably request with respect to the transactions contemplated hereby.

5.10 Solvency Certificate. The Administrative Agent shall have received, a certificate from the chief financial officer of the Parent Borrower, in form and substance reasonably satisfactory to the Administrative Agent, certifying that, as of the Effective Date, the Loan Parties, on a consolidated basis, are, and immediately after giving effect to the transactions contemplated by this Amendment will be, Solvent.

5.11 Fees and Expenses. The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, without limitation, all filing and recording fees and Taxes, and to the extent invoiced at least two Business Days before the Effective Date, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers under the Credit Agreement (including, but not limited to, the fees, disbursements and other charges of counsel to the Administrative Agent). Without limiting the foregoing, (a) each Lender party hereto shall receive a fee from the Parent Borrower equal to 25 bps payable on the amount of each such Lender's Commitment under the Credit Agreement as in effect immediately after the Effective Date, and (b) any Arranger shall have received all fees and other amounts required to be paid pursuant to any letter agreements in respect of the transactions contemplated hereby.

5.12 No Loans Outstanding; Limitation on L/C Obligations Outstanding. As of the date hereof and as of Effective Date, immediately before and after giving effect to this Amendment, there shall be (a) no outstanding Loans and (b) no outstanding L/C Obligations in excess of \$7,500,000 in the aggregate.

5.13 Other Documents. The Administrative Agent shall have received such other documents as the Administrative Agent (or its counsel) may reasonably request relating to the transactions contemplated by this Amendment.

The Administrative Agent shall notify the Parent Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

Section 6. Miscellaneous.

6.1 Confirmation. The provisions of the Loan Documents, as amended by this Amendment, shall remain in full force and effect in accordance with their terms following the effectiveness of this Amendment.

6.2 Ratification and Affirmation; Representations and Warranties. As of the Effective Date prior to and after giving effect to the amendments thereto effective as of the Effective Date, the Parent Borrower and each of the other Loan Parties does hereby (a) adopt, ratify, and confirm, as applicable, the Credit Agreement and the other Loan Documents, and, in each case, its obligations thereunder, (b) acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party, (c) agrees that each Loan Document to which it is a party remains in full force and effect, notwithstanding the amendments thereto effective as of the Effective Date, and (d) represents and warrants to the Administrative Agent and the Lenders that: (i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects, subject to such qualification as expressed therein), except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects, subject to such qualification as expressed therein) as of such specified earlier date, (ii) immediately before giving effect to this Amendment, no Default or Event of Default had occurred and was continuing and (iii) immediately after giving effect to this Amendment, no Default or Event of Default will have occurred and be continuing.

6.3 General Release. EACH OF THE PARENT BORROWER AND THE OTHER LOAN PARTIES (ON BEHALF OF THEMSELVES AND THEIR RELATED PARTIES) HEREBY FOREVER WAIVES, RELEASES, ACQUITS AND DISCHARGES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL CLAIMS (INCLUDING, WITHOUT LIMITATION, CROSSCLAIMS, COUNTERCLAIMS, RIGHTS OF SET-OFF AND RECOUPMENT), SUITS, DEMANDS, DEBTS, ACCOUNTS, CONTRACTS, LIABILITIES, OBLIGATIONS, JUDGMENTS, DAMAGES, ACTIONS AND CAUSES OF ACTIONS, WHETHER IN LAW OR IN EQUITY, OF WHATSOEVER NATURE AND KIND, WHETHER KNOWN OR UNKNOWN, WHETHER NOW OR HEREAFTER EXISTING, THAT THE PARENT BORROWER OR ANY OTHER LOAN PARTY (AND EACH OF THEIR RELATED PARTIES) AT ANY TIME HAD OR HAS, OR THAT ITS SUCCESSORS, ASSIGNS, AFFILIATES, SHAREHOLDERS AND "CONTROLLING PERSONS" (WITHIN THE MEANING OF FEDERAL SECURITIES LAWS) HEREAFTER CAN OR MAY HAVE AGAINST THE ADMINISTRATIVE AGENT, THE L/C ISSUER, ANY ARRANGER, ANY LENDER OR ANY OF THEIR RELATED PARTIES THROUGH THE DATE HEREOF AND THROUGH THE EFFECTIVE DATE, IN EACH CASE IN CONNECTION WITH THE CREDIT AGREEMENT, THE OTHER LOAN DOCUMENTS, ALL OTHER DOCUMENTS EXECUTED IN CONNECTION THEREWITH, AND THE TRANSACTIONS CONTEMPLATED THEREBY.

6.4 Loan Document. This Amendment and each agreement, instrument, certificate or document executed by the Parent Borrower and/or the other Loan Parties, as applicable, or any of their respective officers in connection therewith are “Loan Documents” as defined and described in the Credit Agreement and all of the terms and provisions of the Loan Documents relating to other Loan Documents shall apply hereto and thereto.

6.5 Counterparts. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means (e.g., “pdf” or “tiff”) shall be effective as delivery of a manually executed counterpart of this Amendment.

6.6 NO ORAL AGREEMENT. THIS AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND THEREWITH REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

6.7 GOVERNING LAW. THIS AMENDMENT (INCLUDING, BUT NOT LIMITED TO, THE VALIDITY AND ENFORCEABILITY HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

6.8 Miscellaneous. Section 10.14(b), (c) and (d) and Section 10.15 of the Credit Agreement shall apply to this Amendment, *mutatis mutandis*.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Amendment to Second Amended and Restated Credit Agreement to be duly executed as of the date first written above.

PARENT BORROWER

PARKER DRILLING COMPANY,
as the Parent Borrower

By: /s/ David W. Tucker
Name: David W. Tucker
Title: Treasurer and Assistant
Secretary

DESIGNATED BORROWERS

PARKER DRILLING ARCTIC OPERATING, LLC, a Delaware limited liability company

By: /s/ Michael W. Sumruld
Name: Michael W. Sumruld
Title: Vice President

PARKER DRILLING OFFSHORE USA, L.L.C., an Oklahoma limited liability company

By: /s/ Michael W. Sumruld
Name: Michael W. Sumruld
Title: Vice President

QUAIL TOOLS, L.P., an Oklahoma limited partnership

By: Quail USA, LLC, its General
Partner

Sumruld
Name: Michael W. Sumruld
Title: Vice President

By: /s/ Michael W.

SUBSIDIARY GUARANTORS

ANACHORETA, INC., a Nevada corporation

PARDRIL, INC., an Oklahoma corporation

PARKER AVIATION INC., an Oklahoma corporation

PARKER DRILLING COMPANY NORTH AMERICA, INC., a Nevada corporation

PARKER DRILLING COMPANY OF NIGER, an Oklahoma corporation

PARKER DRILLING COMPANY OF OKLAHOMA, INCORPORATED, an Oklahoma corporation

PARKER DRILLING COMPANY OF SOUTH AMERICA, INC., an Oklahoma corporation

PARKER DRILLING MANAGEMENT

SERVICES, LTD., a Nevada limited liability company

PARKER DRILLING OFFSHORE COMPANY LLC, a Nevada limited liability company

PARKER NORTH AMERICA OPERATIONS, LLC, a Nevada limited liability company

PARKER TECHNOLOGY, INC., an Oklahoma corporation

PARKER TECHNOLOGY, L.L.C., a Louisiana limited liability company

PARKER TOOLS, LLC, an Oklahoma limited liability company

QUAIL USA, LLC, an Oklahoma limited liability company

2M-TEK, INC., a Louisiana corporation

By: /s/ David W. Tucker

Name: David W. Tucker

Title: ice President and Treasurer

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/

Makis

Dasigenis

Name: Makis Dasigenis

Title: SVP

BANK OF AMERICA, N.A.,
as a Lender and L/C Issuer

By: /s/ Makis Dasigenis
Name: Makis Dasigenis
Title: SVP

BARCLAYS BANK PLC, as a Lender

By: /s/ Vanessa Kurbatskiy

Name: Vanessa Kurbatskiy

Title: Vice President

WELLS FARGO BANK N.A., as a Lender

By: ___/s/ Katherine Scalzo _____
Name: Katherine Scalzo
Title: Director

DEUTSCHE BANK AG, NEW YORK BRANCH, as a Lender

By: /s/ Marguerite Sutton

Name: Marguerite Sutton

Title: Vice President

By: /s/ Maria Guinchard

Name: Maria Guinchard

Title: Vice President

GOLDMAN SACHS BANK USA, as a Lender

By: /s Chris Lam
Name: Chris Lam
Title: Authorized Signatory

THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: /s/ Steve Nixon

Name: Steve Nixon

Title: :Executive Director

WHITNEY BANK, as a Lender

By: /s/ Ian Mckie

Name: Ian Mckie

Title :SP

HSBC BANK USA, N.A., as a Lender

By: /s/ Wadie C. Habiby

Name: Wadie C. Habiby

Title: SVP, Corporate Banking

NORTHRIM BANK, as a Lender

By: /s/ Michael G. Huston
Name: Michael G. Huston
Title: EVP, Chief Lending Officer

[

Annex I

Composite Conformed Credit Agreement

(see attached)

Published CUSIP Number: _____

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of January 26, 2015

among

PARKER DRILLING COMPANY,
as the Parent Borrower,
certain Subsidiaries of the Parent Borrower, as
Borrowers,

BANK OF AMERICA, N.A.,
as Administrative Agent and L/C Issuer,

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Syndication Agent**

BARCLAYS BANK PLC,
as Documentation Agent,

and

THE OTHER LENDERS AND L/C ISSUERS
from time to time party hereto

Merrill Lynch, Pierce, Fenner & Smith Incorporated

and

Wells Fargo Securities, LLC

as

Joint Lead Arrangers and Joint Bookrunners

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B-3	U.S. Tax Compliance Certificate
B-4	U.S. Tax Compliance Certificate

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED CREDIT AGREEMENT (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement") is entered into as of January 26, 2015, among PARKER DRILLING COMPANY, a Delaware corporation ("PKD" and in its capacity as agent for the Borrowers hereunder, the "Parent Borrower" as set forth in Section 11.01), certain Subsidiaries of the PKD party hereto from time to time pursuant to Section 2.14 (each as "Designated Borrower" and together with the Parent Borrower, the "Borrowers"), each lender from time to time party hereto (collectively, the "Lenders" and, individually, a "Lender"), BANK OF AMERICA, N.A., as the Administrative Agent and an L/C Issuer, WELLS FARGO BANK, NATIONAL ASSOCIATION, as Syndication Agent, and BARCLAYS BANK PLC, as Documentation Agent.

PRELIMINARY STATEMENTS:

PKD heretofore entered into that certain Credit Agreement dated as of May 15, 2008, by and among PKD, as borrower, Bank of America, as the administrative agent thereunder, the lenders party thereto, Bank of America, as an issuer of letters of credit thereunder, and the other parties thereto, as amended by the Amendment dated as of June 30, 2008, the Second Amendment dated as of January 15, 2010, the Third Amendment dated as of April 1, 2011 and the Fourth Amendment dated as of April 9, 2012, as further amended and restated by the Amended and Restated Credit Agreement dated as of December 14, 2012, by and among PKD, as borrower, Bank of America, as the administrative agent thereunder, the lenders party thereto (the "Existing Lenders"), Bank of America, as an issuer of letters of credit thereunder, and the other parties thereto, as amended by the First Amendment dated as of July 19, 2013 (as so amended and as otherwise heretofore supplemented or modified, the "Existing Credit Agreement").

The "Obligations" (as defined in the Existing Credit Agreement) of the Loan Parties under the Existing Credit Agreement are secured by certain mortgages, guaranties, security agreements, instruments and other documents heretofore executed (specifically those agreements, instruments and documents listed in Schedule I, the "Existing Collateral Documents").

The parties hereto have agreed to enter into this Agreement to amend, restate, extend, renew and continue, but not to extinguish, terminate or novate, the Loans and the Letters of Credit under the Existing Credit Agreement.

In consideration of the mutual covenants and agreements herein contained, the parties hereto hereby amend and restate the Existing Credit Agreement in its entirety as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 **Defined Terms.** As used in this Agreement, the following terms shall have the meanings set forth below:

“2015 Refinancing” means the occurrence of the Closing Date and the amendment and restatement of the Existing Credit Agreement pursuant to this Agreement.

2 “Accounts” means accounts receivable of PKD or any of its Subsidiaries, as applicable, arising out of the sales or leasing of goods or services made by PKD or any of its Subsidiaries, as applicable, in the ordinary course of business, to the extent constituting an “account” as defined in the Uniform Commercial Code.

3 “Account Debtor” means a Person obligated under an Account, chattel paper or general intangible.

4 “Additional Senior Notes” means additional unsecured notes of PKD or any of its Subsidiaries (other than Immaterial Subsidiaries) in an aggregate principal amount not to exceed \$250,000,000 at any one time outstanding; *provided* that (i) any such notes shall (w) have a scheduled maturity occurring no earlier than 91 days after the Maturity Date, (x) contain terms (including covenants and events of default) no more restrictive, taken as a whole, to PKD and its Subsidiaries than those contained in this Agreement, (y) have no scheduled amortization, no sinking fund requirements and no maintenance financial covenants and (z) no Default or Event of Default shall have occurred and be continuing immediately before and after the incurrence of such Additional Senior Notes and (ii) at the time of, and giving effect to, the incurrence of any such notes and the use of the proceeds thereof, the Consolidated Leverage Ratio shall be less than or equal to 4.00:1.00 on a pro forma basis as of the last day of the most recent fiscal quarter of PKD.

5 “Administrative Agent” means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

6 “Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Parent Borrower and the Lenders.

7 “Administrative Questionnaire” means an Administrative Questionnaire in substantially the form of Exhibit E-2 or any other form approved by the Administrative Agent.

8 “Advance Rate” means at any time, the applicable percentage set forth in clause (i) or (ii) of the definition of “Borrowing Base” or such other percentage having similar effect as may become effective in lieu of or in addition to such applicable percentage in accordance with such definition.

9 “Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

10 “Agents” means, collectively, the Administrative Agent, the Syndication Agent, and the Documentation Agent.

11 “Aggregate Commitments” means the Commitments of all the Lenders. As of the Fifth Amendment Effective Date, the Aggregate Commitments are \$80,000,000.

12 “Agreement” has the meaning specified in the introductory paragraph hereto.

13 “Alternative Currency” means each currency (other than Dollars) that is approved in accordance with Section 1.06.

14 “Alternative Currency Equivalent” means, at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in the applicable Alternative Currency as determined by the Administrative Agent or an L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of such Alternative Currency with Dollars.

15 “Amended and Restated Mortgage” means that certain Amended and Restated Mortgage of the Existing Mortgage entered into in connection with the Fifth Amendment pursuant to the terms thereof.

16 “Applicable Fee Rate” means 0.50% per annum.

17 “Applicable Percentage” means, with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender’s Commitment at such time. If the Aggregate Commitments have been terminated or expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. As of the Fifth Amendment Date, the Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 and thereafter in the Assignment and Assumption (or such other instrument) pursuant to which such Lender becomes a party hereto, as applicable.

18 “Applicable Rate” means the applicable percentage per annum set forth below determined by reference to the Consolidated Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(b):

Applicable Rate

Pricing Level	Consolidated Leverage Ratio	Eurodollar Rate Loans and Letters of Credit	Base Rate Loans
1	< 2.50:1	2.50%	1.50%
2	≥ 2.50:1 but < 3.50:1	2.75%	1.75%
3	≥ 3.50:1 but < 4.25:1	3.00%	2.00%
4	≥ 4.25:1 but < 5.00:1	3.50%	2.50%
5	≥ 5.00:1	4.00%	3.00%

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b); *provided, however*, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Level 5 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b).

19 “Applicable Time” means, with respect to any payments in any Alternative Currency, the local time in the place of settlement for such Alternative Currency as may be determined by the Administrative Agent or the applicable L/C Issuer, as the case may be, to be necessary for timely settlement on the relevant date in accordance with normal banking procedures in the place of payment.

20 “Applicant Borrower” has the meaning specified in Section 2.14(b).

21 “Applicant Borrower Materials” has the meaning specified in Section 2.14(b).

22 “Appropriate Lender” means, at any time, (a) a Lender that has a Commitment or holds a Loan at such time and (b) with respect to the Letter of Credit Sublimit, (i) the L/C Issuers and (ii) if any Letters of Credit have been issued pursuant to Section 2.03(a), the Lenders.

23 “Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

24 “Arrangers” means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC in its capacity as a joint lead arranger and joint bookrunner.

25 “Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

26 “Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E-1 or any other form (including electronic documentation generated by use of an electronic platform) approved by the Administrative Agent.

27 “Attributable Indebtedness” means, on any date, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease or similar payments under the relevant lease or other applicable agreement or instrument that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement or instrument were accounted for as a Capitalized Lease and (c) all Synthetic Debt of such Person.

28 “Audited Financial Statements” means the audited consolidated balance sheet of PKD and its Subsidiaries for each of the fiscal years ended on December 31, 2012 and December 31, 2013, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal years of the PKD and its Subsidiaries, including the notes thereto.

29 “Auto-Extension Letter of Credit” has the meaning specified in Section 2.03(b)(iii).

30 “Availability” means (a) the Line Cap minus (b) Total Outstandings.

31 “Availability Period” means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Commitments pursuant to Section 2.06, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the L/C Issuers to make L/C Credit Extensions pursuant to Section 8.02.

32 “Availability Reserve” means the sum (without duplication) of (a) the Rent and Charges Reserve; (b) the Bank Product Reserve; (c) the Dilution Reserve, (d) the aggregate amount of liabilities secured by Liens upon Collateral that are senior to Administrative Agent's Liens (but imposition of any such reserve shall not waive an Event of Default arising therefrom); (e) the Casualty Reserve; (f) the Disposition Reserve; (g) the Fractional Shares Reserve; and (h) such additional reserves, in such amounts and with respect to such matters, as Administrative Agent in its Permitted Discretion may elect to impose from time to time.

33 “Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

34 “Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

35 “Bank of America” means Bank of America, N.A. and its successors.

36 “Bank Product Reserve” means at any time, reserves in respect of Secured Hedge Agreements and Secured Cash Management Agreements then provided and outstanding, including, without limitation, the reserves established by the Administrative Agent pursuant to Section 2.04(a).

37 “Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate”, and (c) the Eurodollar Rate plus 1.00%; and if Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement. The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

38 “Base Rate Loan” means a Loan that bears interest based on the Base Rate.

39 “Benefit Plan” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

40 “Borrowers” has the meaning specified in the introductory paragraph hereto.

41 “Borrower Materials” has the meaning specified in Section 6.02.

42 “Borrowing” means a borrowing consisting of simultaneous Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

43 “Borrowing Base” means, at any time, the amount equal at such time to:

(i) eighty-five percent (85%) of the aggregate Net Amount of Eligible Domestic Accounts Receivable, plus

(ii) the least of (A) ninety percent (90%) of the Net Book Value of the Eligible Rental Equipment (B) sixty percent (60%) of the Net Equipment OLV of the Eligible Rental Equipment, and (C) \$50,000,000; *provided* that prior to the inclusion of any Eligible Rental Equipment in the Borrowing Base, the Administrative Agent shall have obtained an appraisal thereof in connection with the Fifth Amendment Effective Date or thereafter in accordance with Section 6.12, minus

(iii) the Availability Reserve,

in the case of (i) and (ii) above, as determined on the basis of the most recent Borrowing Base Certificate delivered to the Administrative Agent pursuant to Section 6.01(d). This definition of Borrowing Base will not be modified to increase the Advance Rates or dollar

submits stated above or amend the definition of “Borrowing Base” (or any material defined terms used in such definition) such that more credit would be available to the Borrowers without the approval, as of any date of determination, of Lenders holding at least two-thirds of the sum of the of the Aggregate Commitments or, if the Aggregate Commitments have expired or terminated, Lenders holding in the aggregate more than two-thirds of the Total Outstandings (with the aggregate amount of each Lender’s risk participation and funded participation in L/C Obligations being deemed “held” by such Lender for purposes of this definition); *provided* that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of these determinations.

“Borrowing Base Certificate” means a certificate duly executed by a Responsible Officer of the Parent Borrower substantially in the form of Exhibit G, or in such other form as is reasonably satisfactory to the Administrative Agent, by which Parent Borrower certifies to the calculation of the Borrowing Base.

44 “Borrowing Base Collateral” means the Accounts and Quail Rental Assets.

45 “Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, New York or the state where the Administrative Agent’s Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

46 “Capitalized Leases” means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

47 “Cash Collateralize” has the meaning specified in Section 2.03(g).

48 “Cash Dominion Trigger Period” means the period (a) commencing on the day that an Event of Default occurs (unless the Administrative Agent gives notice to the Parent Borrower that such period shall not commence on such date, in which case such period shall commence on any date during which such Event of Default exists as specified by the Administrative Agent in a notice to the Parent Borrower) or the amount of Loans outstanding is greater than \$0.00 and (b) continuing until, during each of the preceding 60 consecutive days, no Event of Default has occurred and is continuing and the amount of Loans outstanding is \$0.00.

49 “Cash Equivalents” means any of the following:

(a) readily marketable obligations issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than 360 days from the date of acquisition thereof; *provided* that the full faith and credit of the United States of America is pledged in support thereof;

(b) time deposits, Euro time deposits or overnight bank deposits with, or insured certificates of deposit or bankers’ acceptances of, any commercial bank that (i) (A) is a Lender or

(B) is organized under the laws of the United States of America, any state thereof or the District of Columbia or is the principal banking subsidiary of a bank holding company organized under the laws of the United States of America, any state thereof or the District of Columbia, and is a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) of this definition and (iii) has combined capital and surplus of at least \$500,000,000, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(c) commercial paper issued by any Person organized under the laws of any state of the United States of America and rated at least "Prime-2" (or the then equivalent grade) by Moody's or at least "A-2" (or the then equivalent grade) by S&P, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government;

(e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's;

(f) securities with maturities of 180 days or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition;

(g) Investments, classified in accordance with GAAP as current assets of PKD or any of its Subsidiaries, in money market investment programs which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to Investments of the character, quality and maturity described in clauses (a) through (f) of this definition; and

(h) shares of any money market fund for which an affiliate of Bank of America provides investment advisory services.

50 "Cash Management Agreement" means any agreement to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

51 "Cash Management Bank" means (a) any Person that, at the time it enters into a Cash Management Agreement, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Cash Management Agreement and (b) any Lender or Affiliate of a Lender that is party to a Cash Management Agreement with a Borrower or one of its Subsidiaries as of the Closing Date or the date that such Person or such Person's Affiliate becomes a Lender hereunder.

52 “Casualty Event” means any loss, casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any Property or asset of the Parent Borrower, the other Borrowers or any of their respective Material Subsidiaries.

53 “Casualty Reserve” means any reserve in respect of any Significant Casualty Event affecting Borrowing Base Collateral established by the Administrative Agent in its Permitted Discretion.

54 “CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and any successor statute.

55 “CFC” means a “controlled foreign corporation” as defined in Section 957 of the Code.

56 “Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

57 “Change of Control” means an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”), directly or indirectly, of 35% or more of the equity securities of PKD entitled to vote for members of the board of directors or equivalent governing body of the Parent Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) a majority of the members of the board of directors or other equivalent governing body of PKD cease to be composed of individuals (i) who were members of that board or equivalent governing body on the Fifth Amendment Effective Date, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent

governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or

(c) a “Change of Control”, or like event, as defined in any of the Indentures, shall have occurred.

58 “Closing Date” means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

59 “Code” means the Internal Revenue Code of 1986.

60 “Collateral” means all of the “Collateral” and “Vessels” referred to in the Collateral Documents and all of the other Property of the Loan Parties, now owned or hereafter acquired, that is or is intended under the terms of the Collateral Documents to be subject to Liens in favor of the Administrative Agent for the benefit of the Secured Parties (and excluding, for the avoidance of doubt, any Excluded Assets (as defined in the Security Agreement)).

61 “Collateral Documents” means, collectively, the Security Agreement, the Mortgages, each of the supplements (or amendments and/or restatements, as applicable) to any of the foregoing, the Lockbox Agreements, the Control Agreements, mortgages, collateral assignments, Security Agreement Supplements, security agreements (including intellectual property security agreements), pledge agreements or other similar agreements, instruments, filings or recordings (and amendments to the foregoing, as applicable) delivered to the Administrative Agent pursuant to Section 6.09, and each of the other agreements, instruments, documents, filings or recordings that creates or purports to create (or continue) a Lien in favor of the Administrative Agent for the benefit of the Secured Parties. For the avoidance of doubt, the Omnibus Amendment to Collateral Documents and the Second Omnibus Amendment to Collateral Documents are each Collateral Documents.

62 “Commitment” means, as to each Lender, its obligation to (a) make Loans to the Borrowers pursuant to Section 2.01, and (b) purchase participations in L/C Obligations, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 as of the Fifth Amendment Effective Date under the caption “Commitment” or opposite such caption in the Assignment and Assumption (or such other instrument) pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

63 “Committed Loan Notice” means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit A or such other form as may be approved by the Administrative Agent (including any form of an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of PKD.

64 “Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

65 “Compliance Certificate” means a certificate duly executed by a Responsible Officer of the Parent Borrower substantially in the form of Exhibit D.

66 “Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

67 “Consolidated Cash Balance” means any unrestricted cash or Cash Equivalents of PKD and its Subsidiaries (other than any cash or Cash Equivalents held in a deposit account in any non-U.S. jurisdiction in the ordinary course of business with respect to amounts received from or anticipated to become due and owing in the near term to unaffiliated third parties).

68 “Consolidated EBITDA” means, at any date of determination, for any period, an amount equal to Consolidated Net Income of PKD and its Subsidiaries on a consolidated basis for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts, and other fees and charges associated with Indebtedness for such period, (ii) the provision for Federal, state, local and foreign income taxes payable by PKD and its Subsidiaries for such period, (iii) depreciation and amortization expense, (iv) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (v) other extraordinary, unusual or non-recurring expenses or losses of PKD and its Subsidiaries reducing such Consolidated Net Income (including, whether or not otherwise includable as a separate item in the statement of Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business), *provided* that, in the case of such extraordinary, unusual or non-recurring expenses or losses, such additions are found to be acceptable by the Administrative Agent, acting reasonably, and (vi) other non-cash charges and minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits of PKD and its Subsidiaries for such period, (ii) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business), *provided* that, in the case of such extraordinary, unusual or non-recurring income or gains, such deductions are found to be acceptable by the Administrative Agent, acting reasonably, (iii) any other non-cash income, all as determined on a consolidated basis and (iv) the amount of any cash expenditures during such period in respect of items that were added as non-cash charges in determining Consolidated EBITDA for a prior period.

69 “Consolidated Interest Charges” means, for any period, for PKD and its Subsidiaries on a consolidated basis, the sum of total interest expense (including that attributable under Capitalized Leases) for such period with respect to all outstanding Indebtedness of PKD and its Subsidiaries (including, without limitation, all commissions, discounts and other fees and charges owed by PKD or its Subsidiaries with respect to letters of credit and bankers’ acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

70 “Consolidated Leverage Ratio” means, as of the last day of any period of four consecutive fiscal quarters, the ratio of (a) Consolidated Total Debt as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended; *provided* that for purposes of calculating Consolidated EBITDA for any period, (i) the Consolidated EBITDA of any Person (it being understood that for purposes of this proviso, the reference to Consolidated EBITDA of such Person (and the component definitions thereof) are to be read *mutatis mutandis* with respect to such Person) acquired by PKD or its Subsidiaries during such period shall be included on a pro forma basis for such period (assuming the consummation of such acquisition and the incurrence or assumption of any Indebtedness in connection therewith occurred on the first day of such period) if the consolidated balance sheet of such acquired Person and its consolidated Subsidiaries as at the end of the period preceding the acquisition of such Person and the related consolidated statements of income and stockholders’ equity and of cash flows for the period in respect of which Consolidated EBITDA is to be calculated (x) have been previously provided to the Administrative Agent and the Lenders and (y) either (1) have been reported on without a qualification arising out of the scope of the audit by independent certified public accountants of nationally recognized standing or (2) have been found acceptable by the Administrative Agent and (ii) the Consolidated EBITDA of any Person Disposed of by PKD or its Subsidiaries during such period shall be excluded for such period (assuming the consummation of such Disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period).

71 “Consolidated Net Income” means, for any period, for PKD and its Subsidiaries determined on a consolidated basis in accordance with GAAP, the consolidated net income (or loss) of PKD and its Subsidiaries for that period; *provided*, that in calculating Consolidated Net Income of PKD and its consolidated Subsidiaries for any period, there shall be excluded (a) the net income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of PKD or is merged into or consolidated with PKD or any of its Subsidiaries, (b) the net income (or deficit) of any Person (other than a Subsidiary of PKD) in which PKD or any of its Subsidiaries has an ownership interest, except to the extent that any such net income is actually received by PKD or such Subsidiary in the form of cash dividends or similar cash distributions and (c) the net income of any Subsidiary of PKD to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary (*provided* that, 100% of any net losses of such Subsidiary shall be included).

72 “Consolidated Senior Secured Debt” means all Consolidated Total Debt (other than Refinancing Debt incurred to refinance Existing Senior Notes pursuant to the Senior Notes Refinancing Transactions) that is secured by a Lien on any Property of PKD or any of its Subsidiaries.

73 “Consolidated Senior Secured Leverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated Senior Secured Debt as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended; *provided* that for purposes of calculating Consolidated EBITDA of PKD and its Subsidiaries for any period, the Consolidated EBITDA of any Person acquired by PKD or its Subsidiaries during such period and the Consolidated EBITDA of any Person Disposed of by PKD or its Subsidiaries during such period shall be included

or excluded, as applicable, as provided in the proviso set forth in the definition of Consolidated Leverage Ratio.

74 “Consolidated Tangible Assets” means, with respect to any Person as of any date of determination, the amount which, in accordance with GAAP, would be set forth under the caption “Total Assets” (or any like caption) on a consolidated balance sheet of such Person and its Subsidiaries, less all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP.

75 “Consolidated Total Debt” means, as of any date of determination, for PKD and its Subsidiaries on a consolidated basis, the aggregate principal amount of all Indebtedness of PKD and its Subsidiaries as of such date (other than Indebtedness of the type described in clause (f) of the definition of “Indebtedness”, except to the extent such facilities have been drawn and not reimbursed), determined on a consolidated basis in accordance with GAAP.

76 “Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

77 “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

78 “Control Agreement” means in respect of each deposit account, securities account, lockbox account, concentration account, collection account or disbursement account, in each case other than any Immaterial Account or Excluded Account, in the United States existing and maintained for any Loan Party as of the Fifth Amendment Effective Date and each account identified to the Administrative Agent pursuant to Section 6.11(a), a Control Agreement, in form and substance reasonably satisfactory to the Administrative Agent and the Parent Borrower, pursuant to which (a) the Loan Party that is the owner of such account irrevocably instructs the bank or securities intermediary that maintains such account that such bank or securities intermediary shall follow the instructions or entitlement orders, as the case may be, of the Administrative Agent without further consent of such Loan Party and (b) the Administrative Agent agrees that it will not give any instructions or entitlement orders, as the case may be, in respect of such account unless an Event of Default has occurred and is continuing. Each Control Agreement shall contain such other terms as shall be customary for agreements of such type.

79 “Convertible Debt” means any convertible subordinated debentures or note created, issued or assumed by PKD which have all of the following characteristics:

(a) an initial final maturity or due date in respect of repayment of principal extending at least 120 days beyond the Maturity Date under this Agreement in effect at the time such debentures or notes are created, issued or assumed;

(b) no scheduled or mandatory payment or repurchase of principal thereunder (other than acceleration following any event of default in regard thereto or payment which can be satisfied by the delivery of shares as contemplated in paragraph (f) of this definition and other than on a change of control of PKD where a Change of Control also occurs under this Agreement) prior to the Maturity Date under this Agreement in effect at the time such debentures or notes are created, issued or assumed;

(c) upon and during the continuance of a Default, an Event of Default or acceleration of the time for repayment of any Obligations which has not been rescinded, (i) all amounts payable in respect of principal, premium (if any) or interest under such debentures or notes are subordinate and junior in right of payment to the Obligations and (ii) no enforcement steps or enforcement proceedings may be commenced in respect of such debentures or notes;

(d) such debentures or notes shall be unsecured and shall provide that upon distribution of the assets of PKD on any dissolution, winding up, total liquidation or reorganization of PKD (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of such person, or otherwise), all Obligations shall first be paid in full in cash, or provisions made for such payment, before any payment is made on account of principal, premium (if any) or interest payable in regard to such debentures or notes;

(e) the occurrence of a Default or Event of Default under this Agreement or the acceleration of the time for repayment of any of the Obligations or enforcement of the rights and remedies of the Administrative Agent and the Secured Parties hereunder or under any other Loan Document shall not in and of themselves:

(i) cause a default or event of default (with the passage of time or otherwise) under such debentures or notes or the indenture governing the same; or

(ii) cause or permit the obligations under such debentures or notes to be due and payable prior to the stated maturity thereof; and

(f) payments of interest or principal due and payable under such debentures or notes can be satisfied, at the option of PKD, by delivering shares of PKD (or cash in lieu of fractional shares) in accordance with the indenture or agreement governing such debentures or notes (whether such shares are received by the holders of such debentures or notes as payment or are sold by a trustee or representative under such indenture or agreement to provide cash for payment to holders of such debentures or notes).

