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

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FORM 10-K

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

For the fiscal year ended December 31, 2000

Commission file number 333-75899

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TRANSOCEAN SEDCO FOREX INC.  
(Exact name of registrant as specified in its charter)

Cayman Islands  
(State or other jurisdiction  
of incorporation or organization)

N/A  
(I.R.S. Employer  
Identification No.)

4 Greenway Plaza  
Houston, Texas  
(Address of principal executive  
offices)

77046  
(Zip Code)

Registrant's telephone number, including area code: (713) 232-7500

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

Title of class  
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Exchange on which registered  
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Ordinary Shares, par value \$0.01 per share

New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

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

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

As of February 28, 2001, 317,099,684 ordinary shares were outstanding and the aggregate market value of such shares held by non-affiliates was approximately \$15.2 billion (based on the reported closing market price of the ordinary shares on such date of \$48.13 and assuming that all directors and executive officers of the Company are "affiliates," although the Company does not acknowledge that any such person is actually an "affiliate" within the meaning of the federal securities laws).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of December 31, 2000, for its 2001 annual general meeting of shareholders, are incorporated by reference into Part III of this Form 10-K.

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TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

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FOR THE YEAR ENDED DECEMBER 31, 2000

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## ITEM 1. Business

Transocean Sedco Forex Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company") is a leading international provider of offshore contract drilling services for oil and gas wells. As of March 1, 2001, the Company owned, had partial ownership interests in, operated or had under construction 166 mobile offshore and barge drilling units. The Company's active fleet includes 13 high-specification drillships, three other drillships, 20 high-specification semisubmersibles (including four under construction), 30 other semisubmersibles, 55 jackup rigs, 37 drilling barges, five tenders and three submersible rigs. In addition, the fleet includes four mobile offshore production units, two multi-purpose service vessels and three platform drilling rigs. The Company also has a fleet of land and barge drilling rigs in Venezuela consisting of 11 wholly owned and two partially owned land rigs and three lake barges.

The Company's core business is to contract these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. The Company specializes in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. The Company also provides additional services, including management of third-party well service activities. The Company's ordinary shares are listed on the New York Stock Exchange under the symbol "RIG".

Transocean Sedco Forex Inc. is a Cayman Islands corporation with principal executive offices in the U.S. located at 4 Greenway Plaza, Houston, Texas 77046. Its telephone number at that address is (713) 232-7500.

### Recent Developments

On February 13, 2001, a joint venture in which the Company holds a 25 percent interest, Sea Wolf Drilling Limited and its wholly owned subsidiaries ("Sea Wolf"), completed the sale of the two semisubmersible rigs owned by the venture, the Drill Star and Sedco Explorer, to Pride International, Inc. and certain of its subsidiaries ("Pride"). Sea Wolf received approximately \$45 million in cash and approximately 3 million shares of Pride common stock in exchange for the two rigs. The Company will bareboat charter the Drill Star, now known as the Pride North Atlantic, from Pride until approximately September 2001. The Company will no longer charter the Sedco Explorer.

The Company has decided to phase-out its turnkey operations. The Company expects to complete this process in the second quarter of 2001. These turnkey activities were acquired as a result of the Company's merger transaction with R&B Falcon Corporation (together with its subsidiaries, unless the context requires otherwise, "R&B Falcon") on January 31, 2001.

The Company plans to sell its land and barge drilling business in Venezuela. The Company is in discussions with possible buyers and expects to close the sale in the second quarter of 2001, provided it is able to realize an acceptable sale price.

### Merger of Transocean Sedco Forex Inc. and R&B Falcon Corporation

On January 31, 2001, the Company completed a merger transaction with R&B Falcon in which an indirect wholly owned subsidiary of the Company, TSF Delaware Inc., merged with and into R&B Falcon. As a result of the merger, R&B Falcon common shareholders received 0.5 newly issued ordinary shares of the Company for each R&B Falcon share. The Company issued 106,061,595 ordinary shares in exchange for the issued and outstanding shares of R&B Falcon and assumed warrants and options exercisable for approximately 13.2 million ordinary shares. The 106,061,595 ordinary shares issued in exchange for the issued and outstanding shares of R&B Falcon constituted approximately 33 percent of the outstanding ordinary shares of the Company after the merger. The Company accounted for the merger using the purchase method of accounting with the Company treated as the acquiror. The Company closed the merger prior to obtaining formal approval from the U.K. Government's Office of Fair Trading ("OFT"), as permitted by U.K. law. In February 2001, the U.K. Secretary of State for Trade and Industry announced its decision not to refer the merger to the Competition Commission. Concurrently with the closing of the merger, a subsidiary of R&B Falcon contributed its inland marine support vessel business to Delta Towing Holdings, LLC ("Delta Towing"). In connection with this contribution, the R&B Falcon subsidiary received secured contingent notes valued at \$80 million and a 25 percent ownership interest in Delta Towing. The remaining 75 percent ownership interest is beneficially owned by unrelated third parties.

## Merger of Transocean Offshore Inc. and Sedco Forex

On December 31, 1999, the Company completed its merger with Sedco Forex Holdings Limited ("Sedco Forex"), the former offshore contract drilling business of Schlumberger Limited ("Schlumberger"). Effective upon the merger, the Company changed its name from "Transocean Offshore Inc." to "Transocean Sedco Forex Inc." The merger followed the spin-off of Sedco Forex to Schlumberger shareholders on December 30, 1999. As a result of the merger, Schlumberger shareholders exchanged all of the Sedco Forex shares distributed to them by Schlumberger in the Sedco Forex spin-off for ordinary shares of the Company, and Sedco Forex became a wholly owned subsidiary of the Company.

In the merger, Schlumberger shareholders received 0.1936 ordinary shares of the Company for each share of capital stock of Sedco Forex distributed in the spin-off of Sedco Forex. The Company issued 109,419,166 ordinary shares to Schlumberger shareholders in the merger, and issued an additional 145,102 ordinary shares that were sold on the market for cash paid in lieu of fractional shares. These aggregate issuances of 109,564,268 shares constituted approximately 52 percent of outstanding Company shares immediately following the merger. The Company accounted for the merger using the purchase method of accounting, with Sedco Forex as the acquirer for accounting purposes.

## Background of Transocean Offshore Inc.

The Company was founded in 1953 by predecessors of Sonat Inc. and J. Ray McDermott & Co., Inc. to design and construct the first jackup rig in the U.S. Gulf of Mexico. The Company, then known as "The Offshore Company," began international drilling operations in the late 1950s and was one of the first contractors to offer drilling services in the North Sea. The Company was publicly traded from 1967 until 1978, when it became a wholly owned subsidiary of Sonat Inc. In June 1993, the Company, then known as "Sonat Offshore Drilling Inc.," completed an initial public offering of approximately 60 percent of the outstanding shares of its common stock. In July 1995, Sonat Inc. sold its remaining 40 percent interest in the Company through a secondary public offering. In September 1996, the Company acquired substantially all of the outstanding capital shares of Transocean ASA, a Norwegian offshore drilling company, for an aggregate purchase price of approximately \$1.5 billion in common stock and cash, including direct transaction costs and costs of purchasing minority shares completed in 1997, and changed its name to "Transocean Offshore Inc." On May 14, 1999, the Company completed a corporate reorganization by which it changed its place of incorporation from Delaware to the Cayman Islands.

## Background of Sedco Forex

The offshore contract drilling business of Sedco Forex resulted from the integration over time by Schlumberger of several drilling companies, principally Forex (Forages et Exploitations Pétrolières) and Sedco Inc., and other asset acquisitions. Forex was founded in France in 1942 and began as a land drilling company in France, North Africa and the Middle East. Forex later moved into the offshore drilling market largely through its Neptune joint venture formed in the early 1960s with Languedocienne-Forenco. By the early 1970s, Schlumberger had acquired all of the shares of Forex and Neptune and had integrated their activities. Schlumberger acquired Sedco Inc. in 1984. Founded in 1947 and originally known as Southeastern Drilling Company, Sedco Inc. began drilling in shallow water marsh environments in the U.S. in the early 1950s and then expanded into international operations and deeper water markets.

## Background of R&B Falcon Corporation

R&B Falcon was the result of the 1997 combination of Reading & Bates Corporation and Falcon Drilling Company, Inc. and the subsequent acquisition of Cliffs Drilling Company ("Cliffs Drilling") in late 1998. Reading & Bates Corporation was founded in 1955 as an offshore drilling company to construct and operate an offshore drilling tender in the U.S. Gulf of Mexico. Falcon Drilling Company, Inc. was formed in 1991 initially to operate in the shallow water and transition zone areas of the U.S. Gulf of Mexico and moved into deepwater

operations in 1996. Cliffs Drilling was spun-off from Cleveland-Cliffs Inc. in 1988 and continues to operate land and offshore rigs in various countries, including the U.S. and Venezuela. At the time of the merger with the Company, R&B Falcon owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units, inland barges and other assets utilized in the support of offshore drilling activities, including 10 semisubmersible drilling rigs (one of which is under construction), 10 drillships and 42 jackup drilling rigs.

#### Drilling Rig Types

The Company principally uses 4 types of drilling rigs:

- . drillships
- . semisubmersibles
- . jackups
- . barge drilling rigs

Also included in the Company's fleet are mobile offshore production units, multi-purpose service vessels, tenders, submersible rigs, platform drilling rigs and land drilling rigs.

Most of the Company's drilling equipment is suitable for both exploration and development drilling, and the Company is normally engaged in both types of drilling activity. Likewise, most of the Company's drilling rigs are mobile and can be moved to new locations in response to client demand, particularly the drillships, semisubmersibles, jackups and tenders. All of the Company's mobile offshore drilling units are designed for operations away from port for extended periods of time and most have living quarters for the crews, a helicopter landing deck and storage space for pipe and drilling supplies.

As of March 1, 2001, the Company's active marine fleet (excluding newbuilds under construction) was located in the U.S. Gulf of Mexico (78 units), Mexico (1 unit), Canada (1 unit), Brazil (14 units), Trinidad (1 unit), the North Sea (20 units), the Mediterranean and Middle East (6 units), the Caspian Sea (1 unit), Africa (22 units), India (2 units) and Asia and Australia (15 units). Additionally, the drillship Joides Resolution is contracted for a worldwide research program and as of such date was in Guam.

#### Drillships (16)

Drillships are generally self-propelled and designed to drill in the deepest water in which offshore drilling rigs currently operate. Shaped like conventional ships, they are the most mobile of the major rig types. The Company's drillships are either dynamically positioned, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems, or are operated in a moored configuration. Drillships typically have greater load capacity than semisubmersible rigs. This enables them to carry more supplies on board, which often makes them better suited for drilling in remote locations where resupply is more difficult. However, drillships are typically limited to calmer water conditions than those in which semisubmersibles can operate. High-specification drillships are those that are dynamically positioned and rated for drilling in water depths of at least 7,000 feet and are designed for ultra-deepwater exploration and development drilling programs. The Company's three Discoverer Enterprise-class drillships are equipped for dual-activity drilling, which is a well-construction technology developed by the Company that allows for drilling tasks associated with a single well to be accomplished in a parallel rather than sequential manner by utilizing two complete drilling systems under a single derrick. The dual-activity well-construction process is designed to reduce critical path activity and improve efficiency in both exploration and development drilling. The Company's Deepwater-class drillships are also high-specification drillships and are designed with a high-pressure mud system.

The following table provides certain information regarding the Company's drillship fleet as of March 1, 2001:

Type and Name	Year Entered Service/Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Customer	Estimated Expiration(g)
High-Specification Drillships(13)						
Deepwater Discovery(b)..	2000	10,000	30,000	Nigeria	Texaco	December 2003
Deepwater Expedition(b).....	1999	10,000	30,000	Brazil	Petrobras	October 2005
Deepwater Frontier(b)(d).....	1999	10,000	30,000	Brazil	Petrobras	November 2001
Deepwater Millennium(b).....	1999	10,000	30,000	Brazil	TotalFinaElf	October 2004
Deepwater Pathfinder(b)(c).....	1998	10,000	30,000	U.S. Gulf	Conoco	January 2004
Discoverer Deep Seas(b).....	2001	10,000	35,000	U.S. Gulf	Chevron	December 2006
Discoverer Enterprise(b).....	1999	10,000	35,000	U.S. Gulf	BP	December 2004
Discoverer Spirit(b)....	2000	10,000	35,000	U.S. Gulf	Unocal	July 2005
Navis Explorer I (b)(e).....	2000	10,000	30,000	Brazil	Petrobras	June 2001
Deepwater Navigator(b)..	2000	7,800	25,000	Brazil	Petrobras	July 2003
Peregrine I(b).....	1982/1996	7,200	25,000	Brazil	Petrobras	November 2001
Discoverer 534 (b).....	1975/1991	7,000	25,000	U.S. Gulf	--	Idle
Discoverer Seven Seas(b).....	1976/1997	7,000	25,000	Brazil	Petrobras	March 2002
Other Drillships (3)						
Joides						
Resolution(b)(f).....	1978	27,000	30,000	Worldwide	Texas A&M	September 2003
Peregrine III(b).....	1976	4,200	20,000	Brazil	Petrobras	June 2003
Sagar Vijay(e).....	1985	2,950	20,000	India	ONGC	May 2001

- (a) Dates shown are the original service date and the date of the most recent upgrade, if any.
- (b) Dynamically positioned.
- (c) Unit is leased by a limited liability company in which the Company owns a 50 percent interest.
- (d) Unit is leased by a limited liability company in which the Company owns a 60 percent interest.
- (e) Operated under a management contract with the rig's owner.
- (f) The Joides Resolution is currently engaged in scientific geological coring activities and is owned by a joint venture in which the Company has a 50 percent interest. See Note 14 to the Company's consolidated financial statements.
- (g) Expiration dates represent the Company's current estimate of the earliest date the contract for each rig is likely to expire. Some contracts may permit the client to extend the contract.

#### Semisubmersibles (50)

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that a substantial portion of the lower hull is below the water surface during drilling operations. These rigs maintain their position over the well through the use of an anchoring system or computer controlled dynamic positioning thruster system. Some semisubmersible rigs are self-propelled and move between locations under their own power when afloat on the pontoons although most are relocated with the assistance of tugs. Typically, semisubmersibles are better suited for operations in rough water conditions than drillships. High-specification semisubmersibles are those that were built or extensively upgraded since 1984 and have one or more of the following characteristics: larger physical size than other semisubmersibles; rated for drilling in water depths of over 4,000 feet; year-round harsh environment capability; variable deck load capability of greater than 4,000 metric tons; dynamic positioning; and superior motion characteristics. The Company has three high-specification semisubmersibles based on its proprietary Sedco Express design (the Sedco Express, Sedco Energy and Cajun Express) that are currently undergoing testing and commissioning.



The following table provides certain information regarding the Company's semisubmersible fleet as of March 1, 2001:

Type and Name	Year Entered Service/Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Customer	Estimated Expiration(k)
<b>High-Specification Semisubmersibles(20)</b>						
Deepwater Horizon(l)....	Newbuild	10,000	30,000	Enroute to U.S. Gulf	BP	June 2004
Cajun Express(b)(c)....	Newbuild	8,500	35,000	U.S. Gulf	Marathon	December 2002
Deepwater Nautilus(m)...	2000	8,000	30,000	U.S. Gulf	Shell	June 2005
Sedco Energy(b)(d).....	Newbuild	7,500	25,000	Canary Islands	Texaco	January 2003
Sedco Express(b)(e).....	Newbuild	7,500	25,000	Canary Islands	--	--
Transocean Marianas.....	1979/1998	7,000	25,000	U.S. Gulf	Shell	August 2003
Sedco 707(b).....	1976/1997	6,500	25,000	Brazil	Petrobras	January 2002
Jack Bates.....	1986/1997	6,000	30,000	U.K. North Sea	BP	April 2002
M. G. Hulme, Jr.(j).....	1983/1996	5,000	25,000	Ghana	Hunt	March 2001
				Equatorial Guinea	ExxonMobil	April 2001
				Ghana	Hunt	May 2001
Sedco 709(b).....	1977/1999	5,000	25,000	Nigeria	Shell	April 2002
Transocean Richardson...	1988	5,000	25,000	U.S. Gulf	Kerr McGee	July 2001
Charles A. Donabedian (formerly Jim Cunningham).....	1982/1995	5,000	25,000	Angola	TotalFinaElf	March 2001
				Angola	ExxonMobil	May 2001
Transocean Leader.....	1987/1997	4,500	25,000	U.K. North Sea	BP	March 2002
Transocean Rather.....	1988	4,500	25,000	U.S. Gulf	BP	February 2002
Sedco 710(b).....	1983	4,000	25,000	Brazil	Petrobras	May 2001
Sovereign Explorer.....	1984	4,000	25,000	Ivory Coast	Ranger Oil	March 2001
				U.K. North Sea	Statoil	July 2001
				U.K. North Sea	Amerada Hess	October 2001
Henry Goodrich(f).....	1985	2,000	30,000	Canada	Terra Nova	February 2002
Paul B. Loyd, Jr.(f)....	1990	2,000	25,000	U.K. North Sea	BP	October 2001
Transocean Arctic(g)....	1986	1,650	25,000	Norwegian N. Sea	Statoil	February 2002
Polar Pioneer.....	1985	1,500	25,000	Norwegian N. Sea	Norsk Hydro	February 2002
<b>Other Semisubmersibles(30)</b>						
Sedco 700.....	1973/1997	3,600	25,000	Equatorial Guinea	Triton	December 2001
Transocean Amirante.....	1978/1997	3,500	25,000	U.S. Gulf	El Paso Energy	June 2001
Transocean Legend.....	1983	3,500	25,000	Brazil	--	Idle
C. Kirk Rhein, Jr. ....	1976/1997	3,300	25,000	U.S. Gulf	ATP	March 2001
Omega(h).....	1983	3,000	25,000	South Africa	Pioneer	June 2001
Transocean Driller.....	1991	3,000	25,000	Brazil	Petrobras	July 2001
Falcon 100.....	1974/1999	2,400	25,000	U.S. Gulf	Chevron	May 2001
Transocean 96.....	1975/1997	2,300	25,000	U.S. Gulf	McMoran	June 2001
Sedco 711.....	1982	1,800	25,000	Ireland	Enterprise	September 2001
Transocean John Shaw....	1982	1,800	25,000	U.K. North Sea	Brovig	March 2001
				U.K. North Sea	TotalFinaElf	November 2001
Sedco 714.....	1983/1997	1,600	25,000	U.K. North Sea	PanCanadian	April 2001
				U.K. North Sea	BP	October 2001
Sedco 712.....	1983	1,600	25,000	U.K. North Sea	Shell	December 2001
Actinia.....	1982	1,500	25,000	Spain	Repsol	June 2001
J. W. McLean.....	1974/1996	1,500	25,000	U.K. North Sea	Ranger	August 2001
Pride North Atlantic (formerly Drill Star)(i).....	1982	1,500	25,000	U.K. North Sea	Conoco	August 2001
Sedco 600.....	1983/1994	1,500	25,000	Singapore	--	Idle
Sedco 601.....	1983	1,500	25,000	Indonesia	Unocal	May 2001
Sedco 602.....	1983	1,500	25,000	Korea	--	Idle
Sedco 702.....	1973/1992	1,500	25,000	Australia	BHP	April 2001
Sedco 703.....	1973/1995	1,500	25,000	Australia	Alberta	March 2001
Sedco 708.....	1976	1,500	25,000	Angola	Chevron	May 2001
Sedneth 701.....	1972/1993	1,500	25,000	Angola	Chevron	December 2001
Transocean Prospect(g)..	1983/1992	1,500	25,000	Norwegian N. Sea	Statoil	May 2002
Transocean Searcher(g)..	1983/1988	1,500	25,000	Norwegian N. Sea	Statoil	August 2002
Transocean Winner(g)....	1983	1,500	25,000	Norwegian N. Sea	Statoil	October 2001
Transocean Wildcat(g)...	1977/1985	1,300	25,000	Norwegian N. Sea	Statoil	November 2001
Transocean Explorer.....	1976	1,250	25,000	U.K. North Sea	--	Idle
Sedco 704.....	1974/1993	1,000	25,000	U.K. North Sea	Texaco	September 2002
Sedco 706.....	1976/1994	1,000	25,000	U.K. North Sea	TotalFinaElf	June 2001
Sedco I--Orca (h).....	1970/1987	900	25,000	South Africa	Soekor	May 2001





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- (a) Dates shown are the original service date and the date of the most recent upgrade, if any.
- (b) Dynamically positioned.
- (c) The Cajun Express is expected to be operational in the second quarter of 2001. The contract term was recently reduced from 36 months to 18 months. The contract provides for termination at the option of the client if the rig is not delivered by June 30, 2001.
- (d) The Sedco Energy is expected to be operational in the second quarter of 2001. Because delivery of the rig has been delayed beyond November 13, 1999, the contract provides for a reduction in its term at the option of the client equivalent to the period of delayed delivery.
- (e) The Sedco Express is expected to be operational in the second quarter of 2001. A unit of TotalFinaElf terminated a three-year contract for the Sedco Express in Angola because the rig was not delivered by December 28, 2000.
- (f) Owned by Arcade Drilling as, a Norwegian company in which the Company has a 99.3 percent interest.
- (g) Participating in a cooperation agreement with Statoil. See "Drilling Contracts."
- (h) Operated under a management contract with the rig's owner.
- (i) Operated under a bareboat charter with the rig's owner, Pride North Atlantic Ltd.
- (j) The M. G. Hulme, Jr. is accounted for as an operating lease as a result of a sale/leaseback transaction in November 1995.
- (k) Expiration dates represent the Company's current estimate of the earliest date the contract for each rig is likely to expire. Some rigs have two contracts in continuation, so the second line shows the estimated earliest availability. Some contracts may permit the client to extend the contract.
- (l) The Deepwater Horizon is expected to be operational in the third quarter of 2001 and commence a three-year contract with a unit of BP.
- (m) The rig is leased from its owner, an unrelated third party, pursuant to a fully defeased lease arrangement.

#### Jackup Rigs (55)

Jackup rigs are mobile self-elevating drilling platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the drilling platform. Once a foundation is established, the drilling platform is then jacked further up the legs so that the platform is above the highest expected waves. These rigs are generally suited for water depths of 300 feet or less.

The following table provides certain information regarding the Company's jackup rig fleet as of March 1, 2001:

Type and Name	Year Entered Service/ Upgraded(a)	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Location	Status
Trident IX(b)	1982	400	21,000	Singapore	Idle
Trident 17	1983	355	25,000	Indonesia	Operating
C. E. Thornton	1974	300	25,000	U.S. Gulf	Operating
D. R. Stewart	1980	300	25,000	Italy	Operating
F. G. McClintock	1975	300	25,000	U.S. Gulf	Operating
George H. Galloway	1985	300	25,000	U.S. Gulf	Operating
Harvey H. Ward	1981	300	25,000	Malaysia	Operating
J. T. Angel	1982	300	25,000	UAE	Idle
Randolph Yost	1979	300	25,000	Equatorial Guinea	Operating
Roger W. Mowell	1982	300	25,000	Vietnam	Operating
Ron Tappmeyer	1978	300	25,000	Australia	Operating
Shelf Explorer	1982	300	25,000	Danish No. Sea	Operating
Transocean III	1978/1993	300	20,000	UAE	Idle
Transocean Nordic	1984	300	25,000	U.K. North Sea	Operating
Trident 15	1982	300	25,000	Thailand	Operating
Trident 16(b)	1982	300	25,000	Malaysia	Operating
Trident 20(c)	2000	300	25,000	Caspian Sea	Operating
Trident II	1977/1985	300	25,000	India	Operating
Trident IV	1980/1999	300	25,000	Angola	Operating
Trident VI	1981	300	21,000	Cameroon	Idle
Trident VIII	1981	300	21,000	Nigeria	Operating
Trident XII	1982/1992	300	25,000	Brunei	Operating
Trident XIV	1982/1994	300	20,000	Angola	Operating
Transocean Comet	1980	250	20,000	Egypt	Operating
Transocean Mercury	1969/1998	250	20,000	Egypt	Operating
RBF 192	1981	250	25,000	U.S. Gulf	Idle
RBF 250	1974	250	25,000	U.S. Gulf	Operating
RBF 251	1978	250	25,000	U.S. Gulf	Operating
RBF 252	1978	250	25,000	U.S. Gulf	Operating
RBF 253	1982	250	25,000	U.S. Gulf	Operating
RBF 254	1976	250	25,000	U.S. Gulf	Operating
RBF 255	1976	250	25,000	Mexico	Operating
RBF 256	1975	250	25,000	U.S. Gulf	Idle
RBF 190	1978	200	25,000	U.S. Gulf	Idle
RBF 200	1979	200	25,000	U.S. Gulf	Operating
RBF 201	1981	200	25,000	U.S. Gulf	Operating
RBF 202	1982	200	25,000	U.S. Gulf	Operating
RBF 203	1981	200	25,000	U.S. Gulf	Operating
RBF 204	1981	200	25,000	U.S. Gulf	Operating
RBF 205	1979	200	25,000	U.S. Gulf	Operating
RBF 206	1980	200	25,000	U.S. Gulf	Operating
RBF 207	1981	200	25,000	U.S. Gulf	Operating
RBF 208	1980	200	20,000	Brazil	Operating
RBF 209	1980	200	25,000	Brazil	Operating
RBF 185	1982	190	25,000	U.S. Gulf	Idle
RBF 191	1978	184	25,000	U.S. Gulf	Operating
RBF 150	1979	150	20,000	U.S. Gulf	Operating
RBF 151	1981	150	25,000	U.S. Gulf	Idle
RBF 152	1980	150	25,000	U.S. Gulf	Operating
RBF 153	1980	150	25,000	U.S. Gulf	Operating
RBF 154	1979	150	20,000	U.S. Gulf	Idle
RBF 155	1980	150	20,000	U.S. Gulf	Operating
RBF 156	1983	150	25,000	U.S. Gulf	Operating
RBF 110	1982	110	25,000	Trinidad	Operating
RBF 100	1982	100	25,000	U.S. Gulf	Idle

- (a) Dates shown are the original service date and the date of the most recent upgrade, if any.
- (b) Owned by an unrelated third party and leased by the Company as a part of a secured rig financing. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Debt."
- (c) Owned by a joint venture in which the Company has a 75 percent interest.

Barge Drilling Rigs (37)

The Company's barge drilling fleet consists of conventional and posted barge rigs and swamp barges. The Company's conventional and posted barge drilling rigs are mobile drilling platforms that are submersible and are built to work in eight to 20 feet of water. A posted barge is identical to a conventional barge except that the hull and superstructure are separated by 10 to 14 foot columns, which increases the water depth capabilities of the rig. Swamp barges are usually not self-propelled, but can be moored alongside a platform, and contain quarters, mud pits, mud pumps, power generation and other equipment. Swamp barges are generally suited for water depths of 25 feet or less.