80 "Cost" means in respect of any Quail Rental Assets, the net cost of such Quail Rental Assets to Quail Tools after all cash and other discounts or other allowances which were allowed or taken by Quail Tools against the purchase price of such Quail Rental Assets.

81 "Credit Extension" means each of the following: (a) the making of a Loan and (b) an L/C Credit Extension.

82 “Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

83 “Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

84 “Default Rate” means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; *provided, however*, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.

85 “Defaulting Lender” means, subject to Section 2.16(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Parent Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the L/C Issuer or any Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified the Parent Borrower, the Administrative Agent or the L/C Issuer in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Parent Borrower, to confirm in writing to the Administrative Agent and the Parent Borrower that it will comply with its prospective funding obligations hereunder (*provided* that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Parent Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) becomes the subject of a Bail-In Action; *provided* that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject,

repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.16(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Parent Borrower, any L/C Issuer, and each other Lender promptly following such determination.

86 “Derivatives Counterparty” has the meaning specified in Section 7.06.

87 “Designated Borrower” has the meaning specified in the introductory paragraph hereto.

88 “Designated Borrower Notice” has the meaning specified in Section 2.14.

89 “Designated Borrower Request and Assumption Agreement” has the meaning specified in Section 2.14.

90 “Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Dilution Percent” means the percent, determined for the Borrowers most recent fiscal quarter, equal to (a) bad debt write-downs or write-offs, discounts, returns, promotions, credits, credit memos and other dilutive items with respect to Accounts, divided by (b) gross sales.

“Dilution Reserve” means the aggregate amount of reserves in an amount equal to the Value of the Eligible Domestic Accounts Receivable *multiplied* by 1.0% for each percentage point (or portion thereof) that the Dilution Percent exceeds 5.0%.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any Property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

91 “Disposition Reserve” means any reserve in respect of any Disposition of Borrowing Base Collateral outside the Ordinary Course of Business established by the Administrative Agent in its Permitted Discretion.

92 “Disqualified Stock” means any Equity Interests that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Equity Interests), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Equity Interests, in whole or in part, in each case, on or prior to the date that is 91 days after the date (a) which is the Maturity Date or (b) on which there are no Obligations outstanding; *provided* that only the portion of Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof

prior to such date shall be deemed to be Disqualified Stock; *provided, further*, that if such Equity Interests is issued to any employee or to any plan for the benefit of employees of PKD or its Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Stock solely because it may be required to be repurchased by PKD in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided, further*, that any class of Equity Interests of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Equity Interests that is not Disqualified Stock shall not be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Equity Interests that would constitute Disqualified Stock solely because the holders of the Equity Interests have the right to require PKD to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock if the terms of such Equity Interests provide that PKD may not repurchase or redeem any such Equity Interests pursuant to such provisions prior to obtaining any waiver or amendment to this Agreement required to permit such repurchase or redemption.

93 "Documentation Agent" means Barclays Bank PLC in its capacity as documentation agent under any of the Loan Documents, or any successor documentation agent.

94 "Dollar" and "¢" mean lawful money of the United States.

95 "Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any Alternative Currency, the equivalent amount thereof in Dollars as determined by the Administrative Agent or the applicable L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with such Alternative Currency.

96 "Domestic Subsidiary" means any Subsidiary that is organized under the laws of any political subdivision of the United States.

97 "Dominion Account" means a special account established by a Borrower at Bank of America or another bank acceptable to the Administrative Agent, over which the Administrative Agent will have exclusive dominion and control for withdrawal purposes at any time; *provided that*, the applicable Borrower may access the funds in the Dominion Account until such time as a Cash Dominion Trigger Period exists.

98 "EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

99 "EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

100 “EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

101 “Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.06(b)(iv), (v) and (vi) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

102 “Eligible Domestic Accounts Receivable” means Accounts of the Borrowers, invoiced from operations in the United States and payable in Dollars. In determining the amount to be so included, the face amount of such Accounts shall exclude any such Accounts that the Administrative Agent determines to be ineligible in its Permitted Discretion. Unless otherwise approved in writing by the Administrative Agent, no Account of a Borrower shall be deemed to be an Eligible Domestic Account Receivable if:

(a) it arises out of a sale or rendition made by a Borrower to an Affiliate; or

(b) (i) in the case of any Account due to any Borrower from an Account Debtor other than a Qualified Account Debtor, it is unpaid more than (A) 60 days after the original payment due date and/or (B) 90 days after the original invoice date and (ii) in the case of any Account due to any Borrower from an Account Debtor (or any Affiliate thereof) whose long-term unsecured debt obligations are rated at least A by Moody’s or A2 by S&P (each, a “Qualified Account Debtor”), it is unpaid for more than (A) 90 days after the original payment due date and/or (B) 120 days after the original invoice date; or

(c) it is from the same Account Debtor (or any Affiliate thereof) and fifty percent (50%) or more, in face amount, of all Accounts from such Account Debtor (and any Affiliate thereof) due to the Borrowers are ineligible pursuant to clause (b) above; or

(d) the Account due to a Borrower, when aggregated with all other Eligible Domestic Accounts Receivable of such Account Debtor (and any Affiliate thereof) due to all of the Borrowers, exceeds fifteen percent (15%) in face value of all Eligible Domestic Accounts Receivable of the Borrowers combined then outstanding, to the extent of such excess; *provided*, to the extent that such Account is otherwise deemed to be an Eligible Domestic Account Receivable, that (i) if such Account is supported or secured by an irrevocable letter of credit in form and substance reasonably satisfactory to the Administrative Agent, issued or confirmed by a financial institution reasonably satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent), it shall be excluded to the extent of the face amount of such letter of credit for the purposes of such calculation; and (ii) with respect to the Account Debtors listed on Schedule 1.01(b) attached hereto (or any Affiliate thereof), the percentage referred to above shall be deemed to be the percentage set forth on such Schedule opposite the name of such Account Debtor; or

(e) (i) the Account Debtor is also a creditor of the a Borrower, (ii) the Account Debtor has disputed its liability on, or the Account Debtor has made any claim with respect to, such Account or any other Account due from such Account Debtor to a Borrower, which has not been resolved

or (iii) the Account otherwise is or may reasonably be expected to become subject to any right of setoff by the Account Debtor or with respect to which any other claim, counterclaim, chargeback, credit, defense, dispute, deduction, discount, recoupment, reserve, rebate, allowance or offset has been, or may reasonably be expected to be, asserted; *provided* that any Account deemed ineligible pursuant to this clause (e) shall only be ineligible to the extent of the amount owed by such Borrower to the Account Debtor, the amount of such dispute or claim, or the amount of such setoff, other claim, counterclaim, chargeback, credit, defense, dispute, deduction, discount, recoupment, reserve, rebate, allowance or offset, as applicable; *provided further*, that the portion of any Account that would otherwise be deemed ineligible pursuant to this clause (e) shall not be deemed ineligible pursuant to this clause (e) to the extent (i) supported or secured by an irrevocable letter of credit in form and substance reasonably satisfactory to the Administrative Agent, issued or confirmed by a financial institution reasonably satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent) or (ii) subject to a no-offset letter in form and substance reasonably satisfactory to the Administrative Agent; or

(f) the Account Debtor has commenced a voluntary case under any Debtor Relief Law, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or if a decree or order for relief has been entered by a court having jurisdiction over the Account Debtor in an involuntary case under any Debtor Relief Law, as now constituted or hereafter amended, or if any other petition or other application for relief under any Debtor Relief Law has been filed by or against the Account Debtor, or if the Account Debtor has filed a certificate of dissolution under applicable state law or shall be liquidated, dissolved or wound-up, or shall authorize or commence any action or proceeding for dissolution, winding-up or liquidation, or if the Account Debtor has failed, suspended business, is insolvent, has declared itself to be insolvent, is generally not paying its debts as they become due or has consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs (any such act or event an “Act of Bankruptcy”) unless (i) (x) a court presiding and having primary jurisdiction over the applicable Act of Bankruptcy has entered an order or decree making the applicable Borrower a “critical vendor”, and such order or decree is reasonably acceptable to the Administrative Agent and (y) such Account Debtor has obtained adequate postpetition financing to pay the Accounts of such Borrower in the sole discretion of the Administrative Agent and (ii) either (A) the payment of Accounts from such Account Debtor is secured by assets of, or guaranteed by, in either case in a manner satisfactory to the Administrative Agent, a Person with respect to which an Act of Bankruptcy has not occurred and that is acceptable to the Administrative Agent; (B) if the Account from such Account Debtor arises subsequent to a decree or order for relief with respect to such Account Debtor under any Debtor Relief Law, as now or hereafter in effect, the Administrative Agent shall have determined that the timely payment and collection of such Account will not be impaired; or (C) the payment of such Account is supported or secured by an irrevocable letter of credit in form and substance satisfactory to the Administrative Agent, issued or confirmed by a financial institution satisfactory to the Administrative Agent, and duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent); or

(g) the sale is to an Account Debtor outside of the United States unless (i) such Account Debtor is a Qualified Account Debtor, (ii) such Account Debtor has supplied the applicable Borrower

with an irrevocable letter of credit in form and substance satisfactory to the Administrative Agent, issued or confirmed by a financial institution satisfactory to the Administrative Agent and which has been duly transferred to the Administrative Agent (together with sufficient documentation to permit direct draws by the Administrative Agent); or (iii) such Account is fully insured by credit insurance satisfactory to the Administrative Agent; *provided* that the maximum aggregate amount of Accounts eligible under (i), (ii) and (iii) above shall not exceed \$2,500,000 at any time; or

(h) the sale to the Account Debtor is on a bill-and-hold, cash-on-delivery, guaranteed sale, sale-and-return, sale on approval or consignment basis or made pursuant to any other written agreement providing for repurchase or return or from a sale for personal, family or household purposes; or

(i) the Administrative Agent determines in its Permitted Discretion that collection of such Account is insecure or that such Account may not be paid by reason of the Account Debtor's financial inability to pay; or

(j) the Account Debtor is the United States of America, any State or any political subdivision, department, agency or instrumentality thereof, unless such Borrower duly assigns its rights to payment of such Account to the Administrative Agent pursuant to the Collateral Assignment of Claims Act of 1940 (31 U.S.C. § 3727 *et seq.*) or complies with any similar State or local law as the Administrative Agent shall require; or

(k) the goods giving rise to such Account have not been delivered to and accepted by the Account Debtor or the services giving rise to such Account have not been performed by such Borrower and accepted by the Account Debtor or the Account otherwise does not represent a final sale (except to the extent that such Account arises from a leasing transaction); or

(l) any documentation relating to the Account fails to comply in any material respect with all applicable legal requirements, including, where applicable, the Federal Consumer Credit Protection Act, the Federal Truth in Lending Act and Regulation Z of the Board of Governors of the Federal Reserve System; or

(m) the Administrative Agent does not have a valid and perfected first priority security interest in such Account or such Account is subject to any Lien (other than Permitted Liens) or the Account does not otherwise conform to the covenants, representations and warranties contained in the Credit Agreement, any Collateral Document or any of the other Loan Documents with respect to Accounts; or

(n) it is subject to any adverse security deposit, progress payment, retainage (so long as such retainage is not then due and payable) or other similar advance made by or for the benefit of the applicable Account Debtor; *provided* that any Account deemed ineligible pursuant to this clause (n) shall only be ineligible to the extent of the amount of any such deposit, payment, retainage or other similar advance; or

(o) it is evidenced by or arises under any instrument or chattel paper, or it has been reduced to judgment; or

(p) the Account Debtor has a presence in a State requiring the filing of Notice of Business Activities Report or similar report in order to permit the applicable Borrower to seek judicial enforcement in such State of payment of such Account unless such Borrower has qualified to do business in such State or has filed a Notice of Business Activities Report or equivalent report for the then current year or such failure to file and inability to seek judicial enforcement is capable of being remedied without any material delay or material cost; or

(q) it arises from progress billings or other billing arrangements such that the obligation of the Account Debtor with respect to such Account is conditioned upon such Borrower's satisfactory completion of any further performance under the agreement giving rise thereto; or

(r) the Account Debtor is subject to Sanctions or any specially designated nationals list maintained by OFAC; or

(s) it includes a billing for interest, fees or late charges, but only to the extent thereof; or

(t) it is deemed by the Administrative Agent in its Permitted Discretion to be otherwise ineligible.

103 "Eligible Rental Equipment" means the appraised Quail Rental Assets. Unless otherwise approved in writing by the Administrative Agent, no Quail Rental Assets shall be Eligible Rental Equipment unless: (i) it is owned solely by Quail Tools and Quail Tools has good, valid and marketable title thereto; (ii) it is at all times subject to the Administrative Agent's valid and duly perfected first priority security interest granted pursuant to the Security Agreement and no other Lien (other than (x) any Permitted Liens referred to in Section 7.01(a) and (q)(ii) or (y) any Lien of a landlord, warehouseman, processor, repairman, mechanic, shipper, freight forwarder, broker or other Person who possess any Quail Rental Assets unless a Lien Waiver or a Rent and Charges Reserve with respect thereto is required and exists, in each case in accordance with clause (ii) of the following sentence); (iii) Quail Tools shall at all times have title to such Quail Rental Assets and shall have the ability to direct the disposition thereof (subject only to the rights of any lessee under any lease in effect with respect to such Quail Rental Assets) and it is not located outside the continental United States, Alaska or the Gulf of Mexico waters subject to U.S. state or federal jurisdiction; (iv) it is not obsolete, unmerchantable, slow moving, in other than good working order and condition (ordinary wear and tear excepted), in each case, as determined by the Administrative Agent in its Permitted Discretion; (v) it conforms in all respects to the covenants, warranties and representations set forth in this Agreement or any other Collateral Document with respect to Quail Rental Assets; (vi) is not subject to any agreement that restricts the ability of Quail Tools to use, sell, transport or dispose of such Quail Rental Assets (other than this Agreement or any other Loan Document) or that restricts the Administrative Agent's ability to take possession of, sell or otherwise dispose of such Quail Rental Assets (subject only to the rights of any lessee under any lease in effect with respect to such Quail Rental Assets); or (vii) it does not constitute "fixtures" under the applicable Laws of the jurisdiction in which such Quail Rental Assets is located. In no event shall Eligible Rental Equipment include (i) any Quail Rental Assets held under a Vendor Lease, (ii) any Quail Rental Assets held at a non-owned property (other than Quail Rental Assets on active lease located at customer locations in the ordinary course of business) unless the lessor or such Person

in possession of the Quail Rental Assets has delivered a Lien Waiver (except if a Rent and Charges Reserve for amounts due or to become due with respect to such facility has been established by Administrative Agent in its Permitted Discretion); *provided* that a Lien Waiver shall not be required in connection with any Quail Rental Asset that is temporarily (A) located on leased premises, (B) held by a warehouseman, processor, shipper, broker or freight forwarder, or (C) held by a repairman, mechanic or bailee, in each case for a period of less than 60 days (it being understood that the Administrative Agent may still impose a Rent and Charges Reserve in such circumstances in its Permitted Discretion), (iii) any Quail Rental Asset that is being held for sale or is not used or held for use by Quail Tools in the Ordinary Course of Business, or (iv) any Quail Rental Assets otherwise deemed ineligible by the Administrative Agent in its Permitted Discretion.

104 “EMU Legislation” means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

105 “Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, codes, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

106 “Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of PKD, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

107 “Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

108 “Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

109 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

110 “ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with PKD within the meaning of Section 414(b) or (c) of the Code (and

Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 or 430 of the Code or Section 302 or 303 of ERISA).

111 “ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by PKD or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by PKD or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon PKD or any ERISA Affiliate.

112 “EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

113 “Euro” and “EUR” mean the lawful currency of the Participating Member States introduced in accordance with the EMU Legislation.

114 “Eurodollar Base Rate” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the London Interbank Offered Rate (“LIBOR”) or a comparable or successor rate, which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Base Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(b) for any rate calculation with respect to a Base Rate Loan on any date, the rate per annum equal to LIBOR, at or about 11:00 a.m., London time determined two Business Days prior to such date for U.S. Dollar deposits with a term of one month commencing that day;

provided that to the extent a comparable or successor rate is approved by the Administrative Agent in connection with any rate set forth in this definition, the approved rate shall be applied in a manner consistent with market practice; *provided, further* that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

115 “Eurodollar Rate” means for any Interest Period with respect to a Eurodollar Rate Loan, or a Base Rate Loan the interest rate on which is determined by reference to the Eurodollar Rate component of the Base Rate, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

provided that, if the Eurodollar Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

116 “Eurodollar Reserve Percentage” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

117 “Eurodollar Rate Loan” means a Loan that bears interest at a rate based on the Eurodollar Rate.

118 “Event of Default” has the meaning specified in Section 8.01.

119 “Excluded Account” means (i) any deposit account, securities account or commodities account exclusively used for payroll, payroll taxes and other employee wage and benefit payment to or for the benefit of PKD’s or any Subsidiary’s salaried employees in each case as long as such account remains a zero-balance account or, with respect to any such account maintained in Louisiana, constitutes an Immaterial Account on each Business Day other than the Business Day immediately preceding the payment of payroll and (ii) any deposit accounts, trust accounts, escrow accounts or security deposits established pursuant to statutory obligations or for the payment of taxes or holding funds in trust for third parties not affiliated with PKD in the ordinary course of business or in connection with acquisitions, investments or dispositions permitted under this Agreement, deposits in the ordinary course of business in connection with workers’ unemployment insurance and other types of social security, reserve accounts, and escrow accounts established pursuant to contractual obligations to third parties not affiliated with PKD for casualty payments and insurance proceeds.

120 “Excluded Subsidiaries” means: (a) Parker Drilling Investment Company, an Oklahoma corporation, (b) PKD Sales Corporation, an Oklahoma corporation, (c) any CFC that is not a Designated Borrower, (d) any Domestic Subsidiary owned by any Foreign Subsidiary that is not a Designated Borrower, and (e) any Domestic Subsidiary designated by the Parent Borrower by written notice to the Administrative Agent as an “Excluded Subsidiary” and certified by a Responsible Officer of the Parent Borrower to the Administrative Agent that (i) such Domestic Subsidiary has no material assets other than Equity Interests of one or more other Excluded Subsidiaries or (ii) substantially all of such Domestic Subsidiary’s revenues for the fiscal year most recently ended were generated (or, in the case of a newly-formed or acquired Subsidiary, are intended by the Parent Borrower to be generated in the current fiscal year) from assets, including rigs and equipment, located outside of the United States (including located outside the territorial waters of the United States) and/or contracts performed primarily outside of the United States (including performed outside of the territorial waters of the United States); *provided*, that a Subsidiary shall cease to be an Excluded Subsidiary if (and for so long as) either (x) it provides a guaranty of the obligations under any Indenture, (y) ceases to satisfy the requirements set forth in clause (e)(i) or (ii) above, or (z) in the case of each of Parker Drilling Investment Company and PKD Sales Corporation, it ceases to be an “Unrestricted Subsidiary” under the Indentures.

121 “Excluded Swap Obligation” means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder (determined after giving effect to Section 3.08 and any other “keepwell, support or other agreement” for the benefit of such Guarantor and any and all Guaranties of such Guarantor’s Swap Obligations by other Loan Parties) at the time of the Guaranty of such Guarantor, or a grant by such Guarantor of a security interest, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guaranty or security interest is or becomes excluded in accordance with the first sentence of this definition.

122 “Excluded Taxes” means any of the following Taxes imposed on or with respect to the Administrative Agent, any Lender, any L/C Issuer or any other recipient of any payment or required to be withheld or deducted from a payment to such recipient, (a) Taxes imposed on or measured by net income (however denominated), branch profits Taxes, and franchise Taxes, in each case, (i) imposed as a result of such recipient being organized under the Laws of, or having its principal office or, in the case of any Lender or L/C Issuer, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender or L/C Issuer, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender or L/C Issuer with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender or L/C Issuer acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Parent Borrower under Section 10.13) or (ii) such Lender changes its Lending Office,

except in each case to the extent that, pursuant to Section 3.01(a)(ii) or (c), amounts with respect to such Taxes were payable either to such Lender or L/C Issuer's assignor immediately before such Lender or L/C Issuer became a party hereto or to such Lender or L/C Issuer immediately before it changed its Lending Office, (c) Taxes attributable to such recipient's failure to comply with Section 3.01(e), and (d) any Taxes imposed by FATCA.

123 "Existing Collateral Documents" has the meaning set forth in the introductory paragraph hereof.

124 "Existing Credit Agreement" has the meaning set forth in the introductory paragraph hereof.

125 "Existing Lenders" has the meaning set forth in the introductory paragraph hereof.

126 "Existing Letters of Credit" means each letter of credit described in Schedule 1.01(a) attached hereto.

127 "Existing Mortgage" means that certain First Preferred Fleet Mortgage executed as of May 14, 2008 and effective as of May 15, 2008, executed by Parker Drilling Offshore USA, L.L.C. in favor of the Administrative Agent, as trustee, as amended, supplemented or otherwise modified prior to the Fifth Amendment Effective Date.

128 "Existing Senior Notes" means (a) the Existing 6.75% Senior Notes and (b) the Existing 7.50% Senior Notes.

129 "Existing Senior Notes Indentures" means (a) the Existing 6.75% Senior Notes Indentures and (b) the Existing 7.50% Senior Notes Indenture.

130 "Existing 6.75% Senior Notes" means the \$360,000,000 aggregate principal amount of senior unsecured notes of PKD issued pursuant to the Existing 6.75% Senior Notes Indenture.

131 "Existing 7.50% Senior Notes" means the \$225,000,000 aggregate principal amount of senior unsecured notes of PKD issued pursuant to the Existing 7.50% Senior Notes Indenture.

132 "Existing 6.75% Senior Notes Indenture" means that certain Indenture, dated as of January 22, 2014, in respect of the Existing 6.75% Senior Notes, together with all instruments and other agreements entered into by PKD or its Subsidiaries in connection therewith.

133 "Existing 7.50% Senior Notes Indenture" means that certain Indenture, dated as of July 30, 2013, in respect of the Existing 7.50% Senior Notes, together with all instruments and other agreements entered into by PKD or its Subsidiaries in connection therewith.

134 "Existing Term Loan" has the meaning set forth in Section 2.01(a).

135 "Existing Lender" means each Existing Lender signatory hereto as an "Existing Lender".

136 “FASB ASC” means the Accounting Standards Codification of the Financial Accounting Standards Board.

137 “FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

138 “Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

139 “Fee Letter” means the letter agreement, dated December 23, 2014, among PKD, the Administrative Agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

140 “Fifth Amendment” means that certain Fifth Amendment to the Credit Agreement, dated as of the Fifth Amendment Effective Date, by and among the Parent Borrower, the other Loan Parties, the Administrative Agent, the Lenders party thereto and any other Persons party thereto.

141 “Fifth Amendment Effective Date” means the “Effective Date” as defined in the Fifth Amendment.

142

143 “Financial Reporting Trigger Period” means the period (a) commencing on the day that an Event of Default occurs or the amount of Loans outstanding is greater than \$0.00 (unless the Administrative Agent gives notice to the Parent Borrower that such period shall not commence on such date, in which case such period shall commence on any date during which such Event of Default exists or the amount of Loans outstanding is greater than \$0.00, and, in either case, the Administrative Agent gives notice to the Parent Borrower that such period then commences) and (b) continuing until, during each of the preceding 60 consecutive days, no Event of Default has existed and the amount of Loans outstanding is \$0.00.

144 “Foreign Benefit Event” means, with respect to any Foreign Plan or Foreign Government Scheme or Arrangement, (i) the failure to make or, if applicable, accrue in accordance with normal accounting practices, any employer or employee contributions required by applicable law or by the terms of such Foreign Plan or Foreign Government Scheme or Arrangement; (ii) the

failure to register or loss of good standing (if applicable) with applicable regulatory authorities of any such Foreign Plan or Foreign Government Scheme or Arrangement required to be registered; or (iii) the failure of any Foreign Plan or Foreign Government Scheme or Arrangement to comply with any provisions of applicable law and regulations or with the terms of such Foreign Plan or Foreign Benefit Arrangement.

145 “Foreign Government Scheme or Arrangement” has the meaning specified in Section 5.12(d).

146 “Foreign Lender” means, with respect to a Borrower, any Lender that is organized under the Laws of a jurisdiction other than that in which a Borrower is resident for tax purposes (including such a Lender when acting in the capacity of an L/C Issuer). For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

147 “Foreign Plan” has the meaning specified in Section 5.12(d).

148 “Foreign Subsidiary” means any Subsidiary that is organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia.

149 “Fourth Mortgage Amendment” means that certain Fourth Amendment to the Existing Mortgage dated as of the Closing Date.

150 “Fractional Shares Reserve” has the meaning specified in Section 7.06(b)(ii).

151 “FRB” means the Board of Governors of the Federal Reserve System of the United States.

152 “Fronting Exposure” means, at any time there is a Defaulting Lender, with respect to the L/C Issuer, such Defaulting Lender’s Applicable Percentage of the Outstanding Amount of all outstanding L/C Obligations other than L/C Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

153 “Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

154 “GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

155 “Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority,

instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

156 “Guarantee” means, as to any Person, any (a) obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); *provided, however*, that the term Guarantee shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

157 “Guarantors” means the Parent Borrower, any other Borrower and the Subsidiary Guarantors.

158 “Guaranty” means that certain Guaranty Agreement dated as of the Fifth Amendment Effective Date (as amended, restated, supplemented or otherwise modified from time to time), which amends and restates as of the Fifth Amendment Effective Date that certain Subsidiary Guaranty dated as of May 15, 2008 (as amended, restated, supplemented or otherwise modified immediately prior to the Fifth Amendment Effective Date), together with each other guaranty and guaranty supplement delivered pursuant to Section 6.09.

159 “Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to, or could give rise to liability under, any Environmental Law.

160 “Hedge Bank” means (a) any Person that, at the time it enters into a Swap Contract permitted under Article VI or VII, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Swap Contract and (b) any Lender or Affiliate of a Lender that is party to a Swap Contract

with PKD or one of its Subsidiaries as of the Closing Date or the date that such Person or such Person's Affiliate becomes a Lender hereunder.

161 "Honor Date" has the meaning specified in Section 2.03(c)(i).

162 "Immaterial Account" means any account in which the aggregate amount on deposit (or, in the case of any securities account, the total fair market value of all securities held in such account) does not at any time exceed \$25,000.

163 "Immaterial Subsidiary" means any Subsidiary designated by the Parent Borrower, by written notice to the Administrative Agent, as an "Immaterial Subsidiary"; *provided*, that (a) no Subsidiary may be so designated unless such Subsidiary (i) had assets having an aggregate book value, as of the end of the fiscal year most recently ended, not exceeding \$5,000,000 and (ii) had net income not exceeding \$1,000,000 for such fiscal year and (b) any Subsidiary shall automatically cease to be an Immaterial Subsidiary if at the end of any subsequent fiscal year such Subsidiary would not meet the requirements set forth in the foregoing clause (a).

164 "Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money;

(b) all obligations of such Person for the deferred purchase price of Property or services (other than (i) trade payables incurred in the ordinary course of such Person's business, and (ii) any earn-out obligation until such obligation becomes a liability on the balance sheet or such Person in accordance with GAAP and if not paid after becoming due and payable);

(c) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property);

(e) all Attributable Indebtedness in respect of Capitalized Leases and Synthetic Lease Obligations of such Person and all Synthetic Debt of such Person;

(f) the maximum amount of all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities;

(g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire, defease or otherwise acquire for value (other than through the issuance of common stock of such Person) any Equity Interest in such Person or any other Person, other than any such obligations the payment of which would be permitted by Section 7.06(c) or (d); *provided* that such obligations to acquire Equity Interests after 91 days after the Maturity Date shall not be Indebtedness for purposes of this clause (g);

(h) all Guarantees of such Person in respect of any of the foregoing;

(i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person (other than a Lien of the type described in Section 7.01(t)), whether or not such Person has assumed or become liable for the payment of such obligation; *provided, however*, if such Indebtedness is limited in recourse solely to such Property, then the amount of such Indebtedness for purposes of this Agreement will not exceed the fair market value of such Property; and

(j) for purposes of Section 8.01(e) only, net obligations of such Person under any Swap Contract.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. Notwithstanding the foregoing, Indebtedness shall not include any indebtedness which has been defeased in accordance with GAAP or defeased pursuant to the deposit of cash or Cash Equivalents (in an amount sufficient to satisfy all such indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness, and subject to no other Liens.

165 "Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Borrower under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

166 "Indemnitees" has the meaning specified in Section 10.04(b).

167 "Indentures" means the Senior Notes Indentures, the indenture or other similar instrument then governing any Refinancing Debt incurred with respect to the Senior Notes or any Refinancing Debt with respect thereto, respectively.

168 "Information" has the meaning specified in Section 10.07.

169 "Initial Appraisal Report" means, collectively, (a) that certain energy equipment appraisal report, dated as of October 10, 2014, on Quail Tools, (b) that certain energy equipment appraisal report, dated as of October 10, 2014, on 13 Inland Drilling Barge Rigs, described in such report as being owned by "Parker USA Drilling Company" (it being understood that such rigs are in fact owned by Parker Drilling Offshore USA, L.L.C.) and (c) that certain restricted appraisal report, dated as of October 10, 2014, on Arctic Land Drilling Rigs #272 and #273, described in such report as being owned by "Parker Drilling Company" and "Parker Drilling Arctic Operating, Inc." (it being understood that such rigs are in fact owned by Parker Drilling Arctic Operating LLC).

170 “Initial Projections” has the meaning specified in Section 4.01(a)(xiii).

171 “Intellectual Property” means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, trade dress, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

172 “Intercreditor Agreement” means an intercreditor agreement in a form and substance satisfactory to the Administrative Agent and the Required Lenders, entered into concurrently with the first refinancing of Existing Senior Notes into secured Refinancing Debt as permitted under the Senior Notes Refinancing Documents, among the Administrative Agent and other parties relevant to such Senior Notes Refinancing Transactions and acknowledged by the Loan Parties, as amended restated, modified, supplemented, extended, increased, renewed or replaced in any manner.

173 “Interest Payment Date” means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; *provided, however*, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the first day of each January, April, July and October and the Maturity Date.

174 “Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Parent Borrower in its Committed Loan Notice; *provided that*:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Maturity Date.

175 “Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person (including by way of Guarantee or otherwise), or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit or all or a substantial part of the business of, such Person. For purposes of covenant compliance,

the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

176 “IRS” means the United States Internal Revenue Service.

177 “ISP” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

178 “Issuer Documents” means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the applicable L/C Issuer and the Parent Borrower (or any Subsidiary) or in favor of such L/C Issuer and relating to any such Letter of Credit.

179 “Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements or determination of an arbitration with, any Governmental Authority, in each case whether or not having the force of law.

180 “L/C Advance” means, with respect to each Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage. All L/C Advances shall be denominated in Dollars.

181 “L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing. All L/C Borrowings shall be denominated in Dollars.

182 “L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

183 “L/C Issuer” means (a) in respect of the Existing Letters of Credit only, Bank of America and (b) in respect of each Letter of Credit issued hereunder on or after the Closing Date, (1) Bank of America in its capacity as issuer of Letters of Credit hereunder, (2) any Lender from time to time designated by the Parent Borrower as an L/C Issuer with the consent of such Lender and the Administrative Agent, or (3) any successor issuer of Letters of Credit hereunder.

184 “L/C Obligations” means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason

of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “ outstanding” in the amount so remaining available to be drawn.

185 “Lender” has the meaning specified in the introductory paragraph hereto.

186 “Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Parent Borrower and the Administrative Agent.

187 “Letter of Credit” means any letter of credit issued hereunder and shall be deemed to include the Existing Letters of Credit. A Letter of Credit may be a standby letter of credit or a commercial letter of credit payable upon presentation of appropriate supporting documentation. Letters of Credit may be issued in Dollars or in an Alternative Currency.

188 “Letter of Credit Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the relevant L/C Issuer.

189 “Letter of Credit Expiration Date” means the day that is seven days prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

190 “Letter of Credit Fee” has the meaning specified in Section 2.03(i).

191 “Letter of Credit Sublimit” means an amount equal to \$40,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments hereunder.

192 “LIBOR Screen Rate” means the LIBOR quote on the applicable screen page the Administrative Agent designates to determine LIBOR (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time).

193 “LIBOR Successor Rate” has the meaning specified in Section 2.15.

194 “LIBOR Successor Rate Conforming Changes” means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definition of Base Rate, Interest Period, timing and frequency of determining rates and making payments of interest and other administrative matters as may be appropriate, as agreed between the Administrative Agent and the Parent Borrower, to reflect the adoption of such LIBOR Successor Rate and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Administrative Agent agrees with the Parent Borrower).

195 “Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance

on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

196 “Lien Waiver” means an agreement, in form and substance reasonably satisfactory to the Administrative Agent, by which (a) for any material Quail Rental Assets located on leased premises, the lessor waives or subordinates any Lien it may have on such Quail Rental Assets, and agrees to permit the Administrative Agent to enter upon the premises and remove such Quail Rental Assets or to use the premises to store or dispose of such Quail Rental Assets; (b) for any Quail Rental Assets held by a warehouseman, processor, shipper, broker or freight forwarder, such Person waives or subordinates any Lien it may have on such Quail Rental Assets, agrees to hold any documents in its possession relating to such Quail Rental Assets as agent for the Administrative Agent, and agrees to deliver such Quail Rental Assets to the Administrative Agent upon request; (c) for any Quail Rental Assets held by a repairman, mechanic or bailee, such Person acknowledges the Administrative Agent’s Lien, waives or subordinates any Lien it may have on such Quail Rental Assets, and agrees to deliver such Quail Rental Assets to the Administrative Agent upon request or permit the Administrative Agent to take possession of such Quail Rental Assets and (d) for any Quail Rental Assets subject to a licensor’s intellectual property rights, the licensor grants to the Administrative Agent the right, vis-à-vis such licensor, to enforce the Administrative Agent’s Liens with respect to the Quail Rental Assets, including the right to dispose of it with the benefit of the Intellectual Property, whether or not a default exists under any applicable license. Notwithstanding the foregoing, a Lien Waiver shall not be required to be delivered in connection with any Quail Rental Assets that are temporarily (i) located on leased premises, (ii) held by a warehouseman, processor, shipper, broker or freight forwarder, or (iii) held by a repairman, mechanic or bailee, in each case for a period of less than 60 days.

197 “Line Cap” means, as of any date of determination, the lesser of (a) the Aggregate Commitments and (b) the Borrowing Base then in effect.

198 “Liquidity” means, as of any date of determination, the sum of (a) all domestic unrestricted cash of the Borrowers held in the Liquidity Account (*provided* that the amount of Liquidity contributed pursuant to this clause (a) shall not exceed \$15,000,000) and (b) Availability.

199 “Liquidity Account” means the deposit account number 2863596694 maintained with Bank of America; *provided* that, such deposit account (i) is subject to no Liens other than the Administrative Agent’s first priority security interest and Liens permitted under Section 7.01(q)(ii), and (ii) shall not be changed by the Parent Borrower without the prior written consent of the Administrative Agent.

200 “Loan” has the meaning specified in Section 2.01(b).

201 “Loan Documents” means, collectively, this Agreement, each Designated Borrower Request and Assumption Agreement, the Notes, the Guaranty, the Collateral Documents, the Fee Letter, the Intercreditor Agreement (if and when the same exists) and each Issuer Document, and, in each case, all other agreements and certificates (including, without limitation, any perfection certificates) executed by a Loan Party in connection with this Agreement (exclusive of commitment

letters and term sheets pertaining to this Agreement as in effect on the Closing Date, and, for the avoidance of doubt, any Secured Cash Management Agreement and any Secured Hedge Agreement).

202 "Loan Parties" means, collectively, Parent Borrower, any other Borrower and each Subsidiary Guarantor.

203 "Lockbox Agreement" means in respect of each lockbox account, and related lockbox and collection account, an agreement, in form and substance reasonably satisfactory to the Administrative Agent and the Parent Borrower, pursuant to which the bank that maintains such account and the Parent Borrower or another Loan Party, as the case may be, that is the named owner of such account shall agree with the Administrative Agent (a) that such lockbox and accounts shall be used solely for the collection and deposit of proceeds of Collateral, (b) that, upon notice from the Administrative Agent, such bank shall transfer at the end of each business day all collected funds in any such account to a Dominion Account and (c) the Administrative Agent agrees that it will not give the notice described in the foregoing clause (b) other than during a Cash Dominion Trigger Period. Each Lockbox Agreement shall contain such other terms as shall be customary for agreements of such type.

204 "Material Adverse Effect" means any event, development or circumstance that has had or could reasonably be expected to have (a) a material adverse effect upon the business, assets, properties or financial condition of PKD and its Subsidiaries taken as a whole; (b) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document or of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity or enforceability against any Loan Party of any material provision of any Loan Document to which it is a party.

205 "Material Subsidiary" means each Domestic Subsidiary that is not an Immaterial Subsidiary.

206 "Maturity Date" means January 26, 2020; *provided, however*, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

207 "Moody's" means Moody's Investors Service, Inc. and any successor thereto.

208 "Mortgage" means either (a) the Existing Mortgage, as amended by the Amended and Restated Mortgage, or (b) any other first preferred fleet mortgage on substantially the same terms as the Amended and Restated Mortgage (as amended from time to time) executed and recorded after the date hereof over a Specified Barge Rig which is pledged to the Administrative Agent, as trustee, for security of the Obligations, in each case, as applicable and as may be amended, restated, supplemented or otherwise modified from time to time.

209 "Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which PKD or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

210 “Net Amount” means with respect to any Account at any time, the face amount of such Account on any date less (to the extent not otherwise deducted pursuant to the definition of “Eligible Domestic Accounts Receivable”) any and all returns, rebates, discounts (which may, at the Administrative Agent’s option, be calculated on shortest terms), credits, allowances or taxes (including any sales, excise or other taxes) at any time issued, owing, claimed by any Account Debtor, granted, outstanding or payable in connection with, or any interest accrued on the amount of, such Account at such time.

211 “Net Book Value” means (i) Cost minus (ii) accumulated depreciation calculated (A) in accordance with GAAP and (B) consistently with the Borrowers’ accounting practices as of the Fifth Amendment Effective Date.

212 “Net Cash Proceeds” means, in connection with any issuance or sale of debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of attorneys’ fees, investment banking fees, accountants’ fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

213 “Net Equipment OLV” means, as reasonably determined by the Administrative Agent in good faith based on an appraisal delivered in connection with the Fifth Amendment or the most recent appraisal conducted pursuant to Section 6.12, the Value of the Eligible Rental Equipment that is estimated to be recoverable in an orderly liquidation of such equipment (less applicable freight and duty charges, if any), net of liquidation expenses.

214 “Net Loss Proceeds” means, in connection with any Casualty Event, all insurance proceeds or other amounts actually received, less any deductibles applied or to be paid and any costs and expenses incurred in the collection thereof.

215 “New Collateral Documents” has the meaning set forth in the introductory paragraph hereof.

216 “Non-Consenting Lender” has the meaning set forth in Section 10.01.

217 “Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

218 “Non-Extension Notice Date” has the meaning specified in Section 2.03(b)(iii).

219 “Non-Recourse Debt” means Indebtedness and other obligations of PKD or any Subsidiary incurred for the purpose of financing all or any part of the purchase price or cost of construction, design, repair, replacement, installation, or improvement of property, plant or equipment used in the business of PKD or such Subsidiary with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles) and other obligations, and neither PKD nor any Subsidiary (i) provides any direct or indirect credit support, including any

undertaking, agreement or instrument that would constitute Indebtedness or (ii) is otherwise directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of PKD or such Subsidiary equal to or in excess of the Threshold Amount to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or scheduled maturity.

220 “Note” means a promissory note made by the Borrowers in favor of a Lender evidencing Loans made by such Lender to the Borrowers, substantially in the form of Exhibit C, or an amended, restated or replacement note otherwise reasonably satisfactory to the Administrative Agent.

221 “Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, Letter of Credit, Secured Cash Management Agreement or Secured Hedge Agreement, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding; *provided*, that (a) obligations of the Parent Borrower or any Subsidiary under any Secured Cash Management Agreement or Secured Hedge Agreement shall constitute “Obligations” hereunder only until the Termination Date, (b) any release of Collateral or Loan Parties (other than the Parent Borrower) effected in the manner permitted by this Agreement shall not require the consent of holders of obligations under the Secured Cash Management Agreements and Secured Hedge Agreements, and (c) the Obligations shall exclude any Excluded Swap Obligations.

222 “OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

223 “Omnibus Amendment to Collateral Documents” means that certain Omnibus Amendment to Collateral Documents entered into as of December 14, 2012 by PKD in favor of the Administrative Agent.

224 “Ordinary Course of Business” means with respect to any transaction involving any Person, the ordinary course of such Person’s business, as conducted by such Person in accordance with past practices and undertaken by such Person in good faith and not for the purpose of evading any covenant or restriction in any Loan Document.

225 “Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the

certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, limited partnership, joint venture, trust or other form of business entity, the partnership, limited partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

226 “Other Connection Taxes” means, with respect to any Lender or L/C Issuer, Taxes imposed as a result of a present or former connection between such Lender or L/C Issuer and the jurisdiction imposing such Tax (other than connections arising from such Lender or L/C Issuer having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

227 “Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes or any other excise or property Taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or any other Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment pursuant to Section 3.06).

228 “Outstanding Amount” means (a) with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Loans occurring on such date; (b) with respect to any L/C Obligations on any date, the Dollar Equivalent of the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrowers of Unreimbursed Amounts or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

229 “Parent Borrower” has the meaning specified in Section 11.01.

230 “Participant” has the meaning specified in Section 10.06(d).

231 “Participating Member State” means any member state of the European Union that has the Euro as its lawful currency in accordance with any EMU Legislation.

232 “Payment Items” means each check, draft or other item payable to a Borrower, including those constituting proceeds of any collateral.

233 “PBGC” means the Pension Benefit Guaranty Corporation.

234 “Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA

and is sponsored or maintained by PKD or any ERISA Affiliate or to which PKD or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

235 “Permitted Discretion” means a determination made in the exercise, in good faith, of reasonable business judgment (from the perspective of a secured, asset-based lender).

236 “Permitted Liens” means (a) as used in the definition of Eligible Domestic Accounts Receivable, any Liens permitted by Sections 7.01 (a) (only to the extent then inchoate), (h) or (q)(ii) or (b) for other purposes, any Liens permitted by Section 7.01.

237 “Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

238 “Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by PKD or any of its Subsidiaries or, with respect to any such plan that is subject to Section 412 or 403 of the Code or Section 302 or 303 or Title IV of ERISA, any ERISA Affiliate.

239 “Platform” has the meaning specified in Section 6.02.

240 “Pledged Equity Interests” has the meaning specified in the Security Agreement.

241 “Project Finance Subsidiary” means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

242 “Project Financing” means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under Section 7.01(g) and (c) constitute Non-Recourse Debt (other than recourse to the assets of, and Equity Interests in, such Project Finance Subsidiary).

243 “Projections” has the meaning specified in Section 6.02(c) and includes the Initial Projections.

244 “Property” means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Equity Interests.

245 “PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

246 “Public Lender” has the meaning specified in Section 6.02.

247 “Quail Rental Assets” means all inventory (as defined in the UCC) owned by Quail Tools which is of a type offered for lease in the Ordinary Course of Business as conducted on the Fifth Amendment Effective Date.

248 “Quail Tools” means Quail Tools, L.P. an Oklahoma limited partnership.

249 “Qualified ECP Guarantor” means, at any time, each Loan Party with total assets exceeding \$10,000,000 or that qualifies at such time as an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” at such time by entering into a keepwell under § 1a(18)(A)(v)(II) of the Commodity Exchange Act.

250 “Refinanced Indebtedness” has the meaning specified in Section 7.03(g).

251 “Refinancing Debt” has the meaning specified in Section 7.03(g).

252 “Register” has the meaning specified in Section 10.06(c).

253 “Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, advisors and representatives of such Person and of such Person’s Affiliates.

254 “Removal Effective Date” has the meaning specified in Section 9.06.

255 “Rent and Charges Reserve” means the aggregate of (a) all past due rent and other amounts owing by a Borrower to any landlord, warehouseman, processor, repairman, mechanic, shipper, freight forwarder, broker or other Person who possesses any Eligible Rental Equipment or could assert a Lien on any Eligible Rental Equipment; and (b) a reserve as determined in the Administrative Agent in its Permitted Discretion in respect of rent and other charges that could be payable to any such Person, unless it has executed a Lien Waiver. Rent payable under Capitalized Leases will not be included in the Rent and Charges Reserve.

256 “Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30-day notice period has been waived.

257 “Required Lenders” means, as of any date of determination, Lenders holding more than 50% of the Aggregate Commitments or, if the Aggregate Commitments have expired or terminated, Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender’s risk participation and funded participation in L/C Obligations being deemed “held” by such Lender for purposes of this definition); *provided* that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

258 “Requirement of Law” means as to any Person, any Law applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

259 “Resignation Effective Date” has the meaning specified in Section 9.06.

260 “Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, or controller of a Loan Party and (i) solely for purposes of delivery of incumbency certificates pursuant to Section 4.01 or any similar requirement under any Loan Document, the secretary or any assistant secretary of such Loan Party, (ii) with respect to financial matters, the chief financial officer of such Loan Party, (iii) in the case of Compliance Certificates or Borrowing Base Certificates, the chief financial officer, controller or the treasurer of such Loan Party, (iv) solely for purposes of executing the Fifth Amendment, the chief executive officer, president, chief financial officer, treasurer, controller or any vice president of a Loan Party and (v) solely for purposes of notices given pursuant to Article II, any other officer or employee of the applicable Loan Party designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer or employee of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and the Administrative Agent (and, in each case, for any Loan Party that is a limited partnership, the foregoing individuals of its general partner). Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

261 “Restricted Payment” has the meaning specified in Section 7.06.

262 “Revaluation Date” means with respect to any Letter of Credit, each of the following: (a) each date of issuance of a Letter of Credit denominated in an Alternative Currency, (b) each date of an amendment of any such Letter of Credit having the effect of increasing the amount thereof (solely with respect to the increased amount), (c) each date of any payment by the applicable L/C Issuer under any Letter of Credit denominated in an Alternative Currency, (d) in the case of all Existing Letters of Credit denominated in Alternative Currencies, the fifth day of the month immediately following the month that includes the Closing Date and (e) such additional dates as the Administrative Agent or the applicable L/C Issuer shall determine or the Required Lenders shall require.

263 “Revolving Facility Obligations” means all Obligations, other than Obligations in respect of any Secured Cash Management Agreement or Secured Hedge Agreement.

264 “S&P” means S&P Global Ratings, a division of S&P Global, Inc. and any successor thereto.

265 “Sanction(s)” means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, or Her Majesty’s Treasury (“HMT”).

266 “Scheduled Unavailability Date” has the meaning specified in Section 2.15.

267 “SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Second Omnibus Amendment to Collateral Documents” means that certain Second Omnibus Amendment to Collateral Documents entered into as of the Closing Date among the Loan Parties in favor of the Administrative Agent.

“Secured Cash Management Agreement” means any Cash Management Agreement that is entered into by and between any Loan Party and any Cash Management Bank which, if entered into after the Fifth Amendment Effective Date, has delivered a Secured Party Designation Notice.

268 “Secured Hedge Agreement” means any Swap Contract permitted under Article VI or VII that is entered into by and between any Loan Party and any Hedge Bank which, if entered into after the Fifth Amendment Effective Date, has delivered a Secured Party Designation Notice.

269 “Secured Parties” means, collectively, the Administrative Agent, each other Agent, the Lenders, the L/C Issuers, the Hedge Banks, the Cash Management Banks, each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 9.05, and the other Persons the Obligations owing to which are or are purported to be secured by the Collateral under the terms of the Collateral Documents.

270 “Secured Party Designation Notice” means a notice from any Lender or an Affiliate of a Lender, substantially in the form of Exhibit H, (a) describing the Secured Cash Management Agreement or Secured Hedge Agreement and setting forth the maximum amount to be secured by the Collateral and the methodology to be used in calculating such amount and (b) agreeing to be bound by Section 9.11.

271 “Security Agreement” means, collectively, (i) that certain Amended and Restated Irrevocable Proxy, Pledge and Security Agreement dated as of the Fifth Amendment Effective Date (as amended, restated, supplemented or otherwise modified from time to time) made by the Loan Parties from time to time party thereto in favor of the Administrative Agent or (ii) any equivalent documentation with respect to any Foreign Subsidiary that becomes a Designated Borrower.

272 “Security Agreement Supplement” has the meaning specified in the Security Agreement.

273 “Senior Notes” means, collectively, (i) the Existing Senior Notes and (ii) any Additional Senior Notes.

274 “Senior Notes Indentures” means, collectively, (i) the Existing Senior Notes Indentures and (ii) any other indenture or other similar instrument governing any Additional Senior Notes, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 7.07.

275 “Senior Notes Refinancing Documents” means those documents (if any) entered into on or after the Fifth Amendment Effective Date pursuant to which all or portions of the Existing Senior Notes are refinanced into secured Refinancing Debt, in each case, in a form and substance satisfactory to the Administrative Agent and in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 7.07; *provided* that the Senior

Notes Refinancing Transactions, collectively, shall not increase PKD's or its Subsidiaries' annual interest expense by more than \$7,500,000 in the aggregate.

276 "Senior Notes Refinancing Transactions" means those transactions which, if they occur, shall occur pursuant to the Senior Notes Refinancing Documents.

277 "Series A Preferred Stock" means PKD's Series A Mandatory Convertible Preferred Stock, par value \$1.00.

278 "Significant Casualty Event" means any Casualty Event where the fair market value of the resulting loss of Property shall be in excess of \$25,000,000 (or its equivalent in other currencies), determined as of the date of the occurrence of an applicable Casualty Event; *provided* that if insurance or other recoveries in connection with such Casualty Event reduce the net loss therefrom to an amount less than \$25,000,000, then such Significant Casualty Event shall be deemed not to have occurred and any Casualty Reserve established therefor shall be released.

279 "Solvent" and "Solvency" mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

280 "Specified Barge Rig" has the meaning set forth in the definition of Specified Rigs.

281 "Specified Land Rig" has the meaning set forth in the definition of Specified Rigs.

282 "Specified Personal Property" means any Property of a type in which a Lien is purported to be granted pursuant to the Security Agreement or any Mortgage.

283 "Specified Rigs" means (a) each of the barge rigs, located and operating in and along the inland waterways and coast of the continental United States or in Gulf of Mexico waters subject to U.S. state or federal jurisdiction, owned by the Parent Borrower or any other Loan Party (each, a "Specified Barge Rig") and (b) each of the land rigs located and operating in the contiguous United States or Alaska, owned by the Parent Borrower or any other Loan Party (each, a "Specified Land Rig"). Each Specified Barge Rig and each Specified Land Rig as of the Closing Date and as of the Fifth Amendment Date are set forth on Schedule 5.07(A) and Schedule 5.07(B), respectively.

284 “Spot Rate” for a currency means the rate determined by the Administrative Agent or the relevant L/C Issuer, as applicable, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date as of which the foreign exchange computation is made; *provided* that the Administrative Agent or the relevant L/C Issuer may obtain such spot rate from another financial institution designated by the Administrative Agent or the relevant L/C Issuer if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency; and *provided further* that the relevant L/C Issuer may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in an Alternative Currency.

285 “Subordinated Debt” means Indebtedness of PKD or any Subsidiary which meets all the requirements of the definition of “Convertible Debt” other than clause (f) of the definition thereof.

286 “Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of PKD.

287 “Subsidiary Guarantors” means, collectively, at any time, (a) each Material Subsidiary of the Parent Borrower other than any Excluded Subsidiary or Project Finance Subsidiary, (b) Quail USA, LLC, (c) Anachoreta, Inc., in each case, to the extent such Person is a party to the Guaranty at such time and (d) any other Subsidiary otherwise party to the Guaranty at such time; notwithstanding anything else to the contrary herein, no Borrower shall be considered a Subsidiary Guarantor. For the avoidance of doubt, upon the termination of any Subsidiary’s (other than a Foreign Subsidiary) status as a Designated Borrower pursuant to Section 2.14(e), such Subsidiary shall be deemed a Subsidiary Guarantor.

288 “Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International

Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

289 “Swap Obligations” means with respect to any Guarantor any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

290 “Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

291 “Syndication Agent” means Wells Fargo Bank, National Association, in its capacity as syndication agent under any of the Loan Documents, or any successor syndication agent.

292 “Synthetic Debt” means, with respect to any Person as of any date of determination thereof, all obligations of such Person in respect of transactions entered into by such Person that are intended to function primarily as a borrowing of funds but are not otherwise included in the definition of “Indebtedness” or as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with GAAP.

293 “Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property (including sale and leaseback transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any Debtor Relief Laws to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

294 “Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments or other charges in the nature of a tax imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

295 “Termination Date” means such time as when (a) all Commitments have been terminated or expired, (b) all Revolving Facility Obligations have been paid in full in cash (other than indemnification obligations and other contingent obligations not then due and payable and as to which no claim has been made as at the time of determination) and (c) all Letters of Credit have terminated or expired (other than Letters of Credit as to which cash collateral has been provided to the applicable L/C Issuer in an amount equal to the amount of such outstanding Letters of Credit or other arrangements satisfactory to the applicable L/C Issuer (in the sole discretion of such L/C Issuer) have been made).

296 “Threshold Amount” means \$20,000,000.

297 “Total Outstandings” means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

298 “Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

299 “UCC” means the Uniform Commercial Code as in effect in the State of New York; *provided* that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

300 “Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

301 “United States” and “U.S.” mean the United States of America.

302 “Unreimbursed Amount” has the meaning specified in Section 2.03(c)(i).

303 “U.S. Tax Compliance Certificate” has the meaning specified in Section 3.01(e)(ii)(B)(III).

304 “Value” means (a) for an Account, its face amount, net of any returns, rebates, discounts (calculated on the shortest terms then available to the applicable Account Debtor), credits, allowances or Taxes (including sales, excise or other taxes) that have been or could properly be claimed by the Account Debtor or any other Person and (b) with reference to the value of the Quail Rental Assets, value determined on the basis of the lower of cost or market of such Quail Rental Assets in accordance with GAAP, with the cost thereof calculated on a first-in, first-out basis determined in accordance with GAAP.

305 “Vendor Lease” means a lease pursuant to which Goods (as defined in the UCC) are leased from a Vendor Lessor, whether or not such lease constitutes an operating or a capital lease under GAAP and whether or not such lease constitutes a true lease or a secured transaction under the UCC or any other Requirement of Law.

“Vendor Lessor” means a Person who leases Goods (as defined in the UCC) to another Person pursuant to a Vendor Lease.

306 “Weekly BBC Trigger Period” means the period (a) commencing on the day that an Event of Default occurs or Availability is less than \$30,000,000 (unless the Administrative Agent gives notice to the Parent Borrower that such period shall not commence on such date, in which case such period shall commence on any date during which such Event of Default exists, or

Availability is less than \$30,000,000, and in either case the Administrative Agent gives notice to the Parent Borrower that such period then commences) and (b) continuing until, during each of the preceding 60 consecutive days, no Event of Default has existed and Availability has been equal to or greater than \$30,000,000.

307 “Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

308 “Wholly-Owned” means, as to any Person, any other Person all of the Equity interest of which (other than directors’ qualifying shares required by law) is owned by such Person directly and/or through other Wholly-Owned Subsidiaries.

Section 1.02 **Other Interpretive Provisions.** With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 **Accounting Terms.**

(a) **Generally.** All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) **Changes in GAAP.** If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either

the Parent Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Parent Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); *provided* that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Parent Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the Audited Financial Statements as of and for the fiscal year ended December 31, 2013 for all purposes of this Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Parent Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

Section 1.04 **Rounding.** Any financial ratios required to be maintained by the Parent Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 **Exchange Rates; Currency Equivalents.** The Administrative Agent or the relevant L/C Issuer, as applicable, shall determine the Spot Rates as of each Revaluation Date to be used for calculating Dollar Equivalent amounts of L/C Credit Extensions and Outstanding Amounts denominated in Alternative Currencies. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur. Except for purposes of financial statements delivered by Loan Parties hereunder or calculating financial covenants hereunder or except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Loan Documents shall be such Dollar Equivalent amount as so determined by the Administrative Agent or the relevant L/C Issuer, as applicable.

(a) **Wherever in this Agreement in connection with the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Letter of Credit is denominated in an Alternative Currency, such amount shall be the relevant Alternative Currency Equivalent of such Dollar amount (rounded to the nearest unit of such Alternative Currency, with 0.5 of a unit being rounded upward), as determined by the Administrative Agent or the relevant L/C Issuer, as the case may be.**

(b) **The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of “Eurodollar Rate” or with respect to any comparable or successor rate thereto.**

Section 1.06 **Alternative Currencies.** The Parent Borrower may from time to time request that Letters of Credit be issued in a currency other than Dollars; *provided* that such requested currency is a lawful currency (other than Dollars) that is readily available and freely transferable and convertible into Dollars. In the case of any such request with respect to the issuance of Letters of Credit, such request shall be subject to the approval of the Administrative Agent and the L/C Issuer that is to issue such Letter of Credit.

(a) **Any such request shall be made to the Administrative Agent not later than 10:00 a.m., 20 Business Days prior to the date of the desired L/C Credit Extension (or such other time or date as may be agreed by the Administrative Agent and the applicable L/C Issuer, in their sole discretion). In the case of any such request pertaining to Letters of Credit, the Administrative Agent shall promptly notify each L/C Issuer thereof. Each L/C Issuer shall notify the Administrative Agent, not later than 10:00 a.m., ten Business Days after receipt of such request whether it consents, in its sole discretion, to the issuance of Letters of Credit in such requested currency.**

(b) **Any failure by an L/C Issuer to respond to such request within the time period specified in the preceding sentence shall be deemed to be a refusal by such L/C Issuer to permit Letters of Credit to be issued in such requested currency. If the Administrative Agent and any L/C Issuer consent to the issuance of Letters of Credit in such requested currency, the Administrative Agent shall so notify the Parent Borrower and such currency shall thereupon be deemed for all purposes to be an Alternative Currency hereunder for**

purposes of any Letter of Credit issuances. If the Administrative Agent shall fail to obtain consent to any request for an additional currency under this Section 1.06, the Administrative Agent shall promptly so notify the Parent Borrower.

Section 1.07 **Change of Currency.** Each obligation of the Borrowers to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euro at the time of such adoption (in accordance with the EMU Legislation). If, in relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency.

(a) **Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.**

(b) **Each provision of this Agreement also shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect a change in currency of any other country and any relevant market conventions or practices relating to the change in currency.**

Section 1.08 **Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Central time (daylight or standard, as applicable).

Section 1.09 **Letter of Credit Amounts.** Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the Dollar Equivalent of the stated amount of such Letter of Credit in effect at such time; *provided, however,* that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the Dollar Equivalent of the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

Section 1.10 **Uniform Commercial Code.** Terms relating to Collateral used and not otherwise defined herein that are defined in the UCC shall have the meanings set forth in the UCC, as applicable and as the context requires.

ARTICLE II

THE COMMITMENTS AND CREDIT EXTENSIONS

Section 2.01 **The Loans.**

(a) **Existing Term Loans.** The parties hereto acknowledge and agree that (i) as of the Closing Date, immediately before the effectiveness of this Agreement, the Existing Lenders had outstanding to PKD under the Existing Credit Agreement Term Loans (as defined in the Existing Credit Agreement) in the aggregate principal amount of \$30,000,000 (the “Existing Term Loans”) and (ii) as of the Closing Date, immediately after giving effect to Section 10.20, PKD has repaid in full such Existing Term Loans and all obligations owing in connection therewith with the proceeds of Loans made hereunder.

(b) **Loans.** Subject to the terms and conditions set forth herein, each Lender severally agrees to make revolving loans (each such loan, a “Loan”) to the Borrowers in Dollars from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender’s Commitment; *provided, however*, that immediately after giving effect to any Borrowing, (i) the Total Outstandings shall not exceed the Line Cap and (ii) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender’s Applicable Percentage of the Outstanding Amount of all L/C Obligations shall not exceed such Lender’s Commitment. Within the limits of the Line Cap, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under this Section 2.01. Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein. The parties hereto acknowledge and agree that, as of the date hereof, immediately before the effectiveness of this Agreement, no Revolving Credit Loans (as defined in the Existing Credit Agreement) were outstanding.

Section 2.02 **Borrowings, Conversions and Continuations of Loans . %3.** Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Parent Borrower’s irrevocable notice to the Administrative Agent, which may be given by (A) telephone or (B) a Committed Loan Notice; *provided* that any telephonic notice must be confirmed immediately by delivery to the Administrative Agent of a written Committed Loan Notice. Each such Committed Loan Notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans and (ii) on the requested date of any Borrowing of Base Rate Loans. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Except as provided in Sections 2.03(c), each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Committed Loan Notice shall specify (i) whether the Parent Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, (v) if applicable, the duration of the Interest Period with respect thereto and (vi) if applicable, the Designated Borrower. If the Parent Borrower fails to specify a Type of Loan in a Committed Loan Notice or fails to give a timely

notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Parent Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(a) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of Loans, and if no timely notice of a conversion or continuation is provided by the Parent Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans as described in the preceding subsection. In the case of a Borrowing, each Appropriate Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 2:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Credit Extension, Section 4.01), the Administrative Agent shall make all funds so received available to the Parent Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Parent Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Parent Borrower; *provided, however*, that if, on the date a Committed Loan Notice with respect to a Borrowing is given by the Parent Borrower, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and, second, shall be made available to the Parent Borrower as provided above.

(b) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of an Event of Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders.

(c) The Administrative Agent shall promptly notify the Parent Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate.

(d) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than eight Interest Periods in effect.

(e) Notwithstanding anything to the contrary in this Agreement, any Lender may exchange, continue or rollover all of the portion of its Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Parent Borrower, the Administrative Agent, and such Lender.

Section 2.03 Letters of Credit.

(a) **The Letter of Credit Commitment.** %4. Subject to the terms and conditions set forth herein, (A) each L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit denominated in Dollars or in one or more Alternative Currencies for the account of the Parent Borrower or its Subsidiaries, and to amend or extend Letters of Credit previously issued by it, in accordance with Section 2.03(b), and (2) to honor drawings under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Parent Borrower or its Subsidiaries and any drawings thereunder; *provided* that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (x) the Total Outstandings shall not exceed the Line Cap, (y) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations shall not exceed such Lender's Commitment and (z) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit. Each request by the Parent Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Parent Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Parent Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Parent Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(i) *No L/C Issuer shall issue any Letter of Credit if:*

(A) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension, unless the Required Lenders have approved such expiry date; provided, that, Letters of Credit in an aggregate amount up to \$5,000,000 may have a longer expiry date of up to three years after the date of issuance or extension, provided, further, that if any Letter of Credit issued pursuant to the preceding proviso is outstanding on the 180th day prior to the Maturity Date or is issued or extended on or after such date, a Borrower shall Cash Collateralize such Letter of Credit in an amount equal to 105% of the stated amount of such Letter of Credit on or before the 170th day prior to the Maturity Date (or if issued or extended on or after the 180th day prior to the Maturity Date, immediately upon such issuance or extension); or

(B) except with respect to Letters of Credit issued pursuant to the provisos in clause (A) above, the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(ii) No L/C Issuer shall be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or request that such L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date (or, if different, the date on which such L/C Issuer became an L/C Issuer hereunder) and which such L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate one or more policies of such L/C Issuer applicable to letters of credit generally;

(C) except as otherwise agreed by the Administrative Agent and such L/C Issuer, such Letter of Credit is in an initial stated amount less than \$25,000;

(D) except as otherwise agreed by the Administrative Agent and such L/C Issuer, such Letter of Credit is to be denominated in a currency other than Dollars or an Alternative Currency;

(E) such L/C Issuer does not as of the issuance date of such requested Letter of Credit issue Letters of Credit in the requested currency;

(F) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(G) a default of any Lender's obligations to fund under Section 2.03(c) exists or any Lender is at such time a Defaulting Lender hereunder, unless the applicable L/C Issuer has entered into arrangements satisfactory to the L/C Issuer with the Parent Borrower or such Lender to eliminate such L/C Issuer's risk with respect to such Lender.