The following table provides certain information regarding the Company's barge drilling rig fleet as of March 1, 2001:

Rig	Year Entered Service/Upgraded(a)	Drilling Capacity (in feet)	Location	Status
<b>Conventional Barges(14)</b>				
1.....	1980	20,000	U.S. Gulf	Operating
11.....	1982	30,000	U.S. Gulf	Operating
15.....	1981	25,000	U.S. Gulf	Operating
19.....	1996	14,000	U.S. Gulf	Operating
20.....	1998	14,000	U.S. Gulf	Operating
21.....	1982	15,000	U.S. Gulf	Idle
23.....	1995	14,000	U.S. Gulf	Operating
28.....	1979	30,000	U.S. Gulf	Operating
29.....	1980	30,000	U.S. Gulf	Operating
30.....	1981	30,000	U.S. Gulf	Operating
31.....	1981	30,000	U.S. Gulf	Operating
32.....	1982	30,000	U.S. Gulf	Operating
74(b).....	1981	25,000	U.S. Gulf	Idle
75(b).....	1979	30,000	U.S. Gulf	Idle
<b>Posted Barges(19)</b>				
7.....	1978	25,000	U.S. Gulf	Idle
9.....	1981	25,000	U.S. Gulf	Operating
10.....	1981	25,000	U.S. Gulf	Operating
17.....	1981	30,000	U.S. Gulf	Operating
27.....	1978	30,000	U.S. Gulf	Operating
41.....	1981	30,000	U.S. Gulf	Operating
46.....	1981	30,000	U.S. Gulf	Operating
47.....	1982	30,000	U.S. Gulf	Idle
48.....	1982	30,000	U.S. Gulf	Operating
49.....	1980	30,000	U.S. Gulf	Operating
52.....	1981	25,000	U.S. Gulf	Idle
54.....	1970	30,000	U.S. Gulf	Idle
55.....	1981	30,000	U.S. Gulf	Idle
56.....	1973	25,000	U.S. Gulf	Idle
57.....	1975	25,000	U.S. Gulf	Operating
61.....	1978	30,000	U.S. Gulf	Idle
62.....	1978	30,000	U.S. Gulf	Operating
63.....	1978	30,000	U.S. Gulf	Operating
64.....	1979	30,000	U.S. Gulf	Operating
<b>Swamp Barges(4)</b>				
Searex 4.....	1981/1989	25,000	Nigeria	Idle
Searex 6.....	1981/1991	25,000	Nigeria	Idle
Searex 12.....	1982/1992	25,000	Nigeria	Operating
Hibiscus(c).....	1979/1993	16,000	Indonesia	Idle

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.

(b) These rigs are leased to the Company.

(c) Owned by a joint venture owned more than 50 percent by the Company.

## Other Rigs

In addition to the drillships, semisubmersibles, jackups and barge drilling rigs, the Company also owns or operates several other types of rigs. These rigs include four mobile offshore production units, which are mobile offshore drilling units that have been converted from drilling operations to a production application, two multi-purpose service vessels, five tenders, three submersible rigs and three platform drilling rigs. The Company also has a fleet of land and barge drilling rigs in Venezuela consisting of 11 wholly owned and two partially owned land rigs and three lake barges. See "--Recent Developments."

## Fleet Additions and Upgrades

The Discoverer Spirit, one of three Discoverer Enterprise-class drillships, commenced operations for Spirit Energy 76, a division of Unocal, in the U.S. Gulf of Mexico under a five-year contract in September 2000. The rig is equipped with sufficient riser to drill in 10,000 feet of water. The Discoverer Deep Seas commenced operations for Chevron in the U.S. Gulf of Mexico under a five-year contract in January 2001. The Discoverer Deep Seas is initially equipped with sufficient riser to drill in 8,000 feet of water, but is capable of drilling in water depths of up to 10,000 feet with additional riser. The Discoverer Enterprise, the first rig of the series, commenced operations for a unit of BP in the U.S. Gulf of Mexico under a five-year contract in December 1999.

The Company has four high-specification semisubmersibles that are currently undergoing testing and commissioning. The Sedco Express is outfitted for operations in water depths of up to 6,000 feet, although the rig's design allows operations in up to 8,500 feet of water with additional riser. The client, a unit of TotalFinaElf, terminated a three-year contract for the Sedco Express in Angola because the rig's delivery was delayed beyond December 28, 2000. The Sedco Energy is equipped for operations in water depths of up to 7,500 feet, and 8,500 feet with additional riser, and is scheduled to commence a contract with Texaco in Brazil in the second quarter of 2001. The contract had an original term of five years; however, Texaco has the right to reduce the contract term equivalent to the period of delayed delivery beyond November 13, 1999. The Cajun Express is equipped for operations in water depths of up to 8,500 feet and is scheduled to commence an 18-month contract with Marathon in the U.S. Gulf of Mexico in the second quarter of 2001. Marathon has the right to terminate the contract if the rig is not delivered by June 30, 2001. The Deepwater Horizon is scheduled to commence a three-year contract with a unit of BP in the U.S. Gulf of Mexico in the third quarter of 2001. The Company expects to spend \$48 million, \$48 million, \$23 million and \$164 million in 2001 to complete construction of the Sedco Express, Sedco Energy, Cajun Express and Deepwater Horizon, respectively.

The Trident 20 jackup commenced a three-year contract with a unit of TotalFinaElf and other parties to a rig sharing agreement in the Caspian Sea in October 2000.

For further discussion, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Capital Expenditures."

## Markets

Rigs can be moved from one region to another, but the cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary somewhat between regions. However, significant variations between regions do not tend to exist long-term because of rig mobility.

In recent years, there has been increased emphasis by oil companies on exploring for hydrocarbons in deeper waters. This is, in part, because of technological developments that have made such exploration more feasible and cost-effective. The deepwater and mid-depth market segments are serviced by the Company's semisubmersibles and drillships. The deepwater market segment begins in water depths of about 2,000 feet and extends to the maximum water depths in which rigs are currently capable of drilling, being approximately 10,000 feet. The mid-depth market segment begins in water depths of about 300 feet and extends to water depths of about 2,000 feet.

The shallow water market segment is serviced by the Company's jackups, submersibles and drilling tenders. This market segment begins at the outer limit of the transition zone and extends to water depths of about 300 feet. It has been developed to a significantly greater degree than the deepwater market segment, as technology required to explore for and produce hydrocarbons in these water depths is not as demanding as in the deepwater market segment, and accordingly the costs are lower.

The Company's barge rig fleet operates in marshes, rivers, lakes and shallow bay and coastal water areas that are referred to as the "transition zone." The Company's principal barge market is the shallow water areas of the U.S. Gulf of Mexico. This area historically has been the world's largest market for barge rigs. International markets for the Company's barge rigs include Venezuela, West Africa and Southeast Asia.

The Company also currently conducts turnkey operations but has decided to phase-out its turnkey business. The Company expects this process to be completed in the second quarter of 2001. See "--Recent Developments."

Through its Cliffs Drilling subsidiary, the Company conducts land rig operations in Venezuela but has decided to sell this business. See "--Recent Developments."

#### Management Services

The Company uses its engineering and operating expertise to provide management of third party drilling service activities. These services are provided through service teams generally consisting of Company personnel and third-party subcontractors, with the Company frequently serving as lead contractor. The work generally consists of individual contractual agreements to meet specific client needs and may be provided on either a dayrate or fixed price basis. As of March 1, 2001, the Company performed such services in the North Sea.

#### Drilling Contracts

The Company's contracts to provide offshore drilling services are individually negotiated and vary in their terms and provisions. The Company obtains most of its contracts through competitive bidding against other contractors. Drilling contracts generally provide for payment on a dayrate basis, with higher rates while the drilling unit is operating and lower rates for periods of mobilization or when drilling operations are interrupted or restricted by equipment breakdowns, adverse environmental conditions or other conditions beyond the control of the Company. The Company also performs drilling services under turnkey contracts, which provide for payment of a fixed price per well. Revenues from dayrate contracts have historically accounted for substantially more of the Company's revenues than turnkey contracts. The Company has decided to phase-out its turnkey business. See "--Recent Developments."

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well or group of wells or covering a stated term. These contracts typically can be terminated by the client under various circumstances such as the loss or destruction of the drilling unit or the suspension of drilling operations for a specified period of time as a result of a breakdown of major equipment. In addition, the drilling contracts for some of the Company's newbuild rigs contain termination or term reduction provisions tied to late delivery of these units. The contract term in some instances may be extended by the client exercising options for the drilling of additional wells or for an additional term, or by exercising a right of first refusal. In reaction to depressed market conditions, the Company's clients may seek renegotiation of firm drilling contracts to reduce their obligations or may seek to terminate their contracts by paying a termination fee to the Company. Some drilling contracts permit the customer to terminate the contract at the customer's option without paying a termination fee. If the Company's customers cancel some of its significant contracts and the Company is unable to secure new contracts on substantially similar terms, it could adversely affect the Company's results of operations.

The Company and Statoil are parties to a cooperation agreement extending through 2005. Under the cooperation agreement, the Company has committed five semisubmersibles--the Transocean Arctic, Transocean

Prospect, Transocean Searcher, Transocean Wildcat and Transocean Winner--for varying contract periods, with Statoil having options to extend the contracts at market rates in minimum two-year intervals for the remainder of the term of the cooperation agreement.

Under turnkey contracts, the Company agrees to drill a well to a contract depth under specified conditions for a fixed price. In general, no payment is received by the Company unless the well is drilled to the contract depth. The Company must bear the costs of performing drilling services until the well has been drilled and, accordingly, such projects may require significant cash commitments by the Company. In addition, profitability of the contract is dependent upon keeping costs within the estimates used by the Company in determining the contract price. In performing a turnkey project, the Company employs a drilling unit from its own fleet or from another contractor under a dayrate contract. Drilling a well under a turnkey contract offers the possibility of financial gains, and exposes the Company to losses, that are substantially greater than those which would ordinarily result from drilling such well under a conventional dayrate contract, because the Company retains any excess of the fixed price over its expenses (including the drilling unit dayrate) but must pay any excess of expenses over such price. The financial results of turnkey contracts depend upon the performance of the drilling unit, drilling conditions and other factors, some of which are beyond the Company's control. The Company's risks under a turnkey drilling contract are substantially greater than on a well drilled on a daywork basis because under a turnkey drilling contract the Company will normally assume most of the risks associated with drilling operations, including the risks of blowout, loss of hole, stuck drill stem, machinery breakdowns, abnormal drilling conditions and risks associated with subcontractors services, supplies and personnel. These risks are generally assumed by the client in a daywork contract.

#### Significant Clients

During the past five years, the Company has engaged in offshore drilling for most of the leading international oil companies (or their affiliates) in the world, as well as for many government-controlled and independent oil companies. Principal clients included the Royal Dutch Shell Group, Statoil, Texaco, BP, Chevron, TotalFinaElf, Woodside, Unocal, Gulf of Suez Petroleum Company, Petrobras and Norsk Hydro. The Company's largest unaffiliated clients in 2000 were Statoil, BP and Petrobras, accounting for 16.8 percent, 14.4 percent and 12.5 percent, respectively, of the Company's 2000 operating revenues. No other unaffiliated client accounted for 10 percent or more of the Company's 2000 operating revenues (see Note 15 to the Company's consolidated financial statements). These percentages do not take into account R&B Falcon operating revenues. R&B Falcon's largest unaffiliated client in 2000 was Petrobras, accounting for 10.3 percent of R&B Falcon's 2000 operating revenues. The loss of any of these significant clients could, at least in the short term, have a material adverse effect on the Company's results of operations.

#### Industry Conditions and Competition

The Company's business depends on the level of activity in offshore oil and gas exploration, development and production in locations worldwide. Oil and gas prices, market expectations of potential changes in these prices and a variety of political and economic factors significantly affect this level of activity. Oil and gas prices are extremely volatile and are affected by numerous factors, including worldwide demand for oil and gas, the ability of the Organization of Petroleum Exporting Countries (commonly called "OPEC") to set and maintain production levels and pricing, the level of production in non-OPEC countries, the policies of the various governments regarding exploration and development of their oil and gas reserves, advances in exploration and development technology and the political environment in oil-producing regions.

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified contractor is awarded a job, although rig availability and the quality and technical capability of service and equipment may also be considered.

The Company's industry has historically been cyclical. There have been periods of high demand, short rig supply and high dayrates, followed by periods of low demand, excess rig supply and low dayrates. Periods of excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Outlook."

The Company requires highly skilled personnel to operate and provide technical services and support for its drilling units. As a result of increased demand for drilling services and increases in the size of the worldwide industry fleet, shortages of qualified personnel have arisen and could continue to become more pronounced. Such shortages create upward pressure on wages, difficulties in recruiting adequate crews and delays in reactivating rigs. The Company is continuing its recruitment and training programs as required to meet its anticipated personnel needs.

As of March 1, 2001, the Company had four new rigs in the testing and commissioning phase and currently has plans for significant shipyard upgrade and maintenance projects on at least six rigs during 2001. These shipyard projects are subject to the risks of delay or cost overruns inherent in large construction projects, resulting from numerous factors, including shortages of equipment, materials or skilled labor, unforeseen engineering, software or systems problems, including those relating to the commissioning of newly designed equipment, work stoppages, weather interference, shipyard availability, unanticipated cost increases and difficulty in obtaining necessary equipment or the requisite permits or approvals. These factors may contribute to cost variations and delays in the completion of the Company's shipyard projects. Delays in delivery of the newbuild units will result in delays in contract commencements, resulting in a loss of revenue, and may also cause clients to terminate the drilling contracts for certain of these rigs pursuant to late delivery termination clauses. In the event of termination of a drilling contract for one of these rigs, it is unlikely that the Company would be able to secure a replacement contract on as favorable terms. Prior to the merger, R&B Falcon's customers for its drillship Deepwater Navigator and its semisubmersible Falcon 100 canceled their contracts because of late delivery of these rigs. In addition, the customer for R&B Falcon's drillship Deepwater Expedition, which has commenced operations for this customer, notified R&B Falcon of a claim of approximately \$10 million for late delivery of this rig. The Company also received a notice of termination from a unit of TotalFinaElf regarding a three-year contract on the semisubmersible Sedco Express in Angola because of the rig's delayed delivery beyond December 28, 2000. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Outlook."

#### Operating Risks

The Company's operations are subject to the usual hazards inherent in the drilling of offshore oil and gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, punchthroughs, cratering or fires. The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury to or death of rig personnel. The Company is also subject to personal injury and other claims of rig personnel as a result of its drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services or personnel shortages. In addition, offshore drilling operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Damage to the environment could also result from the Company's operations, particularly through oil spillage or extensive uncontrolled fires. The Company is also subject to property, environmental and other damage claims by oil and gas companies.

The Company maintains broad insurance coverage, including insurance against general and marine third-party liabilities. The Company's offshore drilling equipment is covered by physical damage insurance policies, which cover against marine and other perils, including losses due to capsizing, grounding, collision, fire, lightning, hurricanes, wind, storms, action of waves, punchthroughs, cratering, blowouts, explosions and war risks. The Company also carries employer's liability and other insurance customary in the offshore contract drilling business. The Company does not normally carry loss of hire or business interruption insurance.



Consistent with standard industry practice, the Company's clients generally assume, and indemnify the Company against, well control and subsurface risks under dayrate contracts. These risks are those associated with the loss of control of a well, such as blowout or cratering, the cost to regain control or redrill the well and associated pollution. However, there can be no assurance that these clients will necessarily be financially able to indemnify it against all these risks.

The Company believes it is adequately insured in accordance with industry standards against normal risks in its operations; however, such insurance coverage may not in all situations provide sufficient funds to protect the Company from all liabilities that could result from its drilling operations. Although the Company's current practice is to insure the majority of its drilling units for approximately their net book value, the Company's insurance would not completely cover the costs that would be required to replace certain of its units, including certain of its high-specification semisubmersibles and drillships. Moreover, the Company's insurance coverage in most cases does not protect against loss of revenues. Accordingly, the occurrence of a casualty or loss against which the Company is not fully insured could have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is subject to liability under various environmental laws and regulations. See "--Regulation." The Company has generally been able to obtain some degree of contractual indemnification pursuant to which the Company's clients agree to protect and indemnify the Company against liability for pollution, well and environmental damages; however, there is no assurance that the Company can obtain such indemnities in all of its contracts or that, in the event of extensive pollution and environmental damages, the clients will have the financial capability to fulfill their contractual obligations to the Company. No such indemnification is typically available for turnkey operations. Also, these indemnities may not be enforceable in all instances. For some contracts where the risk allocation or counterparty risk exposure is considered high, the Company can purchase additional insurance such as "operators extra expense insurance" against well control risks.

#### International Operations

The Company's operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Because the Company's drilling rigs are mobile assets and are able to be moved according to prevailing market conditions, the Company cannot predict the percentage of its revenues that will be derived from particular geographic or political areas in future periods.

The Company's operations are subject to certain political and other uncertainties, including risks of war and civil disturbances or other events that disrupt markets, expropriation of equipment, inability to repatriate income or capital, changing taxation policies and the general hazards associated with governmental sovereignty over certain areas in which operations are conducted. The Company is protected to a substantial extent against capital loss, but generally not loss of revenue, from most of such risks through insurance, indemnity provisions in its drilling contracts, or both. The necessity of insurance coverage for risks associated with political unrest, expropriation and environmental remediation for operating areas not covered under the Company's existing insurance policies is evaluated on an individual contract basis. As of March 1, 2001, all areas in which the Company was operating were covered by existing insurance policies. Although the Company maintains insurance in the areas in which it operates, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance or a recoverable indemnity from a client, it could adversely affect the Company's results of operations.

The Company's operations are also subject to significant government regulation. Some governments favor or effectively require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect the Company's ability to compete in these jurisdictions. The Company expects to continue to structure its operations in order to remain competitive in the international markets.

Another risk inherent in the Company's operations is the possibility of currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies. The Company 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 operations. The Company seeks to limit these risks by structuring contracts such that compensation is made in freely convertible currencies and, to the extent possible, by limiting acceptance of blocked currencies to amounts that match its expense requirements in local currency. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk-- Foreign Exchange Risk."

## Regulation

The Company's operations are affected from time to time in varying degrees by governmental laws and regulations. The drilling industry is dependent on demand for services from the oil and gas exploration industry and, accordingly, is affected by changing tax and other laws relating to the energy business generally.

International contract drilling operations are subject to various laws and regulations in countries in which the Company operates, including laws and regulations relating to the equipping and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel and use of local employees and suppliers by foreign contractors. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exportation of oil and gas and other aspects of the oil and gas industries in their countries. In addition, government action, including initiatives by OPEC, may continue to cause oil price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil companies and may continue to do so.

In the U.S., regulations applicable to the Company's operations include certain regulations controlling the discharge of materials into the environment, requiring removal and cleanup of materials that may harm the environment or otherwise relating to the protection of the environment. For example, the Company, as an operator of mobile offshore drilling units in navigable United States waters and certain offshore areas, may be liable for damages and costs incurred in connection with oil spills for which it is held responsible, subject to certain limitations. Laws and regulations protecting the environment have become more stringent, and may in certain circumstances impose "strict liability," rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Some of these laws and regulations may expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company which were in compliance with all applicable laws at the time such acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on the Company's consolidated financial position and results of operations.

The U.S. Oil Pollution Act of 1990 ("OPA") and regulations promulgated pursuant thereto impose a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills. Few defenses exist to the liability imposed by OPA, and such liability could be substantial. Failure to comply with ongoing requirements or inadequate cooperation in a spill event could subject a responsible party to civil or criminal enforcement action.

The U.S. Outer Continental Shelf Lands Act 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. Violations of environmental related lease conditions or regulations issued pursuant to the Outer Continental Shelf Lands Act can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and canceling leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

The Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability without regard to fault or the legality of the original conduct on some

classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of a facility where a release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at a particular site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. The Company could be subject to liability under CERCLA principally in connection with its onshore activities.

Certain of the other countries in whose waters the Company is presently operating or may operate in the future have regulations covering the discharge of oil and other contaminants in connection with drilling operations.

Although significant capital expenditures may be required to comply with these governmental laws and regulations, such compliance has not materially adversely affected the earnings or competitive position of the Company.

## Employees

As of March 1, 2001, the Company had approximately 15,600 employees. The Company requires highly skilled personnel to operate its drilling units. As a result, the Company conducts extensive personnel recruiting, training and safety programs.

On a worldwide basis, the Company had approximately 14 percent of its employees working under collective bargaining agreements on March 1, 2001, most of whom were working in Norway, Nigeria, Trinidad and Venezuela. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2001. In addition, the Company has signed a recognition agreement requiring negotiation with a labor union representing employees in the U.K. These negotiations could result in collective bargaining agreements covering these employees.

## ITEM 2. Properties

The description of the Company's property included under "Item 1. Business" is incorporated by reference herein.

The Company maintains offices, land bases and other facilities worldwide, including its principal executive offices in Houston, Texas and regional operational offices in the U.S., Brazil, U.K., Norway, France, Dubai and Indonesia. The Company's remaining offices and bases are located in various countries in North America, South America, Europe, Africa, the Middle East and Asia. Most of these facilities are leased by the Company.

The Company acquired R&B Falcon's oil and gas business in the merger described under "Item 1. Business." The business is operated primarily through R&B Falcon's majority-owned subsidiary Reading & Bates Development Co. ("Devco") and, to an insignificant extent, through R&B Falcon's wholly owned subsidiaries Raptor Exploration Company, Inc. and Cliffs Oil and Gas Company. In July 2000, R&B Falcon's wholly owned subsidiary R&B Falcon Subsea Development Inc. and Devco sold their combined U.S. Gulf of Mexico oil and gas properties, constituting interests in East Breaks Blocks 642, 643, 688 and 732 and Green Canyon Block 20, to Enterprise Oil for approximately \$127.2 million in cash. In November 2000, Devco sold its Israeli oil and gas properties, constituting a 15 percent working interest in nine petroleum licenses covering 854,200 acres in deepwater offshore Israel, for an aggregate of \$114.0 million but retained a 0.7 percent of 8/8ths overriding royalty interest on new discoveries outside the area of proven reserves. Devco still owns an 11 percent working interest in production sharing contracts covering 2,831,392 acres in deepwater offshore Gabon, West Africa. A 4,400 square kilometer 3-D seismic program was shot in 1999. Processing of the seismic data commenced in late 1999, and interpretation continued through 2000. An exploration drilling program

commenced in the last quarter of 2000. An integrated project team staffed by representatives from each of the farminees has been opened in Paris, France and an operations office has been opened in Libreville, Gabon. Locations for the initial wells have been selected. It is anticipated that the exploration drilling program in which the Company is fully carried for a minimum of four wells will commence in the first quarter of 2001. In January 2001, R&B Falcon purchased for \$34.7 million the approximately 13.6 percent minority interest in Devco which was owned by former directors and employees of R&B Falcon and directors and employees of Devco (including current directors of the Company Charles A. Donabedian and Paul B. Loyd, Jr.). In connection with the purchase, a \$0.3 million bonus was paid to Richard A. Pattarozzi, a current director of the Company. The purchase price was based on a valuation by a third party advisor.

### ITEM 3. Legal Proceedings

During 1997, Kvaerner Installasjon a.s ("Kvaerner") in Norway performed modification and refurbishment work on a high-specification semisubmersible drilling rig, the Transocean Leader. The amount owed with respect to such work is in dispute. A letter of credit valued at approximately \$24.8 million as of December 31, 2000 has been posted pending the resolution of the dispute by agreement between the parties or by final judgment under the Norwegian judicial process. In September 1998, the Company instituted an action in the Norwegian courts alleging that it owes no additional amounts and that the letter of credit should be released. In March 1999, Kvaerner commenced proceedings in the Norwegian courts seeking judgment for approximately \$33 million plus interest. The Company vigorously denies the material allegations of Kvaerner's petition and the matter was tried before the Norwegian courts during the fourth quarter of 2000. The Company is presently awaiting a decision by the court. The Company does not expect the liability, if any, resulting from this matter to have a material adverse effect on its business or consolidated financial position.

In 1990 and 1991, two of the Company's subsidiaries were served with various assessments collectively valued at approximately \$7.4 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. The Company believes that neither subsidiary is liable for the taxes and has contested the assessments in the Brazilian administrative and court systems. The proceeding with respect to a June 1991 assessment, which was valued at approximately \$6.3 million, is now pending before the Brazil Supreme Court. The lower courts and the superior court of appeals have rejected the Company's arguments. An August 1990 assessment also had an unfavorable ruling at the first and second court levels and is being submitted to the Brazil Supreme Court. The Company is awaiting a ruling from the Taxpayer's Council as to an October 1990 assessment. If the Company's defenses are ultimately unsuccessful, the Company believes that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse the Company for municipal tax payments required to be paid by them. The Company does not expect the liability, if any, resulting from these assessments to have a material adverse effect on its business or consolidated financial position.

Global Marine Drilling Company ("Global Marine") initiated an arbitration proceeding in London in December 1997 against a subsidiary of Sedco Forex. Global Marine alleged a claim for approximately \$85 million (plus interest and costs) for an alleged late return of a chartered rig and for breach of maintenance obligations under the charter. In February 1998, the tribunal held that the charter expired January 20, 1998, plus time for physical delivery. The rig was not redelivered until May 1998. The Company settled the arbitration proceeding in November 2000 in exchange for a payment of \$67.5 million.

RIGCO North America, LLC ("RIGCO"), a subsidiary of Tatham Offshore Inc., filed suit in a Texas state court in July 1999 asserting various claims in connection with shipyard and rig management contracts for two rigs managed on behalf of RIGCO. As a result of the Sedco Forex merger, the Company assumed liability for these claims. RIGCO alleges breach of contract, negligence and fraud and claims damages of at least \$51 million, plus exemplary damages, attorneys' fees and other unspecified damages. In August 1999, RIGCO filed for voluntary bankruptcy protection in the U.S. federal bankruptcy court sitting in Texas. As part of the bankruptcy proceedings, RIGCO filed a preference action in September 1999. RIGCO sought to avoid alleged transfers of approximately \$4.2 million and to have those funds returned to the RIGCO bankruptcy estate. The bankruptcy

has since been dismissed along with the preference action. The Company disputes RIGCO's allegations and is vigorously defending the case. The matter is presently set for trial in May 2001. The Company does not expect that the liability, if any, resulting from this matter will have a material adverse effect on its business or consolidated financial position.

The Indian Customs Department, Mumbai, filed a "show cause notice" against a subsidiary of Sedco Forex and various third parties on July 8, 1999. The show cause notice alleges that the entry into India and other subsequent movements of the Trident II jackup rig operated by the subsidiary constituted imports and exports for which proper customs procedures were not followed and that customs duties should have been paid, and seeks payment of customs duties, with interest and penalties, and confiscation of the rig. In connection with these allegations, the customs authorities confiscated the rig, which confiscation was stayed by application to the High Court, Mumbai, until one month following the order of the Customs Department in respect of the show cause notice. In January 2000, the Customs Department issued an order in respect of the show cause notice, directing the Company to pay an approximately \$3.5 million redemption fee for the rig in lieu of confiscation and approximately \$1.5 million in penalties in addition to the amount of customs duties owed, which were unspecified in the order. The Company disputes the ruling, and in February 2000, the Company filed an appeal with the Customs, Excise and Gold (Control) Appellate Tribunal ("CEGAT") together with an application to have the confiscation of the rig stayed pending the outcome of the appeal. In March 2000, the CEGAT ruled on the stay application, directing that the confiscation be stayed pending the appeal and setting the appeals hearing for June 2000. In connection with the stay, the tribunal ordered the Company to deposit approximately \$0.7 million of the penalty amount specified in the January 2000 order and waived the remainder of the penalty and redemption fee pending the appeal. In addition, the CEGAT required the Company to post a guarantee of approximately \$11.5 million covering the remainder of the penalty, redemption fee and customs duties owed, pending the appeal. The Company paid the deposit and posted the guarantee within the required time limit. CEGAT issued its opinion on the Company's appeal in the first quarter of 2001 and while it found that the rig was imported in 1988, the redemption fee and penalties were reduced to less than \$0.1 million. CEGAT further sustained the Company's position regarding the value of the rig at the time of import thus limiting the Company's exposure as to custom duties. The Company believes that its customer would be responsible for such duties but, in any event, does not expect that the ultimate liability, if any, resulting from the matter will have a material adverse effect on its business or consolidated financial position.

On July 25, 2000, the Company received notice of a request for arbitration from DCN International ("DCN"). DCN is the shipyard located in Brest, France, with which the Company contracted the construction of two of the Company's Sedco Express-class semisubmersibles. DCN initiated arbitration of disputes stemming from certain variation orders requested by DCN and rejected by the Company during construction of the units. The Company settled all claims with DCN in January 2001 and agreed to pay DCN 250 million French francs which was equivalent to \$35.7 million as of such date.

In January 2000, a pipeline in the U.S. Gulf of Mexico was damaged by an anchor from one of the Company's drilling rigs while the rig was under tow. The incident resulted in damage to offshore facilities, including a crude oil pipeline, the release of hydrocarbons from the damaged section of the pipeline and the shutdown of the pipeline and allegedly affected production platforms. All appropriate governmental authorities were notified, and the Company cooperated fully with the operator and relevant authorities in support of the remediation efforts. Certain owners and operators of the pipeline (Poseidon Oil Pipeline Company LLC, Equilon Enterprises LLC, Poseidon Pipeline Company, LLC and Marathon Oil Company) filed suit in March 2000 in federal court, Eastern District of Louisiana, alleging various damages in excess of \$30 million. A second suit was filed by Walter Oil & Gas Corporation and certain other plaintiffs in Harris County, Texas alleging various damages in excess of \$1.8 million. The Company has filed a limitation of liability proceeding in federal court, Eastern District of Louisiana, claiming benefit of various statutes providing limitation of liability for vessel owners, the result of which has been to stay the first two suits and to cause potential claimants (including the plaintiffs in the existing suits) to file claims in this proceeding. El Paso Energy Corporation, the owner/operator of the platform from which a riser was ripped from its hangars, and Texaco Exploration and Production Inc.

have filed claims in the limitation of liability proceeding as well. The Company expects that existing insurance will substantially cover any potential liability associated with this matter and that the outcome of this matter will not have a material adverse effect on its business or consolidated financial position.

The Company is a defendant in Bryant, et al. v. R&B Falcon Drilling USA, Inc., et al. in the United States District Court for the Southern District of Texas, Galveston Division. R&B Falcon Drilling USA is a wholly owned indirect subsidiary of R&B Falcon. In this suit, the plaintiffs allege that R&B Falcon Drilling USA, the Company and a number of other offshore drilling contractors with operations in the U.S. Gulf of Mexico have engaged in a conspiracy to depress wages and benefits paid to their offshore employees. The plaintiffs contend that this alleged conduct violates federal antitrust law and constitutes unfair trade practices and wrongful employment acts under state law. The plaintiffs seek treble damages, attorneys' fees and costs on behalf of themselves and an alleged class of offshore workers, along with an injunction against exchanging certain wage and benefit information with other offshore drilling contractors named as defendants. The plaintiffs contend that actual damages to the alleged class will exceed \$5 billion. A hearing has been set for the second quarter of 2001 to determine if the matter should proceed as a class action. The Company vigorously denies the plaintiff's allegations and does not expect that the outcome of this matter will have a material adverse effect on its business or consolidated financial position.

In November 1988, a lawsuit was filed in the U.S. District Court for the Southern District of West Virginia against Reading & Bates Coal Co., a wholly owned subsidiary of R&B Falcon, by SCW Associates, Inc. claiming breach of an alleged agreement to purchase the stock of Belva Coal Company, a wholly owned subsidiary of Reading & Bates Coal Co. with coal properties in West Virginia. When those coal properties were sold in July 1989 as part of the disposition of R&B Falcon's coal operations, the purchasing joint venture indemnified Reading & Bates Coal Co. and R&B Falcon against any liability Reading & Bates Coal Co. might incur as a result of this litigation. A judgment for the plaintiff of \$32,000 entered in February 1991 was satisfied and Reading & Bates Coal Co. was indemnified by the purchasing joint venture. On October 31, 1990, SCW Associates, Inc., the plaintiff in the above-referenced action, filed a separate ancillary action in the Circuit Court, Kanawha County, West Virginia against R&B Falcon, Caymen Coal, Inc. (the former owner of R&B Falcon's West Virginia coal properties), as well as the joint venture, Mr. William B. Sturgill (the former President of Reading & Bates Coal Co.) personally, three other companies in which the Company believes Mr. Sturgill holds an equity interest, two employees of the joint venture, First National Bank of Chicago and First Capital Corporation. The lawsuit seeks to recover compensatory damages of \$50 million and punitive damages of \$50 million for alleged tortious interference with the contractual rights of the plaintiff and to impose a constructive trust on the proceeds of the use and/or sale of the assets of Caymen Coal, Inc. as they existed on October 15, 1988. R&B Falcon intends to defend its interests vigorously and believes that the damages alleged by the plaintiff in this action are highly exaggerated. In any event, the Company believes that it has valid defenses and does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

In December 1998, Mobil North Sea Limited ("Mobil") purportedly terminated its contract for use of the Company's Jack Bates semisubmersible rig based on failure of two mooring lines while anchor recovery operations at a Mobil well location had been suspended during heavy weather. The Company does not believe that Mobil had the right to terminate this contract. The Company later recontracted the Jack Bates to Mobil at a lower dayrate. The Company has filed a request for arbitration with the London Court of International Arbitration seeking damages for the termination. Mobil in turn has counterclaimed against the Company seeking damages for the Company's alleged breaches of the original contract. The arbitration proceedings are continuing and a preliminary hearing is currently scheduled for April 2001. The Company does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against Cliffs Drilling, its underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of \$50 million in connection with the drilling of a turnkey well in 1995

and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately \$30 million in favor of the plaintiffs for excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. The Company has filed motions for a new trial and a judgment notwithstanding the verdict in contemplation of perfecting its appeal of such judgment. The Company believes that all but the portion of the verdict representing excess drilling costs of approximately \$4.7 million is covered by relevant primary and excess liability insurance policies of Cliffs Drilling; however, the insurers and underwriters have denied coverage. Cliffs Drilling has instituted litigation against those insurers and underwriters to enforce its rights under the relevant policies. The Company does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

The Company and its subsidiaries are involved in a number of other lawsuits, all of which have arisen in the ordinary course of the Company's business. The Company does not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on its business or consolidated financial position.

The Company cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending litigation. There can be no assurance that the Company's belief or expectations as to the outcome or effect of any lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

#### ITEM 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of 2000, the Company submitted to a vote of its shareholders the issuance of ordinary shares in connection with proposed merger with R&B Falcon and certain related matters. These matters were submitted to a vote of the Company's shareholders at an extraordinary general meeting of shareholders held on December 12, 2000. At that meeting, the shareholders voted to approve all of the matters presented to them for consideration. Of the 210,715,981 ordinary shares outstanding at the time, 156,847,026 were eligible to be voted at the meeting. There were 3,798 broker non-votes. The results were as follows:

Proposal 1: The increase of the Company's authorized ordinary share capital to \$8,000,000, consisting of 800,000,000 ordinary shares, par value \$0.01 per share, conditional upon completion of the merger.

For.....	142,367,094
Against.....	13,886,649
Abstain.....	593,283

Proposal 2: The issuance of ordinary shares under the terms of the Agreement and Plan of Merger, dated as of August 19, 2000, among R&B Falcon, the Company, Transocean Holdings Inc., a direct wholly owned subsidiary of the Company, and TSF Delaware Inc., an indirect wholly owned subsidiary of the Company, conditional upon completion of the merger.

For.....	155,145,878
Against.....	741,209
Abstain.....	959,939

Proposal 3: The amendment of the Company's memorandum and articles of association to increase the maximum size of the Board of Directors to 13 persons and to make updating and other clarifying changes, conditional upon completion of the merger.

For.....	155,325,363
Against.....	909,666
Abstain.....	610,997

Proposal 4: The amendment of the Company's Long-Term Incentive Plan to, among other things, increase the number of ordinary shares reserved for issuance under the plan from 13,300,000 to 19,500,000, conditional upon completion of the merger.

For.....	102,956,527
Against.....	53,096,189
Abstain.....	790,512

Proposal 5: The amendment of the Company's Employee Stock Purchase Plan to, among other things, increase the number of ordinary shares reserved for issuance under the plan from 750,000 to 1,500,000, conditional upon completion of the merger.

For.....	155,066,951
Against.....	1,122,852
Abstain.....	657,223

Executive Officers of the Registrant

Officer -----	Office -----	Age as of March 1, 2001 -----
J. Michael Talbert.....	President, Chief Executive Officer and Director	54
W. Dennis Heagney.....	Executive Vice President and Chief Operating Officer	53
Jean P. Cahuzac.....	Executive Vice President, Operations	47
Jon C. Cole.....	Executive Vice President, Shallow Water and Inland Water Operations	48
Robert L. Long.....	Executive Vice President and Chief Financial Officer	55
Donald R. Ray.....	Executive Vice President, Technical Services	54
Eric B. Brown.....	Senior Vice President, General Counsel and Corporate Secretary	49
Gregory Cauthen.....	Vice President Finance, Treasurer	43
Barbara S. Koucouthakis.....	Vice President and Chief Information Officer	42
David Mullen.....	Vice President, Human Resources	43
Ricardo H. Rosa.....	Vice President and Controller	44
Brian C. Voegle.....	Vice President, Tax	41
Michael I. Unsworth.....	Vice President, Marketing	42

The officers of the Company are elected annually by the Board of Directors. There is no family relationship between any of the above-named executive officers.

J. Michael Talbert has served as the Chief Executive Officer and a member of the Board of Directors of the Company since August 1994. Mr. Talbert also served as Chairman of the Board of the Company from August 1994 until the time of the Sedco Forex merger, at which time he assumed the additional position of President of the Company. Mr. Talbert is also a director of Equitable Resources, Inc. Prior to assuming his duties with the Company, Mr. Talbert was President and Chief Executive Officer of Lone Star Gas Company, a natural gas distribution company and a division of Ensearch Corporation.

W. Dennis Heagney is Executive Vice President and Chief Operating Officer of the Company. Mr. Heagney served as a director of the Company from June 12, 1997 and President and Chief Operating Officer of the Company from April 1, 1986 until the time of the Sedco Forex merger, at which time he assumed the positions of Executive Vice President and President, Asia and the Americas. He assumed his current position in February 2001. He has been employed by the Company since 1969 and was elected Vice President in 1983 and Senior Vice President in 1984.



Jean P. Cahuzac is Executive Vice President, Operations of the Company. Mr. Cahuzac served as President of Sedco Forex from January 1999 until the time of the Sedco Forex merger, at which time he assumed the positions of Executive Vice President and President, Europe, Middle East and Africa with the Company. He assumed his current position in February 2001. Mr. Cahuzac served as Vice President-Operations Manager of Sedco Forex from May 1998 to January 1999, Region Manager-Europe, Africa and CIS of Sedco Forex from September 1994 to May 1998 and Vice President/General Manager-North Sea Region of Sedco Forex from February 1994 to September 1994. He had been employed by Schlumberger since 1979.

Jon C. Cole is Executive Vice President, Shallow Water and Inland Water Operations of the Company. Mr. Cole served as Senior Vice President of the Company from April 1, 1993 until the time of the Sedco Forex merger, at which time he assumed the position of Executive Vice President, Marketing. He assumed his current position in February 2001. Mr. Cole joined the Company in 1978 and was elected Vice President in 1990.

Robert L. Long is Executive Vice President and Chief Financial Officer of the Company. Mr. Long has served as Chief Financial Officer of the Company since August 1996. Mr. Long served as Senior Vice President of the Company from May 1, 1990 until the time of the Sedco Forex merger, at which time he assumed the position of Executive Vice President. Mr. Long also served as Treasurer of the Company from September 1, 1997 until March 5, 2001. Mr. Long has been employed by the Company since 1976 and was elected Vice President in 1987.

Donald R. Ray is Executive Vice President, Technical Services of the Company. Mr. Ray served as Senior Vice President of the Company, with responsibility for technical services, from December 1, 1996 until the time of the Sedco Forex merger, at which time he assumed the position of Senior Vice President, Technical Services. He assumed the position of Executive Vice President in February 2001. Mr. Ray has been employed by the Company since 1972 and has served as a Vice President of the Company since 1986.

Eric B. Brown is Senior Vice President, General Counsel and Corporate Secretary of the Company. He served as Vice President and General Counsel of the Company since February 1, 1995 and Corporate Secretary of the Company since September 29, 1995. He assumed the position of Senior Vice President in February 2001.

Gregory Cauthen is Vice President Finance, Treasurer of the Company. Mr. Cauthen assumed his current position on March 5, 2001. Prior to joining the Company, he served as President and Chief Executive Officer of WebCaskets.com, Inc. from June 2000 until February 2001. Previously, he served as Senior Vice President, Financial Services at Service Corporation International where he had been employed in various positions since February 1991.

Barbara S. Koucouthakis is Vice President and Chief Information Officer of the Company. Ms. Koucouthakis served as Controller of the Company from January 1, 1990 and Vice President from April 1, 1993 until the time of the Sedco Forex merger, at which time she assumed her current position. She has been employed by the Company since 1982.

David Mullen is Vice President, Human Resources of the Company. Mr. Mullen served Schlumberger as Director of Personnel Geco-Prakla from 1998 until the time of the Sedco Forex merger, at which time he assumed his current position with the Company. Mr. Mullen was elected Managing Director-Schlumberger (Nigeria) Ltd. in 1996, District Manager-Eastern Venezuela Schlumberger (Wireline & Testing) in 1994 and had been employed by Schlumberger since 1983.

Ricardo H. Rosa is Vice President and Controller of the Company. Mr. Rosa served as Controller of Sedco Forex from September 1995 until the time of the Sedco Forex merger, at which time he assumed his current position with the Company. He was appointed Gas Management Controller in October 1993. Mr. Rosa had been employed by Schlumberger since 1983. Prior to joining Schlumberger in 1983, he served as Audit Manager for the accounting firm, Price Waterhouse.

Brian C. Voegele is Vice President, Tax of the Company. Mr. Voegele served as Vice President, Finance from March 1998 until March 5, 2001 at which time he assumed his current position with the Company. Previously, he served as Director of Tax for the Company from June 1993 until March 1998. Prior to joining the Company in 1993, he served as Tax Manager for Sonat Inc. and as a Tax Manager for the accounting firm, Ernst & Young LLP.

Michael I. Unsworth is Vice President, Marketing of the Company. Mr. Unsworth served as Region Manager, Asia for the Company from the time of the Sedco Forex merger until February 2001, at which time he assumed his present position with the Company. Previously, he served as Region Manager, Asia for Sedco Forex from 1998 through 1999 and had been employed by Schlumberger since 1981.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Shareholder Matters

The Company's ordinary shares are listed on the New York Stock Exchange (the "NYSE") under the symbol "RIG." The following table sets forth the high and low sales prices of the Company's ordinary shares for the periods indicated as reported on the NYSE Composite Tape.

	Price	
	High	Low
1999		
First Quarter.....	\$31.563	\$19.625
Second Quarter.....	32.500	22.625
Third Quarter.....	36.500	25.563
Fourth Quarter.....	34.375	23.875
2000		
First Quarter.....	53.125	29.250
Second Quarter.....	56.188	41.250
Third Quarter.....	64.625	45.625
Fourth Quarter.....	65.500	34.375
2001		
First Quarter (through February 28).....	51.300	40.000

On February 28, 2001, the last reported sales price of the Company's ordinary shares on the NYSE Composite Tape was \$48.13 per share. On such date, there were approximately 27,300 holders of record of the Company's ordinary shares and 317,099,684 ordinary shares outstanding.

The Company has paid quarterly cash dividends of \$0.03 per ordinary share since the fourth quarter of 1993. Any future declaration and payment of dividends will be (i) dependent upon the Company's results of operations, financial condition, cash requirements and other relevant factors, (ii) subject to the discretion of the Board of Directors of the Company, (iii) subject to restrictions contained in the Company's bank credit agreements and note purchase agreement (see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Debt") and (iv) payable only out of the Company's profits or share premium account in accordance with Cayman Islands law.

There is currently no reciprocal tax treaty between the Cayman Islands and the United States regarding withholding.

ITEM 6. Selected Consolidated Financial Data

The selected consolidated financial data as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000 has been derived from the audited consolidated financial statements included elsewhere herein. The selected consolidated financial data as of December 31, 1998 and 1997, and for the years ended December 31, 1997 and 1996 has been derived from audited consolidated financial statements not included herein. The selected consolidated financial data as of December 31, 1996 is unaudited. The following data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data."

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex was completed. Sedco Forex was the offshore contract drilling service business of Schlumberger and was spun-off immediately prior to the merger transaction. As a result of the merger, Sedco Forex became a wholly owned subsidiary of Transocean

Offshore Inc., which changed its name to Transocean Sedco Forex Inc. The merger was accounted for as a purchase, with Sedco Forex as the acquiror for accounting purposes. The balance sheet data as of December 31, 2000 and 1999 and the statement of operations and other financial data for the year ended December 31, 2000 represent the consolidated financial position, cash flows and results of operations of the merged company. The balance sheet data, statement of operations and other financial data for the periods prior to the merger, represent the financial position, cash flows and results of operations of Sedco Forex and not those of historical Transocean Offshore Inc.

On January 31, 2001, the merger of the Company and R&B Falcon was completed. As a result of the merger, R&B Falcon became an indirect wholly owned subsidiary of the Company. The merger was accounted for as a purchase, with the Company as the acquiror for accounting purposes. The following selected consolidated financial data does not include the financial position, cash flows and results of operations of R&B Falcon.

	Years ended December 31,				
	2000	1999	1998	1997	1996
(In millions, except per share data)					
<b>Statement of Operations</b>					
Operating Revenues.....	\$1,230	\$ 648	\$1,091	\$ 891	\$ 663
Operating Income.....	133	49	377	299	163
Net Income.....	109	58	342	260	148
<b>Basic Earnings Per Share</b>					
(Pro forma prior to the effective date of the Sedco Forex merger)(a)					
Income Before Extraordinary Item...	\$ 0.51	\$ 0.53	\$ 3.12	\$ 2.38	\$1.35
Gain on Extraordinary Item, Net of Tax.....	0.01	--	--	--	--
Net Income.....	\$ 0.52	\$ 0.53	\$ 3.12	\$ 2.38	\$1.35
<b>Diluted Earnings Per Share</b>					
(Pro forma prior to the effective date of the Sedco Forex merger)(a)					
Income Before Extraordinary Item...	\$ 0.50	\$ 0.53	\$ 3.12	\$ 2.38	\$1.35
Gain on Extraordinary Item, Net of Tax.....	0.01	--	--	--	--
Net Income.....	\$ 0.51	\$ 0.53	\$ 3.12	\$ 2.38	\$1.35
<b>Other Financial Data</b>					
Cash Flows From Operating Activities...	\$ 197	\$ 241	\$ 473	\$ 318	\$ 236
Capital Expenditures.....	575	537	425	187	151
EBITDA(b).....	401	186	508	420	272

(Unaudited)  
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<b>Balance Sheet Data (at end of period)</b>					
Total Assets.....	\$6,359	\$6,140	\$1,473	\$1,051	\$ 899
Total Debt.....	1,453	1,266	100	160	53
Total Equity.....	4,004	3,910	564	363	462

(a) Unaudited pro forma earnings per share was calculated using the Transocean Sedco Forex Inc. ordinary shares issued pursuant to the Sedco Forex merger agreement and the dilutive effect of Transocean Sedco Forex Inc. stock options granted to former Sedco Forex employees at the time of the Sedco Forex merger, as applicable.

(b) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is presented here because it is a widely accepted financial indication of a company's ability to incur and service debt. EBITDA measures presented may not be comparable to similarly titled measures used by other companies. EBITDA is not a measurement presented in accordance with accounting principles generally accepted in the United States ("GAAP") and is not intended to be used in lieu of GAAP presentations of results of operations and cash provided by operating activities.

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

The following information should be read in conjunction with the information contained in the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data" elsewhere in this annual report.

### Overview

Transocean Sedco Forex Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "we," "us" or "our") is the world's largest offshore drilling contractor, following the merger with R&B Falcon Corporation (together with its subsidiaries, unless the context requires otherwise, "R&B Falcon") on January 31, 2001 ("R&B Falcon merger"). See "--Liquidity and Capital Resources--Acquisitions and Dispositions." The Company's mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. The Company specializes in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. As of March 1, 2001, the Company owned, had partial ownership interests in, operated or had under construction 166 mobile offshore and barge drilling units. The Company's active fleet includes 13 high-specification drillships, three other drillships, 20 high-specification semisubmersibles (including four under construction), 30 other semisubmersibles, 55 jackup rigs, 37 drilling barges, five tenders and three submersible rigs. In addition, the fleet includes four mobile offshore production units, two multi-purpose service vessels and three platform drilling rigs. The Company also has a fleet of land and barge drilling rigs in Venezuela consisting of 11 wholly owned and two partially owned land rigs and three lake barges. The Company contracts these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. The Company also provides additional services, including management of third-party well service activities.

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex Holdings Limited ("Sedco Forex") was completed. Sedco Forex was the offshore contract drilling service business of Schlumberger Limited ("Schlumberger") and was spun-off immediately prior to the merger transaction. At the time of the merger, Sedco Forex owned, had partial ownership interests in, operated or had under construction 44 mobile offshore drilling units. As a result of the merger, Sedco Forex became a wholly owned subsidiary of Transocean Offshore Inc. which changed its name to Transocean Sedco Forex Inc. The merger was accounted for as a purchase, with Sedco Forex as the acquiror for accounting purposes. The balance sheets as of December 31, 2000 and 1999, the statement of cash flows and the statement of operations for the year ended December 31, 2000 represent the consolidated financial position, cash flows and results of operations of the merged company. The statements of cash flows and the statements of operations for the years ended December 31, 1999 and 1998, represent the cash flows and results of operations of Sedco Forex and not those of historical Transocean Offshore Inc.

On January 31, 2001, the merger of the Company and R&B Falcon was completed. At the time of the merger, R&B Falcon owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units and other units utilized in the support of offshore drilling activities. As a result of the merger, R&B Falcon became an indirect wholly owned subsidiary of the Company. The merger was accounted for as a purchase, with the Company as the acquiror for accounting purposes. Except where otherwise provided, the following financial data and discussion does not include the financial position, cash flows and results of operations of R&B Falcon but does include a discussion of certain R&B Falcon debt.

## Historical Operating Results

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Operating Revenues.....	\$1,229,513	\$648,236	\$1,090,523
Costs and Expenses			
Operating and maintenance.....	812,563	448,917	562,565
Depreciation and amortization.....	259,477	131,933	124,707
General and administrative.....	42,141	16,703	25,986
	1,114,181	597,553	713,258
Gain (Loss) From Sale of Assets.....	17,751	(1,339)	--
Operating Income	133,083	49,344	377,265
Other Income (Expense), Net			
Equity in earnings of joint ventures.....	9,393	5,610	5,389
Interest income.....	6,219	5,433	3,361
Interest expense, net of amounts capitalized.....	(3,025)	(10,250)	(12,950)
Other, net.....	(1,254)	(830)	956
	11,333	(37)	(3,244)
Income Before Income Taxes, Minority Interest and Extraordinary Item.....	144,416	49,307	374,021
Income Tax Expense (Benefit).....	36,699	(9,296)	32,443
Minority Interest.....	593	500	--
Income Before Extraordinary Item.....	107,124	58,103	341,578
Gain on Extraordinary Item, Net of Tax.....	1,424	--	--
Net Income.....	\$ 108,548	\$ 58,103	\$ 341,578

### Historical 2000 compared to 1999

Operating revenues for the year ended December 31, 2000 were \$1,229.5 million compared to \$648.2 million for the same period in 1999, an increase of \$581.3 million or 90 percent. The increase was primarily a result of the Sedco Forex merger. Operating revenues for the year ended December 31, 2000 included a \$25.1 million cash settlement relating to an agreement with a unit of BP to cancel the remaining 14 months of firm contract time on the semisubmersible Transocean Amirante, \$21.8 million relating to the Discoverer Spirit which began operations late in the third quarter of 2000 and \$9.3 million relating to the Trident 20 which began operations in the fourth quarter of 2000. Operating revenues relating to former Sedco Forex operations totaled \$544.5 million for the year ended December 31, 2000, representing a \$103.7 million or 16 percent decrease over the comparable 1999 period. Of the decrease in revenues, \$58.0 million relates to core assets which experienced lower average dayrates, declining from \$65,500 for the year ended December 31, 1999 to \$55,500 for the same period in 2000. Operating revenues for the year ended December 31, 1999 also included \$16.0 million of cash settlements related to the cancellation of contracts on the Sovereign Explorer and Trident 17. This was partially offset by an increase in activity, as utilization of core assets increased from 68 percent for the year ended December 31, 1999 to 74 percent for the same period in 2000. The remaining decrease in comparable revenues was attributed to less activity for non-core assets and lower revenue earned from managed rigs no longer operated in 2000.

Operating and maintenance expense for the year ended December 31, 2000 was \$812.6 million compared to \$448.9 million for the same period in 1999, an increase of \$363.7 million or 81 percent. The increase was primarily a result of the Sedco Forex merger. Operating and maintenance expense for the year ended

December 31, 2000 included \$6.8 million relating to the Discoverer Spirit which began operations late in the third quarter of 2000, \$41.1 million relating to the settlement of an arbitration proceeding with Global Marine Drilling Company ("Global Marine") and a \$6.7 million increase in provisions for legal claims (see Note 11 to the Company's consolidated financial statements). Operating and maintenance expense for the 1999 period included charges totaling \$42.0 million relating to severance liabilities, the write-down of obsolete fixed assets and provisions for potential legal claims, \$13.4 million relating to provisions for doubtful accounts receivable in West Africa and dayrate contract penalties in Brazil and \$56.2 million relating to the allocation of costs by Schlumberger. A large portion of operating and maintenance expense consists of employee-related costs and is fixed or only semi-variable. Accordingly, operating and maintenance expense does not vary in direct proportion to activity.