(iii) No L/C Issuer shall amend any Letter of Credit if such L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(iv) No L/C Issuer shall be under any obligation to amend any Letter of Credit if (A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(v) Each L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article IX with respect to any acts taken or omissions suffered by such L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article IX included such L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to each L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit .

Subject to Section 1.06:

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Parent Borrower delivered to the applicable L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Parent Borrower. Such Letter of Credit Application must be received by the applicable L/C Issuer and the Administrative Agent not later than 10:00 a.m. at least two Business Days (or such later date and time as the Administrative Agent and such L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the applicable L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount and currency thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature

of the requested Letter of Credit; and (H) such other matters as the applicable L/C Issuer may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the applicable L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day); (3) the nature of the proposed amendment; and (4) such other matters as such L/C Issuer may reasonably require. Additionally, the Parent Borrower shall furnish to the applicable L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as such L/C Issuer or the Administrative Agent may reasonably require.

(ii) Promptly after receipt of any Letter of Credit Application, the applicable L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Parent Borrower and, if not, such L/C Issuer will provide the Administrative Agent with a copy thereof. Unless such L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, such L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of a Borrower (or the applicable Subsidiary) or enter into the applicable amendment, as the case may be, in each case in accordance with such L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Letter of Credit.

(iii) If the Parent Borrower so requests in any applicable Letter of Credit Application, the applicable L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable L/C Issuer, the Parent Borrower shall not be required to make a specific request to such L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the applicable L/C Issuer shall not permit any such extension if (A) such L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), or (B) it has received

notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Parent Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, and in each such case directing such L/C Issuer not to permit such extension.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable L/C Issuer will also deliver to the Parent Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment. On a monthly basis, each L/C Issuer shall deliver to the Administrative Agent a complete list of all outstanding Letters of Credit issued by such L/C Issuer as provided in Section 2.03(f).

(c) Drawings and Reimbursements; Funding of Participations .

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable L/C Issuer shall notify the Parent Borrower and the Administrative Agent thereof. In the case of a Letter of Credit denominated in an Alternative Currency, the Parent Borrower shall reimburse the applicable L/C Issuer in such Alternative Currency, unless (A) such L/C Issuer (at its option) shall have specified in such notice that it will require reimbursement in Dollars, or (B) in the absence of any such requirement for reimbursement in Dollars, the Parent Borrower shall have notified such L/C Issuer promptly following receipt of the notice of drawing that the Parent Borrower will reimburse such L/C Issuer in Dollars. In the case of any such reimbursement in Dollars of a drawing under a Letter of Credit denominated in an Alternative Currency, the applicable L/C Issuer shall notify the Parent Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. Not later than (x) 12:30 p.m. on the date of any payment by the applicable L/C Issuer under a Letter of Credit (each such date, an "Honor Date") if the Parent Borrower shall have received notice of such payment prior to 10:00 a.m. on such date or (y) if such notice has not been received by the Parent Borrower prior to such time on the Honor Date, then 12:30 p.m. on the Business Day immediately following the day that the Parent Borrower receives such notice, the Parent Borrower shall reimburse the applicable L/C Issuer in an amount equal to the amount of such drawing and in the applicable currency. If the Parent Borrower fails to so reimburse the applicable L/C Issuer by such time, such L/C Issuer shall promptly notify the Administrative Agent, who shall then promptly notify each Lender, of the Honor Date, the amount of the unreimbursed drawing (expressed in Dollars in the amount of the Dollar Equivalent thereof in the case of a Letter of Credit denominated in an Alternative Currency) (the "Unreimbursed Amount"), and the amount of such Lender's Applicable Percentage thereof. In such event, the Parent Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice).

Any notice given by an L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Administrative Agent for the account of the applicable L/C Issuer, in Dollars, at the Administrative Agent's Office in an amount equal to its Applicable Percentage of the Unreimbursed Amount not later than 12:00 noon on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Parent Borrower in such amount. The Administrative Agent shall remit the funds so received to the applicable L/C Issuer in Dollars.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Parent Borrower shall be deemed to have incurred from the applicable L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the applicable L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Applicable Percentage of such amount shall be solely for the account of such L/C Issuer.

(v) Each Lender's obligation to make Loans or L/C Advances to reimburse each L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against any L/C Issuer, the Parent Borrower, any Subsidiary or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the Parent Borrower of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Parent Borrower to reimburse each L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the applicable L/C Issuer any amount required to be paid by such Lender

pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such L/C Issuer at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by such L/C Issuer in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by such L/C Issuer in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the relevant L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this Section 2.03(c)(vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after any L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of any L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from a Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Percentage thereof in Dollars and in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of any L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the applicable L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of the Parent Borrower to reimburse each L/C Issuer for each drawing under each Letter of Credit issued by such L/C Issuer and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Parent Borrower or any Subsidiary may have at any time against any beneficiary

or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), any L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the applicable L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by such L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;

(v) any adverse change in the relevant exchange rates or in the availability of the relevant Alternative Currency to the Parent Borrower or any Subsidiary or in the relevant currency markets generally; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Parent Borrower or any Subsidiary.

The Parent Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Parent Borrower's instructions or other irregularity, the Parent Borrower will promptly, but in any event, within three Business Days of receipt of such copy, notify the applicable L/C Issuer. The Parent Borrower shall be conclusively deemed to have waived any such claim against such L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) **Role of the L/C Issuers.** Each Lender and the Parent Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuers shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of any L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Parent Borrower hereby assumes all risks of

the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; *provided, however*, that this assumption is not intended to, and shall not, preclude the Parent Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuers, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of any L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); *provided, however*, that anything in such clauses to the contrary notwithstanding, the Parent Borrower may have a claim against the applicable L/C Issuer, and the applicable L/C Issuer may be liable to the Parent Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Parent Borrower which the Parent Borrower proves were caused by such L/C Issuer's willful misconduct or gross negligence or such L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, each L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and no L/C Issuer shall be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) **Cash Collateral.**

(i) *Upon the request of the Administrative Agent, (A) if any L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing or (B) if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Parent Borrower shall, in each case, immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations.*

(ii) *The Administrative Agent may, with respect to outstanding Letters of Credit issued in an Alternative Currency, at any time and from time to time after the initial deposit of Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of exchange rate fluctuations.*

(iii) *Sections 2.05, 2.16 and 8.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05, Section 2.16 and Section 8.02(c), "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the L/C Issuers (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrowers hereby grant to the Administrative Agent, for the benefit of the L/C Issuers and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked deposit accounts at Bank of America.*

Reasonable interest shall accrue on any such cash deposit, which accrued interest shall be for the account of the applicable Borrower, subject to this Agreement. If at any time the Administrative Agent determines that any funds held as Cash Collateral are subject to any right or claim of any Person other than the Administrative Agent or that the total amount of such funds is less than the aggregate Outstanding Amount of all L/C Obligations, the Parent Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited as Cash Collateral, an amount equal to the excess of (x) such aggregate Outstanding Amount over (y) the total amount of funds, if any, then held as Cash Collateral that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit as Cash Collateral, such funds shall be applied, to the extent permitted under applicable Laws, to reimburse the applicable L/C Issuer.

(h) **Applicability of ISP and UCP.** Unless otherwise expressly agreed by the applicable L/C Issuer and the Parent Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

(i) **Letter of Credit Fees.** The Parent Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, in Dollars, a Letter of Credit fee (the "**Letter of Credit Fee**") (i) for each commercial Letter of Credit equal to 0.125 of 1% times the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit and (ii) for each standby Letter of Credit equal to the Applicable Rate **times** the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with **Section 1.09**. Letter of Credit Fees shall be (A) due and payable on the first day of each January, April, July and October, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand and (B) computed on a quarterly basis in arrears. If there is any change in the Applicable Rate during any quarter, the daily amount available to be drawn under each standby Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. Notwithstanding anything to the contrary contained herein, while any Letter of Credit Fee is not paid when due, all such overdue Letter of Credit Fees shall accrue at the Default Rate.

(j) **Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer.** The Parent Borrower shall pay directly to the applicable L/C Issuer for its own account, in Dollars, a fronting fee (i) with respect to each commercial Letter of Credit or any amendment of a commercial Letter of Credit increasing the amount of such Letter of Credit, at a rate and on terms separately agreed in writing between the Parent Borrower and the applicable L/C Issuer (including, without limitation, as to the time of payment of such fee), and (ii) with respect to each standby Letter of Credit, at the rate per annum agreed upon from

time to time in writing between the Parent Borrower and such L/C Issuer (which in the case of Bank of America as L/C Issuer shall be the rate specified in the Fee Letter), computed on the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit on a quarterly basis in arrears. Such fronting fee for each standby Letter of Credit shall be due and payable on the first day of each January, April, July and October in respect of the most recently-ended quarterly period (or portion thereof, in the case of the first payment), commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.09. In addition, the Parent Borrower shall pay directly to each L/C Issuer for its own account, in Dollars, the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(k) **Conflict with Issuer Documents.** In the event of any conflict or inconsistency between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

(l) **Letters of Credit Issued for Subsidiaries.** Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Parent Borrower shall be obligated to reimburse the applicable L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Parent Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inures to the benefit of the Parent Borrower, and that the Parent Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

Section 2.04 **Borrowing Base Calculations; Inclusion of Assets in Borrowing Base .**

(a) Concurrently with delivery by the Parent Borrower to the Administrative Agent of (i) any notice designating any Swap Contract as a "Secured Hedge Agreement" and (ii) any Borrowing Base Certificate, the Parent Borrower will deliver to the Administrative Agent a report from the relevant counterparty setting forth the Swap Termination Value of such Swap Contract, determined in accordance with procedures customary in the relevant market. The Administrative Agent will calculate from time to time the net amount of the Swap Termination Values of all Secured Hedge Agreements on the basis of such counterparty report, and if a Borrower would owe a net amount under all of such Borrower's Secured Hedge Agreements if all such Secured Hedge Agreements were terminated on such date, the Administrative Agent may, and at the request of the Required Lenders, will, establish a reserve for purposes of calculating the Borrowing Base pursuant to the definition thereof set forth in Section 1.01 in an amount equal to such net amount, and will maintain such reserve until the next determination by the Administrative Agent pursuant to this paragraph.

(b) **Borrowing Base Collateral Casualty Event or Disposition .**

(i) Upon the occurrence of a Significant Casualty Event related to any Borrowing Base Collateral, the Administrative Agent, in the exercise of its Permitted Discretion, may establish or increase the Casualty Reserve for purposes of calculating the Borrowing Base pursuant to the definition thereof set forth in Section 1.01 as a result thereof.

(ii) Upon the occurrence of a Disposition outside the Ordinary Course of Business related to any Borrowing Base Collateral, the Administrative Agent, in the exercise of its Permitted Discretion, may establish or increase the Disposition Reserve for purposes of calculating the Borrowing Base pursuant to the definition thereof set forth in Section 1.01 as a result thereof.

Section 2.05 Prepayments.

(a) **Optional.** Each Borrower may, upon notice from the Parent Borrower to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; *provided* that (i) such notice must be in a form reasonably acceptable to the Administrative Agent and be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment. If such notice is given by the Parent Borrower, the applicable Borrower shall make such prepayment and the prepayment amount specified in such notice shall be due and payable on the date specified therein, *provided, however*, that notwithstanding anything to the contrary contained herein, any such prepayment notice may be conditioned upon the effectiveness of other credit facilities or the closing of one or more securities offerings or other transactions; *provided, further*, that, the Parent Borrower must affirmatively rescind any such prepayment notice by a subsequent written notice to the Administrative Agent, if the condition in an original prepayment notice shall fail to be satisfied by the proposed effective date of such prepayment, and upon the Administrative Agent's receipt of such rescinding notice, shall have no obligation to make any prepayment in respect of such earlier prepayment notice. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05.

(b) **Mandatory.**

(i) *If for any reason the Total Outstandings at any time exceed the Line Cap at such time, the Borrowers shall immediately prepay Loans and/or the Parent Borrower shall Cash Collateralize the L/C Obligations (other than the L/C Borrowings) in an aggregate amount equal to such excess. The Administrative Agent may, at any time and*

from time to time after the initial deposit of such Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of further exchange rate fluctuations.

(ii) Each prepayment of Loans pursuant to the foregoing Section 2.05(b)(i) shall be applied in the following manner: first, ratably to the L/C Borrowings, second, ratably to the outstanding Loans, and, third, to Cash Collateralize the remaining L/C Obligations. Upon the drawing of any Letter of Credit that has been Cash Collateralized, the funds held as Cash Collateral shall be applied (without any further action by or notice to or from the Borrowers or any other Loan Party) to reimburse the relevant L/C Issuer or the Lenders, as applicable.

(iii) If for any reason the Consolidated Cash Balance exceeds \$30,000,000 as of the end of any Business Day, the Borrowers shall on or before 11:00 a.m. on the next Business Day, prepay the Loans in an aggregate principal amount equal to the lesser of (A) the then-remaining excess and (B) the amount of Loans.

Section 2.06 Termination or Reduction of Commitments.

(a) **Optional.** The Parent Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments or Letter of Credit Sublimit, or from time to time permanently reduce the Aggregate Commitments or the Letter of Credit Sublimit; *provided* that (i) any such notice shall be received by the Administrative Agent not later than 10:00 a.m. three Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof, (iii) the Parent Borrower shall not terminate or reduce (A) the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Line Cap, (B) the Letter of Credit Sublimit if, after giving effect thereto, the Outstanding Amount of L/C Obligations not fully Cash Collateralized hereunder would exceed the Letter of Credit Sublimit, and (iv) if, after giving effect to any reduction of the Aggregate Commitments, the Letter of Credit Sublimit exceeds the amount of the Aggregate Commitments, the Letter of Credit Sublimit shall be automatically reduced by the amount of such excess.

(b) **[Reserved].**

(c) **Application of Commitment Reductions; Payment of Fees.** The Administrative Agent will promptly notify the Lenders of any termination or reduction of the Letter of Credit Sublimit or the Commitments under this Section 2.06. Upon any reduction of the Aggregate Commitments, the Commitment of each Lender shall be reduced by such Lender's Applicable Percentage of such reduction amount. All fees accrued hereunder until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

Section 2.07 Repayment of Loans.

(a) Each Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of all Loans outstanding on such date.

(b) During any Cash Dominion Trigger Period, all funds that flow into a Dominion Account shall immediately be applied to the Obligations, first to unpaid accrued interest on Base Rate Loans, then to the unpaid principal of Base Rate Loans, then to accrued interest on Eurodollar Loans and then, together with such amounts, to the unpaid principal of the Eurodollar Loans in such manner as to minimize amounts due under Section 3.05(a). The Loan Parties may retain access to the funds in the Dominion Accounts until such time as (a) an Event of Default has occurred and is continuing and the Administrative Agent has delivered notice that it is exercising exclusive control over such Dominion Account or (b) a Cash Dominion Trigger Period exists.

Section 2.08 **Interest. %3.** Subject to the provisions of Section 2.08(b), (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

(a) (1) If any amount of principal of any Loan or L/C Borrowing is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, all outstanding Loans and L/C Borrowings (whether or not overdue) shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws until such amount is paid in full (after as well as before judgment).

(i) *If any amount (other than principal of any Loan or L/C Borrowing) payable by any Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then such overdue amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws until such amount is paid in full (after as well as before judgment).*

(ii) *Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.*

(b) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Notwithstanding anything else to the contrary contained herein, interest hereunder shall be due no less frequently than quarterly. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

Section 2.09 **Fees.** In addition to certain fees described in Sections 2.03(i) and (j):

(a) **Commitment Fee.** The Parent Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a commitment fee equal to the Applicable Fee Rate times the actual daily amount by which the Aggregate Commitments exceeds the Total Outstandings. The commitment fee described in this Section 2.09(a) shall accrue at all times during the relevant Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the first day of each January, April, July and October, commencing with the first such date to occur after the Closing Date, and, in the case of the commitment fee with respect to the Aggregate Commitments, on the last day of the Availability Period. The commitment fee described in this Section 2.09(a) shall be calculated quarterly in arrears.

(b) **Other Fees.**

(i) *The Parent Borrower shall pay to the Arranger and the Administrative Agent for their own respective accounts, in Dollars, fees in the amounts and at the times specified in the Fee Letter or any other written agreement with respect to fees in connection with the Fifth Amendment. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.*

(ii) *The Parent Borrower shall pay to the Lenders, in Dollars, such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.*

Section 2.10 **Computation of Interest and Fees; Retroactive Adjustments of Applicable Rate** . All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the Eurodollar Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year) or, in the case of interest in respect of Loans denominated in Alternative Currencies as to which market practice differs from the foregoing, in accordance with such market practice. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, *provided* that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(a) **If, as a result of any restatement of or other adjustment to the financial statements of the Parent Borrower or for any other reason, the Parent Borrower or the Lenders determine that (i) the Consolidated Leverage Ratio as calculated by the Parent Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Consolidated Leverage Ratio would have resulted in higher pricing for such period, each Borrower shall**

immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders or the L/C Issuers, as the case may be, promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to any Borrower under the Bankruptcy Code of the United States, automatically and without further action by the Administrative Agent, any Lender or any L/C Issuer), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Lender or any L/C Issuer, as the case may be, under Section 2.03(c)(iii), 2.03(i) or 2.08(b) or under Article VIII. The Borrowers' obligations under this paragraph shall survive the termination of the Aggregate Commitments and the repayment of all other Obligations hereunder.

Section 2.11 **Evidence of Debt.** The Credit Extensions made by each Lender or L/C Issuer shall be evidenced by one or more accounts or records maintained by such Lender or such L/C Issuer, as applicable, and by the Administrative Agent in the ordinary course of business. Such accounts or records maintained by the Administrative Agent and each Lender or L/C Issuer, as applicable, shall be conclusive absent manifest error of the amount of the applicable Credit Extensions to the Borrowers and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender or any L/C Issuer and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender to the Parent Borrower made through the Administrative Agent, the Borrowers shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans to the Borrowers in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount, and maturity of its Loans and payments with respect thereto.

(a) **In addition to the accounts and records referred to in Section 2.11(a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.**

Section 2.12 **Payments Generally; Administrative Agent's Clawback.**

(a) **General.** All payments to be made by the Borrowers shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrowers hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. If, for any reason, any Borrower is prohibited by any Law from making any required payment hereunder in an Alternative Currency, such Borrower shall make such payment in Dollars in the Dollar Equivalent of the Alternative Currency payment amount. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent (i) after 2:00 p.m., in the case of payments in Dollars, or (ii) after the Applicable Time specified by the Administrative Agent in the case of payments in an Alternative Currency, shall in each case be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by any Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be. Each Borrower agrees that, during any Cash Dominion Trigger Period, the Administrative Agent may (and, at the request of the Required Lenders, the Administrative Agent shall) (A) cause each bank that maintains any account subject to a Control Agreement or a Lockbox Agreement to transfer, on a daily basis, all collected funds in any such account to a Dominion Account and (B) apply any amounts on deposit in a Dominion Account to repay Loans whenever any Loans are outstanding.

(b) (1) **Funding by Lenders; Presumption by Administrative Agent.** Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurodollar Rate Loans (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by such Borrower, the interest rate applicable to Base Rate Loans. If the Borrowers and such Lender shall pay such interest to the Administrative Agent for the

same or an overlapping period, the Administrative Agent shall promptly remit to such Borrower the amount of such interest paid by such Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrowers shall be without prejudice to any claim the Borrowers may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(i) *Payments by Borrowers; Presumptions by Administrative Agent.* Unless the Administrative Agent shall have received notice from a Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuers hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Appropriate Lenders the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Appropriate Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such L/C Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrowers with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) **Failure to Satisfy Conditions Precedent.** If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender to any Borrower as provided in the foregoing provisions of this **Article II**, and such funds are not made available to such Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in **Article IV** are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) **Obligations of Lenders Several.** The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and to make payments pursuant to **Section 10.04(c)** are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under **Section 10.04(c)** on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under **Section 10.04(c)**.

(e) **Funding Source.** Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) **Insufficient Funds.** If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, L/C Borrowings, interest and fees then due hereunder, such funds shall be applied (i) **first**, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) **second**, toward payment of principal and L/C Borrowings then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and L/C Borrowings then due to such parties.

Section 2.13 **Sharing of Payments by Lenders.** If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) Revolving Facility Obligations due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Revolving Facility Obligations due and payable to such Lender at such time to (ii) the aggregate amount of the Revolving Facility Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Revolving Facility Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Revolving Facility Obligations owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Revolving Facility Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the Revolving Facility Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Parties at such time) of payment on account of the Revolving Facility Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time

obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and subparticipations in L/C Obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Revolving Facility Obligations then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, *provided that*:

(i) *if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and*

(ii) *the provisions of this Section shall not be construed to apply to (A) any payment made by or on behalf of any Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations to any assignee or participant, other than to the Parent Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).*

Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

Section 2.14 **Designated Borrower.**

(a) **Effective as of the Fifth Amendment Effective Date, each of Quail Tools, L.P.; Parker Drilling Arctic Operating, LLC; and Parker Drilling Offshore USA, L.L.C. shall be a “Designated Borrower” hereunder and may receive Loans for its account on the terms and conditions set forth in this Agreement; *provided that such Subsidiary shall be a Wholly-Owned Subsidiary of the Parent Borrower and shall remain a Wholly-Owned Subsidiary of the Parent Borrower for as long as such Subsidiary is a Designated Borrower; provided further that if such Subsidiary is a Wholly-Owned Domestic Subsidiary of the Parent Borrower at the time such Subsidiary becomes a Designated Borrower, such Subsidiary shall remain a Wholly-Owned Domestic Subsidiary of the Parent Borrower for as long as such Subsidiary is a Designated Borrower.***

(b) **So long as no Default shall have occurred and is continuing or shall result therefrom: the Parent Borrower may at any time, upon not less than fifteen (15) Business Days’ notice from the Parent Borrower to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), designate any additional Subsidiary of the Company that is not already a Designated Borrower (an “Applicant Borrower”) as a Designated Borrower to receive Loans hereunder by delivering to the**

Administrative Agent (which shall promptly deliver counterparts thereof to each Lender) a duly executed notice and agreement in substantially the form of Exhibit I (a “Designated Borrower Request and Assumption Agreement”); *provided* that such Subsidiary shall be a Wholly-Owned Subsidiary of the Parent Borrower and shall remain a Wholly-Owned Subsidiary of the Parent Borrower for as long as such Subsidiary is a Designated Borrower; *provided further* that if such Subsidiary is a Wholly-Owned Domestic Subsidiary of the Parent Borrower at the time such Subsidiary becomes a Designated Borrower, such Subsidiary shall remain a Wholly-Owned Domestic Subsidiary of the Parent Borrower for as long as such Subsidiary is a Designated Borrower. Notwithstanding anything else to the contrary in this Section 2.14(b), the parties hereto acknowledge and agree that (x) prior to any Applicant Borrower becoming entitled to utilize the credit facilities provided for herein each Lender shall have had 3 Business Days to review such Applicant Borrower’s Designated Borrower Request and Assumption Agreement and notify the Administrative Agent in writing of any objection to such Applicant Borrower becoming a Designated Borrower on the basis of such Lender (A) not being permitted to make any Loan to such Designated Borrower under applicable Law or (B) not being able to commit or make such Loan to such Designated Borrower because of adverse tax consequences for such Lender when such Subsidiary of the Parent Borrower becomes a Designated Borrower and (y) the Administrative Agent and the Lenders shall have received such supporting resolutions, incumbency certificates, opinions of counsel, appraisals and field exams, any documents or instruments required pursuant to Section 6.09 and other documents or information (including, without limitation, information and documentation of the type provided under Section 4.01(a)(xvii)), in each case, in form, content and scope reasonably satisfactory to the Administrative Agent, as may be required by the Administrative Agent in its sole discretion, and a Note signed by such new Borrower to the extent any Lender so requires (such deliverables collectively, the “Applicant Borrower Materials”). If (1) no Lender objects to the addition of an Applicant Borrower as a Designated Borrower as set forth in clause (x) of the preceding sentence and (2) the Administrative Agent determines in its sole discretion that an Applicant Borrower shall be entitled to receive Loans hereunder, then promptly following receipt of all the Applicant Borrower Materials, the Administrative Agent shall send a notice in substantially the form of Exhibit J (a “Designated Borrower Notice”) to the Parent Borrower and the Lenders specifying the effective date upon which the Applicant Borrower shall constitute a Designated Borrower for purposes hereof, whereupon each of the Lenders agrees to permit such Designated Borrower to receive Loans hereunder, on the terms and conditions set forth herein, and each of the parties agrees that such Designated Borrower otherwise shall be a Borrower for all purposes of this Agreement; *provided* that no Committed Loan Notice or Letter of Credit Application may be submitted by or on behalf of such Designated Borrower until the date five (5) Business Days after such effective date.

(c) The Obligations of the Parent Borrower and each Designated Borrower that is a Subsidiary shall be joint and several in nature.

(d) Each Subsidiary of the Parent Borrower that is or becomes a “Designated Borrower” pursuant to this Section 2.14 hereby irrevocably confirms the appointment and

powers of the Parent Borrower under Article XI and will become a Guarantor pursuant to Section 6.09.

(e) The Parent Borrower may from time to time, upon not less than fifteen (15) Business Days' notice from the Parent Borrower to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), terminate a Designated Borrower's status as such, *provided* that (i) there are no outstanding Loans payable by such Designated Borrower, or other amounts payable by such Designated Borrower on account of any Loans made to it, as of the effective date of such termination or (ii) if Total Outstandings exceed the Line Cap at the time of such termination of status, the Borrowers shall contemporaneously make such prepayments as are required hereunder. The Administrative Agent will promptly notify the Lenders of any such termination of a Designated Borrower's status.

(f) Any Lender may fulfill its Commitment hereunder in respect of any Loans requested to be made hereunder by such Lender to a Designated Borrower not organized under the laws of the United States, or any State thereof, by causing an Affiliate of such Lender to act for such Lender to make such Loans to such Designated Borrower in the place and stead of such Lender.

Section 2.15 **LIBOR Successor Rate.** Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or the Parent Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to Parent Borrower) that the Parent Borrower or Required Lenders (as applicable) have determined, that:

(i) *adequate and reasonable means do not exist for ascertaining LIBOR for any requested Interest Period, including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or*

(ii) *the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans (such specific date, the "Scheduled Unavailability Date"), or*

(iii) *syndicated loans currently being executed, or that include language similar to that contained in this Section 2.15, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,*

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, the Administrative Agent and the Parent Borrower may amend this Agreement to replace LIBOR with an alternate benchmark rate (including any mathematical or other adjustments to the benchmark (if any) incorporated therein), giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated

syndicated credit facilities for such alternative benchmarks (any such proposed rate, a “LIBOR Successor Rate”), together with any proposed LIBOR Successor Rate Conforming Changes and any such amendment shall become effective at 5:00 p.m. (New York time) on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Parent Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders do not accept such amendment.

If no LIBOR Successor Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify the Parent Borrower and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended, (to the extent of the affected Eurodollar Rate Loans or Interest Periods), and (y) the Eurodollar Rate component shall no longer be utilized in determining the Base Rate. Upon receipt of such notice, the Parent Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans (subject to the foregoing clause (y)) in the amount specified therein.

Notwithstanding anything else herein, any definition of LIBOR Successor Rate shall provide that in no event shall such LIBOR Successor Rate be less than zero for purposes of this Agreement.

Section 2.16 **Defaulting Lenders.**

(a) **Amendments.** Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. Such Defaulting Lender’s right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of “Required Lenders” and Section 10.01.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payments of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the L/C Issuer hereunder; third, to Cash Collateralize the L/C Issuer’s Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.03(g); fourth, as the Parent Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Parent Borrower, to be held in a deposit account and released pro rata in order to (A) satisfy such Defaulting

Lender's potential future funding obligations with respect to Loans under this Agreement and (B) Cash Collateralize the L/C Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.03(g), sixth, to the payment of any amounts owing to the Lenders, or the L/C Issuer as a result of any final and nonappealable judgment of a court of competent jurisdiction obtained by any Lender or the L/C Issuer against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default exists, to the payment of any amounts owing to the Parent Borrower as a result of any final and nonappealable judgment of a court of competent jurisdiction obtained by the Parent Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Borrowings in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations are held by the Lenders pro rata in accordance with the Commitments hereunder without giving effect to Section 2.16(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.16(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) **No Defaulting Lender shall be entitled to receive any fee payable under Section 2.09(a) for any period during which that Lender is a Defaulting Lender (and the Parent Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).**

(B) **Each Defaulting Lender shall be entitled to receive Letter of Credit Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated face amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.03.**

(C) **With respect to any fee payable under Section 2.09 or any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Parent Borrower shall (I) pay to each Non-Defaulting Lender that portion of any such**

fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (II) pay to the L/C Issuer the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such L/C Issuer's Fronting Exposure to such Defaulting Lender, and (III) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Applicable Percentages to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that such reallocation does not cause the aggregate Outstanding Amount of the Loans of such Non-Defaulting Lender, plus such Non-Defaulting Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations to exceed such Non-Defaulting Lender's Commitment. Subject to Section 10.23, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender's having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral. If the reallocation described in clause (a)(iv) above cannot, or can only partially, be effected, the Parent Borrower shall, without prejudice to any right or remedy available to it hereunder or under applicable Law, Cash Collateralize the L/C Issuer's Fronting Exposure in accordance with the procedures set forth in Section 2.03(g).

(b) Defaulting Lender Cure. If the Parent Borrower, the Administrative Agent and the L/C Issuers agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held on a *pro rata* basis by the Lenders in accordance with their Commitments (without giving effect to Section 2.16(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Parent Borrower while that Lender was a Defaulting Lender; and *provided, further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III
TAXES, YIELD PROTECTION AND ILLEGALITY

Section 3.01 **Taxes.**

- (a) **Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes .**

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(i) Any and all payments by or on account of any obligation of any Borrower hereunder or under any other Loan Document shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable Laws require any Borrower or the Administrative Agent to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined in the good faith discretion of such Borrower or the Administrative Agent, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Borrower or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Borrower or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) such Borrower or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Borrower or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount so withheld or deducted by it to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Borrowers. Without limiting the provisions of subsection (a) above, each Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Laws.

(c) Tax Indemnifications.

(i) Without limiting the provisions of subsection (a) or (b) above, each Borrower shall, and does hereby, jointly and severally indemnify the Administrative Agent, each Lender and each L/C Issuer, and shall make payment in respect thereof within 10 days

after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by the Administrative Agent, such Lender or such L/C Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Borrower shall also, and does hereby, indemnify the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender or L/C Issuer for any reason fails to pay indefeasibly to the Administrative Agent as required by clause (ii) of this subsection. A certificate as to the amount of any such payment or liability delivered to the Parent Borrower by a Lender or L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or L/C Issuer, shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, each Lender and L/C Issuer shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, the Administrative Agent, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel) incurred by or asserted against the Administrative Agent by any Governmental Authority as a result of the failure by such Lender or such L/C Issuer, as the case may be, to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender or such L/C Issuer, as the case may be, to the Administrative Agent pursuant to subsection (e). A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender and each L/C Issuer hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender or such L/C Issuer, as the case may be, under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii). The agreements in this clause (ii) shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender or any L/C Issuer, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all other Obligations.

(d) **Evidence of Payments.** As soon as practicable after any payment of Taxes by any Borrower to a Governmental Authority as provided in this Section 3.01, a Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) **Status of Lenders; Tax Documentation.**

(i) Each Lender and L/C Issuer shall deliver to the Parent Borrower and to the Administrative Agent, at the time or times prescribed by applicable Laws or when reasonably requested by the Parent Borrower or the Administrative Agent, such properly

completed and executed documentation prescribed by applicable Laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit the Parent Borrower or the Administrative Agent, as the case may be, to determine

(A) whether or not payments made by any Borrower hereunder or under any other Loan Document are subject to Taxes, withholding, or deduction and if applicable, the required rate of withholding or deduction,

(B) whether or not such Lender or L/C Issuer is subject to information reporting requirements, and

(C) such Lender's or L/C Issuer's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender or L/C Issuer by any Borrower pursuant to this Agreement or otherwise to establish such Lender's or L/C Issuer's status for withholding Tax purposes in the applicable jurisdictions.

Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01(e)(ii)(A), (ii)(B) and (v) below) shall not be required if in the Lender's or L/C Issuer's reasonable judgment such completion, execution or submission would subject such Lender or L/C Issuer to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender or L/C Issuer.