Depreciation and amortization expense for the year ended December 31, 2000 was \$259.5 million compared to \$131.9 million for the same period in 1999, an increase of \$127.6 million or 97 percent. Depreciation expense increased primarily due to the addition of the former Transocean Offshore Inc. rigs and equipment at fair value. In addition, \$26.7 million of amortization of goodwill resulting from the Sedco Forex merger was recorded for the year ended December 31, 2000. Depreciation expense was reduced by approximately \$71.9 million (net \$0.34 per diluted share) for the year ended December 31, 2000 as a result of the Company conforming its policies relating to estimated rig lives and salvage values after the Sedco Forex merger.

General and administrative expense for the year ended December 31, 2000 was \$42.1 million compared to \$16.7 million for the same period in 1999, an increase of \$25.4 million or 152 percent. The increase was primarily a result of the Sedco Forex merger and reflects the costs to manage a larger, more complex and geographically diverse organization. General and administrative expense for the year ended December 31, 1999 included \$8.0 million relating to an allocation of corporate overhead by Schlumberger.

During the year ended December 31, 2000, the Company recognized a net gain of \$17.0 million on the sale of three units, the semisubmersible Transocean Discoverer, the multi-purpose service vessel Mr. John, and the tender Searex V, as well as two shore-based facilities. There were no such sales in 1999.

Other income for the year ended December 31, 2000 was \$11.3 million compared to other expense of \$0.04 million for the same period in 1999, an increase of \$11.3 million. Interest expense, net of amounts capitalized, for the year ended December 31, 2000 was \$3.0 million compared to \$10.3 million for the same period in 1999, a decrease of \$7.3 million or 71 percent. Total interest expense was \$89.6 million for the year ended December 31, 2000 compared to \$37.5 million for 1999, an increase of \$52.1 million or 139 percent. The increase during 2000 was due to higher debt levels primarily associated with our newbuild construction projects. Total interest capitalized relating to construction projects was \$86.6 million for the year ended December 31, 2000 compared to \$27.2 million for 1999, an increase of \$59.4 million or 218 percent. Overall there was a net decrease in interest expense as a greater proportion was capitalized compared to 1999. Equity in earnings of joint ventures increased by \$3.8 million due primarily to the addition of joint ventures owned by Transocean Offshore Inc. prior to the Sedco Forex merger.

Provision for income taxes for the year ended December 31, 2000 was \$36.7 million compared to a benefit of \$9.3 million for the same period in 1999. The income tax benefit for 1999 included a \$9.5 million deferred tax benefit relating to charges for potential legal claims and additional U.K. tax loss carryforwards for which no valuation allowance was provided as well as the adjustment of U.K. tax loss carryforwards for prior years. The Company operates internationally and provides for income taxes based on the tax laws and rates in the countries in which it operates and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income before income taxes.

Historical 1999 compared to 1998

Operating revenues for the year ended December 31, 1999 were \$648.2 million compared to \$1,090.5 million for the same period in 1998, a decrease of \$442.3 million or 41 percent. The decrease in revenues for

1999 resulted primarily from decreased utilization, which declined from an average of 91 percent in 1998 to 64 percent in 1999, and a decrease in dayrates from an average of approximately \$70,000 in 1998 to approximately \$61,000 in 1999.

Operating and maintenance expense for the year ended December 31, 1999 was \$448.9 million compared to \$562.6 million for the same period in 1998, a decrease of \$113.7 million or 20 percent. The decrease in 1999 resulted primarily from reduced operating activity during the year. A large portion of operating and maintenance expense consists of employee-related costs and is fixed or only semi-variable. Accordingly, operating and maintenance expense does not vary in direct proportion to activity. Operating and maintenance expense for the years ended December 31, 1999 and 1998 included charges totaling \$42.0 million and \$23.4 million, respectively, relating to severance liabilities, the write-down of obsolete fixed assets and provisions for potential legal claims. Also included in operating and maintenance expense for the years ended December 31, 1999 and 1998 were charges totaling \$56.2 million and \$78.4 million, respectively, relating to the allocation of costs by Schlumberger. In addition, 1999 included \$13.4 million related to provisions for doubtful accounts receivable in West Africa and dayrate contract penalties in Brazil.

Depreciation and amortization expense for the year ended December 31, 1999 was \$131.9 million compared to \$124.7 million for the same period in 1998, an increase of \$7.2 million or 6 percent. The increase primarily resulted from the capitalization of equipment associated with rig life extension and upgrade projects.

General and administrative expense for the year ended December 31, 1999 was \$16.7 million compared to \$26.0 million for the same period in 1998, a decrease of \$9.3 million or 36 percent. The decrease in 1999 resulted from the lower allocation by Schlumberger of corporate overhead due to lower revenues. General and administrative expense included an allocation by Schlumberger of approximately \$8.0 million for 1999 and \$9.4 million for 1998. The general and administrative expense allocation by Schlumberger was dependent on a number of factors, including the level of corporate costs and the proportion of revenues to Schlumberger's worldwide group revenues. The allocation methods were considered to be reasonable. The level of general and administrative expenses prior to the Sedco Forex merger are not indicative of ongoing costs for the Company.

Interest income for the year ended December 31, 1999 was \$5.4 million compared to \$3.4 million for the same period in 1998, an increase of \$2.0 million or 59 percent. The increase resulted from higher average cash balances during the year.

Interest expense, net of amounts capitalized, for the year ended December 31, 1999 was \$10.3 million compared to \$13.0 million for the same period in 1998, a decrease of \$2.7 million or 21 percent. Total interest expense was \$37.5 million for the year ended December 31, 1999 compared to \$21.7 million for 1998, an increase of \$15.8 million or 73 percent. The increase was due to higher debt levels during 1999. Total interest capitalized relating to interest on construction projects was \$27.2 million for the year ended December 31, 1999 compared to \$8.7 million for 1998, an increase of \$18.5 million or 213 percent. Overall, there was a net decrease in interest expense as a greater proportion was capitalized compared to 1998.

Income tax benefit for the year ended December 31, 1999 was \$9.3 million compared to expense of \$32.4 million for the same period in 1998. The Company operates in a number of countries where income tax is charged on a deemed profit basis. Accordingly, income tax expense does not necessarily vary in direct proportion with pre-tax income. The decrease in income tax expense in relation to pre-tax income for 1999 resulted primarily from additional U.K. tax loss carryforwards for which no valuation allowance was provided as well as the adjustment of U.K. tax loss carryforwards for prior years. These carryforwards, which the Company believes will be fully utilized, are not subject to time limits.

#### 1999 and 1998 Charges

Operating and maintenance expense for the years ended December 31, 1999 and 1998 included charges totaling \$42.0 million and \$23.4 million, respectively. Reduced exploration and development activity by



customers, resulting from a period of low oil prices from late 1997 through early 1999 and industry consolidation over the same time period, resulted in a slowdown in the offshore drilling industry during 1998 and 1999. As a result of this slowdown, approximately 1,000 operating personnel were determined to be redundant, and charges associated with termination and severance benefits of \$13.2 million and \$3.6 million were recognized during 1999 and 1998, respectively. Substantially all of these employees had been terminated and severance and termination costs had been paid as of December 31, 1999. Provisions for potential legal claims of \$28.8 million and \$10.0 million were recognized during 1999 and 1998, respectively (see Note 11 to the Company's consolidated financial statements). Asset impairment charges of \$9.8 million were recognized in 1998 related to assets retired from the active fleet.

#### 1999 Pro Forma Operating Results

Unaudited pro forma consolidated results for Transocean Sedco Forex Inc. for the year ended December 31, 1999, giving effect to the Sedco Forex merger, reflected net income of \$237.9 million or \$1.13 per diluted share on pro forma operating revenues of \$1,579.1 million. The pro forma operating results assume the spin-off and merger was completed as of January 1, 1999 (see Note 3 to the Company's consolidated financial statements). These pro forma results do not reflect the effects of reduced depreciation expense related to conforming the estimated lives of Sedco Forex rigs and the elimination of certain allocated costs from Schlumberger. The pro forma financial data should not be relied on as an indication of operating results that Transocean Sedco Forex Inc. would have achieved had the spin-off and merger taken place earlier or of the future results that Transocean Sedco Forex Inc. may achieve.

#### Outlook

Fleet utilization averaged 75 percent for the fourth quarter of 2000 and 74 percent for the year 2000 for our 62 fully owned or chartered and active mobile offshore drilling units (i.e., excluding newbuilds under construction, managed rigs and partially owned rigs which are not operated by us), compared to 81 percent during the third quarter of 2000 and 74 percent for the Sedco Forex and Transocean Offshore Inc. pro forma combined fleet for the year 1999. Combined semisubmersible and drillship ("floater") utilization for active drilling units was 74 percent for the fourth quarter of 2000 and 74 percent for the year 2000, compared to 84 percent during the third quarter of 2000 and 77 percent for the Sedco Forex and Transocean Offshore Inc. pro forma combined fleet for the year 1999. Average dayrates during 2000 for these 62 rigs were \$70,000 fleetwide and \$87,000 for floaters, compared to \$85,000 and \$105,300, respectively, on a Sedco Forex and Transocean Offshore Inc. pro forma combined basis during 1999. Utilization and dayrate figures for 2000 and 1999 do not include R&B Falcon rigs.

Utilization during 2000 was affected by planned and unplanned downtime, seasonal weakness in the U.K. sector of the North Sea, a sluggish floater market in Asia and continued delays associated with the activation of newbuild rigs. The seasonal weakness in the U.K. sector of the North Sea and the soft floater market in Asia are expected to continue into the second quarter of 2001. We expect that the combined company (after the R&B Falcon merger) will experience more than 1,000 idle rig days of shipyard time in 2001 (excluding newbuild rigs under construction) in connection with planned maintenance and rig upgrades and estimate that more than 40 percent of that time will be in the first quarter and approximately 25 percent of that time will be in the second quarter of the year. Results for 2001 will also be affected by delays in the delivery of newbuild rigs. See "--Liquidity and Capital Resources-- Capital Expenditures."

Our average fleet dayrates in 2000 remained basically flat when viewed against 1999. The lack of increase resulted from several factors. The expiration of older higher dayrate contracts, previously idle lower specification units coming back on contract and delays in the commencement of higher dayrate contracts for the Sedco Express-class rigs all applied downward pressure on average dayrates during the year.

General market conditions continued to gradually improve during 2000, particularly during the second half of the year, although worldwide customer spending did not materially increase during the year from 1999. Oil

and gas prices again remained at relatively strong levels during the year, and we expect client spending levels to increase during 2001 based upon their previously announced budgets. We also expect to see a balanced increase in spending between U.S. and international markets and continued increases in spending in the gas-intensive, shallow water areas of the U.S. Gulf of Mexico. There have been signs of improving market dayrates, especially for higher specification units. This improving market is evidenced by recent contract awards and extensions on a number of rigs, including the Sovereign Explorer in the U.K. sector of the North Sea, Transocean Richardson and Transocean Amirante in the U.S. Gulf of Mexico and Transocean Nordic in Norway. However, we cannot predict with certainty that the increase in customer spending will indeed materialize or, if it does occur, the ultimate degree to which utilization and dayrates will be affected. The contract drilling market historically has been highly competitive and cyclical. A decline in oil or gas prices could reduce demand for our drilling services and adversely affect both utilization and dayrates.

We expect weakness in our results for the first half of the year and in particular for the first quarter. We anticipate higher levels of expenses during 2001 due to a variety of factors, including, but not limited to, those described in this paragraph. We expect to complete our remaining major construction projects in the first half of 2001, resulting in increased interest expense as project related expenditures will no longer be capitalized. We currently have plans for significant shipyard upgrade and maintenance projects on at least six rigs which could result in increased expenses during 2001. We replaced existing employment agreements with certain executives which contained change in control provisions that had been triggered by the Sedco Forex merger. These new agreements will require us to recognize approximately \$5.8 million in additional compensation expense during 2001. Finally, the labor market for rig workers, especially in the U.S. Gulf of Mexico, has tightened as rig utilization rates have increased. If this trend continues, we may incur higher compensation expense to attract and retain qualified rig personnel.

In February 2001, the Company received approximately \$10 million in payment of certain trade receivables relating to Nigerian operations. These receivables had been fully reserved in 1999.

As of March 1, 2001, approximately 50 percent of our mobile offshore drilling unit fleet days were committed for the remainder of 2001 and 17 percent for the year 2002.

#### Other Factors Affecting Operating Results

Our business depends on the level of activity in oil and gas exploration, development and production in markets worldwide, with the U.S. and international offshore and U.S. inland marine areas being our primary markets. Oil and gas prices, market expectations of potential changes in these prices and a variety of political and economic factors significantly affect this level of activity. Oil and gas prices are extremely volatile and are affected by numerous factors, including the following:

- . worldwide demand for oil and gas;
- . the ability of the Organization of Petroleum Exporting Countries, commonly called "OPEC," to set and maintain production levels and pricing;
- . the level of production in non-OPEC countries;
- . the policies of the various governments regarding exploration and development of their oil and gas reserves;
- . advances in exploration and development technology; and
- . the political environment in oil-producing regions.

The offshore and inland marine contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified

contractor is awarded a job, although rig availability and the quality and technical capability of service and equipment may also be considered. Also, turnkey drilling contracts can significantly increase the gain or loss resulting from drilling a turnkey well compared with a well drilled on a dayrate basis. We have decided to phase-out our turnkey activities. See "Item 1. Business--Recent Developments."

Our industry has historically been cyclical. There have been periods of high demand, short rig supply and high dayrates, followed by periods of lower demand, excess rig supply and low dayrates. The industry experienced a period of moderately increased demand on a global basis during 2000 as a result of relatively strong oil and gas commodity prices during the year. However, our clients did not significantly increase their spending, except in the U.S. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time.

Our customers may terminate some of our term drilling contracts under various circumstances such as the loss or destruction of the drilling unit or the suspension of drilling operations for a specified period of time as a result of a breakdown of major equipment. In addition, the drilling contracts for the Sedco Express-class newbuild rigs contain termination or term reduction provisions tied to late delivery of these rigs and a unit of TotalFinaElf cancelled the Sedco Express contract because of late delivery. In reaction to depressed market conditions, our customers may also seek renegotiation of firm drilling contracts to reduce their obligations. If our customers cancel some of our significant contracts and we are unable to secure new contracts on substantially similar terms, it could adversely affect our results of operations. Some drilling contracts permit the customer to terminate the contract at the customer's option without paying a termination fee.

As of March 1, 2001, we had four new rigs in the testing and commissioning phase and plans for significant shipyard upgrade and maintenance projects on at least six rigs during 2001. These shipyard projects are subject to the risks of delay or cost overruns inherent in any large construction project resulting from numerous factors, including the following:

- . engineering, software or systems problems, including those relating to the commissioning of newly designed equipment;
- . shortages of equipment, materials or skilled labor;
- . unscheduled delays in the delivery of ordered materials and equipment;
- . work stoppages;
- . shipyard unavailability;
- . weather interference;
- . unanticipated cost increases; and
- . difficulty in obtaining necessary permits or approvals.

These factors may contribute to cost variations and delays in the completion of the Company's shipyard projects. Delays in delivery of the newbuild units would result in delays in contract commencements, resulting in a loss of revenue to us, and may also cause clients to terminate or shorten the term of the drilling contracts for these rigs. In the event of the termination of a drilling contract for one of these rigs, there can be no assurance that we would be able to secure a replacement contract on as favorable terms.

We have been involved in two merger transactions in the last two years. We may not be able to integrate the operations of the merged or acquired companies without a loss of employees, customers or suppliers, a loss of revenues, an increase in operating or other costs or other difficulties. In addition, we may not be able to realize the operating efficiencies, synergies, cost savings or other benefits expected from these transactions. Any unexpected costs or delays incurred in connection with the integration could have an adverse effect on our business, results of operations or consolidated financial position.

R&B Falcon was subject to a significant amount of debt. Our overall debt level increased as a result of this R&B Falcon debt after the merger. Some of this debt has relatively high interest rates. The R&B Falcon debt agreements also contain restrictions and requirements relating to, among other things, additional borrowing, entering into transactions with affiliates, selling assets, paying dividends and merging. These restrictions and requirements may limit our flexibility in conducting our operations. Although we may seek to refinance this debt on more favorable terms, we cannot assure you that we will be successful in refinancing the debt or that the terms of the refinancing will be favorable to us. See "--Liquidity and Capital Resources--Debt."

We conduct most of our drilling services under daywork drilling contracts where the customer pays for the period of time required to drill or workover a well. However, we have provided a portion of our services under turnkey drilling contracts from time to time although we have decided to phase-out our turnkey operations. Under turnkey drilling contracts, a well is drilled to a contract depth under specified conditions for a fixed price. Our risks under a turnkey drilling contract are substantially greater than on a well drilled on a daywork basis because under a turnkey drilling contract we will normally assume most of the risks associated with drilling operations, including the risks of blowout, loss of hole, stuck drill stem, machinery breakdowns, abnormal drilling conditions and risks associated with subcontractors' services, supplies and personnel. These risks are generally assumed by the client in a daywork contract.

Our operations are subject to the usual hazards inherent in the drilling of oil and gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, punchthroughs, craterings and fires. The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury or death to rig personnel. We may also be subject to personal injury and other claims of rig personnel as a result of our drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services or personnel shortages. In addition, offshore drilling operators are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Damage to the environment could also result from our operations, particularly through oil spillage or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and gas companies. Our insurance policies and contractual rights to indemnity may not adequately cover losses, and we may not have insurance coverage or rights to indemnity for all risks.

We operate in various regions throughout the world that may expose us to political and other uncertainties, including risks of:

- . war and civil disturbances;
- . expropriation of equipment;
- . the inability to repatriate income or capital; and
- . changing taxation policies.

We are protected to a substantial extent against loss of capital assets, but generally not loss of revenue, from most of these risks through insurance, indemnity provisions in our drilling contracts, or both. Although we maintain insurance in the areas in which we operate, pollution and environmental risks generally are not totally insurable. If a significant accident or other event occurs and is not fully covered by insurance or a recoverable indemnity from a client, it could adversely affect our consolidated financial position or results of operations. As of March 1, 2001, all areas in which we were operating were covered by existing insurance policies.

Our operations are affected from time to time in varying degrees by governmental laws and regulations. The drilling industry is dependent on demand for services from the oil and gas exploration industry and, accordingly, is affected by changing tax and other laws relating to the energy business generally. We may be required to make significant capital expenditures to comply with laws and regulations. It is also possible that these laws and regulations may in the future add significantly to operating costs or may limit drilling activity.

The offshore drilling business is subject to significant government regulations in different jurisdictions. Many governments favor or effectively require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete. We expect to continue our efforts to structure our operations in order to remain competitive in international markets.

Another risk inherent in our operations is the possibility of currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies. 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. We seek to limit these risks by structuring contracts such that compensation is made in freely convertible currencies and, to the extent possible, by limiting acceptance of blocked currencies to amounts that match our expense requirements in local currency (see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk-- Foreign Exchange Risk").

We require highly skilled personnel to operate and provide technical services and support for our drilling units. To the extent demand for drilling services and the size of the worldwide industry fleet increase, shortages of qualified personnel could arise, creating upward pressure on wages. We are continuing our recruitment and training programs as required to meet our anticipated personnel needs.

On a worldwide basis, we had approximately 14 percent of our employees working under collective bargaining agreements on March 1, 2001, most of whom were working in Norway, Nigeria, Trinidad and Venezuela. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2001. In addition, the Company has signed a recognition agreement requiring negotiation with a labor union representing employees in the U.K. These negotiations could result in collective bargaining agreements covering these employees.

The general rate of inflation in the majority of the countries in which we operate has been moderate over the past several years and has not had a material impact on our results of operations. The recent increase in the demand for offshore drilling rigs has begun to lead to higher labor, transportation and other operating expenses as a result of an increased need for qualified personnel and services, particularly in the U.S. Gulf of Mexico. Continued improvement in other markets will likely result in similar incremental inflationary pressures in those areas.

#### Merger Purchase Price Allocation

The purchase price allocation for the merger of Transocean Offshore Inc. and Sedco Forex included, at estimated fair value, total assets of \$3.8 billion and the assumption of total liabilities of \$1.9 billion. The excess of the purchase price over the estimated fair value of net assets acquired was approximately \$1.1 billion, which has been accounted for as goodwill. As of December 31, 2000, this goodwill represented approximately 16 percent of total assets and 26 percent of total shareholders' equity. The goodwill is being amortized over 40 years based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. Goodwill amortization expense related to the Sedco Forex merger is approximately \$27 million per year.

The purchase price allocation for the merger of Transocean Sedco Forex Inc. and R&B Falcon included, at estimated fair value, total assets of \$4.8 billion and the assumption of total liabilities of \$3.7 billion. The excess of the purchase price over the estimated fair value of net assets acquired was approximately \$5.6 billion, which has been accounted for as goodwill. The goodwill is being amortized over 40 years based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. Goodwill amortization expense related to the R&B Falcon merger will be approximately \$139 million per year in addition to the \$27 million related to the Sedco Forex merger mentioned above. The purchase price allocation is based on preliminary estimates and may be revised at a later date.

## Liquidity and Capital Resources

### Sources and Uses of Cash

Cash flows provided by operations were \$197.4 million for the year ended December 31, 2000, compared to \$240.6 million for 1999, a decrease of \$43.2 million. Cash flows from net income items were \$114.1 million higher in 2000 compared to 1999. This increase was more than offset by net cash used for working capital components in 2000 of \$81.2 million versus cash provided by working capital components of \$76.1 million in 1999.

Cash flows used in investing activities were \$492.9 million for the year ended December 31, 2000, compared to \$90.2 million for the year ended December 31, 1999, an increase of \$402.7 million. During 1999, the Company received cash in connection with the merger with Transocean Offshore Inc. of \$439.8 million. No such amounts were received during 2000. Capital expenditures relating to rig construction and upgrade projects increased by \$37.7 million, which was absorbed by an \$80.4 million increase in proceeds from the disposal of assets. During 2000, the Company received net proceeds of \$24.9 million from the sale of its coiled tubing drilling services and \$56.3 million on the sale of other assets including three units, the semisubmersible Transocean Discoverer, the multi-purpose service vessel Mr. John, and the tender Searex V, as well as two shore-based facilities.

Cash flows provided by financing activities were \$164.4 million for the year ended December 31, 2000, compared to cash flows used in financing activities of \$159.3 million for the year ended December 31, 1999, an increase of \$323.7 million. During 2000, the Company received \$489.1 million in net proceeds from the issuance of the Zero Coupon Convertible Debentures which was partially offset by net repayments on its revolving credit agreement with ABN AMRO Bank and by the repayment of its Secured Loan Agreement. During the corresponding period of 1999, Sedco Forex obtained additional long-term funding from related parties, which was offset by repayments of advances and debt to related parties.

### Capital Expenditures

Capital expenditures, including capitalized interest, totaled \$575 million during the year ended December 31, 2000 and included \$98 million, \$102 million, \$85 million, \$74 million and \$108 million spent on the construction of the Sedco Express, Sedco Energy, Cajun Express, Discoverer Spirit and Discoverer Deep Seas, respectively. The Company also spent \$51 million on the construction of the Trident 20 for the year ended December 31, 2000, which was partially offset by \$30 million in client reimbursements for the estimated incremental cost to construct the rig in the Caspian Sea.

During 2001, the Company expects to spend \$565 million on its existing fleet, expanded corporate infrastructure, completion of five major construction projects and major upgrades on the Discoverer 534 and Sedco 710 as well as conversion of the Sedco 135D to an offshore production facility.

The following table summarizes projected expenditures (including capitalized interest) during 2001 for the Company's major construction projects.

	Projected Expenditures	Projected Recorded Value At Completion
	-----	
	(In millions)	
Sedco Express.....	\$ 48	\$ 397
Sedco Energy.....	48	395
Cajun Express.....	23	322
Deepwater Horizon.....	164	350
Discoverer Deep Seas.....	13	315
	----	-----
	\$296	\$1,779
	=====	=====

The Company has four high-specification semisubmersibles that are currently undergoing testing and commissioning. The Sedco Express is expected to be completed early in the second quarter of 2001. In February 2001, a unit of TotalFinaElf terminated the three-year contract for the Sedco Express in light of the rigs delayed delivery beyond December 28, 2000. The Company is currently in discussions with TotalFinaElf and other operators for alternative work. The Sedco Energy is expected to be delivered early in the second quarter of 2001, when it will begin a contract with Texaco in Brazil. The contract had an original term of five years; however, Texaco has the right to reduce the contract term equivalent to the period of delayed delivery beyond November 13, 1999. The Cajun Express is expected to be completed and delivered in the second quarter of 2001, when it will begin an 18-month contract with Marathon in the U. S. Gulf of Mexico. Marathon has the right to terminate the contract if the rig is not delivered by June 30, 2001. The Deepwater Horizon is expected to arrive in the U.S. Gulf of Mexico in the second quarter of 2001 and is expected to begin operations early in the third quarter of 2001, when it will begin a three-year contract with a unit of BP in the U.S. Gulf of Mexico. The Discoverer Deep Seas was delivered early in the first quarter of 2001, when it began a five-year contract with Chevron in the U. S. Gulf of Mexico.

The Discoverer Spirit was completed and delivered in September 2000, when it began a five-year contract with Unocal in the U.S. Gulf of Mexico. The Company also completed construction of an independent-leg cantilevered jackup, the Trident 20. This rig is 75 percent owned by the Company through a joint venture. The rig became operational in October 2000, when it began a three-year contract with a unit of TotalFinaElf and other parties to a rig sharing agreement in the Caspian Sea.

As with any major construction project that takes place over an extended period of time, the actual costs, the timing of expenditures and delivery dates may vary from estimates based on numerous factors, including engineering, software or system problems, including those relating to the commissioning of newly designed equipment, shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment, work stoppages, shipyard unavailability, weather interference, unanticipated costs increases and difficulty in obtaining necessary permits or approvals. See "Other Factors Affecting Operating Results." The Company intends to fund the cash requirements relating to these capital commitments through available cash balances, cash generated from operations, borrowings under the SunTrust Revolving Credit Agreements referred to below and other commercial bank or capital market financings.