(ii) Without limiting the generality of the foregoing, if a Borrower is a "United States person," within the meaning of Section 7701(a)(30) of the Code,

(A) any Lender or L/C Issuer that is a "United States person," within the meaning of Section 7701(a)(30) of the Code, shall deliver to the Parent Borrower and the Administrative Agent on or prior to the date on which such Lender or L/C Issuer becomes a Lender or L/C Issuer under this Agreement (and from time to time thereafter upon reasonable request of the Parent Borrower or the Administrative Agent) executed copies of IRS Form W-9 certifying that such Lender or L/C Issuer is exempt from United States federal backup withholding; and

(B) each Foreign Lender that is entitled under the Code or any applicable treaty to an exemption from or reduction of withholding Tax with respect to payments hereunder or under any other Loan Document shall deliver to the Parent Borrower and the

Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender or L/C Issuer under this Agreement (and from time to time thereafter upon the request of the Parent Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming benefits of any income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of United States federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, United States federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty,

(II) executed copies of IRS Form W-8ECI,

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit B-1 to the effect that such Foreign Lender is not (A) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of a Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code (a “U.S. Compliance Certificate”) and (y) executed copies of Internal Revenue Service Form W-8BEN-E (or W-8BEN, as applicable),

(IV) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a U.S. Compliance Certificate substantially in the form of Exhibit B-2 or Exhibit B-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit B-4 on behalf of each such direct and indirect partner, or

(V) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Parent Borrower and the Administrative on or prior to the date on which such Foreign Lender becomes a Lender or L/C Issuer under this Agreement (and from time to time thereafter upon the reasonable request of the Parent Borrower or the

Administrative Agent), executed copies of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in United States federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Laws to permit the Parent Borrower or the Administrative Agent to determine the withholding or deduction required to be made.

(iii) *Each Lender and L/C Issuer shall promptly update and deliver any such form or certificate it previously delivered that has expired or become obsolete or inaccurate in any respect or notify the Parent Borrower and the Administrative Agent in writing of its legal inability to do so.*

(iv) *Each Borrower shall promptly deliver to the Administrative Agent, any Lender or any L/C Issuer, as the Administrative Agent, such Lender, or such L/C Issuer shall reasonably request, on or prior to the Closing Date, and in a timely fashion thereafter, such documents and forms required by any relevant taxing authorities under the Laws of any jurisdiction, duly executed and completed by such Borrower, as are required to be furnished by such Lender, such L/C Issuer or the Administrative Agent under such Laws in connection with any payment by the Administrative Agent or any Lender of Taxes or Other Taxes, or otherwise in connection with the Loan Documents, with respect to such jurisdiction.*

(v) *If a payment made to any Lender or any L/C Issuer under any Loan Document would be subject to withholding Tax imposed by FATCA if such Lender or L/C Issuer were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender or L/C Issuer shall deliver to the Parent Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Parent Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code), and such additional documentation reasonably requested by the Parent Borrower or the Administrative Agent, in each case, as may be necessary for the Borrowers and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender or L/C Issuer has complied with such Lender's or L/C Issuer's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (v), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. For purposes of determining withholding Taxes imposed under FATCA, from and after the Closing Date, the Parent Borrower and the Administrative Agent shall treat (and the Lenders and L/C Issuers hereby authorize the Administrative Agent to treat) the Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).*

(f) **Treatment of Certain Refunds**. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender or an L/C Issuer, or have any obligation to pay to any Lender or any L/C Issuer, any refund of Taxes withheld or deducted from funds paid for the account of such

Lender or such L/C Issuer, as the case may be. If the Administrative Agent, any Lender or any L/C Issuer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by any Borrower or with respect to which any Borrower has paid additional amounts pursuant to this Section, it shall pay to such Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses and net of any loss or gain realized in the conversion of such funds from or to another currency incurred by the Administrative Agent, such Lender or any L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), *provided* that each Borrower, upon the request of the Administrative Agent, such Lender or such L/C Issuer, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or such L/C Issuer in the event the Administrative Agent, such Lender or such L/C Issuer is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection (f), in no event will the Administrative Agent, any Lender or any L/C Issuer be required to pay any amount to any Borrower pursuant to this subsection (f) the payment of which would place the Administrative Agent, such Lender or such L/C Issuer in a less favorable net after-Tax position than the Administrative Agent, such Lender or such L/C Issuer would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require the Administrative Agent, any Lender or any L/C Issuer to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to any Borrower or any other Person.

(g) **Survival.** Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender or the L/C Issuer, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

Section 3.02 **Illegality.** If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to perform any of its obligations hereunder or make, maintain or fund or charge interest with respect to any Credit Extension, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Parent Borrower through the Administrative Agent, any obligation of such Lender to issue, make, maintain, fund or charge interest with respect to any such Credit Extension or to convert Base Rate Loans to Eurodollar Rate Loans, shall be suspended until such Lender notifies the Administrative Agent and the Parent Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Parent Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all such Eurodollar Rate Loans of such Lender to Base Rate Loans,

either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

Section 3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Parent Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Parent Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

Section 3.04 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) *impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Eurodollar Rate) or any L/C Issuer;*

(ii) *subject the Administrative Agent, any Lender or any L/C Issuer to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or*

(iii) *impose on any Lender or any L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender or any Letter of Credit or participation therein;*

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or such L/C Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or such L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or such L/C Issuer, the Parent Borrower will pay to such Lender or such L/C

Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or such L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) **Capital Requirements.** If any Lender or any L/C Issuer determines that any Change in Law affecting such Lender or such L/C Issuer or any Lending Office of such Lender or such Lender's or such L/C Issuer's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or such L/C Issuer's capital or on the capital of such Lender's or such L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such L/C Issuer, to a level below that which such Lender or such L/C Issuer or such Lender's or such L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such L/C Issuer's policies and the policies of such Lender's or such L/C Issuer's holding company with respect to capital adequacy and liquidity), then from time to time the Parent Borrower will pay to such Lender or such L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or such L/C Issuer or such Lender's or such L/C Issuer's holding company for any such reduction suffered.

(c) **Certificates for Reimbursement.** A certificate of a Lender or L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or such L/C Issuer or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Parent Borrower shall be conclusive absent manifest error. The Parent Borrower shall pay such Lender or such L/C Issuer, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) **Delay in Requests.** Failure or delay on the part of any Lender or any L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or such L/C Issuer's right to demand such compensation, *provided* that no Borrower shall be required to compensate a Lender or L/C Issuer pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or such L/C Issuer, as the case may be, notifies the Parent Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.05 **Compensation for Losses**. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Parent Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by any Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by any Borrower;

(c) any failure by any Borrower to make payment of drawing under any Letter of Credit (or interest due thereon) denominated in an Alternative Currency on its scheduled due date or any payment thereof in a different currency; or

(d) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by any Borrower pursuant to Section 10.13;

excluding any loss of anticipated profits, but including any foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan, from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Parent Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Parent Borrower (or the applicable Designated Borrowers) to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

Section 3.06 **Mitigation Obligations; Replacement of Lenders** .

(a) **Designation of a Different Lending Office**. If any Lender requests compensation under Section 3.04, or any Borrower is required to pay any additional amount to any Lender, any L/C Issuer, or any Governmental Authority for the account of any Lender or any L/C Issuer pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then, at the request of Parent Borrower, such Lender or such L/C Issuer shall, as applicable, use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender or such L/C Issuer, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice

pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender or such L/C Issuer, as the case may be, to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender or such L/C Issuer, as the case may be. The Parent Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or any L/C Issuer in connection with any such designation or assignment.

(b) **Replacement of Lenders.** If any Lender requests compensation under Section 3.04, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, and in each case, such Lender has declined or is unable to designate a different Lending Office in accordance with Section 3.06(a), or if any Lender is a Non-Consenting Lender or a Defaulting Lender or otherwise gives notice pursuant to Section 3.02, the Parent Borrower may replace such Lender in accordance with Section 10.13.

Section 3.07 **Survival.** All of each Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments, repayment of all other Obligations hereunder, and resignation of the Administrative Agent.

Section 3.08 **Keepwell.** Each Loan Party that is a Qualified ECP Guarantor at the time the Guaranty, or the grant of the security interest under any Loan Document, by such Loan Party, becomes effective with respect to any Secured Hedge Agreement, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed by each other Loan Party from time to time to honor all of its obligations under its Guaranty and the other Loan Documents in respect of such Secured Hedge Agreement (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Section voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each Qualified ECP Guarantor intends this Section to constitute, and this Section shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Secured Party for all purposes of the Commodity Exchange Act.

ARTICLE IV

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

Section 4.01 **Conditions of Initial Credit Extension.** The obligation of each L/C Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) **The Administrative Agent's receipt of the following, each of which shall be originals, telecopies or electronic copies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date**

before the Closing Date) and each in form and substance satisfactory to the Arranger, Administrative Agent and each of the Lenders:

(i) *executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;*

(ii) *a Note executed by PKD in favor of each Lender requesting a Note;*

(iii) *executed counterparts of the Second Omnibus Amendment to Collateral Documents, sufficient in number for distribution to the Administrative Agent, each Lender and PKD, together with:*

(A) *certificates representing the Pledged Equity Interests accompanied by undated transfer powers executed in blank or, if any of the Pledged Equity Interests shall be uncertificated securities (as defined in Article 8 of the UCC), confirmation and evidence satisfactory to the Administrative Agent that the security interest in such uncertificated securities has been transferred to and perfected by the Administrative Agent for the benefit of the Secured Parties in accordance with Section 9-106 of the Uniform Commercial Code, and instruments evidencing the debt instruments pledged pursuant to the Collateral Documents, if any, indorsed in blank;*

(B) *proper financing statements in form appropriate for filing under the Uniform Commercial Code of all jurisdictions that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created under the Security Agreement, covering the Collateral described in the Security Agreement (as amended, including, without limitation, by the Second Omnibus Amendment to Collateral Documents);*

(C) *copies of any other Uniform Commercial Code, judgment, tax lien, intellectual property, or other searches reasonably requested by the Administrative Agent with respect to the Collateral, together with copies of the financing statements (or similar documents) disclosed by such searches, and accompanied by evidence that any Liens indicated in any such financing statement that are not permitted by Section 7.01 have been or contemporaneously will be released or terminated (or otherwise provided for in a manner reasonably acceptable to the Administrative Agent); and*

(D) *evidence that all other action, recordings and filings that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created under the Collateral Documents*

have been taken (including receipt of duly executed payoff letters, UCC-3 termination statements and consent agreements) or arrangements therefor satisfactory to the Administrative Agent shall have been made;

(iv) *the Fourth Mortgage Amendment, covering each of the Specified Barge Rigs listed on Schedule 5.07(A) (other than Parker Drilling 30-B), duly executed by the appropriate Loan Party, together with:*

(A) evidence that counterparts of the Fourth Mortgage Amendment have been duly executed, acknowledged and delivered and are in form suitable for filing or recording with the United States Coast Guard and all other filing or recording offices that the Administrative Agent may deem necessary or desirable in order to create a valid first and subsisting Lien on the Specified Barge Rigs described therein in favor of the Administrative Agent for the benefit of the Secured Parties and that all filing, documentary, stamp, intangible and recording taxes and fees have been paid (or arrangements for such payment satisfactory to the Administrative Agent shall have been made); and

(B) evidence that all other action that the Administrative Agent may deem necessary or desirable in order to create valid first and subsisting Liens on the property described in the Mortgages has been taken, including delivery of an abstract of title, certificate of ownership, copy of certificate of documentation, and copy of certificate of financial responsibility (for each jurisdiction where applicable) with respect to each Specified Barge Rig;

(v) *such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to be a party;*

(vi) *such documents, agreements and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each of PKD and each Subsidiary Guarantor is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;*

(vii) *a favorable opinion of Baker Botts L.L.P., counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, covering such customary matters*

concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(viii) a favorable opinion of J. Edward Menger, deputy general counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, covering such customary matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(ix) a certificate of a Responsible Officer of PKD either (1) attaching copies of all consents (including, without limitation, from any Governmental Authority, shareholder or other third-party), licenses and approvals required in connection with the execution, delivery and performance by any Loan Party and the validity against any Loan Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect (except that the following consents do not need to be attached to such certificate to the extent delivered to the Administrative Agent as attachments to any other certificate delivered on the Closing Date: (A) any consents of a member or partner of a Loan Party that is required with respect to the pledge of equity under such Loan Party's Organization Documents and (B) any resolutions by each Loan Party's governing body authorizing and approving the Loan Documents), or (2) stating that no such consents, licenses or approvals are so required;

(x) a certificate of a Responsible Officer certifying that there are (1) no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened in writing or (2) ongoing, pending or threatened investigation known to PKD, in each case, in any court or conducted before or by any arbitrator or Governmental Authority, by or against PKD or any of its Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or the extensions of credit contemplated hereby, or (b) either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect;

(xi) a certificate signed by a Responsible Officer of PKD certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since December 31, 2013 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(xii) copies of the Audited Financial Statements and unaudited interim consolidated financial statements of PKD and its consolidated Subsidiaries for each fiscal quarterly period ended subsequent to December 31, 2013 as to which such financial statements are available, accompanied by a certificate of a Responsible Officer of PKD;

(xiii) projections of the revenues, expenses, and cash flows of the Borrower covering the period from January 1, 2015 through December 31, 2019, prepared on a quarterly basis for the fiscal year ending on December 31, 2015 and an annual basis for each fiscal year December 31, 2016, December 31, 2017, December 31, 2018 and

December 31, 2019 (the "Initial Projections"), prepared by a Responsible Officer of PKD having responsibility over financial matters, all in form and substance satisfactory to the Administrative Agent;

(xiv) *the Initial Appraisal Report;*

(xv) *a certificate from the chief financial officer of PKD, in form and substance reasonably satisfactory to the Administrative Agent, certifying that, as of the Closing Date, the Loan Parties, on a consolidated basis, are, and immediately after giving effect to the transactions contemplated by this Agreement and the incurrence of all Indebtedness and obligations being incurred in connection herewith will be, Solvent;*

(xvi) *[reserved];*

(xvii) *all documentation and other information with respect to the Loan Parties required by regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including without limitation the USA Patriot Act;*

(xviii) *evidence and documentation (including payoff letters, if applicable) satisfactory to the Administrative Agent that, prior to or substantially concurrently with the Closing Date, the 2015 Refinancing has occurred in a manner and pursuant to documentation satisfactory to the Administrative Agent in its reasonable discretion; and*

(xix) *such other assurances, certificates (including a perfection certificate, if requested), documents, reports (including any environmental reports), consents or opinions as the Administrative Agent, the L/C Issuers, or any Lender reasonably may require.*

(b) The Administrative Agent, Lenders and Arranger shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, without limitation, all filing and recording fees and Taxes and, to the extent invoiced prior to the Closing Date, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by PKD hereunder (including all such reasonable fees, charges and disbursements of counsel to the Administrative Agent, paid directly to such counsel if requested by the Administrative Agent).

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document (a draft of which such Lender has reviewed) or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 4.02 **Conditions to all Credit Extensions** . The obligation of each Lender and of each L/C Issuer to make any Credit Extension is subject to the following conditions precedent:

(a) **The representations and warranties of the Parent Borrower and each other Loan Party contained in Article V or any other Loan Document, shall be true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects) on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (except for such representations and warranties that have a materiality or Material Adverse Effect qualification, which shall be true and correct in all respects) as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in Section 5.05(a) and (b) shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01(a) and (b), respectively.**

(b) **No Default then exists, or would result from such proposed Credit Extension or the application of the proceeds thereof.**

(c) **In the case of any request for a Borrowing, the Administrative Agent shall have received a Committed Loan Notice, and in the case of any request for an L/C Credit Extension, the Administrative Agent and the applicable L/C Issuer shall have received a Letter of Credit Application, in each case, in accordance with the requirements hereof.**

(d) **In the case of a Credit Extension in the form of any Letter of Credit to be denominated in an Alternative Currency, there shall not have occurred any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Administrative Agent or the applicable L/C Issuer would make it impracticable for such Credit Extension to be denominated in the relevant Alternative Currency.**

(e) **In the case of a Credit Extension in the form of a Borrowing, at any time and immediately after giving effect to such Borrowing (net of any concurrent use of the proceeds of such Borrowing), the Consolidated Cash Balance shall not exceed \$30,000,000.**

(f) **If the applicable Borrower is a Designated Borrower, then the conditions of Section 2.14 to the designation of such Borrower as a Designated Borrower shall have been met to the satisfaction of the Administrative Agent.**

(g) **In the case of any request for a Borrowing, the Borrowers shall have established Dominion Accounts in a manner satisfactory to the Administrative Agent prior to such Borrowing, and in the case of any request for an L/C Credit Extension, the Borrowers shall have established Dominion Accounts in a manner satisfactory to the Administrative Agent prior to such L/C Credit Extension if after giving effect to such L/C Credit Extension the outstanding L/C Obligations are in excess of \$12,500,000 in the aggregate.**

(h) In the case of any request for a Borrowing, the Borrowers shall have established Control Agreements and/or Lockbox Agreements in a manner satisfactory to the Administrative Agent prior to such Borrowing, and in the case of any request for an L/C Credit Extension, the Borrowers shall have established Control Agreements and/or Lockbox Agreements in a manner satisfactory to the Administrative Agent prior to such L/C Credit Extension if after giving effect to such L/C Credit Extension the outstanding L/C Obligations are in excess of \$12,500,000 in the aggregate.

Each request for a Credit Extension submitted by any Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a), (b) and (e) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrowers represent and warrant to the Administrative Agent and the Lenders that:

Section 5.01 **Existence; Compliance with Law.** Each Loan Party (a) is duly organized or formed, validly existing and, as applicable, in good standing under the laws of the jurisdiction of its organization or formation, (b) has the requisite power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified and licensed and, as applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification except to the extent that the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.02 **Power; Authorization; Enforceable Obligations.** Each Loan Party has the requisite power and authority to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrowers, to borrow hereunder. Each Loan Party has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrowers, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to, approval or other act by or in respect of, any Governmental Authority or any other Person is required in connection with (a) the borrowings hereunder or the consummation of the 2015 Refinancing, (b) the execution, delivery, performance, validity or enforceability against any Loan Party of this Agreement or any of the other Loan Documents, (c) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (d) the perfection or maintenance of the Liens created under the Collateral Documents (including the first priority nature thereof) or (e) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except, in each case, (i) consents, authorizations, filings and notices described in Schedule 5.02, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect (except as noted on Schedule 5.02), (ii) the filings referred to in Section 5.18, (iii) in the case of any authorization,

approval, action, notice or filing from or with a Person other than a Governmental Authority, the failure to have could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iv) for matters that may be required after the Closing Date in the ordinary course of conducting the business of PKD or any Subsidiary thereof. Each Loan Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 5.03 **No Legal Bar.** The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law nor any material Contractual Obligation of PKD or any of its Subsidiaries, including, without limitation, arising under any of the Indentures or other material debt instrument, and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Collateral Documents). No Requirement of Law or Contractual Obligation applicable to PKD or any of its Subsidiaries could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.04 **No Material Litigation.** No litigation, investigation, claim or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Parent Borrower after due and diligent investigation, threatened by or against PKD or any of its Subsidiaries or against any of their respective properties or revenues that (a) purport to directly affect or pertain to this Agreement or any other Loan Document or any of the transactions contemplated hereby or thereby, or (b) except as specifically disclosed in Schedule 5.04, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and there has been no adverse change in the status, or financial effect on any Loan Party or any Subsidiary thereof, of the matters described in Schedule 5.04.

Section 5.05 **Financial Statements; No Material Adverse Effect** . %3. The Audited Financial Statements, reported on by and accompanied by an unqualified report from an independent certified public accounting firm of national reputation, present fairly in all material respects the consolidated financial condition of PKD and its Subsidiaries as at December 31, 2012 and December 31, 2013, as applicable, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended.

(a) **The unaudited consolidated balance sheet of PKD and its Subsidiaries at September 30, 2014, and the related unaudited consolidated statements of income and cash flows for the period ended on such date, present fairly in all material respects the consolidated financial condition of PKD and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the quarterly period then ended (subject to the absence of footnotes and normal year-end audit adjustments).**

(b) **All such financial statements described in subsections (a) and (b) of this Section, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the applicable accounting firm and disclosed therein). As of the Closing Date, PKD and its Subsidiaries do not have any material Guarantees, contingent liabilities and liabilities for taxes (except for any such tax liabilities to taxing authorities outside of the United States which are not, in the aggregate, material to PKD and its Subsidiaries taken as a whole) or any long-term leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the unaudited consolidated balance sheet of PKD and its Subsidiaries at September 30, 2014, and the related unaudited consolidated statements of income and cash flows for the period ended on such date, and which should be so reflected in accordance with GAAP. During the period from December 31, 2013 to and including the Closing Date, there has been no Disposition by PKD or any of its Subsidiaries of any material part of its business or Property, except as reflected in the financial statements described in subsections (a) and (b) of this Section which were delivered prior to the Closing Date.**

(c) **Since December 31, 2016 there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.**

(d) **The Projections which have been furnished to the Administrative Agent and/or the Lenders have been prepared in good faith based upon reasonable assumptions at the time such Projections were prepared, it being understood by the Lenders that such Projections are as to future events and are not to be viewed as facts, that such Projections are subject to significant uncertainties and contingencies, many of which are beyond PKD's control, that no assurance can be given by PKD that any of such Projections will be realized and that actual results during the period or periods covered by such Projections may differ significantly from the projected results and such differences may be material.**

Section 5.06 **No Default.** Neither any Loan Party nor any Subsidiary thereof is in default under or with respect to any of its Contractual Obligations in any respect that could, either

individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

Section 5.07 Ownership of Property; Liens. Each Loan Party has good record and marketable title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material Property, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and none of such Property is subject to any Lien except Liens permitted by Section 7.01. Schedule 5.07 sets forth a complete and accurate list, as of the Fifth Amendment Effective Date, of all land rigs and barge rigs located and operating in the continental United States, Alaska or Gulf of Mexico waters subject to U.S. state or federal jurisdiction owned by each Loan Party and each of its Subsidiaries, showing as of the Fifth Amendment Effective Date the record owner and registration number as presented on any certificate of title or contained in the official records of the National Vessel Documentation Center of the United States Coast Guard, as applicable.

Section 5.08 Intellectual Property. Each Loan Party owns, or is licensed to use, all material Intellectual Property necessary for the conduct of its business as currently conducted; no material claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does PKD know of any valid basis for any such claim; and the use of such Intellectual Property by PKD and its Subsidiaries does not infringe on the rights of any Person in any material respect.

Section 5.09 Taxes. Each of PKD and each of its Subsidiaries has filed or caused to be filed all material Federal, state and other Tax returns and reports that are required to be filed and has paid all Taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material Taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings diligently conducted in each case, with respect to which adequate reserves in conformity with GAAP have been provided on the books of PKD or its Subsidiaries, as the case may be); and no tax Lien has been filed (except as permitted by Section 7.01(a)), and, to the knowledge of the Parent Borrower, no claim is being asserted, with respect to any such tax, fee or other charge (other than any such Liens and claims in favor of taxing authorities outside of the United States which are not, in the aggregate, material to PKD and its Subsidiaries taken as a whole). Neither PKD nor any Subsidiary thereof is party to any tax sharing agreement.

Section 5.10 Federal Regulations. No part of the proceeds of any Loans or drawings under any Letter of Credit will be used in violation of Regulation U issued by the FRB as now and from time to time hereafter in effect or for any purpose that violates the provisions of the regulations of the FRB. No Loan Party is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB).

Section 5.11 Labor Matters. There are no strikes or other labor disputes against PKD or any of its Subsidiaries pending or, to the knowledge of the Parent Borrower, threatened that

(individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of PKD and its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from PKD or any of its Subsidiaries on account of employee health and welfare insurance that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of PKD or the relevant Subsidiary.

Section 5.12 **ERISA Compliance.** %3. Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws, except where such non-compliance has not had and could not reasonably be expected to have a Material Adverse Effect. The base prototype plan document which each Plan that is intended to qualify under Section 401(a) of the Code uses an opinion letter from the IRS, or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of the Parent Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect, PKD and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(a) **There are no pending or, to the knowledge of the Parent Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.**

(b) **Except to the extent such event could not reasonably be expected to have a Material Adverse Effect: (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither PKD nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither PKD nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither PKD nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.**

(c) **With respect to each scheme or arrangement mandated by a government other than the United States (a “Foreign Government Scheme or Arrangement”) and with respect to each employee benefit plan maintained or contributed to by any Loan Party or any Subsidiary of any Loan Party that is not subject to United States law (a “Foreign Plan”), each Foreign Plan is in compliance in all material respects with the provisions of the applicable law or terms of the applicable Foreign Government Scheme or Arrangement and no Foreign**

Benefit Event has occurred or is reasonably expected to occur, except where such non-compliance or occurrence has not had and could not reasonably be expected to have a Material Adverse Effect.

(d) **The Parent Borrower represents and warrants as of the Fifth Amendment Effective Date that PKD, and its Subsidiaries, is not and will not be using “plan assets” (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments.**

Section 5.13 **Investment Company Act; Other Regulations** . No Loan Party is an “investment company”, or a company “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the FRB) which limits its ability to incur Indebtedness.

Section 5.14 **Subsidiaries**. The Subsidiaries listed on Schedule 5.14 constitute all of the Subsidiaries of PKD at the Closing Date and as of the Fifth Amendment Effective Date. Schedule 5.14 sets forth as of the Closing Date and as of the Fifth Amendment Effective Date the name and jurisdiction of incorporation and, in the case of each Loan Party, the U.S. taxpayer identification number of each such Subsidiary and, as to each, the percentage of each class of Equity Interest owned by each Loan Party. All of the outstanding Equity Interests in the Subsidiaries of PKD have been validly issued, and (to the extent applicable) fully paid and non-assessable. All of the outstanding Pledged Equity Interests that are Collateral are owned free and clear of all Liens except those created under the Collateral Documents and, if and when the same are executed and delivered, the Senior Notes Refinancing Documents. As of the Closing Date, PKD does not directly or indirectly own any Equity Interest in any corporation, limited partnership or limited liability company (or other business entity) other than those specifically disclosed in Schedule 5.14. Schedule 5.14 identifies as of the Closing Date and as of the Fifth Amendment Effective Date each Material Subsidiary, Immaterial Subsidiary, Project Finance Subsidiary and Excluded Subsidiary.

(a) **As of the Closing Date and as of the Fifth Amendment Effective Date, there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than Equity Interests granted to employees and/or directors) of any nature relating to any Equity Interests of PKD or any Subsidiary, except as disclosed on Schedule 5.14.**

Section 5.15 **Use of Proceeds**. The proceeds of the Loans, and the Letters of Credit, shall be used for the (i) retirement of certain indebtedness in relation to the Existing Credit Agreement and (ii) to provide liquidity for capital expenditures, working capital and for ongoing general corporate purposes for PKD and its Subsidiaries not in contravention of any Law.

Section 5.16 **Environmental Matters.** Other than as set forth on Schedule 5.16 and exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) **PKD and its Subsidiaries:** (i) are, and within the period of all applicable statutes of limitation have been, in compliance with all applicable Environmental Laws; (ii) hold all Environmental Permits (each of which is in full force and effect) required for any of their current or intended operations or for any property owned, leased, licensed or otherwise operated by any of them; (iii) are, and within the period of all applicable statutes of limitation have been, in compliance with all of their Environmental Permits; and (iv) reasonably believe that: each of their Environmental Permits will be timely renewed and complied with, without material expense; any additional Environmental Permits that may be required of any of them will be timely obtained and complied with, without material expense; and compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense.

(b) **Hazardous Materials** are not present at, on, under, in, or about any real property now or formerly owned, leased, licensed or operated by PKD or any of its Subsidiaries, or at any other location (including, without limitation, any location to which Hazardous Materials have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of PKD or any of its Subsidiaries under any applicable Environmental Law or otherwise result in costs to PKD or any of its Subsidiaries, or (ii) interfere with PKD's or any of its Subsidiaries' continued operations, or (iii) impair the fair saleable value of any real property owned or leased by PKD or any of its Subsidiaries.

(c) **There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which PKD or any of its Subsidiaries is, or to the knowledge of PKD or any of its Subsidiaries will be, named as a party that is pending or, to the knowledge of PKD or any of its Subsidiaries, threatened in writing.**

(d) **Neither PKD nor any of its Subsidiaries has received any written request for information, or been notified that it is a potentially responsible party under or relating to the CERCLA or any similar Environmental Law, or with respect to any Hazardous Material.**

(e) **Neither PKD nor any of its Subsidiaries has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.**

(f) **Neither PKD nor any of its Subsidiaries has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Hazardous Material other than indemnity obligations in the ordinary course of business.**

Section 5.17 **Accuracy of Information, etc.** No written statement or information contained in this Agreement, any other Loan Document or any other document, certificate or written statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated hereby and the negotiation of this Agreement or the other Loan Documents or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished), contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein, taken as a whole, not materially misleading in light of the circumstances under which made; *provided* that with respect to the Projections, the Parent Borrower only makes the representation and warranty set forth in [Section 5.05\(e\)](#).

Section 5.18 **Collateral Documents.** The provisions of the Collateral Documents are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable Lien on all right, title and interest of the respective Loan Parties in the Collateral described therein and proceeds thereof. As applicable to Loan Parties on the Closing Date, when financing statements in appropriate form are filed in the offices specified on [Schedule 5.18](#), the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral (other than the Specified Barge Rigs covered by a Mortgage) and the proceeds thereof, as security for the Secured Obligations (as defined in the Security Agreement), in each case prior and superior in right to any other Person (except Liens permitted by [Section 7.01](#)), to the extent such security interest can be perfected by any filing of UCC financing statements. When any Mortgage is filed for recording in the National Vessel Documentation Center of the United States Coast Guard located in Falling Waters, West Virginia, such Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Specified Barge Rigs and such other Collateral described therein and the proceeds thereof, as security for the Secured Obligations (as defined in the applicable Mortgage), in each case prior and superior in right to any other Person (except Liens permitted by [Section 7.01](#)).

Section 5.19 **Solvency.** As of the Fifth Amendment Effective Date, the Loan Parties, on a consolidated basis, are, and immediately after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be, Solvent.

Section 5.20 **Insurance.** The properties of PKD and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of PKD, in such amounts with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where PKD or the applicable Subsidiary operates, except to the extent that reasonable self-insurance meeting the same standards is maintained with respect to such risks, and which insurance meets the requirements of the Mortgages.

Section 5.21 **OFAC/Sanctions.** Except as described on [Schedule 5.21](#), no Loan Party, nor, to the knowledge of any Loan Party, any Related Party, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated

List of Financial Sanctions Targets and the Investment Ban List, or (iii) located, organized or residing in any Designated Jurisdiction. No Loan or Letter of Credit, nor the proceeds from any Loan or Letter of Credit, has been used, directly or indirectly, to lend, contribute, provide or has otherwise made available to fund any activity or business in any Designated Jurisdiction or to fund any activity or business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions, or in any other manner that will result in any violation by any Person (including any Lender, the Arranger, the Administrative Agent or the L/C Issuer) of Sanctions.

Section 5.22 **Anti-Corruption Laws.** Except as previously disclosed by Parent Borrower and its Subsidiaries in public filings, the Loan Parties have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar applicable anti-corruption legislation in other jurisdictions in all material respects and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

Section 5.23 **EEA Financial Institution.** No Loan Party is an EEA Financial Institution.

ARTICLE VI

AFFIRMATIVE COVENANTS

Until the Termination Date, the Parent Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, and 6.03) cause each Subsidiary (other than any Immaterial Subsidiary) to:

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Section 6.01 **Financial Statements; Borrowing Base Certificate** . Deliver to the Administrative Agent (which shall promptly furnish to each Lender), in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of PKD, a copy of the audited consolidated balance sheet of PKD and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on without a “going concern” or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of PKD, the unaudited consolidated balance sheet of PKD and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer of the Parent Borrower as being fairly stated in all material respects (subject to normal year-end audit adjustments and the absence of footnotes); and

(c) if a Financial Reporting Trigger Period is in effect, as soon as available, but in any event not later than 30 days after the end of each month not coinciding with the end of a fiscal quarter, the unaudited consolidated balance sheet of PKD and its consolidated Subsidiaries as at the end of such month and the related unaudited consolidated statement of income for such month and the portion of the fiscal year through the end of such month, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous fiscal year;

(d) a Borrowing Base Certificate prepared as of the end of the applicable period and accompanied by such supporting detail and documentation as is contemplated by the Borrowing Base Certificate and/or as shall be reasonably requested by the Administrative Agent (in a form and detail satisfactory to the Administrative Agent), as soon as available, but in any event (i) not later than 25 days after the end of each month and (ii) when a Weekly BBC Trigger Period is in effect, not later than 3 Business Days after the end of each week. All calculations of Availability in any Borrowing Base Certificate shall originally be made by the Parent Borrower and certified by a Responsible Officer of the Parent Borrower, *provided* that the Administrative Agent may from time to time review and adjust any such calculation (A) to reflect its reasonable estimate of declines in value of any Collateral, due to collections received in the Dominion Accounts or otherwise; and (B) to the extent the calculation is not made in accordance with this Agreement or does not accurately reflect the Availability Reserve;

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with GAAP applied consistently

throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein);

As to any information contained in materials furnished pursuant to Section 6.02(e), the Parent Borrower shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Parent Borrower to furnish the information and materials described in Section 6.01(a) and (b) above at the times specified therein.

Section 6.02 **Certificates; Other Information**. Deliver to the Administrative Agent (which shall promptly furnish to each Lender), or, in the case of clause (g), to the relevant Lender (and/or Administrative Agent if making such request itself), in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Section 6.01(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate (it being understood that such certificate shall be limited to the items that independent certified public accountants are permitted to cover in such certificates pursuant to their professional standards and customs of the profession);

(b) concurrently with the delivery of any financial statements pursuant to Section 6.01, a duly completed and executed Compliance Certificate; *provided* that, it is understood such Compliance Certificate shall, among other provisions, contain certifications of a Responsible Officer of the Parent Borrower stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate; *provided, further* that the Compliance Certificate delivered with respect to the fiscal quarter ended September 30, 2015 shall give effect to the information contained in the appraisal report delivered pursuant to Section 6.12.

(c) as soon as available, and in any event no later than 45 days after the end of each fiscal year of PKD, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of PKD and its Subsidiaries as of the end of the following fiscal year, and the related consolidated statements of projected cash flow, projected changes in financial position and projected income), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively and together with the Initial Projections, the “Projections”), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections comply with the representations set forth in Section 5.05(e);

(d) no later than three (3) Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Indentures;

(e) within five days after the same are sent, copies of all financial statements and reports that PKD sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that PKD may make to, or file with, the SEC;

(f) promptly, at the Parent Borrower’s expense, to the Administrative Agent, such other reports, statements and reconciliations with respect to the Borrowing Base or the Collateral as the Administrative Agent shall from time to time reasonably request;

(g) promptly, such additional financial and other information as any Lender through the Administrative Agent or the Administrative Agent itself may from time to time reasonably request;

(h) concurrently with the delivery of a Borrowing Base Certificate, detailed agings of Accounts and a detailed listing of the Quail Rental Assets (together with a reconciliation to its general ledger), prepared as of the end of the applicable period; and

(i) promptly upon the Administrative Agent's request (A) copies of customer statements and credit memos, remittance advices and reports, and copies of deposit slips and bank statements, and (B) a statement of the outstanding loans and payments made, and Accounts owing to, Affiliates, in each case, as of the last day of the immediately preceding period.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(e) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Parent Borrower posts such documents, or provides a link thereto on PKD's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Parent Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); *provided* that: (i) if so requested by the Administrative Agent or any Lender, the Parent Borrower shall deliver paper copies of such documents to the Administrative Agent or such Lender until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Parent Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (*i.e.*, soft copies) of such documents. If so requested by the Administrative Agent or any Lender, the Parent Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(b) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Parent Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Parent Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders and the L/C Issuers materials, projections and/or information provided by or on behalf of the Parent Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on SyndTrak, ClearPar, IntraLinks or a substantially similar electronic transmission system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to any of the Parent Borrower or its respective Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Parent Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be

distributed to the Public Lenders and that (i) all such Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (ii) by marking Borrower Materials "PUBLIC," the Parent Borrower shall be deemed to have authorized the Administrative Agent, the Arranger, the L/C Issuers and the Lenders to treat the Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Parent Borrower or their respective securities for purposes of United States Federal and state securities laws (*provided, however*, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in [Section 10.07](#)); (iii) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (iv) the Administrative Agent and the Arranger shall be entitled to treat the Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

Section 6.03 **Notices.** Promptly notify the Administrative Agent (which shall promptly furnish such notice to each Lender) of:

(a) **the occurrence of any Default or Event of Default;**

(b) **any (i) default or event of default under any Contractual Obligation of PKD or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect or (ii) litigation, investigation or proceeding which may exist at any time between PKD or any of its Subsidiaries and any Governmental Authority that, if adversely determined, could reasonably be expected to have a Material Adverse Effect;**

(c) **any litigation, investigation by a third-party (excluding, for the avoidance of doubt, any internal investigations) or proceeding affecting PKD or any of its Subsidiaries (i) in which the amount involved is \$10,000,000 or more and not covered by insurance or (ii) in which injunctive or similar relief is sought which, if granted, could reasonably be expected to have a Material Adverse Effect;**

(d) **as soon as possible and in any event within 10 days after the Parent Borrower knows or has reason to know of the occurrence of any ERISA Event or Foreign Benefit Event that has had or could reasonably be expected to have a Material Adverse Effect;**

(e) **any development or event that has had or could reasonably be expected to have a Material Adverse Effect; and**

(f) **the Parent Borrower having knowledge that a transaction described in [Section 7.06\(b\)](#) is reasonably anticipated.**

Each notice pursuant to this [Section 6.03](#) shall be accompanied by a statement of a Responsible Officer of the Parent Borrower setting forth details of the occurrence referred to therein and stating what action the Parent Borrower or relevant Subsidiary has taken and proposes to take with respect thereto. Each notice pursuant to [Section 6.03\(a\)](#) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

Section 6.04 Conduct of Business and Maintenance of Existence, etc. (a) (i) Preserve, renew and keep in full force and effect its legal existence (except as otherwise permitted under this Agreement) and (ii) take all reasonable action to maintain all rights, privileges and franchises useful and necessary in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.04 and except, in the case of the foregoing clause (ii), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.05 Maintenance of Property; Insurance. (a) Keep all material Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain with financially sound and reputable insurance companies insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability and product liability) as are usually insured against in the same general area by companies engaged in the same or a similar business. The Parent Borrower shall furnish certificates, policies and endorsements to Administrative Agent as Administrative Agent shall reasonably require as proof of such insurance, and, if the Parent Borrower fails to do so, Administrative Agent is authorized, but not required, to obtain such insurance at the expense of the Parent Borrower. All policies shall provide for at least thirty (30) days prior written notice to Administrative Agent of any cancellation or reduction of coverage and that Administrative Agent may act as attorney-in-fact for the Parent Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. The Parent Borrower shall cause Administrative Agent to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and the Parent Borrower shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Administrative Agent. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Administrative Agent, for the ratable benefit of the Secured Parties, as its interests may appear and further specify that Administrative Agent shall be paid regardless of any act or omission by the Parent Borrower or any of its Affiliates. The Administrative Agent, at its option, may apply any insurance proceeds received by Administrative Agent at any time while any Event of Default shall have occurred and be continuing to the cost of repairs or replacement of Collateral and/or, to payment of the Obligations, whether or not then due, in any order and in such manner as Administrative Agent may determine or hold such proceeds as cash collateral for the Obligations.

Section 6.06 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit the Administrative Agent and any Lender (accompanied by any other Lender that so elects) to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time, upon reasonable prior notice, and to discuss the business, operations, properties and financial and other condition of the Parent Borrower and its Subsidiaries with officers and employees of the Parent Borrower and its Subsidiaries and with its independent certified public accountants (it being understood that all such notices shall be given through the Administrative Agent and shall be coordinated with any other such notices to the extent

reasonably possible), in each case no more often than twice in any calendar year in the aggregate for the Administrative Agent and all Lenders and, in the sole discretion of the Administrative Agent, an additional inspection for a total of three times in any calendar year unless an Event of Default shall have occurred and be continuing, in which case there shall be no limit on the number of such inspections by the Administrative Agent or Lenders. The chief financial officer (or other Responsible Officer) of the Parent Borrower and/or his or her designee shall be afforded the opportunity to be present at any meeting of the Administrative Agent or the Lenders and such accountants.

Section 6.07 **Environmental Laws.** Comply in all respects with, and take all reasonable action to ensure compliance in all respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all respects with and maintain, and take all reasonable action to ensure that all tenants and subtenants obtain and comply in all respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, except to the extent that any failures to so comply or maintain could not, in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 6.08 **Payment of Obligations.** Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all material tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by PKD or such Subsidiary; (b) all other lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness, in each case, where non-payment thereof could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 6.09 **Additional Collateral; Additional Guarantors.** With respect to any Specified Personal Property acquired after the Closing Date as to which the Administrative Agent, for the benefit of the Secured Parties, does not have a perfected Lien, promptly following such acquisition (i) execute and deliver to the Administrative Agent such amendments or supplements to the Security Agreement or Mortgages or such other documents as the Administrative Agent reasonably deems necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a Lien in such Property, (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority Lien in such Property, subject to Permitted Liens, including without limitation, the filing of UCC financing statements (or equivalent documentation) in such jurisdictions as may be required by the Security Agreement or by Law or as may be requested by the Administrative Agent and the recording of such amendment or supplement with the United States Coast Guard, if applicable, and (iii) if reasonably requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(a) **With respect to any new Material Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) created or acquired after the Closing Date (which, for the purposes of this paragraph, shall include (1) any existing Material Subsidiary that**

ceases to be an Excluded Subsidiary and a Project Finance Subsidiary and (2) any existing Subsidiary (that is not an Excluded Subsidiary or a Project Finance Subsidiary) that ceases to be an Immaterial Subsidiary), by the Parent Borrower or any other Loan Parties, promptly following such creation or acquisition, (i) cause such Subsidiary (A) to become a party to the Guaranty and the Security Agreement (or enter into other similar documents in form and substance satisfactory to the Administrative Agent), (B) in the case of any such Subsidiary owning a Specified Barge Rig, to execute and deliver a new Mortgage or an amendment to any existing Mortgage to include as covering such Specified Barge Rig, and (C) in the case of any Domestic Subsidiary (or any Foreign Subsidiary that becomes a Designated Borrower), to take such actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority Lien in the Collateral described in the Security Agreement (or other similar document referred to in (i)(A) above) or the applicable Mortgage (or amendment to an existing Mortgage), as the case may be, with respect to such Subsidiary (subject to Permitted Liens), including, without limitation, the filing of UCC financing statements (or equivalent documentation) in such jurisdictions as may be required by the Security Agreement or by law or as may be reasonably requested by the Administrative Agent and the recording of such Mortgage or amendment to a Mortgage with the United States Coast Guard, if applicable, and (ii) if reasonably requested by the Administrative Agent deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

Section 6.10 **Intercreditor Agreement.** Prior to, or substantially concurrently with, the occurrence of any Senior Notes Refinancing Transaction, the Parent Borrower shall have delivered to the Administrative Agent a fully executed and effective Intercreditor Agreement (or, if applicable, a supplement thereto, in form and substance satisfactory to the Administrative Agent), with respect to any Existing Senior Notes that are refinancing into secured Refinancing Debt.

Section 6.11 **Cash Management Systems.** Schedule 6.11 sets forth all deposit accounts maintained by the Loan Parties as of the Fifth Amendment Effective Date, including all Dominion Accounts. Within 30 days after the opening by the Parent Borrower or any other Loan Party of any deposit account, securities account, lockbox account, concentration account, collection account or disbursement account, in each case other than any Immaterial Account or Excluded Account, in the United States, the Parent Borrower shall deliver to the Administrative Agent a schedule (a "Supplemental Account Identification Schedule") which provides, in respect of each such account opened since the Closing Date (i) the name and location of each bank and securities intermediary at which the Parent Borrower or such Loan Party maintains a deposit account, securities account, lockbox account, concentration account, collection account or disbursement account in the United States and (ii) the account number and account name or other relevant descriptive data with respect to each such account and such other information with respect to each such account as the Administrative Agent shall reasonably request.

(a) **On or before the date which is 30 days after the delivery of any Supplemental Account Identification Schedule, or such longer period as agreed to by the Administrative Agent, cause to be delivered to the Administrative Agent a Control Agreement**

and/or a Lockbox Agreement with respect to each account described in such Supplemental Account Identification Schedule which the Administrative Agent reasonably requires in its sole discretion to be subject to such an agreement, in each case duly executed and delivered by the Parent Borrower or the relevant Loan Party and by the bank or securities intermediary that maintains such account. The applicable Loan Party shall be the sole account holder of each deposit account, securities account, lockbox account, concentration account, collection account or disbursement account on Schedule 6.11 or a Supplemental Account Identification Schedule and shall not allow any other Person (other than Administrative Agent) to have control over a deposit account, securities account, lockbox account, concentration account, collection account or disbursement account or any property deposited therein, except for Liens permitted under Section 7.01(h) or Section 7.01(q)(ii).

(b) Borrowers shall maintain Dominion Accounts pursuant to lockbox or other arrangements reasonably acceptable to Administrative Agent. On or before the earlier of (i) the date on which any Borrowing is made and (ii) thirty (30) days after the Fifth Amendment Effective Date (or such later date agreed upon by the Administrative Agent in its sole discretion), each applicable Loan Party shall obtain an agreement (in form and substance satisfactory to Administrative Agent) from each lockbox servicer and Dominion Account bank, establishing Administrative Agent's control over and Lien in the lockbox or Dominion Account, which may be exercised by Administrative Agent during any Cash Dominion Trigger Period, requiring immediate deposit of all remittances received in the lockbox to a Dominion Account, and waiving offset rights of such servicer or bank, except for customary administrative charges. If a Dominion Account is not maintained with Bank of America, Administrative Agent may, during any Cash Dominion Trigger Period, require immediate transfer of all funds in such account to a Dominion Account maintained with Bank of America. Administrative Agent and Lenders assume no responsibility to any Borrower for any lockbox arrangement or Dominion Account, including any claim of accord and satisfaction or release with respect to any Payment Items accepted by any depository bank.

(c) Each Borrower shall (i) request in writing and otherwise take such reasonable steps to ensure that all Account Debtors forward payment directly to lockboxes and Dominion Accounts maintained pursuant to and in accordance with Section 6.11(c), and (ii) deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all cash, checks, drafts or other similar items of payment relating to or constituting payments made in respect of any and all Collateral (whether or not otherwise delivered to a lockbox) into one or more Dominion Accounts. All Net Cash Proceeds of the sale, Net Loss Proceeds relating to or other disposition of any Collateral shall be deposited directly into a Dominion Account or an account subject to a Lockbox Agreement.

Section 6.12 Inspection and Appraisal of Collateral .

(a) At any time upon the Administrative Agent's request, permit the Administrative Agent (or its designee) to conduct two (2) field examinations in any calendar year to ensure the adequacy of Borrowing Base Collateral and related reporting and control systems, and prepared on a basis reasonably satisfactory to the Administrative Agent, such field examinations to include,

without limitation, information required by applicable Laws; *provided* that, notwithstanding the foregoing, in the sole discretion of the Administrative Agent, the Parent Borrower (and the other Borrowers, as applicable) shall permit the Administrative Agent to conduct an additional field exam for a total of three (3) in any calendar year. The Parent Borrower shall reimburse the Administrative Agent for all reasonable charges, costs and expenses (including a per diem field examination charge and out of pocket expenses) related thereto with respect to the field examinations during each calendar year made pursuant to the immediately preceding sentence; *provided*, that when an Event of Default has occurred and is continuing, there shall be no limitation on the number or frequency of field examinations that shall be at the sole expense of the Parent Borrower; and

(b) At any time upon the Administrative Agent's request, promptly provide the Administrative Agent with appraisals of the Quail Rental Assets not more frequently than two (2) times in any calendar year from an appraiser selected and engaged by the Administrative Agent, and prepared on a basis reasonably satisfactory to the Administrative Agent, such appraisals to include, without limitation, information required by applicable Laws; *provided* that, notwithstanding the foregoing, in the sole discretion of the Administrative Agent, the Parent Borrower (and the other Borrowers, as applicable) shall provide the Administrative Agent with an additional appraisal of the Quail Rental Assets for a total of three (3) in any calendar year. The Parent Borrower shall reimburse the Administrative Agent for all reasonable charges, costs and expenses related thereto with respect to the appraisals made during each calendar year pursuant to the immediately preceding sentence; *provided*, that when an Event of Default has occurred and is continuing, there shall be no limitation on the number or frequency of appraisals that shall be at the sole expense of the Parent Borrower.

Section 6.13 **Casualty and Condemnation; Disposition Outside the Ordinary Course of Business** . (a) Furnish to the Administrative Agent written notice promptly, and in any event within five (5) Business Days of the occurrence, of any Casualty Event affecting Collateral other than Borrowing Base Collateral reasonably expected by the Parent Borrower to result in Net Loss Proceeds in excess of \$5,000,000, (b) ensure that the Net Loss Proceeds of any such event (whether in the form of insurance proceeds or otherwise) are collected and applied in accordance with the applicable provisions of the Loan Documents, (c) furnish to the Administrative Agent written notice promptly, and in any event within five (5) Business Days of the occurrence, of any Significant Casualty Event involving Borrowing Base Collateral and (d) furnish to the Administrative Agent written notice promptly, and in any event within five (5) Business Days of the occurrence, of any Disposition outside the Ordinary Course of Business that relates to any Borrowing Base Collateral.

Section 6.14 **Anti-Corruption Laws; Sanctions** . Except as previously disclosed by PKD and its Subsidiaries in public filings, ensure that PKD and its Subsidiaries have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar applicable anti-corruption legislation in other jurisdictions in all material respects and have instituted and maintained policies and procedures designed to promote and achieve compliance with such Laws.

Section 6.15 **Further Assurances; Post-Closing Deliveries** . (a) Deliver all of the Collateral Documents, and any other document, instrument, agreement, recording or filing listed

on Schedule 6.15 within the timeframe indicated therein, (b) deliver all of the Collateral Documents, and any other document, instrument, agreement, recording or filing listed on Schedule 6.15(b) within the timeframe indicated therein after the Fifth Amendment Effective Date and (c) from time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agent and the Lenders with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by any Loan Party which may be deemed to be part of the Collateral) pursuant hereto or thereto. The Parent Borrower agrees to execute, deliver and cause to be recorded such amendments to the Mortgages as the Hedge Banks or Cash Managements Banks may reasonably request to secure the Obligations under the Secured Hedge Agreements and Secured Cash Management Agreements, respectively, by the Mortgages. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, the Parent Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lender may be required to obtain from the Parent Borrower or any of its Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

ARTICLE VII

NEGATIVE COVENANTS

Until the Termination Date, the Parent Borrower shall not, nor shall it permit any Subsidiary (other than any Immaterial Subsidiary) to, directly or indirectly:

Section 7.01 **Liens.** Create, incur, assume or suffer to exist any Lien upon any of its Property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) **Liens for taxes, assessments or governmental charges or claims not yet due or which are being contested in good faith by appropriate proceedings diligently conducted, *provided* that adequate reserves with respect thereto are maintained on the books of PKD or its Subsidiaries, as the case may be, in conformity with GAAP;**

(b) **Landlords', carriers', warehousemen's, mechanics', repairmen's, laborers', seamen's, preferred maritime and materialmen's liens or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;**

(c) **pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;**

(d) **deposits to secure the payment or performance of bids, tenders, government contracts, trade contracts (other than for borrowed money), leases, statutory or regulatory obligations, surety and appeal bonds, performance bonds, insurance obligations and other obligations of a like nature incurred in the ordinary course of business;**

(e) **easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of PKD or any of its Subsidiaries;**

(f) **Liens in existence on the date hereof listed on Schedule 7.01(f), securing Indebtedness permitted by Section 7.03(d), *provided* that no such Lien is spread to cover any additional Property after the Closing Date other than all or part of the same property or assets (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof) that secured or, under the written arrangements under which the original Lien arose, could secure the Indebtedness;**

(g) **Liens securing Indebtedness of PKD or any other Subsidiary incurred pursuant to Section 7.03(c) incurred for the purpose of financing all or any part of the acquisition purchase price or cost of construction, design, repair, replacement, installation, or improvement of property, plant or equipment used in the business of PKD or such Subsidiary (whether through the direct purchase of such assets or the Equity Interests of the Person owning such assets (but no other material assets)), *provided* that (i) such Liens shall be created prior to or within 120 days after such acquisition, construction or other event, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof) and (iii) the amount of Indebtedness secured thereby is not increased;**

(h) Liens created pursuant to the Collateral Documents;

(i) any interest or title of a lessor under any lease entered into by PKD or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) Liens not otherwise permitted by this Section 7.01 so long as the aggregate outstanding principal amount of the obligations secured thereby does not exceed (as to PKD and all Subsidiaries) \$20,000,000 at any one time and the maturity of the obligations secured thereby is at least 91 days after the Maturity Date; *provided* that no such Lien shall extend to or cover any Borrowing Base Collateral, or Equity Interests comprising Collateral;

(k) judgment Liens not giving rise to an Event of Default under Section 8.01(h);

(l) Liens upon specific items of inventory or other goods of PKD or any Subsidiary securing such Person's obligations in respect of banker's acceptances issued or created for the account of such Person to facilitate the purchase, shipment, or storage of such inventory or other goods;

(m) Liens securing reimbursement obligations with respect to commercial letters of credit that encumber documents and other property or assets relating to such letters of credit and products and proceeds thereof;

(n) Liens on assets of Excluded Subsidiaries to secure Indebtedness and related obligations of such Excluded Subsidiary; *provided* that the Indebtedness is permitted by the terms of Section 7.03(c), (d), (f) or (g) of this Agreement to be incurred by such Excluded Subsidiary;

(o) Liens on Property of a Person existing at the time such Person is merged with or into or consolidated with PKD or any Subsidiary of PKD or otherwise becomes a Subsidiary of PKD; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation or such Person becoming a Subsidiary of PKD and do not extend to any assets other than those of such Person;

(p) Liens on Property existing at the time of acquisition of the Property by PKD or any Subsidiary of PKD; *provided* that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any assets other than such acquired property (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof);

(q) (i) Liens securing Refinancing Debt incurred to refinance Indebtedness that was previously so secured; *provided* that (x) no such Lien is on Collateral and (y) any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or distributions and related general intangibles in respect thereof) that secured the Indebtedness being refinanced, and (ii) Liens securing Refinancing Debt incurred to refinance

Existing Senior Notes pursuant to the Senior Notes Refinancing Transactions; *provided* that any such Lien on the Collateral shall be subject to the Intercreditor Agreement;

(r) Liens that secure Non-Recourse Debt that encumber the Property financed by such Indebtedness (plus improvements, accessions, proceeds or distributions and directly related general intangibles in respect thereof);

(s) Liens on the assets of any Project Finance Subsidiary;

(t) Liens on and pledges of the Equity Interests of any joint venture or Project Finance Subsidiary owned by PKD or any Subsidiary of PKD to the extent securing Indebtedness or other obligations of such joint venture or Project Finance Subsidiary;

(u) Liens arising from the deposit of funds or securities in trust for the purpose of defeasing Indebtedness;

(v) Liens permitted under the Mortgages;

(w) Liens on Property or assets under construction (and related rights) in favor of the contractor or developer;

(x) Liens arising under the Senior Notes Indentures in favor of the trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under this Agreement, *provided* that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of such Indebtedness;

(y) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by PKD or any Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness; and

(z) maritime liens for crew wages or for salvage and general average and similar liens, each of which is in respect of obligations that are not delinquent for a period of more than 30 days or are being contested in good faith by appropriate proceedings;

provided, however, that nothing in this Section 7.01 shall in and of itself constitute or be deemed to constitute an agreement or acknowledgment by the Administrative Agent or any Lender that any Indebtedness subject to or secured by any Lien, right or other interest permitted under subsections (a) through (z) above ranks in priority to any Obligation.

Section 7.02 **Minimum Liquidity.** Permit Liquidity to be less than \$30,000,000 at any time.

Section 7.03 **Indebtedness.** Create, incur, assume or suffer to exist any Indebtedness, except:

- (a) **Indebtedness of any Loan Party pursuant to any Loan Document;**
- (b) **Indebtedness (i) of PKD to any Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) and of any other Loan Party to PKD or any other Subsidiary (other than an Excluded Subsidiary or a Project Finance Subsidiary) and (ii) of any Subsidiary to any Loan Party or other Subsidiary;**
- (c) **Indebtedness (including, without limitation, in respect of Capitalized Leases and Synthetic Lease Obligations) secured by Liens permitted by Section 7.01(g), (i) of PKD or any of its Subsidiaries (excluding Foreign Subsidiaries and Project Finance Subsidiaries) in an aggregate principal amount not to exceed the greater of \$50,000,000 and 5.00% of Consolidated Tangible Assets at any one time outstanding and (ii) of any Foreign Subsidiaries (excluding Project Finance Subsidiaries), in an aggregate principal amount not to exceed \$150,000,000 at any time outstanding; *provided* that, with respect to this clause (ii), as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Senior Secured Leveraged Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 1.00:1.00;**
- (d) **Indebtedness outstanding on the date hereof and listed on Schedule 7.03(d);**
- (e) **Guarantees of PKD or any Subsidiary in respect of Indebtedness permitted under this Section 7.03 (excluding (A) Guarantees of Indebtedness permitted under Section 7.03(h) and (i) and (B) Guarantees by PKD or any other Loan Party of Indebtedness permitted by Section 7.03(c)(ii));**
- (f) **Indebtedness represented by agreements of PKD or any Subsidiary providing for indemnification, adjustment of purchase price, or similar obligations, in each case, incurred or assumed in connection with the Disposition of any business, assets, or Equity Interests of PKD or any Subsidiary; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by PKD and its Subsidiaries in connection with such Disposition;**
- (g) **any Indebtedness (the “Refinancing Debt”) issued in exchange for, or the Net Cash Proceeds of which are to be used to redeem, refinance, replace, defease, discharge, refund, renew, extend or otherwise retire for value, any Indebtedness referred to in clauses (c), (d) or (m) or any Refinancing Debt incurred pursuant to this Section 7.03(g), without any shortening of the maturity of any principal amount of the Indebtedness refinanced (the “Refinanced Indebtedness”) or to pay premiums, fees or expenses payable in connection with any such refinancing, refunding, renewal or extension; *provided* that any Existing Senior Notes that become Refinanced Indebtedness pursuant to the Senior Notes Refinancing Transactions shall no longer constitute Senior Notes for purposes of Section 7.03(m) but shall be Refinancing Debt for purposes of Section 7.03. The proceeds of the Refinancing Debt shall be used**

substantially concurrently with the incurrence thereof to redeem, refinance, replace, defease, discharge, renew, extend, refund or otherwise retire for value the Refinanced Indebtedness, unless the Refinanced Indebtedness is not then due and is not redeemable or prepayable at the option of the obligor thereof or is redeemable or prepayable only with notice, in which case such proceeds shall be held in a segregated account of the obligor of the Refinanced Indebtedness until the Refinanced Indebtedness becomes due or redeemable or prepayable or such notice period lapses and then shall be used to refinance the Refinanced Indebtedness;

(h) **Non-Recourse Debt;**

(i) **Project Financing incurred by Project Finance Subsidiaries;**

(j) **Subordinated Debt, provided that, (i) as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Leverage Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 3.00:1.00 and (ii) the maturity of such Subordinated Debt shall be at least 91 days after the Maturity Date;**

(k) **Convertible Debt, provided that, as of the date of incurrence of such Indebtedness and immediately after giving effect thereto, the Consolidated Leverage Ratio calculated for the four consecutive fiscal periods most recently ended would not exceed 3.00:1.00;**

(l) **additional unsecured Indebtedness of PKD or any of its Subsidiaries (other than Immaterial Subsidiaries) in an aggregate principal amount (for PKD and all such Subsidiaries) not to exceed \$100,000,000 at any one time outstanding, as long such Indebtedness: (i) has a scheduled maturity occurring after the Maturity Date, (ii) contains terms (including covenants and events of default) no more restrictive, taken as a whole, to PKD and its Subsidiaries than those contained in this Agreement, and (iii) has no scheduled amortization occurring prior to the Maturity Date;**

(m) **the Senior Notes, provided that any Existing Senior Notes that become Refinanced Indebtedness pursuant to the Senior Notes Refinancing Transactions shall not constitute Senior Notes under this clause (m) immediately after giving effect to the Senior Notes Refinancing Transaction pursuant to which such Existing Senior Notes became Refinanced Indebtedness, but shall be Refinancing Debt under clause (g) for purposes of Section 7.03; and**

(n) **Indebtedness in respect of Swap Contracts permitted under Section 7.13 and Cash Management Agreements;**

provided that, notwithstanding anything else to the contrary herein or in any other Loan Document, no Subsidiary of a Borrower or any Loan Party shall Guarantee any senior notes or Refinancing Debt of a Borrower unless such Subsidiary is or shall become a Loan Party hereunder.

Section 7.04 **Fundamental Changes**. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all its Property or business except that:

(a) any Subsidiary of PKD may be merged or consolidated with or into PKD (*provided that PKD shall be the continuing or surviving Person*), with or into any other Borrower (*provided that a Borrower shall be the continuing or surviving Person*) or with or into any other Loan Party (*provided that (i) a Loan Party shall be the continuing or surviving Person or (ii) simultaneously with such transaction, the continuing or surviving Person shall become a Loan Party and the Parent Borrower shall comply with Section 6.09 in connection therewith*);

(b) any Subsidiary may merge with any other Subsidiary (or any Person that becomes a Subsidiary contemporaneously with such merger) so long as, (x) in the case of any merger involving a Guarantor, the surviving Person shall be (or shall contemporaneously become) a Guarantor or (y) in the case of any merger involving a Borrower, the surviving Person shall be (or shall contemporaneously become) a Borrower;

(c) any Subsidiary of PKD (other than a Borrower) may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to PKD or any Subsidiary (so long as, in the case of any such Disposition by a Guarantor, the Subsidiary to whom such assets are disposed of is a Guarantor) and may be dissolved following such Disposition;

(d) any Excluded Subsidiary or Immaterial Subsidiary may Dispose of any or all of its assets and may be dissolved following such Disposition;

(e) the Equity Interests of any Excluded Subsidiary or Immaterial Subsidiary may be Disposed of or issued to any other Person; and

(f) PKD and any Subsidiary may merge or consolidate with any other Person (other than PKD or any Subsidiary) *provided that*, with respect to each merger or consolidation made pursuant to this Section 7.04(f):

(i) *no Default exists or would result therefrom;*

(ii) *the merger or consolidation is not hostile;*

(iii) *the lines of business of the Person to be (or the property of which is to be) so purchased or otherwise acquired shall be substantially the same lines of business as one or more of the principal businesses of PKD and its Subsidiaries in the ordinary course;*

(iv) *the requirements of Section 6.09 are satisfied;*

(v) *PKD or such Subsidiary shall be the survivor (or, with respect to any Subsidiary Guarantor, such merger or consolidation shall be made to effect a Disposition permitted by Section 7.05, other than pursuant to Section 7.05(a)); and*

(vi) *the Parent Borrower shall have delivered to the Administrative Agent, at least five Business Days prior to the date on which any such merger or consolidation is to be consummated (or such shorter period of time as may be agreed to by the Administrative Agent in its sole discretion), a certificate of a Responsible Officer, in form and substance reasonably satisfactory to the Administrative Agent, certifying that all of the requirements set forth in this Section 7.04(f) have been satisfied or will be satisfied on or prior to the date on which such merger or consolidation is consummated;*

provided, further, that, for avoidance of doubt, any such merger or consolidation that would result in a Change of Control shall cause a Default under Section 8.01(k); provided further that if such merger or consolidation is with a Borrower, then prior to including the assets of such Person in the Borrowing Base (i) the Administrative Agent shall consent to including any such Accounts or Quail Rental Assets in calculating the Borrowing Base, (ii) the Administrative Agent shall receive an appraisal from an appraiser selected and engaged by the Administrative Agent and prepared on a basis reasonably satisfactory to the Administrative Agent, such appraisal to include, without limitation, information required by applicable Laws, (iii) the Administrative Agent (or its designee) shall conduct field exams to ensure the adequacy of the proposed Borrowing Based Collateral and related reporting and control systems, and prepared on a basis reasonably satisfactory to the Administrative Agent, such field examination to include, without limitation, required by applicable Laws and (iv) the Administrative Agent shall receive any other document or information in form, content and scope reasonably satisfactory to the Administrative Agent, as may be required by the Administrative Agent in its sole discretion.