#### Debt

Zero Coupon Convertible Debentures--In May 2000, the Company issued zero coupon convertible debentures (the "convertible debentures") due May 2020 with a face value at maturity of \$865.0 million. The convertible debentures were issued at a price to the public of \$579.12 per convertible debenture and accrue original issue discount at a rate of 2.75 percent per annum compounded semiannually to reach a face value at maturity of \$1,000 per convertible debenture. The Company will pay no interest on the convertible debentures prior to maturity and has the right to redeem the convertible debentures after three years for a price equal to the issuance price plus accrued original issue discount to the date of redemption. A convertible debenture holder has the right to require the Company to repurchase the convertible debentures on the third, eighth and thirteenth anniversary of issuance at the issuance price plus accrued original issue discount to the date of repurchase. The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The convertible debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 8.1566 shares per convertible debenture subject to adjustments if certain events take place. The Company used the net proceeds (\$489.1 million after underwriter discount and issue costs) from the financing to repay outstanding borrowings under the ABN Revolving Credit Agreement discussed below, to repay other indebtedness and for general corporate purposes. The indenture and supplemental indenture pursuant to which the convertible debentures were issued impose restrictions on certain actions by the Company, including creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions.

Term Loan Agreement--The Company is a party to a \$400 million unsecured five-year term loan agreement with a group of banks led by SunTrust Bank, Atlanta, as agent, dated as of December 16, 1999 (the "Term Loan Agreement"). Borrowings available under the Term Loan Agreement were used to repay indebtedness to Schlumberger upon completion of the Sedco Forex merger and for general corporate purposes. Amounts outstanding under the Term Loan Agreement bear interest at the Company's option, at a base rate or LIBOR plus a margin (0.45 percent per annum at December 31, 2000) that varies depending on the Company's senior unsecured public debt rating. No principal payments are required for the first two years, and the Company may prepay some or all of the debt at any time without premium or penalty. The Term Loan Agreement requires compliance with various restrictive covenants and provisions customary for an agreement of this nature including an interest coverage ratio of not less than 3.00 to 1 and a leverage ratio of not greater than 40 percent, and limitations on mergers and sale of substantially all assets; permitted liens; subsidiary and certain other types of debt; transactions with affiliates; and sale/leaseback transactions.

Revolving Credit Agreements--The Company was a party to a \$540 million revolving credit agreement with a group of banks led by ABN AMRO Bank, NV, as agent, dated as of July 30, 1996 (the "ABN Revolving Credit Agreement"). Borrowings under the ABN Revolving Credit Agreement bore interest, at the Company's option, at a base rate or LIBOR plus a margin (0.20 percent per annum at December 31, 2000) that varied depending on the Company's funded debt to total capital ratio or its senior unsecured public debt rating. The ABN Revolving Credit Agreement had a maturity date of July 30, 2002. As of December 31, 2000, \$180.1 million was outstanding and \$359.9 million was available for additional borrowings under the ABN Revolving Credit Agreement. On January 4, 2001, the Company terminated the ABN Revolving Credit Agreement and repaid the \$180.1 million outstanding through funds borrowed under the Five-Year Revolver referred to below; accordingly, the \$180.1 million due in 2002 was not classified as current because it was management's intent to refinance on a long-term basis.

The Company is a party to a \$550 million five-year revolving credit agreement (the "Five-Year Revolver") and a \$250 million 364-day revolving credit agreement (the "364-Day Revolver") with a group of banks led by SunTrust Bank, Atlanta, as agent, dated as of December 29, 2000 (together the "SunTrust Revolving Credit Agreements") under which the Company may borrow or procure credit. On January 4, 2001, borrowings under the Five-Year Revolver were used to repay debt incurred under the ABN Revolving Credit Agreement. Through June 2001, amounts outstanding under the SunTrust Revolving Credit Agreements bear interest, at the Company's option, at a base rate or LIBOR plus a margin that is fixed at 0.45 percent per annum under the Five-Year Revolver and 0.475 percent per annum under the 364-Day Revolver. Subsequent to June 2001, the margin under the Five-Year Revolver will vary from 0.180 percent to 0.700 percent and the margin on the 364-Day Revolver will vary from 0.190 percent to 0.725 percent depending on the Company's senior unsecured public debt rating. A utilization fee fixed at 0.125 percent per annum during the first six months of 2001, and varying thereafter from 0.075 percent to 0.150 percent, depending on the Company's senior unsecured public debt rating, is payable if amounts outstanding under the Five-Year Revolver or the 364-Day Revolver are greater than \$181.5 million or \$82.5 million, respectively. The SunTrust Revolving Credit Agreements contain substantially the same restrictive covenants as are contained in the Term Loan Agreement.

Secured Loan Agreement--The Company was a party to a \$235.2 million secured five-year term loan agreement with a group of banks led by ABN AMRO Bank, NV, as agent, dated as of December 22, 1999 (the "Secured Loan Agreement"). Borrowings under the Secured Loan Agreement were used to repay debt incurred to construct the Discoverer Enterprise and upgrade the Transocean Amirante and were secured by both rigs. Approximately 91 percent of the amounts outstanding bore interest at a commercial paper rate plus a margin (0.31 percent per annum at December 31, 1999) while the remaining 9 percent of the amounts outstanding bore interest at LIBOR plus a margin (0.65 percent per annum at December 31, 1999). The floating rates under the Secured Loan Agreement were converted to a fixed rate of 6.9 percent per annum by the interest rate swap agreement described below.

In January 2000, the Company agreed to cancel the remaining 14 months of a contract with a unit of BP for its semisubmersible rig, the Transocean Amirante, for a cash settlement of \$25.1 million. The cash received was



used to repay borrowings under the Secured Loan Agreement relating to the Transocean Amirante and the security interest in the rig was released by the banks. The interest rate swap agreement related to the Secured Loan Agreement was also amended to reflect the reduced amounts subject to the swap. In August 2000, the Company repaid all amounts outstanding under the Secured Loan Agreement using cash on hand and borrowings under the ABN Revolving Credit Agreement. The Company also terminated the related interest rate swap agreement. The Company recognized an extraordinary gain, net of income taxes of \$1.4 million, or \$0.01 per diluted share, on this early termination of debt.

**Public Debt Offering--**The Company has outstanding \$300 million aggregate principal amount of senior, unsecured debt securities originally issued in a public offering in April 1997. The securities consist of \$100 million aggregate principal amount of 7.45 percent notes due April 15, 2027 (the "Notes") and \$200 million aggregate principal amount of 8.00 percent debentures due April 15, 2027 (the "Debentures"). Holders of the Notes may elect to have all or any portion of the Notes repaid on April 15, 2007 at 100 percent of the principal amount. The Notes, at any time after April 15, 2007, and the Debentures, at any time, may be redeemed at the Company's option at 100 percent of the principal amount plus a make-whole premium, if any, equal to the excess of the present value of future payments due under the Notes and Debentures using a discount rate equal to the then-prevailing yield of U.S. treasury notes for a corresponding remaining term plus 20 basis points over the principal amount of the security being redeemed. Interest is payable on April 15 and October 15 of each year. The indenture and supplemental indenture relating to the Notes and the Debentures limit the Company's ability to incur indebtedness secured by certain liens, engage in certain sale/leaseback transactions and engage in certain merger, consolidation or reorganization transactions.

**Secured Rig Financing--** The Company has outstanding \$68.6 million of debt secured by the Trident IX and the Trident 16 (the "Secured Rig Financing"). Payments under these financing agreements include an interest component of 7.95 percent for the Trident IX and 7.20 percent for the Trident 16. The Trident IX facility expires in April 2003 while the Trident 16 facility expires in September 2004. The financing arrangements provide for a call right on the part of the Company to repay the financing prior to expiration of their scheduled terms and in some circumstances a put right on the part of the banks to require the Company to repay the financings. Under either circumstance, the Company would retain ownership of the rigs.

**Notes Payable--** The Company has outstanding \$16.2 million aggregate principal amount of unsecured 6.90 percent notes due February 15, 2004 (the "notes payable") originally issued in a private placement. The note purchase agreement underlying the notes payable requires compliance with various restrictive covenants and provisions customary for an agreement of this nature and on substantially the same terms as those under the Term Loan Agreement.

**Letters of Credit--**The Company had letters of credit outstanding at December 31, 2000 totaling \$55.3 million, including a letter of credit relating to the legal dispute with Kvaerner Installasjon a.s ("Kvaerner") valued at \$24.8 million and a letter of credit relating to the legal dispute with the Indian Customs Department, Mumbai valued at \$10.7 million (see Note 11 to the Company's consolidated financial statements). The remaining amount guarantees various insurance, rig construction and contract bidding activities.

In connection with the acquisition of R&B Falcon, the Company assumed the following debt:

**8.875% Senior Notes--**At January 31, 2001, approximately \$0.4 million was outstanding under the 8.875% Senior Notes ("8.875% Notes"). The 8.875% Notes were recorded at fair value as part of the R&B Falcon merger. The 8.875% Notes are redeemable at the option of Falcon Drilling Company, Inc. succeeded by R&B Falcon Holdings Inc., in whole or in part, at a price equal to 102.2188 percent of the principal amount if redeemed during the 12 months beginning March 15, 2001, or at a price of 100 percent of the principal amount if redeemed after March 15, 2002, in each case together with interest accrued to the redemption date. The Company has delivered a notice of redemption to the holders of the 8.875% Notes with a redemption date of March 29, 2001.

6.5%, 6.75%, 6.95% and 7.375% Senior Notes--In April 1998, R&B Falcon issued 6.5% Senior Notes, 6.75% Senior Notes, 6.95% Senior Notes and 7.375% Senior Notes with an aggregate principal amount of \$1.1 billion. As a result, R&B Falcon received net proceeds of approximately \$1,082.9 million after deducting offering related expenses. Interest on these notes is payable semiannually on April 15 and October 15. These notes have maturity dates of April 2003, April 2005, April 2008 and April 2018, respectively. These notes are unsecured obligations of R&B Falcon, ranking pari passu in right of payment with all other existing and future senior unsecured indebtedness of R&B Falcon. At January 31, 2001, approximately \$250 million, \$350 million, \$250 million and \$250 million were outstanding under these notes, respectively. These notes were recorded at fair value as part of the R&B Falcon merger.

The 6.75% Senior Notes and the 6.95% Senior Notes are redeemable at the option of R&B Falcon in whole or in part, at a make-whole premium with present values calculated using a discount rate equal to the then-prevailing yield of U.S. treasury notes for a corresponding remaining term plus 20 basis points, together with interest accrued to the redemption date. The 7.375% Senior Notes are redeemable at the option of R&B Falcon, in whole or in part, at a make-whole premium with present values calculated using a discount rate equal to the then-prevailing yield of U.S. treasury notes for a corresponding remaining term plus 25 basis points. The 6.5% Senior Notes are not redeemable at the option of R&B Falcon. The indenture pursuant to which the 6.5% Senior Notes, the 6.75% Senior Notes, the 6.95% Senior Notes and the 7.375% Senior Notes were issued imposes certain restrictions on R&B Falcon, including creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions.

9.125% and 9.5% Senior Notes--In December 1998, R&B Falcon issued 9.125% Senior Notes and 9.5% Senior Notes with an aggregate principal amount of \$400.0 million. As a result, R&B Falcon received net proceeds of approximately \$392.3 million after deducting offering related expenses. Interest on these notes is payable semiannually on June 15 and December 15. These notes have maturity dates of December 2003 and December 2008, respectively. These notes are unsecured obligations of R&B Falcon, ranking pari passu in right of payment with all other existing and future senior indebtedness of R&B Falcon. At January 31, 2001, approximately \$100 million and \$300 million were outstanding under these notes, respectively. These notes were recorded at fair value as part of the R&B Falcon merger.

The 9.125% Senior Notes and the 9.5% Senior Notes are redeemable at the option of R&B Falcon, in whole or in part, at a make-whole premium with present values calculated using a discount rate equal to the then-prevailing yield of U.S. treasury notes for a corresponding remaining term plus 50 basis points, together with interest accrued to the redemption date. The indenture pursuant to which the 9.125% Senior Notes and the 9.5% Senior Notes were issued imposes restrictions on certain actions by R&B Falcon, including creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. In addition, the indenture imposes restrictions on the incurrence of additional indebtedness and the payment of dividends by R&B Falcon. However, these restrictions are suspended during the period that the 9.125% Senior Notes and the 9.5% Senior Notes are rated as investment grade.

10.25% Senior Notes--The 10.25% Senior Notes ("10.25% Notes") were issued by Cliffs Drilling Company ("Cliffs Drilling") pursuant to offerings in 1996 and 1997. The 10.25% Notes originally consisted of a principal amount of \$200.0 million and interest is payable semiannually on May 15 and November 15. The 10.25% Notes have a maturity date of May 2003. These notes are senior unsecured obligations of Cliffs Drilling, ranking pari passu in right of payment with all other senior indebtedness and senior to all subordinated indebtedness. These notes are unconditionally guaranteed on a senior unsecured basis by certain subsidiaries of Cliffs Drilling (the "Cliffs Drilling Subsidiary Guarantors"), which guarantees rank pari passu in right of payment with all senior indebtedness of the Cliffs Drilling Subsidiary Guarantors and senior to all subordinated indebtedness of the Cliffs Drilling Subsidiary Guarantors. The 10.25% Notes are publicly traded and are not guaranteed by the Company or any other subsidiary of the Company. At January 31, 2001, approximately \$200 million was outstanding under the 10.25% Notes. The 10.25% Notes were recorded at fair value as part of the R&B Falcon merger.

On or after May 15, 2000, the 10.25% Notes are redeemable at the option of Cliffs Drilling, in whole or in part, at a price of 105 percent of the principal amount if redeemed during the 12 months beginning May 15, 2000, at a price of 102.5 percent of the principal amount if redeemed during the 12 months beginning May 15, 2001, or at a price of 100 percent of the principal amount if redeemed after May 15, 2002, in each case together with interest accrued to the redemption date.

The indenture under which the 10.25% Notes are issued imposes significant operating and financial restrictions on Cliffs Drilling. Such restrictions affect, and in many respects limit or prohibit, among other things, the ability of Cliffs Drilling to pay dividends, repurchase stock, make payments on subordinated indebtedness, make investments, incur additional indebtedness, make capital expenditures, create liens, sell assets, engage in transactions with affiliates and engage in merger, consolidation or reorganization transactions.

The indenture also requires that Cliffs Drilling make an offer to purchase the notes at an amount equal to 101 percent of the principal amount of the notes upon the occurrence of certain events constituting a change of control. The Company's acquisition of R&B Falcon was such an event, and a notice of change of control and offer to purchase has been delivered to the holders.

12.25% Senior Notes and 11% and 11.375% Secured Notes--In March 1999, R&B Falcon issued \$200.0 million of 12.25% Senior Notes due March 2006 (the "12.25% Notes"). Also in March 1999, RBF Finance Co., a limited purpose finance company and a consolidated affiliate of R&B Falcon, issued \$400.0 million of 11% Senior Secured Notes due March 2006 (the "11% Secured Notes") and \$400.0 million of 11.375% Senior Secured Notes due March 2009 (the "11.375% Secured Notes" and collectively, with the 11% Secured Notes, the "Secured Notes"). The 12.25% Notes are senior unsecured obligations of R&B Falcon, ranking pari passu in right of payment with all other senior indebtedness and senior to all subordinated indebtedness. R&B Falcon borrowed the proceeds from the Secured Notes from RBF Finance Co. pursuant to 10 separate loan agreements, each of which is secured by one of R&B Falcon's drilling rigs. As a result, R&B Falcon received net proceeds of approximately \$970.6 million after deducting offering expenses. R&B Falcon guaranteed the payment of the Secured Notes issued by RBF Finance Co. Interest is payable semiannually on March 15 and September 15 on both the 12.25% Notes and the Secured Notes. The indentures under which the 12.25% Notes and the Secured Notes are issued impose certain restrictions on R&B Falcon, including incurring additional debt, paying dividends, repurchasing stock, making payments on subordinated debt, selling assets, creating liens, engaging in sale/leaseback transactions, making investments, engaging in merger, consolidation or reorganization transactions and engaging in affiliate transactions. However, the restrictions on incurring additional indebtedness, paying dividends, repurchasing stock, making payments on subordinated indebtedness and making investments are suspended during the period that the 12.25% Notes and the Secured Notes are rated as investment grade. At January 31, 2001, approximately \$200 million, \$400 million and \$400 million were outstanding under the 12.25% Notes, the 11% Secured Notes and the 11.375% Secured Notes, respectively. The 12.25% Notes and the Secured Notes were recorded at fair value as part of the R&B Falcon merger.

The indentures also require that R&B Falcon and RBF Finance Co. make an offer to purchase the 12.25% Notes and the Secured Notes, respectively, for an amount equal to the principal amount of the notes upon the occurrence of certain events constituting a change of control of R&B Falcon. Neither R&B Falcon nor RBF Finance Co. is required to make such an offer as a result of the Company's acquisition of R&B Falcon because these notes were rated investment grade at the time of the merger.

The 12.25% Notes are redeemable at the option of R&B Falcon, in whole or in part, at a make-whole premium with present values calculated using a discount rate equal to the then-prevailing yield of U.S. treasury notes for a corresponding remaining term plus 50 basis points, together with interest accrued to the redemption date. The 11% Secured Notes are redeemable at the option of RBF Finance Co., in whole or in part, at a make-whole premium with present values calculated using a discount rate equal to the then-prevailing yield of U.S. treasury notes for a corresponding remaining term plus 50 basis points, together with interest accrued to the redemption date. The 11.375% Secured Notes are redeemable at the option of RBF Finance Co., in whole or in part, at a price of 105.6875 percent of principal if redeemed during the 12 months beginning March 15, 2004, at

a price of 103.7917 percent of principal if redeemed during the 12 months beginning March 15, 2005, at a price of 101.8958 percent if redeemed during the 12 months beginning March 15, 2006, or at a price of 100 percent of principal if redeemed after March 15, 2007, in each case together with interest accrued to the redemption date.

Tender Offer, Redemption and Bridge Facility--On March 5, 2001, the Company entered into a \$1.2 billion 364-day revolving credit agreement with a group of banks led by SunTrust Bank, Atlanta, as syndication agent (the "Bridge Revolving Credit Agreement"). The purpose of the Bridge Revolving Credit Agreement is to provide liquidity to the Company in connection with the redemption of the 12.25% Notes and the 11% Secured Notes and the tender offer for the 11.375% Secured Notes. Amounts outstanding under the Bridge Revolving Credit Agreement bear interest, at the Company's option, at a base rate or LIBOR plus a margin (0.475 percent per annum at March 5, 2001) that will vary from 0.190 percent to 0.725 percent, depending on the Company's senior unsecured public debt rating. A utilization fee (0.125 percent per annum at March 5, 2001) is payable if amounts outstanding under the Bridge Revolving Credit Agreement are greater than \$396 million. The Bridge Revolving Credit Agreement contains substantially the same restrictive covenants as are contained in the Term Loan Agreement and the SunTrust Revolving Credit Agreements.

On March 5, 2001, R&B Falcon commenced a tender offer for all of the outstanding 11.375% Secured Notes. Under the terms of the offer, R&B Falcon will purchase the outstanding 11.375% Secured Notes at a purchase price determined by reference to a fixed spread of 50 basis points over the yield to maturity of the United States Treasury 4 3/4% Note due February 15, 2004, plus accrued interest to the date of payment of such purchase price. The purchase price includes an amount equal to 3 percent of the principal amount that will be paid only for 11.375% Secured Notes tendered at or prior to a "consent payment deadline," which is expected to be 5:00 P.M., New York City time, on March 22, 2001. In connection with the offer, R&B Falcon is also seeking consents to certain proposed amendments to the Indenture under which the 11.375% Secured Notes were issued. The offer will expire at 5:00 P.M., New York City time, on April 9, 2001, unless extended or earlier terminated. Payment for the tendered 11.375% Secured Notes will be made in same day funds on the first business day following expiration of the offer, or as soon thereafter as practicable.

Concurrently with the launch of the offer, RBF Finance Co. has called the 11% Secured Notes and R&B Falcon has called the 12.25% Notes for redemption on April 6, 2001, in each case at the applicable redemption price.

The Company has agreed to provide R&B Falcon with sufficient funds to pay for all securities purchased pursuant to the offer or redeemed in the redemption. The Company expects to obtain the funds to pay for the tender and call offers by issuing commercial paper, drawing down on the Bridge Revolving Credit Agreement or long-term debt financing, or by a combination of the foregoing sources. The Company expects to incur an estimated \$18 million extraordinary loss, net of tax, in the second quarter of 2001 related to the early extinguishment of this debt.

The Company may seek to refinance additional indebtedness, although there can be no assurance that it will do so.

Project Financing--In August 1999, a subsidiary of R&B Falcon completed a \$250.0 million project financing for the construction of the Deepwater Nautilus in which such subsidiary received net proceeds of approximately \$245.2 million. The financing consists of two five-year notes. The first note is for \$200.0 million and bears interest at 7.31 percent, with monthly interest payments, which commenced in September 1999, and monthly principal payments which commenced in June 2000. The second note is for \$50.0 million and bears interest at 9.41 percent, with monthly interest payments, which commenced in September 1999, and a balloon principal payment which is due at maturity of the loan in May 2005. Both notes are collateralized by the Deepwater Nautilus and drilling contract revenues from such rig and are without recourse to R&B Falcon. At January 31, 2001, approximately \$177 million and \$50 million were outstanding under these notes, respectively. These notes were recorded at fair value as part of the R&B Falcon merger.

Letters of Credit--On August 31, 2000, R&B Falcon entered into a \$70.0 million letter of credit facility with three banks. Under this facility, R&B Falcon pays letter of credit fees of 2 percent per annum on the amount of letters of credit issued under the facility and a commitment fee of 0.5 percent per annum on the unused portion of the facility. Effective January 31, 2001, the fees were reduced to 1.5 percent per annum and 0.375 percent per annum, respectively, because R&B Falcon's senior unsecured debt ratings were raised to certain levels by the credit rating agencies. This facility requires R&B Falcon to meet certain financial covenants, including consolidated tangible net worth of \$900 million plus 100 percent of equity proceeds and 50 percent of net income; working capital ratio of 1.5 percent to 1, and a collateral value ratio of 1.75 times the commitment, matures in April 2004, and is secured by mortgages on five of R&B Falcon's drilling rigs, the J.W. McLean, J.T. Angel, Randolph Yost, D.R. Stewart and George H. Galloway. At January 31, 2001, R&B Falcon had letters of credit outstanding and unused commitments totaling \$56.6 million and \$13.4 million, respectively.

#### Acquisitions and Dispositions

The Company, from time to time, reviews possible acquisitions of businesses and drilling units, and may in the future make significant capital commitments for such purposes. Any such acquisition could involve the payment by the Company of a substantial amount of cash or the issuance of a substantial number of additional ordinary shares or other securities. The Company would likely fund the cash portion of any such acquisition through the cash balance on hand, the incurrence of additional debt, sales of assets, ordinary shares or other securities or a combination thereof. In addition, the Company, from time to time, reviews possible dispositions of drilling units.

On January 31, 2001, the Company announced the closing of its merger with R&B Falcon creating the world's largest offshore drilling contractor. Pursuant to the merger agreement, the Company issued approximately 106 million ordinary shares to R&B Falcon shareholders at the exchange ratio of 0.5 shares of the Company's shares for each share of R&B Falcon. Following the merger, the Company's ordinary shares issued and outstanding were approximately 317 million. The purchase price was approximately \$6.7 billion based on the number of the Company's ordinary shares issued in the merger and the average closing price of the Company's ordinary shares for a period immediately before and after the date the merger was announced, plus estimated direct costs and the estimated fair value of R&B Falcon stock options and warrants assumed in the merger. The assets and liabilities of R&B Falcon will be recorded at their estimated fair values at the date of the merger, with the excess of the purchase price over the sum of such fair values recorded as goodwill.

As a result of the R&B Falcon merger, the Company assumed warrants to purchase shares of R&B Falcon's common stock. As adjusted pursuant to the merger, each warrant is exercisable for 17.5 ordinary shares of the Company (5,127,500 ordinary shares in the aggregate) at an exercise price of \$19 per share. The warrants expire on May 1, 2009.

In February 2000, the Company sold its coiled tubing drilling services business to Schlumberger. The net proceeds from the sale were \$24.9 million and no gain or loss was recognized on the sale. The Company's interests in its Transocean-Nabors Drilling Technology L.L.C. and DeepVision L.L.C. joint ventures were excluded from the sale. The proceeds from the sale were used to repay debt and for general corporate purposes.

In July 2000, the Company sold the semisubmersible Transocean Discoverer. Net proceeds from the sale of the rig, which had been idle in the U.K. sector of the North Sea since February 2000, totaled \$42.7 million and resulted in a net gain of \$9.5 million, or \$0.04 per diluted share. The proceeds from the sale were used for general corporate purposes.

In February 2001, Sea Wolf Drilling Limited ("Sea Wolf"), a joint venture in which the Company holds a 25 percent interest, sold two semisubmersible rigs, the Drill Star and Sedco Explorer. The Company will accelerate the amortization of deferred gains relating to both rigs, which are derived from the original sale of the rigs by the Company to the joint venture. This will result in the recognition of an incremental pre-tax gain of approximately \$27 million during the first quarter of 2001. The Company will continue to operate the Drill Star,

which has been renamed the Pride North Atlantic, under a bareboat charter agreement until approximately September 2001. The amortization of the Drill Star's deferred gain will continue through September and will produce incremental gains totaling an estimated \$12 million in both the second and third quarters of 2001. The Company's bareboat charter on the Sedco Explorer has been terminated.

We are also planning to sell our land and barge drilling business in Venezuela. We are in discussions with possible buyers and expect to close the sale in the second quarter of 2001, provided we are able to realize an acceptable purchase price.

#### Derivative Instruments

The Company, from time to time, may enter into a variety of derivative financial instruments in connection with the management of its exposure to fluctuations in foreign exchange rates and interest rates. The Company does not enter into derivative transactions for speculative purposes; however, for accounting purposes certain transactions may not meet the criteria for hedge accounting.

Gains and losses on foreign exchange derivative instruments, which qualify as accounting hedges, are deferred and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments, which do not qualify as hedges for accounting purposes, are recognized currently based on the change in market value of the derivative instruments. At December 31, 2000, the Company had no material open foreign exchange contracts.

The Company, from time to time, may use interest rate swap agreements to effectively convert a portion of its floating rate debt to a fixed rate basis, reducing the impact of interest rate changes on future income. Interest rate swaps are designated as a hedge of underlying future interest payments. The interest rate differential to be received or paid on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. The interest rate swap agreements were recorded at fair value as part of the Sedco Forex merger. See "--Liquidity and Capital Resources--Debt--Secured Loan Agreement."

#### Sources of Liquidity

The Company believes that its cash and cash equivalents, cash generated from operations, borrowings available under its SunTrust Revolving Credit Agreements and access to other financing sources will be adequate to meet its anticipated short-term and long-term liquidity requirements, including scheduled debt repayments and capital expenditures for new rig construction and upgrade projects.