Section 7.05 **Disposition of Property**. Dispose of (i) any Specified Rig, (ii) any Eligible Domestic Accounts Receivable or (iii) any Eligible Rental Equipment, in each case whether now owned or hereafter acquired, or issue or Dispose of any Equity Interest of any Person that directly or indirectly owns any of the foregoing, except:

- (a) **Dispositions permitted by Section 7.04;**
- (b) **the Disposition of obsolete or worn out property, or property that is no longer used or useful in such Person's business, in the ordinary course of business;**
- (c) **the Disposition of inventory or other assets in the ordinary course of business or consistent with past practice;**
- (d) **Dispositions of cash or Cash Equivalents;**
- (e) **the sale or issuance of (i) PKD's Equity Interests (other than Disqualified Stock), including the Series A Preferred Stock, or (ii) any Subsidiary's Equity Interests to the Parent Borrower or any other Loan Party;**
- (f) **transfers of assets between or among the Parent Borrower and the other Loan Parties;**
- (g) **any Dispositions constituted by the granting of Liens permitted by Section 7.01;**
- (h) **any lease of drill pipe by Quail Tools to a customer located outside of the United States and any subsequent sale to such customer of any such drill pipe;**
- (i) **any sale by PKD or any Subsidiary to its customers of drill pipe, tools, and associated drilling equipment utilized in connection with a drilling contract for the employment of a drilling rig in the ordinary course of business and consistent with past practice;**
- (j) **Dispositions of Property described on Schedule 7.05(j); and**
- (k) **any other Disposition of Property with a fair market value not to exceed \$25,000,000 per calendar year, so long as immediately after giving effect thereto and any substantially concurrent repayment of the Obligations, Liquidity is not less than \$30,000,000 on a pro forma basis;**

provided, that, notwithstanding the foregoing, this Section 7.05 shall not permit PKD or any of its Subsidiaries to Dispose of a Borrower.

Section 7.06 **Restricted Payments**. (i) Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Equity Interests of PKD or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof,

either directly or indirectly, whether in cash or property or in obligations of PKD or any Subsidiary, or enter into any derivatives or other transaction with any financial institution, commodities or stock exchange or clearinghouse (a “Derivatives Counterparty”) obligating PKD or any Subsidiary to make payments to such Derivatives Counterparty as a result of any change in market value of any such Equity Interests or (ii) Invest in Project Finance Subsidiaries (collectively, “Restricted Payments”), except that:

(a) any Subsidiary may make Restricted Payments to the holders of its Equity Interests on a *pro rata* basis, or a more favorable basis to any such holder which is a Loan Party or a Subsidiary of a Loan Party;

(b) (i) PKD may make Restricted Payments in the form of common stock of PKD and (ii) PKD may make cash payments in lieu of the issuance of fractional shares; *provided* that, with respect to a transaction under this Section 7.06(b)(ii), (A) no Default or Event of Default shall have occurred and be continuing prior to or immediately after giving effect to any such cash payments, (B) immediately upon the consummation of any cash payments for fractional shares, such fractional shares must be retired and (C) the Administrative Agent may, in its Permitted Discretion, establish a reserve (the “Fractional Shares Reserve”) in respect of such planned or potential transactions, for purposes of calculating the Borrowing Base;

(c) PKD may make Restricted Payments in the form of Equity Interests (other than Disqualified Stock) in connection with the conversion, redemption, or repurchase of the Convertible Debt, and in connection therewith may make payment in cash in lieu of fractional shares;

(d) on or after March 31, 2019, so long as no Event of Default has occurred and is continuing or would be caused thereby, PKD or any Subsidiary may repurchase, redeem, or otherwise acquire or retire any Equity Interests of PKD or any Subsidiary held by any existing or former director, officer or employee of PKD or any Subsidiary (or their transferees, estates or beneficiaries) pursuant to any employment agreement, equity subscription agreement, stock option agreement, or similar agreement, *provided*, that the aggregate amount of payments under this paragraph subsequent to the date hereof (net of any proceeds received by PKD subsequent to the date hereof in connection with resales of any common stock or common stock options so purchased) shall not exceed \$5,000,000 in any 12 month period;

(e) PKD may acquire Equity Interests in connection with the exercise of stock options or stock appreciation rights by way of cashless exercise or in connection with the satisfaction of withholding tax obligations;

(f) PKD may make any Restricted Payment in exchange for, or in an amount not to exceed, the net cash proceeds of a substantially concurrent sale (other than to a Subsidiary of PKD) of, Equity Interests of PKD (other than Disqualified Stock), or from the substantially concurrent contribution of common equity capital to PKD, with a sale and contribution being deemed substantially concurrent if such Restricted Payment occurs not more than 120 days after such sale or contribution; *provided* that immediately before and after

giving effect to any Restricted Payment under this Section 7.06(f), PKD is in compliance with Section 7.02;

(g) [reserved];

(h) [reserved];

(i) PKD may make the payment of any dividend or consummate any irrevocable redemption within 60 days after the date of declaration of the dividend or the giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Agreement; *provided* that immediately before and after giving effect to any Restricted Payment under this Section 7.06(i), PKD is in compliance with Section 7.02;

(j) PKD or any Subsidiary may make Investments in Project Finance Subsidiaries not to exceed \$25,000,000 outstanding in the aggregate (measured on the date each such Investment was made and without giving effect to subsequent changes in value) for all such Investments on or after the date hereof, it being understood that if such Project Finance Subsidiary repays such Investment in full in cash or if the Borrower shall sell such Project Finance Subsidiary in full for cash, such Investment will no longer be outstanding for purposes hereof to the extent of such cash received; *provided* that immediately before and after giving effect to any Restricted Payment under this Section 7.06(j), PKD is in compliance with Section 7.02; and

(k) only to the extent of dividends paid on Series A Preferred Stock, other Restricted Payments not to exceed \$35,000,000 in the aggregate on or after the Closing Date so long as no Default or Event of Default shall have occurred and be continuing or shall result therefrom.

Furthermore, for the avoidance of doubt, payments made (i) for the purpose of matching contributions of employees' 401(k) Plan contributions (including payments made to third-parties for the purpose of permitting such third-parties to acquire Equity Interests of PKD to be delivered to employees for the purpose of such contributions) and (ii) pursuant to PKD's Long-Term Incentive Plan, as amended and restated, shall not be considered Restricted Payments.

Section 7.07 Modifications of Debt Instruments, etc. (a) Amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Convertible Debt, the Senior Notes or any Refinancing Debt to the extent that any such amendment, modification, waiver or other change would shorten the maturity or increase the amount of any payment of principal thereof, increase the interest rate or shorten the date for payment of interest thereon or make any covenant or other restriction applicable to PKD or any of its Subsidiaries materially more restrictive, *provided* that the forgoing restrictions shall not apply to the Senior Notes Refinancing Transactions; *provided, further* that, for the avoidance of doubt, the foregoing restrictions shall apply to any amendment, modification or other change to, or agreement to amend, modify, waive or otherwise change, Existing Senior Notes that have become Refinanced

Indebtedness pursuant to a Senior Notes Refinancing Transaction or (b) amend its Organization Documents in any manner adverse to the Administrative Agent or the Lenders.

Section 7.08 Transactions with Affiliates . Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Parent Borrower or any other Loan Party or in the case of any Excluded Subsidiary, any other Excluded Subsidiary) unless such transaction is (a) otherwise permitted under this Agreement, and (b) upon fair and reasonable terms no less favorable to the Parent Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate, except for transactions permitted by the following sentence. This Section 7.08 shall not apply to the following transactions: (i) any employment agreement entered into by PKD or any of its Subsidiaries in the ordinary course of business and consistent with past practices, (ii) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of PKD, (iii) sales of Equity Interests of PKD to Affiliates of PKD, (iv) any Restricted Payment otherwise permitted under Section 7.06 or any Investment, (v) indemnification agreements with, and payments made, to officers, directors, and employees of PKD or any Subsidiary pursuant to charter, bylaw, statutory, or contractual provisions, (vi) the performance of obligations of PKD or any Subsidiary under the terms of any agreement to which PKD or any Subsidiary is a party as of the date of this Agreement, and any amendments, modifications, supplements, extensions, or renewals of such agreements; *provided* that any such amendments, modifications, supplements, extensions, or renewals of such agreements are not materially more disadvantageous, taken as a whole, to the Administrative Agent and the Lenders than the terms of such agreements as in effect on the date of this Agreement, (vii) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements or stock option or stock ownership plans approved by the board of directors of PKD, (viii) loans or advances to employees in the ordinary course of business and consistent with past practices, but in any event not to exceed \$2,000,000 in the aggregate outstanding at any one time, (ix) transactions entered into by a Person prior to the time such Person becomes a Subsidiary or is merged or consolidated into PKD or a Subsidiary (*provided* such transaction is not entered into in contemplation of such event), (x) any transaction in which PKD or any of its Subsidiaries, as the case may be, delivers to the Administrative Agent a letter from an accounting, appraisal or investment banking firm of national standing stating that such transaction is fair to PKD or such Subsidiary from a financial point of view or that such transaction meets the requirements of the first sentence of this paragraph, (xi) dividends and distributions to PKD and its Subsidiaries by any Affiliate, (xii) (a) guarantees of performance by PKD and its Subsidiaries of Subsidiaries in the ordinary course of business, except for guarantees of Indebtedness; (xiii) any transaction where the only consideration paid by PKD or Subsidiary is Equity Interests of PKD (other than Disqualified Stock); and (xiv) transactions between PKD or any Subsidiary and any Person, a director of which is also a director of PKD or any direct or indirect parent company of PKD, and such director is the sole cause for such Person to be deemed an Affiliate of PKD or any Subsidiary; *provided, however*, that such director shall abstain from voting as a director of PKD or such direct or indirect parent company, as the case may be, on any matter involving such other Person.

Section 7.09 **Changes in Fiscal Periods**. Permit the fiscal year of PKD to end on a day other than December 31 or change PKD's method of determining fiscal quarters.

Section 7.10 **Negative Pledge Clauses**. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of the Parent Borrower or any of its Material Subsidiaries (other than Excluded Subsidiaries and Project Finance Subsidiaries) to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any Guarantor, its obligations under the Guaranty, other than (a) this Agreement and the other Loan Documents, (b) the Indentures or any indenture or similar instrument governing any Refinancing Debt, (c) any agreements governing any purchase money Liens or Capitalized Leases or other secured Indebtedness otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby or securing such Indebtedness), (d) customary non-assignment provisions in any contract or lease entered into in the ordinary course of business and consistent with past practices, (e) applicable law or any applicable rule, regulation, or order of any Governmental Authority, (f) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements, and other similar agreements, (g) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, (h) any agreement in effect at the time such Subsidiary becomes a Subsidiary of Parent Borrower, so long as such agreement was not entered into in connection with or in contemplation of such Person becoming a Subsidiary of Parent Borrower and is not applicable to any Person, or the properties or assets of any Person, other than such Subsidiary or such Subsidiary's properties and assets, and (i) any instrument governing Indebtedness assumed in connection with any acquisition of any Person or asset and not incurred in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired.

Section 7.11 **Restrictions on Subsidiary Distributions**. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary (other than Excluded Subsidiaries and Project Finance Subsidiaries) to (a) make Restricted Payments in respect of any Equity Interests of such Subsidiary held by, or pay any Indebtedness owed to, the Parent Borrower or any other Subsidiary (it being understood that (i) the priority of any preferred equity in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common equity shall not be deemed a restriction on the ability to make distributions on Equity Interests and (ii) the subordination of loans or advances made to PKD or any Subsidiary to other Indebtedness incurred by PKD or any Subsidiary shall not be deemed a restriction on the ability to pay loans or advances), (b) make Investments in PKD or any other Loan Party or (c) transfer any of its assets to PKD or any other Loan Party, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Equity Interests or assets of such Subsidiary, (iii) any restrictions imposed pursuant to agreements governing any purchase money Liens or Capitalized Leases or other secured Indebtedness otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective as to transfers of the assets financed thereby or securing such Indebtedness), (iv) customary non-assignment provisions

in any contract or lease entered into in the ordinary course of business and consistent with past practices, (v) applicable law or any applicable rule, regulation, or order of any Governmental Authority, (vi) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements, and other similar agreements, *provided* that such provisions apply only to the assets subject to such agreements, (vii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, (viii) any agreement in effect at the time such Subsidiary becomes a Subsidiary of Parent Borrower, so long as such agreement was not entered into in connection with or in contemplation of such Person becoming a Subsidiary of Parent Borrower and is not applicable to any Person, or the properties or assets of any Person, other than such Subsidiary or such Subsidiary's properties and assets, and (ix) any instrument governing Indebtedness assumed in connection with any acquisition of any Person or asset and not incurred in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired.

Section 7.12 **Lines of Business.** Enter into any material business except for those businesses directly relating to the oil services industry in which PKD and its Subsidiaries have previously engaged or are engaged on the Closing Date or that are incidental or reasonably related thereto or that are a reasonable extension thereof, as determined in good faith by the Parent Borrower or applicable Subsidiary.

Section 7.13 **Swap Contracts.** Enter into any Swap Contract other than Swap Contracts entered into in the ordinary course of business, and not for speculative purposes, to protect against changes in interest rates or foreign exchange rates.

Section 7.14 **Anti-Corruption Laws.** (a) Directly or indirectly use the proceeds of any Credit Extension for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar applicable anti-corruption legislation in other jurisdictions in any material respects. (b) Cause or permit any of the funds of any Loan Party that are used to repay the Loans to be derived from any unlawful activity with the result that the making of the Loans would be in violation of any Law.

Section 7.15 **Sanctions.** Directly or indirectly, use the proceeds of any Credit Extension, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual, entity or other Person, for the purpose of funding any activities of or business with any individual, entity or other Person, or in any country or territory, in a manner that will result in a violation of applicable Sanctions, or in any other manner that will result in a violation by any individual, entity or other Person (including any individual, entity or other Person participating in the transaction, whether as underwriter, advisor, investor, Lender, Arranger, Administrative Agent, L/C Issuer or otherwise) of applicable Sanctions.

Section 7.16 **Prepayment, etc. of Senior Notes and Certain Indebtedness .** Make any optional prepayment, repurchase, redemption, defeasance, exchange or any other voluntary payment or retirement in respect of any (a) Senior Notes, (b) Indebtedness issued pursuant to Section 7.03(g) or (c) Indebtedness issued pursuant to Section 7.03(l); *provided, however*, if the prepayment, repurchase, redemption, defeasance, exchange or other voluntary payment or retirement is made

(x) within one year of the stated maturity of such indebtedness or (y) from the proceeds from or issuance of a substantially concurrent (i) incurrence of Indebtedness under Section 7.03(g) or (ii) issuance of Equity Interests of PKD, such optional prepayment, repurchase, redemption, defeasance, exchange or other voluntary payment or retirement shall be permitted (in each case with an incurrence or issuance and a prepayment, repurchase, redemption, defeasance, exchange or other voluntary payment or retirement being deemed substantially concurrent if such repurchase, redemption, defeasance, exchange or other voluntary payment or retirement occurs not more than 120 days after such incurrence or issuance); *provided* that, notwithstanding the foregoing, no optional prepayment, repurchase, redemption, defeasance, exchange or other voluntary prepayment or retirement shall be permitted under this Section 7.16 (i) with the proceeds of any Loan or (ii) if immediately before and after giving effect to any such transaction, PKD is not in compliance with Section 7.02.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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Section 8.01 **Events of Default.** Any of the following shall constitute an Event of Default:

(a) **Non-Payment.** The Parent Borrower or any other Loan Party fails to (i) pay when and as required to be paid herein, and in the currency required hereunder, any amount of principal of any Loan or any L/C Obligation or deposit any funds as Cash Collateral in respect of L/C Obligations, or (ii) pay within three Business Days after the same becomes due, any interest on any Loan or on any L/C Obligation, any fee due hereunder, or any other amount payable hereunder or under any other Loan Document; or

(b) **Specific Covenants.** (i) Any Loan Party shall default in the observance or performance of any agreement contained in Section 6.04(a)(i) or (ii) (with respect to (A) the Parent Borrower or (B) any other Borrower so long as such Person is a Borrower hereunder), Section 6.03(a), Section 6.11 or Article VII, or in Article IV of the Security Agreement, (ii) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.01(d), and such default shall continue unremedied for a period of (A) during a Weekly BBC Trigger Period, 3 days or (B) at any other time, 5 days, (iii) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.01 (other than Section 6.01(d)), Section 6.09(a)(i), Section 6.09(b) or Section 6.12 and such default shall continue unremedied for a period of 10 days or (iv) the Parent Borrower shall default in the observance or performance of the obligations under Section 6.10; or

(c) **Other Defaults.** Any Loan Party fails to perform or observe any other covenant or agreement (not specified in Sections 8.01(a) or (b) above or (d) below) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after the earlier to occur of (i) written notice thereof from the Administrative Agent to the Parent Borrower (which notice may be given by the Administrative Agent and will be given at the request of the Required Lenders) or (ii) a Responsible Officer of the Parent Borrower or any other Loan Party otherwise becoming aware of such default or any "Event of Default" under any Loan Document (other than this Agreement) shall occur and continue to exist beyond any applicable grace period set forth in such Loan Document; or

(d) **Representations and Warranties.** Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Parent Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) **Cross-Default.** (i) PKD or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to

cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which PKD or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which PKD or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by PKD or such Subsidiary as a result thereof is greater than the Threshold Amount; *provided, however*, this clause (e) shall not apply to (i) voluntary prepayments and redemptions, (ii) the conversion of Convertible Debt or the payment thereof pursuant to clause (f) of the definition thereof, (iii) any Non-Recourse Debt or Project Financing or (iv) any repurchase or redemption of Indebtedness in connection with a change of control offer or asset sale offer or other similar mandatory prepayment; or

(f) **Insolvency Proceedings, Etc.** Any Loan Party or any of its Subsidiaries (other than any Immaterial Subsidiary) institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) **Inability to Pay Debts; Attachment.** (i) PKD or any Subsidiary (other than any Immaterial Subsidiary) becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(h) **Judgments.** One or more judgments or decrees shall be entered against PKD or any of its Subsidiaries involving, for PKD and its Subsidiaries taken as a whole, a liability (not paid or fully covered by independent third party insurance as to which the relevant insurance company has acknowledged coverage) in an aggregate amount in excess of the Threshold Amount, and all such judgments or decrees shall not have been paid, vacated, discharged, stayed or bonded pending appeal by the earlier of (i) the date which 60 days from the entry thereof and (ii) the date on which the relevant judgment creditor(s) has begun to enforce such judgment(s) or decree(s); or

(i) **ERISA.** (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of PKD under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount that could reasonably be expected to have a Material Adverse Effect, (ii) PKD or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount that could reasonably be expected to have a Material Adverse Effect or (iii) a Foreign Benefit Event occurs which has resulted or could reasonably be expected to result in liability of PKD or one of its Subsidiaries in an aggregate amount that could reasonably be expected to have a Material Adverse Effect; or

(j) **Invalidity of Loan Documents.** Any Loan Document (including, for the avoidance of doubt, the Intercreditor Agreement if and when the same has been executed and delivered by the parties thereto), at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or the occurrence of the Termination Date, ceases to be in full force and effect; or any Loan Party contests in any manner the validity or enforceability of any Loan Document (including, for the avoidance of doubt, the Intercreditor Agreement if and when the same has been executed and delivered by the parties thereto); or any Loan Party denies that it has any or further liability or obligation under any Loan Document (including, for the avoidance of doubt, the Intercreditor Agreement if and when the same has been executed and delivered by the parties thereto), or purports to revoke, terminate or rescind any Loan Document (including, for the avoidance of doubt, the Intercreditor Agreement if and when the same has been executed and delivered by the parties thereto); or

(k) **Change of Control.** There occurs any Change of Control; or

(l) **Collateral Documents.** Any Collateral Document after delivery thereof shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien (subject to Liens permitted by Section 7.01) on (i) the Collateral consisting of Accounts or Quail Rental Assets of the type included in the Borrowing Base or (ii) other Collateral purported to be covered thereby having an aggregate fair market value in excess of \$5,000,000, that is purported to be covered thereby unless such occurrence results solely from action of the Administrative Agent or any Lender (or any failure of the Administrative Agent or any Lender to file or record any financing statements (or amendments or continuations thereof), intellectual property security agreements (or amendments, restatements or supplements thereto) and/or mortgages (or amendments, restatements or supplements thereto)) and involves no Default by the Parent Borrower or any other Loan Party hereunder or under any Collateral Document.

Section 8.02 **Remedies Upon Event of Default**. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) **declare the commitment of each Lender to make Loans and any obligation of each L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;**

(b) **declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Parent Borrower;**

(c) **require that the Parent Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof; *provided, however, that the Administrative Agent or applicable L/C Issuer may, at any time and from time to time after the initial deposit of Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of exchange rate fluctuations and the Parent Borrower shall deposit such additional Cash Collateral*); and**

(d) **exercise on behalf of itself, the Lenders and the L/C Issuers all rights and remedies available to it, the Lenders and the L/C Issuers under the Loan Documents;**

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Parent Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of each L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Parent Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

Section 8.03 **Application of Funds**. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III but excluding any principal, interest and Letter of Credit Fees) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders and the L/C Issuers (including fees, charges and disbursements of counsel to the respective Lenders and the L/C Issuers (including fees and time charges for attorneys who may be employees of any Lender or any L/C Issuer) arising under the Loan Documents and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Loans, L/C Borrowings and other Obligations arising under the Loan Documents, ratably among the Lenders and the L/C Issuers in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, L/C Borrowings and Obligations then owing under Secured Hedge Agreements and Secured Cash Management Agreements, ratably among the Lenders, the L/C Issuers, the Hedge Banks and the Cash Management Banks in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the L/C Issuers, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn face amount of Letters of Credit;

Sixth, to payment of all other Obligations ratably among the Secured Parties; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Parent Borrower or as otherwise required by Law.

Subject to Section 2.03(c), amounts used to Cash Collateralize the aggregate undrawn face amount of Letters of Credit pursuant to clause Fifth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above. Excluded Swap Obligations with respect to any Guarantor shall not be paid with amounts received from such Guarantor, but appropriate adjustments shall be made with respect to payments from other Loan Parties to preserve the allocation to the Obligations otherwise set forth above in this Section.

Notwithstanding the foregoing, Obligations arising under Secured Cash Management Agreements and Secured Hedge Agreements shall be excluded from the application described above if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank or Hedge Bank, as the case may be. After the Fifth Amendment Effective Date, a Secured Party Designation Notice shall be required. Each Cash Management Bank or Hedge Bank not a party to the Credit Agreement that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of the

Administrative Agent pursuant to the terms of Article IX hereof for itself and its Affiliates as if a “Lender” party hereto.

ARTICLE IX

ADMINISTRATIVE AGENT

Section 9.01 **Appointment and Authority**. %3. Each of the Lenders and the L/C Issuers hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents (including, for the avoidance of doubt, the Intercreditor Agreement) and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof (including, for the avoidance of doubt, the execution and delivery of the other Loan Documents (including the Intercreditor Agreement)), together with such actions and powers as are reasonably incidental thereto. The provisions of this Article, other than the final sentence of Section 9.10, are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuers, and the Parent Borrower shall not have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Agents is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

(a) **The Administrative Agent shall also act as the “collateral agent” under the Loan Documents (including, for the avoidance of doubt, the Intercreditor Agreement), and each of the Lenders (including in its capacities as a potential Cash Management Bank and a potential Hedge Bank and on behalf of each of its Affiliates that is or may be a Cash Management Bank or Hedge Bank) and each L/C Issuer hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and such L/C Issuer for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In furtherance thereon, each of the Lenders (including in its capacities as a potential Cash Management Bank and a potential Hedge Bank and on behalf of each of its Affiliates that is or may be a Cash Management Bank or Hedge Bank) and each L/C Issuer hereby irrevocably appoints and authorizes the Administrative Agent (or any sub-agent of the Administrative Agent appointed pursuant to Section 9.05), as “collateral agent” to act as trustee on their behalf solely for the purpose of acting as mortgagee under Mortgages and holding the first preferred mortgage interest in each Specified Rig granted to the Administrative Agent, as “collateral agent”, as trustee pursuant to the respective Mortgage. The Administrative Agent hereby accepts such trust and declares that, as trustee, it will hold each Mortgage for the sole use and benefit of the Lenders and each L/C Issuer and shall, on behalf of the trust created hereby, perform its obligations hereunder, but only upon the terms and conditions of this Agreement. In connection with all of the foregoing, the Administrative Agent, as “collateral agent” and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.05 for purposes of holding**

or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent), shall be entitled to the benefits of all provisions of this Article IX and Article X (including Section 10.04(c), as though such co-agents, sub-agents and attorneys-in-fact were the “collateral agent” under the Loan Documents) as if set forth in full herein with respect thereto.

Section 9.02 **Rights as a Lender**. The Person serving as the Administrative Agent, Syndication Agent or a Documentation Agent, as applicable, hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, Syndication Agent or a Documentation Agent, as applicable, and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent, Syndication Agent or Documentation Agent, as applicable, hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with PKD or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent, Syndication Agent or Documentation Agent, as applicable, hereunder and without any duty to account therefor to the Lenders.

Section 9.03 **Exculpatory Provisions.** The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and each Agent's duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), *provided* that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to PKD or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by a final nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Parent Borrower, a Lender or an L/C Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Collateral Documents, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 9.04 **Reliance by Administrative Agent** . The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the applicable L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or such L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or such L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Parent Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.05 **Delegation of Duties**. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. No Agent shall be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final nonappealable judgment that such Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 9.06 **Resignation of Administrative Agent** .

(a) **The Administrative Agent may at any time give notice of its resignation to the Lenders, the L/C Issuers and the Parent Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Parent Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders and the L/C Issuers, appoint a successor Administrative Agent meeting the qualifications set forth above, provided that in no event shall any such successor Administrative Agent be a Defaulting Lender . Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date (except that in the case of any collateral security held by the Administrative Agent on**

behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed).

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Parent Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Parent Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed).

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the L/C Issuer directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.01(g) and other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Parent Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Parent Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them (i) while the retiring or removed Administrative Agent was acting as Administrative Agent and (ii) after such resignation or removal for as long as any of them continues to act in any capacity hereunder or under the other Loan Documents, including (a) acting as collateral

agent or otherwise holding any collateral security on behalf of any of the Lenders and (b) in respect of any actions taken in connection with transferring the agency to any successor Administrative Agent.

(d) Any resignation or removal by Bank of America as Administrative Agent pursuant to this Section shall also constitute its resignation as L/C Issuer. If Bank of America resigns as an L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto, including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c). Upon the appointment by the Parent Borrower of a successor L/C Issuer hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender) and the acceptance by such successor L/C Issuer of the rights, duties and obligations of such capacity hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer, (b) the retiring L/C Issuer shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents, and (c) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America to effectively assume the obligations of Bank of America with respect to such Letters of Credit.

Section 9.07 **Non-Reliance on Administrative Agent and Other Lenders** . Each Lender and each L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and each L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 9.08 **No Other Duties, Etc.** Anything herein to the contrary notwithstanding, none of the "Bookrunners" or "Arrangers" or the Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or an L/C Issuer hereunder.

Section 9.09 **Administrative Agent May File Proofs of Claim; Credit Bidding** . In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Parent Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise.

(a) **to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuers and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuers and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuers and the Administrative Agent under Sections 2.03(i) and (j), 2.09 and 10.04) allowed in such judicial proceeding; and**

(b) **to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;**

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and each L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuers, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or any L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or any L/C Issuer to authorize the Administrative Agent to vote in respect of the claim of any Lender or any L/C Issuer or in any such proceeding.

The Secured Parties hereby irrevocably authorize the Administrative Agent, at the direction of the Required Lenders, to credit bid all or any portion of the Obligations (including accepting some or all of the Collateral in satisfaction of some or all of the Obligations pursuant to a deed in lieu of foreclosure or otherwise) and in such manner purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (a) at any sale thereof conducted under the provisions of the Bankruptcy Code of the United States, including under Sections 363, 1123 or 1129 of the Bankruptcy Code of the United States, or any similar Laws in any other jurisdictions to which a Loan Party is subject, or (b) at any other sale or foreclosure or acceptance of collateral in lieu of debt conducted by (or with the consent or at the direction of) the Administrative Agent (whether by judicial action or otherwise) in accordance with any applicable Law. In connection with any such credit bid and purchase, the Obligations owed to the Secured Parties shall be entitled to be, and shall be, credit bid on a ratable basis (with Obligations with respect to contingent or

unliquidated claims receiving contingent interests in the acquired assets on a ratable basis that would vest upon the liquidation of such claims in an amount proportional to the liquidated portion of the contingent claim amount used in allocating the contingent interests) in the asset or assets so purchased (or in the Equity Interests or debt instruments of the acquisition vehicle or vehicles that are used to consummate such purchase). In connection with any such bid (i) the Administrative Agent shall be authorized to form one or more acquisition vehicles to make a bid, (ii) to adopt documents providing for the governance of the acquisition vehicle or vehicles (*provided* that any actions by the Administrative Agent with respect to such acquisition vehicle or vehicles, including any disposition of the assets or Equity Interests thereof shall be governed, directly or indirectly, by the vote of the Required Lenders, irrespective of the termination of this Agreement and without giving effect to the limitations on actions by the Required Lenders contained in Section 10.01), (iii) the Administrative Agent shall be authorized to assign the relevant Obligations to any such acquisition vehicle pro rata by the Lenders, as a result of which each of the Lenders shall be deemed to have received a pro rata portion of any Equity Interests and/or debt instruments issued by such an acquisition vehicle on account of the assignment of the Obligations to be credit bid, all without the need for any Secured Party or acquisition vehicle to take any further action, and (iv) to the extent that Obligations that are assigned to an acquisition vehicle are not used to acquire Collateral for any reason (as a result of another bid being higher or better, because the amount of Obligations assigned to the acquisition vehicle exceeds the amount of debt credit bid by the acquisition vehicle or otherwise), such Obligations shall automatically be reassigned to the Lenders pro rata and the Equity Interests and/or debt instruments issued by any acquisition vehicle on account of the Obligations that had been assigned to the acquisition vehicle shall automatically be cancelled, without the need for any Secured Party or any acquisition vehicle to take any further action.

Section 9.10 Collateral and Guaranty Matters. Each of the Lenders (including in its capacities as a potential Cash Management Bank and a potential Hedge Bank and for on behalf of each of its Affiliates that is or may be a Cash Management Bank or Hedge Bank) and each L/C Issuer irrevocably authorize the Administrative Agent, at its option and in its discretion, to (a) upon request therefor from the Parent Borrower, release any Collateral described on Schedule 7.05(j) from the Liens created by the Collateral Documents, (b) release any and all Collateral from the Liens created by the Collateral Documents, subordinate any Lien on any and all such Collateral and/or release any and all Guarantors (other than any Borrower) from their respective obligations under the Guaranty at any time and from time to time in accordance with the provisions of the Collateral Documents and Section 10.21, (c) execute and deliver, and take any action referred to in Section 10.21 to evidence any such release or subordination and (d) enter into any amendments of the Collateral Documents dated on and as of even date herewith deemed reasonably necessary or appropriate by the Administrative Agent in order to evidence the amendment and restatement of the Existing Credit Agreement, the extension, renewal and continuation of the Obligations secured by such Collateral Documents and for any other related purpose.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Borrower (other than PKD) or Subsidiary Guarantor from its obligations under the Guaranty pursuant to Section 9.10 or Section 10.21. The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any

representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral. In addition, the Administrative Agent will have no obligation to conduct any independent evaluation or appraisal of the assets or liabilities of the Parent Borrower, or any other party, or opine or advise on any related Solvency issues.

Section 9.11 Secured Cash Management Agreements and Secured Hedge Agreements . No Cash Management Bank or Hedge Bank that obtains the benefits of Section 8.03, the Guaranty or any Collateral by virtue of the provisions hereof or of the Guaranty or any Collateral Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this Article IX to the contrary, the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Obligations arising under Secured Cash Management Agreements and Secured Hedge Agreements unless the Administrative Agent has received written notice of such Obligations, together with such supporting documentation as the Administrative Agent may request, from the applicable Cash Management Bank or Hedge Bank, as the case may be.

Section 9.12. Lender ERISA Representation.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrowers or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset

Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrowers or any other Loan Party, that:

(i) none of the Administrative Agent or the Arrangers or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least \$50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations),

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Letters of Credit, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(v) no fee or other compensation is being paid directly to the Administrative Agent or the Arrangers or any their respective Affiliates for investment advice (as opposed to other services) in connection with the Loans, the Letters of Credit, the Commitments or this Agreement.