#### New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB 133, to delay the required effective date for adoption of SFAS No. 133 to fiscal years beginning after June 15, 2000. SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, amended the accounting and reporting standards of SFAS No. 133 for certain derivative instruments, hedging activities and decisions made by the Derivatives Implementation Group. The Company adopted SFAS No. 133 as of January 1, 2001. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, the adoption of the new statement had no effect on the consolidated financial position or results of operations of the Company.

In December 1999, the U.S. Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. This bulletin provides guidance on how the existing rules on revenue recognition should be applied. The Company adopted SAB No. 101 as of

October 1, 2000 and evaluated its treatment of revenues related to contract preparation, mobilization and demobilization of drilling units. The adoption of the new guidelines had no material effect on the consolidated financial position or results of operations of the Company.

#### Forward-Looking Information

The statements included in this annual report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements to the effect that the Company or management "anticipates," "believes," "budgets," "estimates," "expects," "forecasts," "intends," "plans," "predicts," or "projects" a particular result or course of events, or that such result or course of events "could," "might," "may," "scheduled" or "should" occur, and similar expressions, are also intended to identify forward-looking statements. Forward-looking statements in this annual report include, but are not limited to, statements involving expected capital expenditures, adequacy of source of funds for liquidity needs, results and effects of legal proceedings, liabilities for tax issues, adequacy of insurance coverage, the timing and cost of completion of capital projects, timing of delivery of drilling units, expiration of rig contracts, potential revenues, increased expenses, customer drilling programs, utilization rates, dayrates, the Company's other expectations with regard to outlook, number and timing of idle rig days, timing of the sale of the land and barge drilling business in Venezuela, timing of completion of turnkey commitments, refinancing of indebtedness and the effects of the R&B Falcon merger. Such statements are subject to numerous risks, uncertainties and assumptions, including but not limited to, worldwide demand for oil and gas, uncertainties relating to the level of activity in offshore oil and gas exploration and development, exploration success by producers, oil and gas prices, demand for offshore rigs, competition and market conditions in the contract drilling industry, our ability to successfully integrate the operations of acquired businesses, the significant amount of debt acquired in the R&B Falcon merger, costs and other difficulties related to the R&B Falcon merger, delays or termination of drilling contracts due to a number of events, cost overruns on shipyard projects and possible cancellation of drilling contracts as a result of delays or performance, work stoppages by shipyard workers where our newbuilds are being constructed, our ability to enter into and the terms of future contracts, the availability of qualified personnel, labor relations and the outcome of negotiations with unions representing workers, operating hazards, political and other uncertainties inherent in non-U.S. operations (including exchange and currency fluctuations), the impact of governmental laws and regulations, compliance with or breach of environmental laws, the adequacy of sources of liquidity, the effect of litigation and contingencies, other factors affecting operations discussed above and other factors discussed in this annual report and in the Company's other filings with the SEC, which are available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The Company's exposure to market risks for changes in interest rates relates primarily to the Company's long-term debt obligations. The table below provides information about the Company's financial instruments that are sensitive to changes in interest rates as of December 31, 2000. The table presents expected cash flows and related weighted-average interest rates expected by maturity dates. Weighted-average variable rates are based on estimated LIBOR as of December 31, 2000, plus applicable margins. The fair value of fixed rate debt is based on the estimated yield to maturity for each debt issue as of December 31, 2000.

As of December 31, 2000:

	Expected Maturity Date						Total	Fair Value 12/31/00
	2001	2002	2003	2004	2005	Thereafter		
(In millions, except interest rate percentages)								
Long-term debt								
Fixed Rate (a).....	\$23.0	\$ 24.0	\$ 18.6	\$ 19.1	--	\$1,165.0	\$1,249.7	\$906.6
Average interest rate.....	7.5%	7.5%	7.4%	7.2%	--	4.1%	4.3%	
Variable Rate.....	--	\$100.0	\$150.0	\$150.0	\$180.1	--	\$ 580.1	\$580.1
Average interest rate.....	--	6.5%	6.5%	6.5%	6.5%	--	6.5%	

(a) Reflects payment of face value of debt and does not reflect fair market value of debt as assumed in the Sedco Forex merger.

Foreign Exchange Risk

The Company operates internationally, resulting in exposure to foreign exchange risk. The Company uses a variety of techniques to minimize the exposure to foreign exchange risk, including customer contract terms and the use of foreign exchange derivative instruments or spot purchases. The Company does not enter into derivative transactions for speculative purposes. At December 31, 2000 the Company had no material open foreign exchange contracts.



ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors  
Transocean Sedco Forex Inc.

We have audited the accompanying consolidated balance sheets of Transocean Sedco Forex Inc. and Subsidiaries as of December 31, 2000 and 1999, the related consolidated statements of operations, equity, and cash flows for the year ended December 31, 2000, and the related combined statements of operations, equity, and cash flows for the year ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transocean Sedco Forex Inc. and Subsidiaries at December 31, 2000 and 1999, the consolidated results of their operations and their cash flows for the year ended December 31, 2000, and the combined results of their operations and their cash flows for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Houston, Texas  
January 25, 2001

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Schlumberger Limited

In our opinion the accompanying combined statements of income, shareholders' equity and cash flows for the year ended December 31, 1998 present fairly, in all material respects, the results of operations and cash flows of Transocean Sedco Forex Inc. (previously Sedco Forex Holdings Limited) for the year ended December 31, 1998, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We have not audited the financial statements of Transocean Sedco Forex Inc. (previously Sedco Forex Holdings Limited) for any period subsequent to December 31, 1998.

/s/ PricewaterhouseCoopers LLP

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PricewaterhouseCoopers LLP

New York, New York

August 6, 1999

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2000	1999	1998
	(In thousands, except per share data)		
Operating Revenues.....	\$1,229,513	\$648,236	\$1,090,523
Costs and Expenses			
Operating and maintenance.....	812,563	448,917	562,565
Depreciation and amortization.....	259,477	131,933	124,707
General and administrative.....	42,141	16,703	25,986
	1,114,181	597,553	713,258
Gain (Loss) From Sale of Assets.....	17,751	(1,339)	--
Operating Income.....	133,083	49,344	377,265
Other Income (Expense), Net			
Equity in earnings of joint ventures.....	9,393	5,610	5,389
Interest income.....	6,219	5,433	3,361
Interest expense, net of amounts capitalized.....	(3,025)	(10,250)	(12,950)
Other, net.....	(1,254)	(830)	956
	11,333	(37)	(3,244)
Income Before Income Taxes, Minority Interest and Extraordinary Item.....	144,416	49,307	374,021
Income Tax Expense (Benefit).....	36,699	(9,296)	32,443
Minority Interest.....	593	500	--
Income Before Extraordinary Item.....	107,124	58,103	341,578
Gain on Extraordinary Item, Net of Tax.....	1,424	--	--
Net Income.....	\$ 108,548	\$ 58,103	\$ 341,578
Basic Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Income Before Extraordinary Item.....	\$ 0.51	\$ 0.53	\$ 3.12
Gain on Extraordinary Item, Net of Tax....	0.01	--	--
Net Income.....	\$ 0.52	\$ 0.53	\$ 3.12
Diluted Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Income Before Extraordinary Item.....	\$ 0.50	\$ 0.53	\$ 3.12
Gain on Extraordinary Item, Net of Tax....	0.01	--	--
Net Income.....	\$ 0.51	\$ 0.53	\$ 3.12
Weighted Average Shares Outstanding (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Basic.....	210,419	109,564	109,564
Diluted.....	211,672	109,636	109,636
Dividends Paid Per Share.....	\$ 0.12	\$ --	\$ --

See accompanying notes.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2000	1999
	(In thousands, except share data)	
ASSETS		
Cash and Cash Equivalents.....	\$ 34,539	\$ 165,673
Accounts Receivable		
Trade.....	268,826	235,342
Other.....	27,139	57,286
Materials and Supplies.....	89,522	77,058
Deferred Income Taxes.....	18,055	12,562
Other Current Assets.....	10,051	10,945
	-----	-----
Total Current Assets.....	448,132	558,866
	-----	-----
Property and Equipment.....	6,003,224	5,498,116
Less Accumulated Depreciation.....	1,308,190	1,153,614
	-----	-----
Property and Equipment, net.....	4,695,034	4,344,502
	-----	-----
Goodwill, net.....	1,037,855	1,067,594
Investments in and Advances to Joint Ventures.....	105,929	101,892
Other Assets.....	71,814	67,316
	-----	-----
Total Assets.....	\$6,358,764	\$6,140,170
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable.....	\$ 135,557	\$ 144,538
Accrued Income Taxes.....	113,056	111,853
Current Portion of Long-Term Debt.....	23,120	78,584
Deferred Gain on Sale of Rigs.....	57,689	26,167
Other Current Liabilities.....	165,776	167,379
	-----	-----
Total Current Liabilities.....	495,198	528,521
	-----	-----
Long-Term Debt.....	1,430,266	1,187,578
Deferred Income Taxes.....	359,175	383,991
Deferred Gain on Sale of Rigs.....	12,090	69,779
Other Long-Term Liabilities.....	57,928	60,162
	-----	-----
Total Long-Term Liabilities.....	1,859,459	1,701,510
	-----	-----
Commitments and Contingencies		
Preference Shares, \$0.10 par value; 50,000,000 shares authorized, none issued and outstanding.....	--	--
Ordinary Shares, \$0.01 par value; 300,000,000 shares authorized, 210,710,363 shares issued and outstanding at December 31, 2000; 210,119,501 shares issued and outstanding at December 31, 1999.....	2,107	2,101
Additional Paid-in Capital.....	3,918,717	3,908,038
Retained Earnings.....	83,283	--
	-----	-----
Total Shareholders' Equity.....	4,004,107	3,910,139
	-----	-----
Total Liabilities and Shareholders' Equity.....	\$6,358,764	\$6,140,170
	=====	=====

See accompanying notes.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

	Ordinary Shares		Additional Paid-in Capital	Retained Earnings	Pre- Merger Equity	Total Equity
	Shares	Amount				
(In thousands, except per share data)						
Balance at December 31, 1997.....					\$362,894	\$ 362,894
Net income.....					341,578	341,578
Advances to related parties and other....					(140,090)	(140,090)
Balance at December 31, 1998.....					564,382	564,382
Net income.....					58,103	58,103
Advances from related parties and other....					299,578	299,578
Merger with Transocean Offshore Inc.....	210,120	\$2,101	\$3,908,038		(922,063)	2,988,076
Balance at December 31, 1999.....	210,120	2,101	3,908,038	--	--	3,910,139
Net income.....	--	--	--	\$108,548	--	108,548
Issuance of ordinary shares under stock- based compensation plans.....	605	5	16,629	--	--	16,634
Other.....	(15)	1	(5,950)	--	--	(5,949)
Cash dividends (\$0.12 per share).....	--	--	--	(25,265)	--	(25,265)
Balance at December 31, 2000.....	210,710	\$2,107	\$3,918,717	\$ 83,283	\$ --	\$4,004,107

See accompanying notes.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
<b>Cash Flows from Operating Activities</b>			
Net income.....	\$ 108,548	\$ 58,103	\$ 341,578
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization.....	259,477	131,933	124,707
Deferred income taxes.....	(30,100)	(24,253)	(16,039)
1999 and 1998 charges.....	--	29,409	23,350
Equity in earnings of joint ventures.....	(9,393)	(5,610)	(5,389)
(Gain) Loss from sale of assets.....	(15,025)	1,339	--
Deferred income, net.....	(20,696)	(26,167)	(26,000)
Deferred expenses, net.....	(18,594)	--	--
Amortization of debt discount and issue costs.....	9,433	--	--
Tax benefit from exercise of stock options.....	1,907	--	--
Other, net.....	(6,965)	(238)	--
Changes in operating assets and liabilities			
Accounts receivable.....	(5,855)	100,547	(18,297)
Accounts payable and accrued liabilities..	(58,649)	(22,505)	27,703
Receivable/payable with related parties, net.....	--	19,460	1,201
Income taxes receivable/payable, net.....	1,203	(21,504)	15,062
Other current assets.....	(17,909)	123	5,538
Net Cash Provided by Operating Activities...	197,382	240,637	473,414
<b>Cash Flows from Investing Activities</b>			
Capital expenditures.....	(574,703)	(537,029)	(424,749)
Cash acquired in merger with Transocean Offshore Inc.....	--	439,780	--
Proceeds from sale of coiled tubing drilling services business.....	24,871	--	--
Other proceeds from disposal of assets, net.....	56,269	693	--
Other, net.....	649	6,403	3,205
Net Cash Used in Investing Activities.....	(492,914)	(90,153)	(421,544)
<b>Cash Flows from Financing Activities</b>			
Net proceeds from issuance of Zero Coupon Convertible Debentures.....	489,081	--	--
Net repayments on ABN Revolving Credit Agreement.....	(54,900)	--	--
Repayments on Secured Loan Agreement.....	(235,174)	--	--
Repayments on Secured Rig Financing.....	(16,504)	(15,303)	(59,406)
Repayments on Notes Payable.....	(4,615)	--	--
Proceeds from issuance of ordinary shares under stock-based compensation plans.....	14,402	--	--
Dividends paid.....	(25,265)	--	--
Proceeds from debt to related parties.....	--	371,720	250,080
Repayments of debt to related parties.....	--	(779,122)	(22,063)
Advances and other (to) from related parties, net.....	--	265,523	(140,090)
Other, net.....	(2,627)	(2,110)	(1,027)
Net Cash Provided by (Used in) Financing Activities.....	164,398	(159,292)	27,494
Net (Decrease) Increase in Cash and Cash Equivalents.....	(131,134)	(8,808)	79,364
Cash and Cash Equivalents at Beginning of Period.....	165,673	174,481	95,117
Cash and Cash Equivalents at End of Period....	\$ 34,539	\$ 165,673	\$ 174,481

See accompanying notes.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1--Principles of Consolidation

Transocean Sedco Forex Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "we" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. The Company's mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. The Company specializes in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. As of December 31, 2000, the Company owned, had partial ownership interests in or operated 75 mobile offshore and barge drilling units (including four under construction). As of this date, the Company's active fleet consisted of 15 high-specification semisubmersibles, 29 other semisubmersibles, seven drillships, 17 jackup rigs, four drilling barges and three tenders. In addition, the fleet included one mobile offshore production unit and two land drilling rigs. The Company contracts its drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells.

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex Holdings Limited ("Sedco Forex") was completed. Sedco Forex was the offshore contract drilling service business of Schlumberger Limited ("Schlumberger") and was spun-off immediately prior to the merger transaction. As a result of the merger, Sedco Forex became a wholly owned subsidiary of Transocean Offshore Inc. which changed its name to Transocean Sedco Forex Inc. The merger was accounted for as a purchase, with Sedco Forex as the acquiror for accounting purposes.

The balance sheets as of December 31, 2000 and 1999, the statement of cash flows and the statement of operations for the year ended December 31, 2000 represent the consolidated financial position, cash flows and results of operations of the merged company. The statements of cash flows and the statements of operations for the years ended December 31, 1999 and 1998, represent the cash flows and results of operations of Sedco Forex and not those of historical Transocean Offshore Inc. Intercompany transactions and accounts have been eliminated. The equity method of accounting is used for investments in joint ventures owned 50 percent or less.

The combined financial statements for the periods prior to the Sedco Forex merger represent the offshore contract drilling service business of Schlumberger, which comprised certain businesses, operations, assets and liabilities of Sedco Forex and its subsidiaries and of Schlumberger and its subsidiaries, as defined in the Distribution Agreement (see Note 3). Although Sedco Forex was not a separate public company prior to the merger, the combined financial statements are presented as if Sedco Forex had existed as an entity separate from its parent, Schlumberger. The combined financial statements include the historical revenues and expenses and cash flows that were directly related to the offshore contract drilling service business of Schlumberger for the years ended December 31, 1999 and 1998 and have been prepared using Schlumberger's historical results of operations of Sedco Forex.

Prior to the Sedco Forex merger, certain Schlumberger corporate expenses, including centralized research and engineering, legal, accounting, employee benefits, real estate, insurance, information technology services, treasury and other corporate and infrastructure costs, although not directly attributable to Sedco Forex's operations, were allocated to Sedco Forex on bases that Schlumberger and Sedco Forex considered to be a reasonable reflection of the utilization of services provided or the benefit received by Sedco Forex (see Note 17). The financial information for the period prior to the Sedco Forex merger included herein may not reflect the consolidated operating results and cash flows of Sedco Forex had it been a separate, stand-alone entity during the periods presented.

Because Sedco Forex historically was not operated as a separate, stand-alone entity, and in many cases Sedco Forex's results were included in the consolidated financial statements of Schlumberger on a divisional basis, there are no separate meaningful historical equity accounts for Sedco Forex prior to the merger.



TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Certain assets and liabilities included in the financial statements for the periods prior to the Sedco Forex merger, primarily associated with employee benefits, income taxes and balances due to or from Schlumberger companies other than Sedco Forex, were retained by Schlumberger in accordance with the Distribution Agreement (see Note 3).

Note 2--Summary of Significant Accounting Policies

Accounting Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S.") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities. Actual results could differ from such estimates.

Cash and Cash Equivalents--Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and consist of time deposits with a number of commercial banks with high credit ratings, Eurodollar time deposits, certificates of deposit and commercial paper. The Company may also invest excess funds in no-load, open-end, management investment trusts ("mutual funds"). The mutual funds invest exclusively in high quality money market instruments. Generally, the maturity date of the Company's investments is the next day of business.

Materials and Supplies--Materials and supplies are carried at average cost less an allowance for obsolescence. Such allowance was \$23.1 million and \$23.3 million as of December 31, 2000 and 1999, respectively.

Property and Equipment--Property and equipment, consisting primarily of offshore drilling rigs and related equipment, are carried at cost. Property and equipment obtained in the Sedco Forex merger (see Note 3) were recorded at fair value. The Company generally provides for depreciation on the straight-line method after allowing for salvage values. Expenditures for renewals, replacements and improvements are capitalized. Maintenance and repairs are charged to operating expense as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

As a result of the Sedco Forex merger, the Company conformed its policies relating to estimated rig lives and salvage values. Estimated useful lives of its offshore drilling units now range from 18 to 35 years, reflecting maintenance history and market demand for these drilling units, buildings and improvements from 10 to 30 years and machinery and equipment from four to 12 years. Depreciation expense for the year ended December 31, 2000 was reduced by approximately \$71.9 million (net \$0.34 per diluted share) as a result of conforming these policies.

Goodwill--The excess of the purchase price over the estimated fair value of net assets acquired is accounted for as goodwill and is amortized on a straight-line basis over 40 years. The amortization period is based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers. Accumulated amortization as of December 31, 2000 totaled \$26.7 million.

Impairment of Long-Lived Assets--The carrying value of long-lived assets, principally goodwill and property and equipment, is reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. For property and equipment held for use, the determination of recoverability is made based upon the estimated undiscounted future net cash flows of the related asset. Property and equipment held for sale are recorded at the lower of net book value or net realizable value. For goodwill, the determination of recoverability is made based upon a comparison of the Company's net book value to the value indicated by the market price of its equity securities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Operating Revenues and Expenses--Operating revenues are recognized as earned, based on contractual daily rates or on a fixed price basis. Turnkey profits are recognized on completion of the well and acceptance by the customer; however, provisions for losses are made on contracts in progress when losses are anticipated. In connection with drilling contracts, the Company may receive lump sum fees for the mobilization of equipment and personnel or for capital improvements to rigs. In connection with contracted mobilizations, revenues earned and related costs incurred are deferred and recognized over the primary contract term of the drilling project. Costs of relocating drilling units without contracts to more promising market areas are expensed as incurred. Upon completion of drilling contracts, any demobilization fees received are reflected in income, as are any related expenses. Capital upgrade fees received are deferred and recognized as revenue over the primary contract term of the drilling project. The actual cost incurred for the capital upgrade is depreciated over the estimated useful life of the asset. The Company incurs periodic survey and drydock costs in connection with obtaining regulatory certification to operate its rigs on an ongoing basis. Costs associated with these certifications are deferred and amortized over the period until the next survey.

Capitalized Interest--Interest costs for the construction and upgrade of qualifying assets are capitalized. The Company capitalized interest costs on construction work in progress of \$86.6 million, \$27.2 million and \$8.7 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Derivative Instruments--The Company, from time to time, may enter into a variety of derivative financial instruments in connection with the management of its exposure to fluctuations in foreign exchange rates and interest rates. The Company does not enter into derivative transactions for speculative purposes; however, for accounting purposes certain transactions may not meet the criteria for hedge accounting (see Note 7).

Foreign Currency Translation--The U.S. dollar is the functional currency for the Company's foreign operations. Foreign currency exchange gains and losses are included in other income as incurred. Net foreign currency gains (losses) were \$(1.4) million, \$(0.8) million and \$1.0 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Income Taxes--Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pre-tax income for financial accounting purposes. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable tax rates in effect at year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. Prior to the Sedco Forex merger, the provision for income taxes in the combined financial statements was determined on a separate return basis (see Note 10).

Segments--The Company's operations share similar economic characteristics and have been aggregated into one reportable segment. The Company operates in one industry segment, offshore contract drilling services. The Company provides these services with different types of offshore drilling equipment located in several geographic regions. The location of the Company's rigs and the allocation of resources to build or upgrade rigs is determined by the activities and needs of customers (see Note 15).

Stock-Based Compensation--In accordance with the provisions of the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard ("SFAS") No. 123, Accounting for Stock-Based Compensation, the Company has elected to follow the Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations ("APB 25") in accounting for its employee stock-based compensation plans. Under APB 25, if the exercise price of employee stock options equals or exceeds the fair value of the underlying stock on the date of grant, no compensation expense is recognized (see Note 12).

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Comprehensive Income--Comprehensive income is reported in accordance with SFAS No. 130, Reporting Comprehensive Income. There were no significant items of comprehensive income for the three years ended December 31, 2000.

New Accounting Pronouncements--In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB 133, to delay the required effective date for adoption of SFAS No. 133 to fiscal years beginning after June 15, 2000. SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, amended the accounting and reporting standards of SFAS No. 133 for certain derivative instruments, hedging activities and decisions made by the Derivatives Implementation Group. The Company adopted SFAS No. 133 as of January 1, 2001. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, the adoption of the new statement had no effect on the consolidated financial position or results of operations of the Company.

In December 1999, the U.S. Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. This bulletin provides guidance on how the existing rules on revenue recognition should be applied. The Company adopted SAB No. 101 as of October 1, 2000 and evaluated its treatment of revenues related to contract preparation, mobilization and demobilization of drilling units. The adoption of the new guidelines had no material effect on the consolidated financial position or results of operations of the Company.

Reclassifications--Certain reclassifications have been made to prior period amounts to conform with the current year presentation.

Note 3--Distribution, Spin-off and Merger

Pursuant to the Distribution Agreement dated July 12, 1999 between Schlumberger and Sedco Forex ("Distribution Agreement"), Schlumberger separated and combined its offshore contract drilling service business under Sedco Forex. In December 1999, Schlumberger made a net capital contribution of \$226.7 million to Sedco Forex to adjust Sedco Forex's level of indebtedness and cash balances to those required by the terms of the Distribution Agreement.

In accordance with the Distribution Agreement, certain Sedco Forex assets and liabilities, primarily associated with employee benefits, income taxes and balances due to or from Schlumberger companies other than Sedco Forex were retained by Schlumberger. The net liabilities retained totaled \$30.9 million and were treated as a capital contribution by Schlumberger.

On December 30, 1999, Schlumberger completed the spin-off of Sedco Forex to the Schlumberger shareholders by issuing one share of Sedco Forex capital stock for each share of Schlumberger common stock owned.

On December 31, 1999, the merger of Transocean Offshore Inc. and Sedco Forex was completed. Under the terms of the Agreement and Plan of Merger dated July 12, 1999 among Schlumberger, Sedco Forex, Transocean Offshore Inc. and Transocean SF Limited, a wholly owned Transocean Offshore Inc. subsidiary, Transocean SF Limited merged with and into Sedco Forex, and Schlumberger shareholders exchanged all of the Sedco Forex shares distributed by Schlumberger for 109,564,268 ordinary shares of the Company, of which 145,102 ordinary shares were sold on the market for cash paid in lieu of fractional shares.

The merger was accounted for as a purchase, with Sedco Forex as the acquiror for accounting purposes. The purchase price of \$2.99 billion is comprised of the calculated market capitalization of Transocean

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Offshore Inc. of \$2.94 billion and the estimated fair value of Transocean Offshore Inc. stock options at the time of the merger of \$0.05 billion. The market capitalization of Transocean Offshore Inc. was calculated using the average closing price of Transocean Offshore Inc. ordinary shares over the seven-day period commencing three days before July 12, 1999, the date the merger was announced.

The purchase price included, at estimated fair value, current assets of \$638 million, drilling and other property and equipment of \$3,029 million, other assets of \$136 million and the assumption of current liabilities of \$299 million, other net long-term liabilities of \$278 million and long-term debt of \$1,119 million. In addition, a deferred tax liability of \$188 million was recorded primarily for the difference in the basis for tax and financial reporting purposes of the net assets acquired. The excess of the purchase price over the estimated fair value of net assets acquired was \$1,068 million, which has been accounted for as goodwill.

Unaudited pro forma combined operating results of Sedco Forex and Transocean Offshore Inc. for the year ended December 31, 1999 assuming the acquisition was completed as of January 1, 1999, are summarized as follows:

	Year ended December 31, 1999
	-----
	(In thousands, except per share data)
Operating revenues.....	\$1,579,058
Operating income.....	291,147
Net income.....	237,898
Earnings per share:	
Basic.....	\$1.13
Diluted.....	1.13

The pro forma information includes adjustments for additional depreciation based on the fair market value of the drilling and other property and equipment acquired, the amortization of goodwill arising from the transaction, decreased interest expense for related party debt replaced by borrowings under the Term Loan Agreement (see Note 6) and related adjustments for income taxes. The pro forma information is not necessarily indicative of the results of operations had the transaction been effected on the assumed date or the results of operations for any future periods.

Note 4--Upgrade and Expansion of Drilling Fleet

Capital expenditures, including capitalized interest, totaled \$575 million during the year ended December 31, 2000 and included \$98 million, \$102 million, \$85 million, \$74 million and \$108 million spent on the construction of the Sedco Express, Sedco Energy, Cajun Express, Discoverer Spirit and Discoverer Deep Seas, respectively. The Company also spent \$51 million on the construction of the Trident 20 for the year ended December 31, 2000, which was partially offset by \$30 million in client reimbursements for the estimated incremental costs to construct the rig in the Caspian Sea.

At December 31, 2000, three high-specification semisubmersibles and one high-specification drillship were under construction.

Note 5--Asset Disposals

In February 2000, the Company sold its coiled tubing drilling services business to Schlumberger. The net proceeds from the sale were \$24.9 million and no gain or loss was recognized on the sale. The Company's interests in its Transocean-Nabors Drilling Technology L.L.C and DeepVision L.L.C. joint ventures were excluded from the sale.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

In July 2000, the Company sold a second-generation semisubmersible, the Transocean Discoverer. Net proceeds from the sale of the rig, which had been idle in the U.K. sector of the North Sea since February 2000, totaled \$42.7 million and resulted in a net gain of \$9.5 million, or \$0.04 per diluted share.

Note 6--Debt

Debt is comprised of the following:

	December 31,	
	2000	1999
	(In thousands)	
Zero Coupon Convertible Debentures(1).....	\$ 497,660	\$ --
Term Loan Agreement.....	400,000	400,000
ABN Revolving Credit Agreement.....	180,100	235,000
Secured Loan Agreement.....	--	235,174
8.00% Debentures.....	197,856	197,774
7.45% Notes.....	94,139	93,916
Secured Rig Financing.....	68,641	85,145
6.90% Notes Payable.....	14,929	19,153
Other.....	61	--
	-----	-----
Total Debt.....	1,453,386	1,266,162
Less Current Maturities.....	23,120	78,584
	-----	-----
Total Long-Term Debt.....	\$1,430,266	\$1,187,578
	=====	=====

(1) Net of unamortized discount and issue costs

Zero Coupon Convertible Debentures--In May 2000, the Company issued zero coupon convertible debentures (the "convertible debentures") due May 2020 with a face value at maturity of \$865.0 million. The convertible debentures were issued at a price to the public of \$579.12 per convertible debenture and accrue original issue discount at a rate of 2.75 percent per annum compounded semiannually to reach a face value at maturity of \$1,000 per convertible debenture. The Company will pay no interest on the convertible debentures prior to maturity and has the right to redeem the convertible debentures after three years for a price equal to the issuance price plus accrued original issue discount to the date of redemption. A convertible debenture holder has the right to require the Company to repurchase the convertible debentures on the third, eighth and thirteenth anniversary of issuance at the issuance price plus accrued original issue discount to the date of repurchase. The Company may pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The convertible debentures are convertible into ordinary shares of the Company at the option of the holder at any time at a ratio of 8.1566 shares per convertible debenture subject to adjustments if certain events take place. The indenture and supplemental indenture pursuant to which the convertible debentures were issued impose restrictions on certain actions by the Company, including creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. The fair value of the convertible debentures at December 31, 2000 was approximately \$509 million based on the estimated yield to maturity as of that date.

Term Loan Agreement--The Company is a party to a \$400 million unsecured five-year term loan agreement with a group of banks led by SunTrust Bank, Atlanta, as agent, dated as of December 16, 1999 (the "Term Loan Agreement"). Amounts outstanding under the Term Loan Agreement bear interest, at the Company's option, at a base rate or LIBOR plus a margin (0.45 percent per annum at December 31, 2000) that varies depending on the Company's senior unsecured public debt rating. No principal payments are required for the first two years, and the Company may prepay some or all of the debt at any time without premium or penalty. The Term Loan Agreement requires compliance with various restrictive covenants and provisions customary for an agreement of



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

this nature including an interest coverage ratio of not less than 3.00 to 1 and a leverage ratio of not greater than 40 percent, and limitations on mergers and sale of substantially all assets; permitted liens; subsidiary and certain other types of debt; transactions with affiliates; and sale/leaseback transactions. The carrying value of the term loan approximates fair value.

**Revolving Credit Agreements--**The Company was a party to a \$540 million revolving credit agreement with a group of banks led by ABN AMRO Bank, NV, as agent (the "ABN Revolving Credit Agreement"). Borrowings under the ABN Revolving Credit Agreement bore interest, at the Company's option, at a base rate or LIBOR plus a margin (0.20 percent per annum at December 31, 2000) that varied depending on the Company's funded debt to total capital ratio or its senior unsecured public debt rating. As of December 31, 2000, \$180.1 million was outstanding and \$359.9 million was available for additional borrowings under the ABN Revolving Credit Agreement. The carrying amount of the borrowings under the ABN Revolving Credit Agreement approximated fair value. On January 4, 2001, the Company terminated the ABN Revolving Credit Agreement and repaid the \$180.1 million outstanding through funds borrowed under the Five-Year Revolver referred to below; accordingly, the \$180.1 million due in 2002 was not classified as current because it was management's intent to refinance on a long-term basis.

The Company is a party to a \$550 million five-year revolving credit agreement (the "Five-Year Revolver") and a \$250 million 364-day revolving credit agreement (the "364-Day Revolver") with a group of banks led by SunTrust Bank, Atlanta, as agent, dated as of December 29, 2000 (together the "SunTrust Revolving Credit Agreements") under which the Company may borrow or procure credit. On January 4, 2001, borrowings under the Five-Year Revolver were used to repay debt incurred under the ABN Revolving Credit Agreement. Through June 2001, amounts outstanding under the SunTrust Revolving Credit Agreements bear interest, at the Company's option, at a base rate or LIBOR plus a margin that is fixed at 0.45 percent per annum under the Five-Year Revolver and 0.475 percent per annum under the 364-Day Revolver. Subsequent to June 2001, the margin under the Five-Year Revolver will vary from 0.180 percent to 0.700 percent and the margin on the 364-Day Revolver will vary from 0.190 percent to 0.725 percent depending on the Company's senior unsecured public debt rating. A utilization fee fixed at 0.125 percent per annum during the first six months of 2001, and varying thereafter from 0.075 percent to 0.150 percent, depending on the Company's senior unsecured public debt rating, is payable if amounts outstanding under the Five-Year Revolver or the 364-Day Revolver are greater than \$181.5 million or \$82.5 million, respectively. The SunTrust Revolving Credit Agreements contain substantially the same restrictive covenants as are contained in the Term Loan Agreement.

**Secured Loan Agreement--**The Company was a party to a \$235.2 million secured five-year term loan agreement with a group of banks led by ABN AMRO Bank, NV, as agent, dated as of December 22, 1999 (the "Secured Loan Agreement"). Borrowings under the Secured Loan Agreement were used to repay debt incurred to construct the Discoverer Enterprise and upgrade the Transocean Amirante and were secured by both rigs. Approximately 91 percent of the amounts outstanding bore interest at a commercial paper rate plus a margin (0.31 percent per annum at December 31, 1999) while the remaining 9 percent of the amounts outstanding bore interest at LIBOR plus a margin (0.65 percent per annum at December 31, 1999). The floating rates under the Secured Loan Agreement were converted to a fixed rate of 6.9 percent per annum by the interest rate swap agreement described below (see Note 7).

In January 2000, the Company agreed to cancel the remaining 14 months of a contract with a unit of BP for its semisubmersible rig, the Transocean Amirante, for a cash settlement of \$25.1 million. The cash received was used to repay borrowings under the Secured Loan Agreement relating to the Transocean Amirante and the security interest in the rig was released by the banks. The interest rate swap agreement related to the Secured Loan Agreement was also amended to reflect the reduced amounts subject to the swap. In August 2000, the Company repaid all amounts outstanding under the Secured Loan Agreement using cash on hand and borrowings under the ABN Revolving Credit Agreement. The Company also terminated the related interest rate swap

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

agreement. The Company recognized an extraordinary gain, net of income taxes of \$1.4 million, or \$0.01 per diluted share, on this early termination of debt.

Public Debt Offering--The Company has outstanding \$300 million aggregate principal amount of senior, unsecured debt securities originally issued in a public offering in April 1997. The securities consist of \$100 million aggregate principal amount of 7.45 percent notes due April 15, 2027 (the "Notes") and \$200 million aggregate principal amount of 8.00 percent debentures due April 15, 2027 (the "Debentures"). Holders of the Notes may elect to have all or any portion of the Notes repaid on April 15, 2007 at 100 percent of the principal amount. The Notes, at any time after April 15, 2007, and the Debentures, at any time, may be redeemed at the Company's option at 100 percent of the principal amount plus a make-whole premium, if any, equal to the excess of the present value of future payments due under the Notes and Debentures using a discount rate equal to the then-prevailing yield of U.S. treasury notes for a corresponding remaining term plus 20 basis points over the principal amount of the security being redeemed. Interest is payable on April 15 and October 15 of each year. The indenture and supplemental indenture relating to the Notes and the Debentures limit the Company's ability to incur indebtedness secured by certain liens, engage in certain sale/leaseback transactions and engage in certain merger, consolidation or reorganization transactions. The Notes and Debentures were recorded at fair value as part of the Sedco Forex merger. The fair value of the Notes and Debentures at December 31, 2000 was approximately \$103 million and \$211 million, respectively, based on the estimated yield to maturity as of that date.

Secured Rig Financing--The Company has outstanding \$68.6 million of debt secured by the Trident IX and the Trident 16 (the "Secured Rig Financing"). Payments under these financing agreements include an interest component of 7.95 percent for the Trident IX and 7.20 percent for the Trident 16. The Trident IX facility expires in April 2003 while the Trident 16 facility expires in September 2004. The financing arrangements provide for a call right on the part of the Company to repay the financing prior to expiration of their scheduled terms and in some circumstances a put right on the part of the banks to require the Company to repay the financing. Under either circumstance, the Company would retain ownership of the rigs. The fair value of the Secured Rig Financing at December 31, 2000 was approximately \$66 million based on the estimated yield to maturity as of that date.

Notes Payable--The Company has outstanding \$16.2 million aggregate principal amount of unsecured 6.90 percent notes due February 15, 2004 (the "notes payable") originally issued in a private placement. The note purchase agreement underlying the notes payable requires compliance with various restrictive covenants and provisions customary for an agreement of this nature and on substantially the same terms as those under the Term Loan Agreement. The notes payable were recorded at fair value as part of the Sedco Forex merger. The fair value of the notes payable at December 31, 2000 was approximately \$16 million based on the estimated yield to maturity as of that date.

Expected maturity of the face value of the Company's debt is as follows:

	Years ended December 31,						Total
	2001	2002	2003	2004	2005	Thereafter	
	(In thousands)						
Zero Coupon Convertible Debentures(1).....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 865,000	\$ 865,000
Term Loan Agreement.....	--	100,000	150,000	150,000	--	--	400,000
ABN Revolving Credit Agreement.....	--	--	--	--	180,100	--	180,100
8.00% Debentures.....	--	--	--	--	--	200,000	200,000
7.45% Notes.....	--	--	--	--	--	100,000	100,000
Secured Rig Financing...	18,505	19,381	13,988	16,739	--	--	68,613
6.90% Notes Payable.....	4,615	4,615	4,615	2,309	--	--	16,154
Total Debt.....	\$23,120	\$123,996	\$168,603	\$169,048	\$180,100	\$1,165,000	\$1,829,867



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(1) Net of unamortized discount and issue costs

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Letters of Credit--The Company had letters of credit outstanding at December 31, 2000 totaling \$55.3 million, including a letter of credit relating to the legal dispute with Kvaerner Installasjon a.s ("Kvaerner") valued at \$24.8 million and a letter of credit relating to the legal dispute with the Indian Customs Department, Mumbai valued at \$10.7 million (see Note 11). The remaining amount guarantees various insurance, rig construction and contract bidding activities.

Note 7--Financial Instruments and Risk Concentration

Foreign Exchange Risk--The Company operates internationally, resulting in exposure to foreign exchange risk. This risk is primarily associated with compensation costs denominated in currencies other than the U.S. dollar and with purchases from foreign suppliers. The Company uses a variety of techniques to minimize the exposure to foreign exchange risk, including customer contract payment terms and the use of foreign exchange derivative instruments.

The Company's primary foreign exchange 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. Foreign exchange derivative instruments, specifically, foreign exchange forward contracts, may be used to minimize foreign exchange risk in instances where the primary strategy is not attainable. A foreign exchange forward contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange.

Gains and losses on foreign exchange derivative instruments, which qualify as accounting hedges, are deferred and recognized when the underlying foreign exchange exposure is realized. At December 31, 2000 and 1999, there were no material unrealized gains or losses on open foreign exchange derivative hedges. Gains and losses on foreign exchange derivative instruments, which do not qualify as hedges for accounting purposes, are recognized currently based on the change in market value of the derivative instruments. As of December 31, 2000 and 1999, the Company did not have any foreign exchange derivative instruments not qualifying as accounting hedges.

Interest Rate Risk--The Company, from time to time, may use interest rate swap agreements to effectively convert a portion of its floating rate debt to a fixed rate basis, reducing the impact of interest rate changes on future income. Interest rate swaps are designated as a hedge of underlying future interest payments. These agreements involve the exchange of amounts based on variable interest rates for amounts based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based. The interest rate differential to be received or paid on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. Gains and losses on terminations of interest rate swap agreements are deferred as an adjustment to interest expense related to the debt over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income. In August 2000, the Company terminated its interest rate swap agreements when it repaid all amounts outstanding under the Secured Loan Agreement (see Note 6). The Company recognized an extraordinary gain, net of income taxes of \$1.4 million, on the early termination of debt which included a gain of \$1.9 million relating to the termination of the interest rate swap agreements.

Credit Risk--Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade receivables. It is the Company's practice to place its cash and cash equivalents in time deposits at commercial banks with high credit ratings or mutual funds, which invest exclusively in high quality money market instruments. In foreign locations, local financial institutions are generally utilized for local currency needs. The Company limits the amount of exposure to any one institution and does not believe it is exposed to any significant credit risk.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The Company derives the majority of its revenue from services to international oil companies and government-owned and government-controlled oil companies. There are concentrations of receivables in various countries (see Note 15). The Company maintains an allowance for uncollectible accounts receivable based upon expected collectibility. This allowance was approximately \$24.3 million and \$27.1 million as of December 31, 2000 and 1999, respectively. The Company is not aware of any significant credit risks relating to its customer base and does not generally require collateral or other security to support customer receivables.

Labor Agreements--On a worldwide basis, the Company had approximately 19 percent of its employees working under collective bargaining agreements as of December 31, 2000, most of whom were working in Norway and Nigeria. Of these represented employees, a majority are working under agreements that are subject to salary negotiation in 2001.

Note 8--Other Current Liabilities

Other current liabilities are comprised of the following:

	December 31,	
	2000	1999
	(In thousands)	
Accrued Payroll and Employee Benefits.....	\$ 81,151	\$ 63,082
Contract Disputes and Legal Claims.....	36,821	50,454
Accrued Taxes, Other than Income.....	13,024	14,390
Deferred Revenue.....	9,241	--
Accrued Interest.....	7,001	10,056
Other.....	18,538	29,397
	-----	-----
Total Other Current Liabilities.....	\$165,776	\$167,379
	=====	=====

Note 9--Supplemental Cash Flow Information

Non-cash investing activities for the year ended December 31, 2000 included \$45.0 million related to accruals of capital expenditures, which was primarily due to the settlement with DCN International ("DCN") (see Note 11). The accruals have been reflected in the consolidated balance sheets as an increase in Property and Equipment and Accounts Payable.

Non-cash financing activities for the year ended December 31, 1999 included \$2.99 billion related to the ordinary shares held by Transocean Offshore Inc. shareholders at the time of the Sedco Forex merger. Also included was \$34.1 million of non-cash increases in equity advances from Schlumberger relating to balances retained under the Distribution Agreement (see Note 3). Non-cash investing activities for the year ended December 31, 1999 included \$2.55 billion of net assets acquired in the Sedco Forex merger.

Cash payments for interest were \$81.3 million, \$39.8 million and \$21.4 million for the years ended December 31, 2000, 1999 and 1998, respectively. Cash payments for income taxes, net, were \$63.3 million, \$35.3 million and \$30.0 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Note 10--Income Taxes

Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries have taxation regimes which vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year. Transocean Sedco Forex Inc., a Cayman Islands company, is not subject to income tax in that jurisdiction. The effective tax rate for the years ended December 31, 2000, 1999 and 1998 was 25.1 percent, (19.0) percent and 8.7 percent, respectively.



TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The components of the provision for income taxes are as follows:

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Current provision.....	\$ 66,542	\$ 14,957	\$ 48,482
Deferred benefit.....	(30,100)	(24,253)	(16,039)
Income tax expense (benefit) after extraordinary item.....	36,442	(9,296)	32,443
Tax effect of extraordinary item.....	257	--	--
Income Tax Expense (Benefit) before Extraordinary Item.....	\$ 36,699	\$ (9,296)	\$ 32,443
	=====	=====	=====

Significant components of deferred tax assets and liabilities are as follows:

	December 31,	
	2000	1999
	(In thousands)	
<b>Deferred Tax Assets-Current</b>		
Accrued personnel taxes.....	\$ 1,250	\$ 1,204
Accrued workers' compensation insurance.....	1,655	422
Other accruals.....	11,444	8,877
Retirement and benefit plan accruals.....	1,126	2,831
Insurance accruals.....	1,075	420
Other.....	2,857	929
Total Current Deferred Tax Assets.....	19,407	14,683
<b>Deferred Tax Liabilities-Current</b>		
Deferred drydock.....	(1,352)	(2,121)
Total Current Deferred Tax Liabilities.....	(1,352)	(2,121)
Net Current Deferred Tax Assets.....	\$ 18,055	\$ 12,562
	=====	=====
<b>Deferred Tax Assets-Noncurrent</b>		
Net operating loss carryforwards.....	\$ 78,547	\$ 28,205
Foreign tax credit carryforwards.....	12,350	--
Retirement and benefit plan accruals.....	3,089	5,218
Other accruals.....	6,530	13,574
Deferred income and other.....	3,524	171
Valuation allowance for noncurrent deferred tax assets...	(24,660)	--
Total Noncurrent Deferred Tax Assets.....	79,380	47,168
<b>Deferred Tax Liabilities-Noncurrent</b>		
Depreciation and amortization.....	(383,211)	(358,705)
Deferred gains.....	(28,447)	(39,774)
Investment in subsidiaries.....	(22,547)	(27,213)
Other.....	(4,350)	(5,467)
Total Noncurrent Deferred Tax Liabilities.....	(438,555)	(431,159)
Net Noncurrent Deferred Tax Liabilities.....	\$(359,175)	\$(383,991)
	=====	=====

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable tax rates in effect at year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized.

In 2000, the Company provided a valuation allowance to offset deferred tax assets on net operating losses incurred during the year in certain jurisdictions where, in the opinion of management, it is more likely than not that the financial statement benefit of these losses will not be realized. In 1999, the Company did not provide a valuation allowance to offset its existing deferred tax assets because, in the opinion of management, it is more likely than not that these deferred tax assets will be realized. In the fourth quarter of 1998, the Company released the valuation allowance related to its U.K. tax loss carryforwards.

The Company's net operating loss carryforwards include a tax effected U.S. loss of \$25.7 million which will expire in 2020. The remaining \$52.8 million of tax effected U.K. net operating losses do not expire. The Company's foreign tax credit carryforwards will expire in 2004.

Transocean Sedco Forex Inc., a Cayman Islands company, is not subject to income taxes in the Cayman Islands. As of December 31, 2000, there is no Cayman Islands income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by a Cayman Islands company or its shareholders. The Company has obtained an assurance from the Cayman Islands government under the Tax Concessions Law (1995 Revision) that, in the event that any legislation is enacted in the Cayman Islands imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until June 1, 2019, be applicable to the Company or to any of its operations or to the shares, debentures or other obligations of the Company. Therefore, under present law there will be no Cayman Islands tax consequences affecting distributions.

The Company's income tax returns are subject to review and examination in the various jurisdictions in which the Company operates. Certain tax authorities have questioned the amounts of income and expense subject to tax in their jurisdiction for prior periods. The Company is currently contesting additional assessments which have been asserted and may contest any future assessments. In the opinion of management, the ultimate resolution of these asserted income tax liabilities will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

In connection with the distribution of Sedco Forex to the Schlumberger shareholders, Sedco Forex and Schlumberger entered into a Tax Separation Agreement. In accordance with the terms of the Tax Separation Agreement, Schlumberger agreed to indemnify Sedco Forex for any tax liabilities incurred directly in connection with the preparation of Sedco Forex for this distribution. In addition, Schlumberger agreed to indemnify Sedco Forex for tax liabilities associated with Sedco Forex operations conducted through Schlumberger entities prior to the merger and any tax liabilities associated with Sedco Forex assets retained by Schlumberger.

Transocean Offshore Inc. was included in the consolidated federal income tax returns filed by a former parent, Sonat Inc. ("Sonat") during all periods in which Sonat's ownership was greater than or equal to 80 percent ("Affiliation Years"). Transocean Offshore Inc. and Sonat entered into a Tax Sharing Agreement providing for the manner of determining payments with respect to federal income tax liabilities and benefits arising in the Affiliation Years. Under the Tax Sharing Agreement, Transocean Offshore Inc. will pay to Sonat an amount equal to Transocean Offshore Inc.'s share of the Sonat consolidated federal income tax liability, generally determined on a separate return basis. In addition, Sonat will pay Transocean Offshore Inc. for utilization by Sonat of deductions, losses and credits which are attributable to Transocean Offshore Inc. and in excess of that which would be utilized on a separate return basis.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 11--Commitments and Contingencies

Leases--The Company has operating lease commitments expiring at various dates, principally for real estate, office space, office equipment and rig bareboat charters. In addition to rental payments, some leases provide that the Company pay a pro rata share of operating costs applicable to the leased property. Future minimum payments for noncancellable operating leases are as follows:

	December 31, ----- (In thousands)
2001.....	\$23,021
2002.....	4,811
2003.....	3,960
2004.....	2,911
2005.....	2,627
Thereafter.....	10,847
	-----
Total.....	\$48,177 =====

Rental expense for all operating leases, including leases with terms of less than one year, was \$50 million, \$37 million and \$56 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Upgrade and Expansion of Drilling Fleet--At December 31, 2000, the Company had firm commitments related to rig construction and upgrades totaling \$44.9 million. In addition, the Company had firm commitments of approximately \$20 million related to repairs to a rig damaged by fire. Such expenditures are expected to be recovered under the Company's insurance program.

Legal Proceedings--During 1997, Kvaerner in Norway performed modification and refurbishment work on a high-specification semisubmersible drilling rig, the Transocean Leader. The amount owed with respect to such work is in dispute. A letter of credit valued at approximately \$24.8 million as of December 31, 2000 has been posted pending the resolution of the dispute by agreement between the parties or by final judgment under the Norwegian judicial process. In September 1998, the Company instituted an action in the Norwegian courts alleging that it owes no additional amounts and that the letter of credit should be released. In March 1999, Kvaerner commenced proceedings in the Norwegian courts seeking judgment for approximately \$33 million plus interest. The Company vigorously denies the material allegations of Kvaerner's petition and the matter was tried before the Norwegian courts during the fourth quarter of 2000. The Company is presently awaiting a decision by the court. Although the Company cannot predict with certainty the outcome of the dispute at this time, the Company does not expect the liability, if any, resulting from this matter to have a material adverse effect on its business or consolidated financial position.

In 1990 and 1991, two of the Company's subsidiaries were served with various assessments collectively valued at approximately \$7.4 million from the municipality of Rio de Janeiro, Brazil to collect a municipal tax on services. The Company believes that neither subsidiary is liable for the taxes and has contested the assessments in the Brazilian administrative and court systems. The proceeding with respect to a June 1991 assessment, which was valued at approximately \$6.3 million, is now pending before the Brazil Supreme Court. The lower courts and the superior court of appeals have rejected the Company's arguments. An August 1990 assessment also had an unfavorable ruling at the first and second court levels and is being submitted to the Brazil Supreme Court. The Company is awaiting a ruling from the Taxpayer's Council as to an October 1990 assessment. If the Company's defenses are ultimately unsuccessful, the Company believes that the Brazilian government-controlled oil company, Petrobras, has a contractual obligation to reimburse the Company for municipal tax payments required to be paid by them. The Company does not expect the liability, if any, resulting from these assessments to have a material adverse effect on its business or consolidated financial position.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Global Marine Drilling Company ("Global Marine") initiated an arbitration proceeding in London in December 1997 against a subsidiary of Sedco Forex. Global Marine alleged a claim for approximately \$85 million (plus interest and costs) for an alleged late return of a chartered rig and for breach of maintenance obligations under the charter. In February 1998, the tribunal held that the charter expired January 20, 1998, plus time for physical delivery. The rig was not redelivered until May 1998. The Company settled the arbitration proceeding in November 2000 in exchange for a payment of \$67.5 million.

RIGCO North America, LLC ("RIGCO"), a subsidiary of Tatham Offshore Inc., filed suit in a Texas state court in July 1999 asserting various claims in connection with shipyard and rig management contracts for two rigs managed on behalf of RIGCO. As a result of the Sedco Forex merger, the Company assumed liability for these claims. RIGCO alleges breach of contract, negligence and fraud and claims damages of at least \$51 million, plus exemplary damages, attorneys' fees and other unspecified damages. In August 1999, RIGCO filed for voluntary bankruptcy protection in the U.S. federal bankruptcy court sitting in Texas. As part of the bankruptcy proceedings, RIGCO filed a preference action in September 1999. RIGCO sought to avoid alleged transfers of approximately \$4.2 million and to have those funds returned to the RIGCO bankruptcy estate. The bankruptcy has since been dismissed along with the preference action. The Company disputes RIGCO's allegations and is vigorously defending the case. The matter is presently set for trial in May 2001. Although the Company cannot predict the outcome of the dispute at this time, the Company does not expect that the liability, if any, resulting from this matter will have a material adverse effect on its business or consolidated financial position.

The Indian Customs Department, Mumbai, filed a "show cause notice" against a subsidiary of Sedco Forex and various third parties on July 8, 1999. The show cause notice alleges that the entry into India and other subsequent movements of the Trident II jackup rig operated by the subsidiary constituted imports and exports for which proper customs procedures were not followed and that customs duties should have been paid, and seeks payment of customs duties, with interest and penalties, and confiscation of the rig. In connection with these allegations, the customs authorities confiscated the rig, which confiscation was stayed by application to the High Court, Mumbai, until one month following the order of the Customs Department in respect of the show cause notice. In January 2000, the Customs Department issued an order in respect of the show cause notice, directing the Company to pay an approximately \$3.5 million redemption fee for the rig in lieu of confiscation and approximately \$1.5 million in penalties in addition to the amount of customs duties owed, which were unspecified in the order. The Company disputes the ruling, and in February 2000, the Company filed an appeal with the Customs, Excise and Gold (Control) Appellate Tribunal ("CEGAT") together with an application to have the confiscation of the rig stayed pending the outcome of the appeal. In March 2000, the CEGAT ruled on the stay application, directing that the confiscation be stayed pending the appeal and setting the appeals hearing for June 2000. In connection with the stay, the tribunal ordered the Company to deposit approximately \$0.7 million of the penalty amount specified in the January 2000 order and waived the remainder of the penalty and redemption fee pending the appeal. In addition, the CEGAT required the Company to post a guarantee of approximately \$11.5 million covering the remainder of the penalty, redemption fee and customs duties owed, pending the appeal. The Company paid the deposit and posted the guarantee within the required time limit. CEGAT issued its opinion on the Company's appeal in the first quarter of 2001 and while it found that the rig was imported in 1988, the redemption fee and penalties were reduced to less than \$0.1 million. CEGAT further sustained the Company's position regarding the value of the rig at the time of import thus limiting the Company's exposure as to custom duties. The Company believes that its customer would be responsible for such duties but, in any event, does not expect that the ultimate liability, if any, resulting from the matter will have a material adverse effect on its business or consolidated financial position.