(c) The Administrative Agent and the Arrangers hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

ARTICLE X

MISCELLANEOUS

Section 10.01 **Amendments, Etc.** Any provision of the Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (I) in the case of this Agreement, the Parent Borrower and the Required Lenders and acknowledged by the Administrative Agent, and (II) in the case of any other Loan Document, each party thereto and the Administrative Agent (with the consent of the Required Lenders, or otherwise in accordance with the express terms thereof or pursuant to any Loan Document), and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no such amendment, waiver or consent shall:

(a) **waive any condition set forth in Section 4.01 (other than Section 4.01(b)), or, in the case of the initial Credit Extension, Section 4.02, without the written consent of each Lender;**

(b) **without limiting the generality of clause (a) above, waive any condition set forth in Section 4.02 as to any Credit Extension without the written consent of the Required Lenders;**

(c) **extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;**

(d) **postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other**

amounts due to the Lenders (or any of them) hereunder or under such other Loan Document without the written consent of each Lender entitled to such payment;

(e) reduce or forgive the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; *provided, however*, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of “Default Rate” or to waive any obligation of the Parent Borrower to pay interest or Letter of Credit Fees at the Default Rate or (ii) to change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Rate even if the effect of such amendment would be to reduce the interest rate on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

(f) change the definition of “Applicable Percentage”, Section 2.12(a), Section 2.12(f), Section 2.13 or Section 8.03 in a manner that would alter the *pro rata* sharing of payments required thereby without the written consent of each Lender affected thereby;

(g) amend Section 1.06 or the definition of “Alternative Currency” without the written consent of each L/C Issuer;

(h) change (i) any provision of this Section 10.01 or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder, without the written consent of each Lender;

(i) release all or substantially all of the Collateral in any transaction or series of related transactions, without the written consent of each Lender (except any such release in accordance with a transaction permitted under the Loan Documents);

(j) release all or substantially all of the value of the Guaranty without the written consent of each Lender (except any such release in accordance with a transaction permitted under the Loan Documents); or

(k) amend the penultimate paragraph of Section 9.09 without the written consent of each Lender;

and, *provided further*, that (i) no amendment, waiver or consent shall, unless in writing and signed by each L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuers under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it (and, notwithstanding anything to the contrary contained herein, any term of any Issuer Document may be amended, waived or otherwise modified with only the consent of only the applicable L/C Issuer and the Parent Borrower); (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document and (iii) the Fee Letter may be amended, or rights or

privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that (x) the Commitment of such Lender may not be increased or extended, nor the principal owed to such Lender reduced or the final maturity thereof extended, without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender.

If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender and that has been approved by the Required Lenders (a "Non-Consenting Lender"), the Parent Borrower may replace such Non-Consenting Lender in accordance with Section 10.13; *provided* that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Parent Borrower to be made pursuant to this paragraph).

Section 10.02 Notices; Effectiveness; Electronic Communication.

(a) **Notices Generally.** Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

- (i) *if to the Parent Borrower, the Administrative Agent, or Bank of America as an L/C Issuer, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and*
- (ii) *if to any other Lender or L/C Issuer, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.*

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) **Electronic Communications.** Notices and other communications to the Lenders and the L/C Issuers hereunder may be delivered or furnished by electronic communication (including e-mail, FpML messaging and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, *provided* that the foregoing

shall not apply to notices to any Lender or any L/C Issuer pursuant to Article II if such Lender or such L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent, any L/C Issuer or the Parent Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) **The Platform.** THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Parent Borrower, any Lender, any L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Parent Borrower's or the Administrative Agent's transmission of Borrower Materials or notices through the Platform, any other electronic platform or electronic messaging service, or through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; *provided, however*, that in no event shall any Agent Party have any liability to the Parent Borrower, any Lender, any L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) **Change of Address, Etc.** Each of the Parent Borrower, the Administrative Agent and Bank of America as an L/C Issuer may change its address (including its address for electronic communications), telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender or

L/C Issuer may change its address (including its address for electronic communications), telecopier or telephone number for notices and other communications hereunder by notice to the Parent Borrower, the Administrative Agent and the other L/C Issuers. In addition, each Lender and each L/C Issuer (other than Bank of America) agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to PKD or its securities for purposes of United States Federal or state securities laws.

(c) **Reliance by Administrative Agent, L/C Issuers and Lenders.** The Administrative Agent, the L/C Issuers and the Lenders shall be entitled to rely and act upon any notices (including telephonic or electronic notices, Committed Loan Notices or Letter of Credit Applications) purportedly given by or on behalf of the Parent Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Parent Borrower shall indemnify the Administrative Agent, each L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Parent Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

Section 10.03 **No Waiver; Cumulative Remedies; Enforcement.** No failure by any Lender, any L/C Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Secured Parties; *provided, however*, that the foregoing shall not prohibit (a) the Administrative Agent from exercising

on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) each L/C Issuer from exercising the rights and remedies that inure to its benefit (solely in its capacity as an L/C Issuer) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 10.08 (subject to the terms of Section 2.13), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and *provided, further*, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Section 10.04 Expenses; Indemnity; Damage Waiver.

(a) **Costs and Expenses.** The Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Arranger and their Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and the Arranger), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by each L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Arranger, any Lender or any L/C Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, the Arranger, any Lender or any L/C Issuer), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, the Arranger any Lender or any L/C Issuer, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit. Without limiting the foregoing, the Parent Borrower agrees to pay all costs, fees and expenses contemplated by Section 6.12.

(b) **Indemnification by the Borrowers.** The Borrowers shall indemnify the Administrative Agent (and any sub-agent thereof), each other Agent, the Arranger, each Lender and each L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnatee), and shall indemnify and hold harmless each Indemnatee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnatee, incurred by any Indemnatee or asserted against

any Indemnitee by any third party or by the Borrowers or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents (including in respect of any matters addressed in Section 3.01), (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to any Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Parent Borrower or any other Loan Party or any of the Parent Borrower's or such Loan Party's directors, shareholders or creditors, and regardless of whether any Indemnitee is a party thereto, IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Parent Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Parent Borrower or such other Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This Section 10.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, liabilities or related expenses arising from any non-Tax claim.

(c) Reimbursement by Lenders. To the extent that any Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), each other Agent, any L/C Issuer or any Related Party of any of the foregoing (and without limiting any Borrower's obligation to do so), each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such other Agent, such L/C Issuer or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), any other Agent or any L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), any other Agent or any L/C Issuer in connection with such capacity; and *provided further* that the obligation to indemnify the L/C Issuers hereunder shall be limited solely to the Lenders.

The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) **Waiver of Consequential Damages, Etc.** To the fullest extent permitted by applicable law, no Borrowers shall assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) **Payments.** All amounts due under this Section shall be payable not later than thirty days after written demand therefor (or such later time as the applicable payee shall agree to in writing in its sole discretion).

(f) **Survival.** The agreements in this Section shall survive the resignation of the Administrative Agent and each L/C Issuer, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

Section 10.05 **Payments Set Aside.** To the extent that any payment by or on behalf of any Borrower is made to the Administrative Agent, any L/C Issuer or any Lender, or the Administrative Agent, any L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, such L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and each L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect, in the applicable currency of such recovery or payment. The obligations of the Lenders and the L/C Issuers under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 10.06 Successors and Assigns.

(a) **Successors and Assigns Generally.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuers and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) **Assignments by Lenders.** Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); *provided* that any such assignment shall be subject to the following conditions:

(i) *Minimum Amounts.*

(A) *in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and*

(B) *in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Parent Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);*

provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b) (i)(B) of this Section and, in addition:

(A) **the consent of the Parent Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Parent Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof;**

(B) **the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of any Commitment if such assignment is to a Person that is not a Lender with a Commitment, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and**

(C) **the consent of each L/C Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding).**

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Parent Borrower or Defaulting Lender. No such assignment shall be made to the Parent Borrower or any of the Parent Borrower's Affiliates

or Subsidiaries or to any Defaulting Lender or any of a Defaulting Lender's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural person).

(vii) Merrill Lynch. Notwithstanding anything to the contrary herein, Merrill Lynch, Pierce, Fenner & Smith Incorporated may, without notice to the Parent Borrower, assign its rights and obligations under this Agreement to any other registered broker-dealer wholly-owned by Bank of America Corporation to which all or substantially all of Bank of America Corporation's or any of its subsidiaries' investment banking, commercial lending services or related businesses may be transferred following the date of this Agreement.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, each Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) **Register.** The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at the Administrative Agent's Office a copy (or the equivalent thereof in electronic form) of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error, and the Borrowers, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Parent Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) **Participations.** Any Lender may at any time, without the consent of, or notice to, any Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural person, or the Parent Borrower or any of the Parent Borrower's Affiliates or Subsidiaries or to any Defaulting Lender or any of a Defaulting Lender's Affiliates or Subsidiaries) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations) owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, the Lenders and the L/C Issuers shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section, the Parent Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01 (subject to the requirements and limitations therein, including the requirements under Section 3.01(e) (it being understood that the documentation required under Section 3.01(e) shall be delivered to the participating Lender)), 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, *provided* such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a nonfiduciary agent of the Parent Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of

credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(e) **Limitations upon Participant Rights.** A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Parent Borrower's prior written consent.

(f) **Certain Pledges.** Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) **Resignation as L/C Issuer after Assignment.** Notwithstanding anything to the contrary contained herein, if at any time Bank of America acting as an L/C Issuer or other Lender that has issued a then-outstanding Letter of Credit assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America or such other Lender, as applicable, may, (i) upon 30 days' notice to the Parent Borrower and the Lenders, resign as an L/C Issuer. In the event of any such resignation as L/C Issuer, the Parent Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer hereunder; *provided, however*, that no failure by the Parent Borrower to appoint any such successor shall affect the resignation of Bank of America or such other assigning Lender as L/C Issuer, as the case may be. If Bank of America or such other assigning Lender resigns as an L/C Issuer, it shall retain all the rights, powers, privileges and duties of an L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as an L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). Upon the appointment of a successor L/C Issuer, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer, and (b) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America or such other retiring L/C Issuer, as the case may be, to effectively assume the obligations of Bank of America or such other retiring L/C Issuer, as the case may be, with respect to such Letters of Credit.

Section 10.07 Treatment of Certain Information; Confidentiality . Each of the Administrative Agent, the other Agents, the Lenders and the L/C Issuers agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors, independent auditors, legal counsel and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal or administrative process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any of the Borrowers or their obligations hereunder, (g) with the consent of the Parent Borrower, (h) for purposes of establishing a "due diligence" defense or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, (y) becomes available to the Administrative Agent, any other Agent, any Lender, any L/C Issuer or any of their respective Affiliates (and the successors and assigns of the foregoing) on a nonconfidential basis from a source other than the Parent Borrower or (z) is independently developed by the Administrative Agent, any other Agent, any Lender, any L/C Issuer or any of their respective Affiliates (and the successors and assigns of the foregoing). In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Agents and the Lenders in connection with the administration of this Agreement, the other Loan Documents, and the Commitments.

For purposes of this Section, "Information" means all information received from any Loan Party or any Subsidiary thereof relating to any Loan Party or any Subsidiary thereof or any of their respective businesses, other than any such information that is available to the Administrative Agent, any other Agent, any Lender or any L/C Issuer on a nonconfidential basis prior to disclosure by any Loan Party or any Subsidiary thereof, *provided* that, in the case of information received from a Loan Party or any such Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the other Agents, the Lenders and the L/C Issuers acknowledges that (a) the Information may include material non-public information concerning the Parent Borrower or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public

information in accordance with applicable Law, including United States Federal and state securities Laws.

Section 10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, each L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, such L/C Issuer or any such Affiliate to or for the credit or the account of the Parent Borrower or any other Loan Party against any and all of the obligations of the Parent Borrower or any other Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or such L/C Issuer, irrespective of whether or not such Lender or such L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Parent Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender or such L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness; *provided*, that (x) in the event that any Defaulting Lender shall exercise any such right of setoff hereunder, (i) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the L/C Issuer and the Lenders, and (ii) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff and (y) no Lender, L/C Issuer or any such Affiliate shall set off against a Dominion Account without the Administrative Agent's prior consent. The rights of each Lender, such L/C Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, such L/C Issuer or their respective Affiliates may have. Each Lender and each L/C Issuer agrees to notify the Parent Borrower and the Administrative Agent promptly after any such setoff and application, *provided* that the failure to give such notice shall not affect the validity of such setoff and application.

Section 10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Parent Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

Section 10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which

shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means (e.g., “.pdf” or “.tiff”) shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.11 **Survival of Representations and Warranties** . All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect until the Termination Date.

Section 10.12 **Severability**. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.13 **Replacement of Lenders**. If any Lender requests compensation under Section 3.04, or if the Parent Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, and in each case, such Lender has declined or is unable to designate a different Lending Office in accordance with Section 3.06(a), if any Lender is a Non-Consenting Lender or a Defaulting Lender, or if any other circumstance exists hereunder that gives the Parent Borrower the right to replace a Lender as a party hereto, then the Parent Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), *provided* that:

- (a) **the Parent Borrower shall have paid (or caused a Designated Borrower to pay) to the Administrative Agent the assignment fee specified in Section 10.06(b);**
- (b) **such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Parent Borrower or applicable Designated Borrower (in the case of all other amounts);**
- (c) **in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;**
- (d) **such assignment does not conflict with applicable Laws; and**
- (e) **in connection with any such replacement, if any such Non-Consenting Lender or Defaulting Lender does not execute and deliver to the Administrative Agent a duly executed Assignment and Assumption reflecting such replacement within five (5) Business Days of the date on which the assignee Lender executes and delivers such Assignment and Assumption to such Non-Consenting Lender or Defaulting Lender, then such Non-Consenting Lender or Defaulting Lender shall be deemed to have executed and delivered such Assignment and Assumption without any action on the part of the Non-Consenting Lender or Defaulting Lender.**

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Parent Borrower to require such assignment and delegation cease to apply.

Section 10.14 **Governing Law; Jurisdiction; Etc.**

(a) **GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) **SUBMISSION TO JURISDICTION.** THE PARENT BORROWER IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER, THE L/C ISSUER, OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE PARENT BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) **WAIVER OF VENUE.** EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) **SERVICE OF PROCESS.** EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF

ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15 **Waiver of Jury Trial.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.16 **No Advisory or Fiduciary Responsibility.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Parent Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Arranger are arm's-length commercial transactions between the Parent Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Arranger, on the other hand, (B) the Parent Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Parent Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and the Arranger each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Parent Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor the Arranger has any obligation to the Parent Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Parent Borrower and its Affiliates, and neither the Administrative Agent nor the Arranger has any obligation to disclose any of such interests to the Parent Borrower or its Affiliates. To the fullest extent permitted by law, the Parent Borrower hereby waives and releases any claims that it may have against the Administrative Agent and the Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 10.17 **Electronic Execution of Assignments and Certain Other Documents.** The words "execution," "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation any Assignment and Assumption, any amendment or other modification hereof

(including waivers and consents), amendments or other modifications, Committed Loan Notices, or Letter of Credit Applications) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; *provided* that notwithstanding anything contained herein to the contrary neither the Administrative Agent, the L/C Issuer nor any Lender is under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent, the L/C Issuer or such Lender pursuant to procedures approved by it and *provided further* without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

Section 10.18 **USA PATRIOT Act** . Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Parent Borrower and each other Loan Party that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the Parent Borrower and each other Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act. The Parent Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

Section 10.19 **Judgment Currency**. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Parent Borrower in respect of any such sum due from it to the Administrative Agent or any Lender hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the “Judgment Currency”) other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the “Agreement Currency”), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Lender from the Parent Borrower in the Agreement Currency, the Parent Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Lender, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Lender in such currency,

the Administrative Agent or such Lender, as the case may be, agrees to return the amount of any excess to the Parent Borrower (or to any other Person who may be entitled thereto under applicable law).

Section 10.20 Assignment and Reallocation of Commitments, Etc. (a) On the Closing Date, each of the Existing Lenders (including each Existing Lender) under the Existing Credit Agreement hereby sells, assigns, transfers and conveys to the Lenders hereunder, and each of the Lenders hereunder hereby purchases and accepts, so much of the aggregate commitments under, and loans and participations in letters of credit outstanding under, the Existing Credit Agreement such that, immediately after giving effect to the effectiveness of this Agreement (including any increase of the commitments effectuated hereby), the relevant Commitments of each Lender, shall be as set forth on Schedule 2.01 hereto (it being understood that (i) if any Letters of Credit are outstanding under the Existing Credit Agreement as of the Closing Date, then each of the Lenders shall have purchased and accepted from the Existing Lenders, a participation in such outstanding Letters of Credit based on its respective Applicable Percentage and (ii) the Parent Borrower has repaid the Existing Term Loans and all obligations owing in connection therewith with the proceeds of Loans made hereunder). The foregoing assignments, transfers and conveyances are without recourse to any Existing Lender and without any warranties whatsoever by the Administrative Agent, the L/C Issuer or any Existing Lender as to title, enforceability, collectability, documentation or freedom from liens or encumbrances, in whole or in part, other than that the warranty of any such Existing Lender that it has not previously sold, transferred, conveyed or encumbered such interests. The Existing Lenders and the Lenders shall, if appropriate, make all appropriate adjustments in payments under the Existing Credit Agreement, the "Notes" and the other "Loan Documents" thereunder for periods prior to the adjustment date among themselves, but in no event shall any such adjustment of Eurodollar Rate Loans (i) constitute a payment or prepayment of all or a portion of any Eurodollar Rate Loans or (ii) entitle any Lender to any reimbursement under Section 3.05 hereof or Section 3.05 of the Existing Credit Agreement. As of the Closing Date, any "Note" under the Existing Credit Agreement issued to any Existing Lender that is also a Lender shall be deemed for all purposes superseded and replaced by the Note (if any) issued to such Lender under this Agreement, without further action required by any payee thereof, and all "Notes" under the Existing Credit Agreement shall be of no further force and effect.

(b) On the Closing Date, the Existing Credit Agreement shall be amended and restated in its entirety by this Agreement, and the Existing Credit Agreement shall thereafter be of no further force and effect, except that the Parent Borrower, the Administrative Agent and the Lenders agree that (i) the incurrence by the Parent Borrower of the "Obligations" in respect of the "Facilities" (in each case as defined in the Existing Credit Agreement), whether or not such "Obligations" are contingent as of the Closing Date, shall continue to exist under and be evidenced by this Agreement and the other Loan Documents, (ii) except as expressly stated herein or amended, the other Loan Documents are ratified and confirmed as remaining unmodified and in full force and effect with respect to all Obligations and (iii) the provisions of the Existing Credit Agreement pertaining to indemnity and reimbursement of costs and expenses shall continue to be in full force and effect for periods prior to the Closing Date with such obligations under those provisions surviving hereafter. This Agreement is not in any way intended to constitute a

novation of the obligations and liabilities existing under the Existing Credit Agreement or evidence payment of all or any portion of such obligations and liabilities. Each Existing Lender consents to the amendment and restatement of the Existing Credit Agreement contemplated by this Agreement and is signatory hereto solely for purposes of effectuating (i) such amendment and restatement and (ii) the assignments and reallocations contemplated by Section 10.20(a).

(c) This amendment and restatement is limited as written and is not a consent to any other amendment, restatement or waiver, whether or not similar and, except as expressly provided herein or in any other Loan Document, all terms and conditions of the Loan Documents remain in full force and effect unless specifically amended hereby or by any other Loan Document.

Section 10.21 Release of Collateral and Loan Parties .

(a) Any Lien on any Collateral granted to or held by the Administrative Agent under any Loan Document shall automatically be released, terminated and discharged in full (as used in this Section 10.21, “released”) without the need for any further action by any Person: (i) upon the Termination Date, (ii) with respect to any such Lien, in the event that any asset constituting Collateral is, or is to be, Disposed of as part of, or in connection with, any transaction not prohibited hereunder or under any other Loan Document or (iii) if approved, authorized or ratified in writing in accordance with Section 10.01.

(b) The Administrative Agent, as applicable, shall, without the need for any further action by any Person, subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(g), (r) or (t).

(c) Any Loan Party (other than PKD) shall be automatically released from its obligations under the Guaranty and Collateral Documents upon (i) such Person ceasing to be a Subsidiary as a result of a transaction permitted hereunder or otherwise in accordance with the terms hereof and (ii) written notice received by the Administrative Agent executed by a Responsible Officer of the Parent Borrower describing the circumstances giving rise to such claim for release. In addition, (i) if a Subsidiary Guarantor has become an Excluded Subsidiary or (ii) if a Subsidiary Guarantor ceases to be a Material Subsidiary, in each case, as a result of a transaction permitted hereunder or otherwise in accordance with the terms hereof, then automatically upon the receipt by the Administrative Agent of written notice from a Responsible Officer of the Parent Borrower (providing sufficient factual detail supporting a claim for release consistent with this sentence) such Subsidiary Guarantor shall be released from the Guaranty.

(d) In the case of any release or subordination described in this Section 10.21, the Administrative Agent shall, at the Borrowers' expense, execute and deliver to the relevant Borrower such documents or evidence of such release or subordination as such Borrower may reasonably request to evidence the release or subordination of such item of Collateral from

the assignment and security interest granted under the Collateral Documents, or to substantiate its interest in such item, in each case in accordance with the terms of the Loan Documents and this Section 10.21.

(e) Upon the occurrence of the Closing Date, Parker-VSE, LLC is hereby automatically released as a Subsidiary Guarantor and its obligations under the Guaranty and the Security Agreement shall be of no further force and effect thereafter. The Parent Borrower represents that, as of the Closing Date, Parker-VSE, LLC has less than \$10,000 of assets.

Section 10.22 **ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

Section 10.23 **Acknowledgment and Consent to Bail-In of EEA Financial Institutions** . Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) **the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and**

(b) **the effects of any Bail-In Action on any such liability, including, if applicable:**

(i) *a reduction in full or in part or cancellation of any such liability;*

(ii) *a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or*

(iii) *the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.*

ARTICLE XI

THE PARENT BORROWER

Section 11.01 **Appointment; Nature of Relationship**. PKD is hereby appointed by each of the Borrowers as its contractual representative (herein referred to as the "Parent Borrower")

hereunder and under each other Loan Document, and each Borrower irrevocably authorizes the Parent Borrower to act as the contractual representative of such Borrower with the rights and duties expressly set forth herein and in the other Loan Documents. The Parent Borrower agrees to act as such contractual representative upon the express conditions contained in this Article XI. Additionally, each Borrower hereby appoints the Parent Borrower as its agent to receive all of the proceeds of the Loans, at which time the Parent Borrower shall promptly disburse such Loans to the appropriate Borrower. The Administrative Agent and the Lenders, and their respective officers, directors, agents or employees, shall not be liable to the Parent Borrower or any Borrower for any action taken or omitted to be taken by the Parent Borrower or any Borrower pursuant to this Section 11.01. For the avoidance of doubt, each Loan Party hereby appoints the Parent Borrower to act as its agent for all purposes of this Agreement, the other Loan Documents and all other documents and electronic platforms entered into in connection herewith and agrees that (a) the Parent Borrower may execute such documents and provide such authorizations on behalf of such Loan Party as the Parent Borrower deems appropriate in its sole discretion and each Loan Party shall be obligated by all of the terms of any such document and/or authorization executed on its behalf, (b) any notice or communication delivered by the Administrative Agent, L/C Issuer or a Lender to the Parent Borrower shall be deemed delivered to each Loan Party and (c) the Administrative Agent, L/C Issuer or the Lenders may accept, and be permitted to rely on, any document, authorization, instrument or agreement executed by the Parent Borrower on behalf of each of the Loan Parties.

Section 11.02 **Powers**. The Parent Borrower shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Parent Borrower by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Parent Borrower shall have no implied duties to any Borrower, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Parent Borrower.

Section 11.03 **Employment of Agents**. The Parent Borrower may execute any of its duties as the Parent Borrower hereunder and under any other Loan Document by or through authorized officers.

Section 11.04 **No Successor Parent Borrower**. The Parent Borrower may not resign from its capacity as Parent Borrower under this Agreement.

Section 11.05 **Execution of Loan Documents**. Each Borrower hereby empowers and authorizes the Parent Borrower, on its behalf, to execute and deliver to the Administrative Agent and the Lenders the Loan Documents and all related agreements, certificates, notices, consents, documents or instruments as shall be necessary or appropriate to effect the purposes of the Loan Documents, including, without limitation, the Compliance Certificates. Each Borrower agrees that any action taken by the Parent Borrower or any other Borrower in accordance with the terms of this Agreement or the other Loan Documents, and the exercise by the Parent Borrower of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Borrowers.

(Signature pages begin on following page)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

PARKER DRILLING COMPANY,
as the Borrower

By: _____

Name:

Title:

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**BANK OF AMERICA, N.A., as
Administrative Agent**

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

BANK OF AMERICA, N.A., as a Lender and an L/C Issuer

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

BARCLAYS BANK PLC, as a Lender

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

WELLS FARGO BANK N.A., as Syndication Agent and a Lender

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

DEUTSCHE BANK AG, NEW YORK BRANCH, as a Lender

By: _____

Name:

Title:

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

GOLDMAN SACHS BANK USA, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

THE ROYAL BANK OF SCOTLAND plc, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

WHITNEY BANK, as a Lender

By: _____

Name:

Title:

[Signature Page to Credit Agreement]

HSBC BANK USA, N.A., as a Lender

By: _____
Name:

Title:

[Signature Page to Credit Agreement]

NORTHRIM BANK, as a Lender

By: _____
Name:

Title:

[Signature Page to Credit Agreement]

Parker Drilling Company
Computation of Ratio of Earnings to Fixed Charges
(Dollars in Thousands)

	Fiscal Year Ended December 31,				
	2017	2016	2015	2014	2013
Pretax income (loss)	(109,661)	(156,644)	(71,971)	48,537	52,787
Fixed charges	44,231	45,974	45,379	45,436	50,196
Amortization of capitalized interest	3,810	3,916	3,793	3,939	4,058
Capitalized interest	(5)	(162)	(224)	(1,171)	(2,376)
Earnings (loss) before income tax & fixed charges	(61,625)	(106,916)	(23,023)	96,741	104,665
Interest expense	44,226	45,812	45,155	44,265	47,820
Capitalized interest	5	162	224	1,171	2,376
Total fixed charges	44,231	45,974	45,379	45,436	50,196
Preferred dividends	3,051	—	—	—	—
Combined fixed charges and preferred stock dividends	47,282	45,974	45,379	45,436	50,196
Ratio of earnings to fixed charges	(1)	(3)	(3)	2.1x	2.1x
Ratio of earnings to combined fixed charges and preferred dividends	(2)	(4)	(4)	(4)	(4)

(1) For the year ended December 31, 2017, earnings were deficient to cover fixed charges by \$61.6 million.

(2) For the year ended December 31, 2017, earnings were inadequate to cover combined fixed charges and preferred stock dividends by 64.7 million million.

(3) For the years ended December 31, 2016 and 2015, earnings were deficient to cover fixed charges by \$106.9 million and \$23.0 million, respectively.

(4) The ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earning to fixed charges as there was no preferred stock outstanding for the respective years.

For the purposes of this table (i) "earnings" consist of our consolidated income from continuing operations before income taxes and fixed charges and (ii) "fixed charges" consist of interest expense, amortization of deferred financing cost and the portion of rental expense representing interest.

SUBSIDIARIES OF THE REGISTRANT

The following is a list of significant subsidiaries of the Registrant:

- 1 Parker North America Operations, LLC (Nevada)-100% direct subsidiary.
- 2 Parker Drilling International Holding Company, LLC (Delaware)-100% direct subsidiary.
- 3 Parker Technology, Inc. (Oklahoma)-100% direct subsidiary.
- 4 Universal Rig Service LLC (Delaware)-100% direct subsidiary.
- 5 Parker Drilling Offshore USA, LLC (Oklahoma)-100% indirect subsidiary-owned by Parker Drilling Offshore, LLC (100%).
- 6 Parker Drilling Company International Limited (Nevada)-100% indirect subsidiary-owned by Parker Drilling Eurasia, Inc. (100%)
- 7 Parker Drilling Company Eastern Hemisphere, Ltd. Co. (Oklahoma)-100% indirect subsidiary-owned by Parker Drilling Eurasia, Inc. (100%).
- 8 Parker Drilling Netherlands B.V. (Netherlands)-100% indirect subsidiary-owned by PD Selective Holdings C.V. (100%).
- 9 Parker Drilling Russia B.V. (Netherlands)-100% indirect subsidiary-owned by Parker Drilling Netherlands B.V. (100%).
- 10 Parker Drilling Arctic Operating, LLC (Delaware)-100% indirect subsidiary-owned by Parker North America Operations, LLC (100%).
- 11 Parker Drilling Offshore International, Inc. (Cayman Islands)-100% indirect subsidiary-owned by Parker North Drilling Offshore Company, LLC (100%).
- 12 Primorsky Drill Rig Services BV (Netherlands)-100% indirect subsidiary-owned by Parker Drilling Netherlands B.V. (100%).
- 13 Parker Drilling Management Services, Ltd. (Nevada)-100% indirect subsidiary-owned by Parker North America Operations, LLC (100%).
- 14 International Tubulars FZE (United Emirates)-100% indirect subsidiary-owned by International Tubular Services Limited (100%).
- 15 Parker Hungary Rig Holding LLC (Hungary)-100% indirect subsidiary-owned by Parker Drillsource, LLC (100%).
- 16 Parker Drilling Company Kuwait Limited (Bahamas)-100% indirect subsidiary-owned by PD Selective Holdings C.V. (100%).
- 17 JSC Parker Drilling Company of Sakhalin (Russia)-100% indirect subsidiary-owned by Parker Drilling Netherlands B.V. (100%).
- 18 Quail Tools, L.P. (Oklahoma)-100% indirect subsidiary-owned by Parker Tools, LLC (99%) and Quail USA LLC (1%).
- 19 International Tubular Services De Mexico, S. De R.I. De C.V. (Mexico)-100% indirect subsidiary-owned by International Tubular Services Limited (99.74%) and ITS Egypt Holdings 2, Ltd (0.26%).
- 20 Parker Drilling Eurasia, Inc. (Delaware)-100% indirect subsidiary-owned by Parker Drilling International Holding Company, LLC (64.8%) and Parker Drilling Offshore Company, LLC (35.2%).
- 21 International Tubular Services Limited (United Kingdom)-100% indirect subsidiary-owned by PD ITS Holdings C.V. (100%).
- 22 Parker Drilling Company of New Guinea, LLC (Delaware)-100% indirect subsidiary-owned by PD Selective Holdings C.V. (100%).
- 23 Parker Central Europe Rig Holdings Limited Liability Company (Hungary)-100% indirect subsidiary-owned by Parker Drilling (Kazakhstan), LLC (100%).
- 24 Parker Singapore Rig Holding Pte. Ltd. (Singapore)-100% indirect subsidiary-owned by PD Selective Holdings C.V. (100%).
- 25 Parker Drilling Canada Company (Canada)-100% indirect subsidiary-owned by Parker Technology, Inc. (100%).
- 26 2M-Tek, Inc. (Louisiana)-100% indirect subsidiary-owned by Parker Drilling Offshore Company LLC (100%).
- 27 Parker Drilling Overseas B.V. (Netherlands)-100% indirect subsidiary-owned by Parker Drilling Netherlands B.V. (100%).

Note: Certain subsidiaries have been omitted from the list since they would not, even if considered in the aggregate, constitute a significant subsidiary. All subsidiaries are included in the consolidated financial statements.

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Parker Drilling Company:

We consent to the incorporation by reference in the registration statement (No. 333-219239) on Form S-3 and (Nos. 333-220764, 333-188754, 333-184230, and 333-167695) on Form S-8 of Parker Drilling Company of our report dated February 21, 2018, with respect to the consolidated balance sheets of Parker Drilling Company and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related financial statement schedule for each of the years in the three-year period ended December 31, 2016, and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of Parker Drilling Company.

/s/ KPMG LLP

Houston, Texas

February 21, 2018

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Gary G. Rich, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2017, of Parker Drilling Company (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2018

/s/ Gary G. Rich

Gary G. Rich

Chairman, President and Chief Executive Officer

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Michael W. Sumruld, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2017, of Parker Drilling Company (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2018

/s/ Michael W. Sumruld

Michael W. Sumruld

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 21, 2018

/s/ Gary G. Rich

Gary G. Rich

Chairman, President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 21, 2018

/s/ Michael W. Sumruld

Michael W. Sumruld

Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.