On July 25, 2000, the Company received notice of a request for arbitration from DCN. DCN is the shipyard located in Brest, France, with which the Company contracted the construction of two of the Company's Sedco Express-class semisubmersibles. DCN initiated arbitration of disputes stemming from certain variation orders



TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

requested by DCN and rejected by the Company during construction of the units. The Company settled all claims with DCN in January 2001 and agreed to pay DCN 250 million French francs which was equivalent to \$35.7 million as of such date.

In January 2000, a pipeline in the U.S. Gulf of Mexico was damaged by an anchor from one of the Company's drilling rigs while the rig was under tow. The incident resulted in damage to offshore facilities, including a crude oil pipeline, the release of hydrocarbons from the damaged section of the pipeline and the shutdown of the pipeline and allegedly affected production platforms. All appropriate governmental authorities were notified, and the Company cooperated fully with the operator and relevant authorities in support of the remediation efforts. Certain owners and operators of the pipeline (Poseidon Oil Pipeline Company LLC, Equilon Enterprises LLC, Poseidon Pipeline Company, LLC and Marathon Oil Company) filed suit in March 2000 in federal court, Eastern District of Louisiana, alleging various damages in excess of \$30 million. A second suit was filed by Walter Oil & Gas Corporation and certain other plaintiffs in Harris County, Texas alleging various damages in excess of \$1.8 million. The Company has filed a limitation of liability proceeding in federal court, Eastern District of Louisiana, claiming benefit of various statutes providing limitation of liability for vessel owners, the result of which has been to stay the first two suits and to cause potential claimants (including the plaintiffs in the existing suits) to file claims in this proceeding. El Paso Energy Corporation, the owner/operator of the platform from which a riser was ripped from its hangars, and Texaco Exploration and Production Inc. have filed claims in the limitation of liability proceeding as well. The Company expects that existing insurance will substantially cover any potential liability associated with this matter and that the outcome of this matter will not have a material adverse effect on its business or consolidated financial position.

The Company is a defendant in Bryant, et al. v. R&B Falcon Drilling USA, Inc., et al. in the United States District Court for the Southern District of Texas, Galveston Division. R&B Falcon Drilling USA is a wholly owned indirect subsidiary of R&B Falcon Corporation (together with its subsidiaries, unless the context requires otherwise, "R&B Falcon"). In this suit, the plaintiffs allege that R&B Falcon Drilling USA, the Company and a number of other offshore drilling contractors with operations in the U.S. Gulf of Mexico have engaged in a conspiracy to depress wages and benefits paid to their offshore employees. The plaintiffs contend that this alleged conduct violates federal antitrust law and constitutes unfair trade practices and wrongful employment acts under state law. The plaintiffs seek treble damages, attorneys' fees and costs on behalf of themselves and an alleged class of offshore workers, along with an injunction against exchanging certain wage and benefit information with other offshore drilling contractors named as defendants. The plaintiffs contend that actual damages to the alleged class will exceed \$5 billion. A hearing has been set for the second quarter of 2001 to determine if the matter should proceed as a class action. The Company vigorously denies the plaintiff's allegations and does not expect that the outcome of this matter will have a material adverse effect on its business or consolidated financial position.

The Company and its subsidiaries are involved in a number of other lawsuits, all of which have arisen in the ordinary course of the Company's business. The Company does not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on its business or consolidated financial position.

Note 12--Stock-Based Compensation Plans

Long-Term Incentive Plan--The Company has an incentive plan for key employees and outside directors (the "Incentive Plan"). Under the Incentive Plan, awards can be granted in the form of stock options, restricted stock, stock appreciation rights ("SARs") and cash performance awards. As of December 31, 2000, the Company was authorized to grant up to (i) 12.9 million ordinary shares to employees; (ii) 400,000 ordinary shares to outside directors; and (iii) 250,000 freestanding SARs to employees or directors under the

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Incentive Plan. Options issued under the Incentive Plan have a 10 year term and become exercisable in three equal annual installments after the date of grant. On December 31, 1999, all unvested stock options and SARs and all unvested restricted shares granted after April 1996 became fully vested as a result of the Sedco Forex merger. At December 31, 2000, there were approximately 6.9 million total shares available for future grants.

Prior to the spin-off (see Note 3), key employees of Sedco Forex were granted stock options at various dates under the Schlumberger stock option plans. For all of the stock options granted under such plans, the exercise price of each option equaled the market price of Schlumberger stock on the date of grant, each option's maximum term was 10 years and the options generally vested in 20 percent increments over five years. Fully vested options held by Sedco Forex employees at the date of the spin-off will lapse in accordance with their provisions. Non-vested options were terminated and fully vested stock options to purchase ordinary shares of Transocean Sedco Forex Inc. were granted under a new plan (the "SF Plan"). Certain Sedco Forex employees did not join the Company; therefore, their options remained unchanged under the Schlumberger stock option plans.

The following table summarizes option activities:

	Number of Shares Under Option	Weighted- Average Exercise Price
	-----	-----
Schlumberger Options		
Outstanding at December		
31, 1997.....	798,320	\$43.60
Granted.....	14,500	78.38
Exercised.....	(49,900)	30.31
	-----	-----
Outstanding at December		
31, 1998.....	762,920	45.13
Granted.....	121,250	56.83
Exercised.....	(216,616)	33.38
Unvested options		
terminated.....	(282,000)	61.23
Options retained by		
Schlumberger.....	(385,554)	48.56
	-----	-----
Outstanding at December		
31, 1999.....	--	\$ --
	=====	=====
Transocean Sedco Forex Inc. Options		
Options outstanding at		
time of Sedco Forex		
merger.....	2,747,773	\$25.04
Options issued under the		
SF Plan.....	491,645	34.09
Options issued under the		
Incentive Plan.....	20,000	33.69
	-----	-----
Outstanding at December		
31, 1999.....	3,259,418	26.46
Granted.....	1,636,918	37.30
Exercised.....	(499,428)	23.99
Unvested options		
terminated.....	(22,500)	37.00
	-----	-----
Outstanding at December		
31, 2000.....	4,374,408	\$30.74
	=====	=====
Exercisable at December		
31, 1998.....	444,220	\$35.80
Exercisable at December		
31, 1999.....	3,239,418	\$26.41
Exercisable at December		

31, 2000..... 2,754,073 \$26.91

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following table summarizes information about stock options outstanding at December 31, 2000:

Range of Exercise Prices	Weighted-Average Remaining Contractual Life	Options Outstanding		Options Exercisable	
		Number Outstanding	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
\$ 8.38--\$19.17	3.73 years	467,563	\$ 9.96	467,563	\$ 9.96
\$23.44--\$34.63	6.97 years	1,770,811	\$26.12	1,757,476	\$26.06
\$37.00--\$56.31	8.62 years	2,136,034	\$39.13	529,034	\$44.71

At December 31, 2000, there were 77,631 restricted ordinary shares and 79,185 SARs outstanding under the Incentive Plan.

Employee Stock Purchase Plan--The Company provides a stock purchase plan (the "Stock Purchase Plan") for certain full-time employees. Under the terms of the Stock Purchase Plan, employees can choose each year to have between two and 20 percent of their annual base earnings withheld to purchase up to \$25,000 of the Company's ordinary shares. The purchase price of the stock is 85 percent of the lower of its beginning-of-year or end-of-year market price. As of December 31, 2000, up to 750,000 ordinary shares were reserved for issuance pursuant to the Stock Purchase Plan.

As discussed in Note 2, APB 25 and related interpretations are applied in accounting for stock-based compensation plans. If compensation expense for stock options granted under the Schlumberger stock option plans for the years ended December 31, 1999 and 1998 and the Incentive Plan and the Stock Purchase Plan for the year ended December 31, 2000, were recognized using the alternative fair value method of accounting under SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts indicated below:

Years ended December 31,  
-----  
2000      1999      1998  
-----  
(In thousands)

Net Income				
As Reported.....	\$108,548	\$58,103	\$341,578	
Pro Forma.....	101,454	56,274	339,537	
Basic Earnings Per Share				
(Unaudited pro forma prior to the effective date of the Sedco Forex merger)				
As Reported.....	\$ 0.52	\$ 0.53	\$ 3.12	
Pro Forma.....	0.48	0.51	3.10	
Diluted Earnings Per Share				
(Unaudited pro forma prior to the effective date of the Sedco Forex merger)				
As Reported.....	\$ 0.51	\$ 0.53	\$ 3.12	
Pro Forma.....	0.48	0.51	3.10	

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The above pro forma amounts are not indicative of future pro forma results. The fair value of each option grant under the Schlumberger stock option plans for the years ended December 31, 1999 and 1998 and the Incentive Plan for the year ended December 31, 2000, are estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2000, 1999 and 1998:

	2000 -----	1999 -----	1998 -----
Dividend yield.....	0.25%	0.75%	0.75%
Expected price volatility range.....	46-47%	26-27%	21-25%
Risk-free interest rate range.....	6.13-6.56%	4.86-5.22%	4.35-5.62%
Expected life of options...	4.00 years	5.60 years	5.02 years
Weighted-average fair value of options granted.....	\$ 15.21	\$ 18.31	\$ 23.18

The fair value of each option grant under the Stock Purchase Plan for the year ended December 31, 2000, is estimated using the following weighted-average assumptions for grants in 2000:

	2000 -----
Dividend yield.....	0.25%
Expected price volatility range.....	50%
Risk-free interest rate range.....	5.64%
Expected life of options.....	Less than one year
Weighted-average fair value of options granted.....	\$7.67

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 13--Retirement Plans and Other Postemployment Benefits

Qualified Defined Benefit Pension Plans--The change in benefit obligation, change in plan assets and funded status for the year ended December 31, 2000 is shown in the table below. These changes are not presented for the year ended December 31, 1999 because, pursuant to the Distribution Agreement (see Note 3), Schlumberger retained the benefit obligation and plan assets related to the Sedco Forex employees prior to the merger.

	December 31, 2000	
	-----	
	(In thousands)	
Change in benefit obligation		
Benefit obligation at beginning of year.....	\$133,301	
Service cost.....	9,479	
Interest cost.....	9,121	
Actuarial losses.....	4,059	
Plan settlements.....	(17,437)	
Benefits paid.....	(4,939)	
	-----	
Benefit obligation at end of year.....	\$133,584	
	-----	
Change in plan assets		
Fair value of plan assets at beginning of year.....	\$134,377	
Actual return on plan assets.....	(486)	
Company contributions.....	8,762	
Benefits paid.....	(24,984)	
	-----	
Fair value of plan assets at end of year.....	\$117,669	
	-----	
Funded status.....	\$(15,915)	
Unrecognized net actuarial gain.....	10,346	
Unrecognized prior service cost.....	165	
	-----	
Accrued pension liability.....	\$ (5,404)	
	=====	
Comprised of:		
Prepaid benefit cost.....	\$ 18,893	
Accrued benefit liability.....	(24,297)	
	-----	
Accrued pension liability.....	\$ (5,404)	
	=====	

Weighted-average assumptions

	As of December 31,	
	-----	
	2000	1999
	-----	
Discount rate.....	7.36%	7.75%
Expected return on plan assets.....	8.69%	9.0%
Rate of compensation increase.....	5.83%	4.5%

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Net periodic benefit cost included the following components:

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Components of Net Periodic Benefit Cost			
Service cost.....	\$ 9,479	\$ 689	\$ 396
Interest cost.....	9,121	548	460
Expected return on plan assets.....	(8,856)	(575)	(485)
Amortization of transition asset.....	--	(6)	(6)
Amortization of prior service cost.....	17	44	43
Recognized net actuarial gains.....	(1,020)	--	--
Early retirement charge.....	--	134	--
	-----	-----	-----
Benefit cost.....	\$ 8,741	\$ 834	\$ 408
	=====	=====	=====

The aggregate projected benefit obligation and fair value of plan assets for plans with projected benefit obligations in excess of plan assets were \$48.8 million and \$15.0 million, respectively, at December 31, 2000.

The aggregate accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were \$16.2 million and \$4.0 million, respectively, at December 31, 2000.

The aggregate projected benefit obligation, fair value of plan assets and funded status were \$133.3 million, \$134.4 million and \$1.1 million, respectively, at December 31, 1999.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Postretirement Benefits Other Than Pensions--The change in benefit obligation, change in plan assets and funded status for the year ended December 31, 2000 is shown in the table below. This change is not presented for the year ended December 31, 1999 because Schlumberger retained the postretirement benefit obligation for retirees and fully eligible participants of the plan, which amounted to approximately \$4 million at December 31, 1999.

	December 31, 2000	
	-----	
	(In thousands)	
Change in benefit obligation		
Benefit obligation at beginning of year.....	\$ 8,676	
Service cost.....	245	
Interest cost.....	838	
Actuarial losses.....	2,412	
Participants contributions.....	50	
Plan amendments.....	393	
Benefits paid.....	(608)	
	-----	
Benefit obligation at end of year.....	\$ 12,006	
	-----	
Change in plan assets		
Fair value of plan assets at beginning of year.....	\$ 640	
Actual return on plan assets.....	171	
Company contributions.....	394	
Participants contributions.....	50	
Benefits paid.....	(608)	
	-----	
Fair value of plan assets at end of year.....	\$ 647	
	-----	
Funded status.....	\$(11,359)	
Unrecognized net actuarial gain.....	998	
Unrecognized prior service cost.....	355	
	-----	
Postretirement benefit liability.....	\$(10,006)	
	=====	

Weighted-average assumptions

	As of December 31,	
	-----	
	2000	1999
	-----	
Discount rate.....	7.25%	7.75%
Expected return on plan assets.....	7.00%	N/A
Rate of compensation increase.....	5.50%	N/A

Net periodic benefit cost included the following components:

	Years ended		
	December 31,		
	-----		
	2000	1999	1998
	-----		
	(In thousands)		
Components of Net Periodic Benefit Cost			
Service cost.....	\$ 245	\$207	\$136
Interest cost.....	838	346	295
Amortization of prior service cost.....	38	(4)	(4)
Amortization of unrecognized net gain.....	(7)	(41)	(61)
Expected return on plan assets.....	(47)	--	--
	-----	-----	-----



Benefit Cost.....	\$1,067	\$508	\$366
	=====	=====	=====

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

For measurement purposes, the rate of increase in the per capita costs of covered health care benefits was assumed to be 7.35 percent in 2000, decreasing gradually to 5.25 percent by the year 2003.

The assumed health care cost trend rate has significant impact on the amounts reported for postretirement benefits other than pensions. A one-percentage point change in the assumed health care trend rate would have the following effects:

	One- Percentage Point Increase	One- Percentage Point Decrease
	-----	-----
	(In thousands)	
Effect on total service and interest cost components in 2000.....	\$ 110	\$ (88)
Effect on postretirement benefit obligations as of December 31, 2000.....	\$1,037	\$(850)

The aggregate accumulated postretirement benefit obligation, fair value of plan assets and funded status were \$8.7 million, \$0.6 million and \$(8.1) million at December 31, 1999.

Defined Contribution Plans--The Company provides a defined contribution pension and savings plan covering senior non-U.S. field employees working outside the United States. Contributions and costs are determined as 4.5 percent to 6.5 percent of each covered employee's salary, based on years of service. In addition, the Company sponsors a U.S. defined contribution savings plan. It covers certain employees and limits Company contributions to no more than 4.5 percent of each covered employee's salary, based on the employee's contribution. The Company also sponsors various other defined contribution plans worldwide. The Company recorded approximately \$11.5 million of expense related to its defined contribution plans for the year ended December 31, 2000.

Pursuant to an employee matters agreement with Schlumberger, Schlumberger will continue to maintain various non-U.S. defined benefit and defined contribution plans. Expenses for these funds were immaterial for each of the two years ended December 31, 1999.

Deferred Compensation Plan--The Company provides a Deferred Compensation Plan (the "Plan"). The Plan's primary purpose is to provide tax-advantageous asset accumulation for a select group of management, highly compensated employees and non-employee members of the Board of Directors of the Company.

Eligible employees who enroll in the Plan may elect to defer up to a maximum of 90 percent of base salary, 100 percent of any future performance awards, 100 percent of any special payments and 100 percent of directors' meeting fees and annual retainers; however, the Administrative Committee (three individuals appointed by the Compensation Committee of the Board of Directors) may, at its discretion, establish minimum amounts that must be deferred by anyone electing to participate in the Plan. In addition, the Compensation Committee may authorize employer contributions to participants and the Chief Executive Officer of the Company (with Compensation Committee approval) is authorized to cause the Company to enter into "Deferred Compensation Award Agreements" with such participants. There were no employer contributions to the Plan during the year ending December 31, 2000.

Note 14--Investments in and Advances to Joint Ventures

The Company has a 25 percent interest in Sea Wolf Drilling Limited ("Sea Wolf"). In September 1997, Sedco Forex sold two semisubmersible rigs, the Drill Star and Sedco Explorer, to Sea Wolf. The rigs are operated by the Company under bareboat charters. The sale resulted in a deferred gain of \$157 million which is being amortized to operating and maintenance expense over the six year life of the bareboat charter (see Note 20).

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The Company has a 50 percent interest in Overseas Drilling Limited ("ODL"), which owns the high-specification drillship, Joides Resolution. The drillship is contracted to perform drilling and coring operations in deep waters worldwide for the purpose of scientific research. The Company manages and operates the vessel on behalf of ODL.

The Company has a 24.89 percent interest in Arcade Drilling as ("Arcade"), a Norwegian offshore drilling company. Arcade owns two high-specification semisubmersible rigs, the Henry Goodrich and Paul B. Loyd, Jr. The investment in Arcade was recorded at fair value as part of the Sedco Forex merger. At December 31, 2000, the difference between the book value of the Company's investment in Arcade and the Company's share of Arcade's underlying equity is approximately \$26.6 million. This difference is being amortized over a period of 25 years. R&B Falcon has a controlling interest in Arcade.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 15--Segments, Geographical Analysis and Major Customers

The Company operates in one industry segment, offshore contract drilling services. For the year ended December 31, 2000, Statoil, BP and Petrobras accounted for approximately 16.8 percent, 14.4 percent and 12.5 percent, respectively, of the Company's operating revenues. For the years ended December 31, 1999 and 1998, the Royal Dutch Shell Group accounted for approximately 16.2 percent and 19.2 percent, respectively, of the Company's operating revenues. The loss of these or other significant customers could have a material adverse effect on the Company's results of operations.

Operating revenues and long-lived assets by country are as follows:

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
<b>Operating Revenues</b>			
United States.....	\$ 265,032	\$ 1,993	\$ 36,911
Norway.....	248,462	--	--
United Kingdom.....	158,903	124,918	344,061
Brazil.....	153,581	60,607	79,780
Nigeria.....	76,232	69,326	118,935
Indonesia.....	54,657	88,158	124,904
Angola.....	47,632	53,107	75,529
Australia.....	40,190	62,347	91,108
Rest of the World.....	184,824	187,780	219,295
<b>Total Operating Revenues.....</b>	<b>\$1,229,513</b>	<b>\$ 648,236</b>	<b>\$1,090,523</b>
<b>Long-Lived Assets</b>			
United States.....	\$2,038,845	\$ 1,372,224	\$ 37,658
Spain.....	777,599	193,675	--
Norway.....	657,265	705,122	--
United Kingdom.....	504,838	630,086	148,808
Brazil.....	383,794	386,568	84,126
Congo.....	55,824	35,519	59,785
Angola.....	36,159	25,740	51,552
Singapore.....	8,485	212,986	62,519
France.....	6,813	492,400	225,000
Goodwill (a).....	1,037,855	1,067,594	--
Rest of the World.....	403,155	459,390	288,778
<b>Total Long-Lived Assets.....</b>	<b>\$5,910,632</b>	<b>\$ 5,581,304</b>	<b>\$ 958,226</b>

(a) Goodwill resulting from the Sedco Forex merger has not been allocated to individual countries.

A substantial portion of the Company's assets are mobile. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the earnings generated by such assets during the periods.

The Company's international operations are subject to certain political and other uncertainties, including risks of war and civil disturbances (or other events that disrupt markets), expropriation of equipment, repatriation of income or capital, taxation policies, and the general hazards associated with certain areas in which operations are conducted.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 16--1999 and 1998 Charges

Operating and maintenance expense for the years ended December 31, 1999 and 1998 included charges totaling \$42.0 million and \$23.4 million, respectively. Reduced exploration and development activity by customers, resulting from a period of low oil prices from late 1997 through early 1999 and industry consolidation over the same time period, resulted in a slowdown in the offshore drilling industry during 1998 and 1999. As a result of this slowdown, approximately 1,000 operating personnel were determined to be redundant, and charges associated with termination and severance benefits of \$13.2 million and \$3.6 million were recognized during 1999 and 1998, respectively. Substantially all of these employees had been terminated and severance and termination costs had been paid as of December 31, 1999. Provisions for potential legal claims of \$28.8 million and \$10.0 million were recognized during 1999 and 1998, respectively (see Note 11). Asset impairment charges of \$9.8 million were recognized in 1998 related to assets retired from the active fleet.

Note 17--Related Party Transactions

In certain countries prior to the Sedco Forex merger, Sedco Forex participated in Schlumberger's centralized treasury and cash processes. In these countries, cash was managed either through zero balance accounts or an interest-bearing offsetting mechanism. Cash disbursements for operations, acquisitions and other investments were funded as needed from Schlumberger.

The financials statements for the years ended December 31, 1999 and 1998 included allocations from Schlumberger of certain corporate expenses, including centralized research and engineering, legal, accounting, employee benefits, real estate, insurance, information technology services, treasury and other corporate and infrastructure costs. Although not directly attributable to Sedco Forex's operations, these expenses were allocated to Sedco Forex on bases that Schlumberger and Sedco Forex considered to be a reasonable reflection of the utilization of services provided or the benefit received by Sedco Forex. The allocation methods included relative revenues, headcount, square footage, transaction processing costs, adjusted operating expenses and others. These allocations resulted in charges being recorded in the consolidated statements of operations, as follows:

	Years Ended December 31,	
	1999	1998
	-----	
	1999	1998
	-----	
	(In thousands)	
Operating and maintenance.....	\$ 56,184	\$78,350
General and administrative.....	7,978	9,433
	-----	
	\$ 64,162	\$87,783
	=====	

The Company incurred expenses amounting to approximately \$9 million for the year ended December 31, 2000 for transitional services provided by Schlumberger.

During 1999, Sedco Forex had long-term debt due to Schlumberger. These loans bore interest at rates based on 50 basis points over LIBOR and were used to finance both Sedco Forex's existing fleet of rigs and ongoing major construction projects. Interest expense on related party indebtedness aggregated \$26 million and \$11 million for 1999 and 1998, respectively. On December 31, 1999, the Company repaid these loans in connection with the Sedco Forex merger.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 18--Earnings Per Share

The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per share is as follows:

	Years ended December 31,		
	2000	1999	1998
	(In thousands, except per share data)		
Income Before Extraordinary Item.....	\$107,124	\$58,103	\$341,578
Gain on Extraordinary Item, Net of Tax.....	1,424	--	--
Net Income.....	<u>\$108,548</u>	<u>\$58,103</u>	<u>\$341,578</u>
Weighted Average Shares Outstanding (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Shares for basic earnings per share.....	210,419	109,564	109,564
Effect of dilutive securities:			
Employee stock options and unvested stock grants..	1,253	72	72
Adjusted weighted-average shares and assumed conversions for diluted earnings per share.....	<u>211,672</u>	<u>109,636</u>	<u>109,636</u>
Basic Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Income Before Extraordinary Item.....	\$ 0.51	\$ 0.53	\$ 3.12
Gain on Extraordinary Item, Net of Tax.....	0.01	--	--
Net Income.....	<u>\$ 0.52</u>	<u>\$ 0.53</u>	<u>\$ 3.12</u>
Diluted Earnings Per Share (Unaudited pro forma prior to the effective date of the Sedco Forex merger)			
Income Before Extraordinary Item.....	\$ 0.50	\$ 0.53	\$ 3.12
Gain on Extraordinary Item, Net of Tax.....	0.01	--	--
Net Income.....	<u>\$ 0.51</u>	<u>\$ 0.53</u>	<u>\$ 3.12</u>

Ordinary shares subject to issuance pursuant to the conversion features of the convertible debentures (see Note 6) are not included in the calculation of adjusted weighted-average shares and assumed conversions for diluted earnings per share because the effect of including those shares is anti-dilutive.

Sedco Forex did not have a separate capital structure prior to the spin-off from Schlumberger and merger with Transocean Offshore Inc. Accordingly, historical earnings per share has not been presented for the periods prior to the merger (see Note 1). Unaudited pro forma earnings per share for each period presented was calculated using the Transocean Sedco Forex Inc. ordinary shares issued pursuant to the merger agreement and the dilutive effect of Transocean Sedco Forex Inc. stock options granted to former Sedco Forex employees at the time of the merger, as applicable.

TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 19--Quarterly Results (Unaudited)

Shown below are selected unaudited quarterly data:

Quarter -----	First	Second	Third	Fourth
	----- (In thousands, except per share data)			
<b>2000</b>				
Operating Revenues.....	\$300,849	\$299,243	\$314,483	\$314,938
Operating Income (Loss) (a)(b).....	37,591	43,178	60,047	(7,733)
Income (Loss) Before Extraordinary Item (b).....	32,477	35,943	47,854	(9,150)
Net Income (Loss) (b).....	32,477	35,943	49,278	(9,150)
Basic Earnings (Loss) Per Share (b) Income (Loss) Before Extraordinary Item.....	\$ 0.15	\$ 0.17	\$ 0.22	\$ (0.04)
Diluted Earnings (Loss) Per Share (b) Income (Loss) Before Extraordinary Item.....	\$ 0.15	\$ 0.17	\$ 0.22	\$ (0.04)
Weighted Average Shares Outstanding Shares for basic earnings per share...	210,153	210,387	210,526	210,605
Shares for diluted earnings per share.....	211,048	211,700	212,016	210,605
<b>1999</b>				
Operating Revenues.....	\$189,158	\$162,432	\$165,250	\$131,396
Operating Income (Loss) (a)(c).....	7,767	32,402	29,338	(20,163)
Net Income (Loss) (c).....	11,336	27,358	31,804	(12,395)
Unaudited Pro Forma Basic and Diluted Earnings (Loss) Per Share (c)(d) Net Income (Loss).....	\$ 0.10	\$ 0.25	\$ 0.29	\$ (0.11)
Unaudited Pro Forma Weighted Average Shares Outstanding(d)				

Shares for basic earnings per share..... 109,564 109,564 109,564 109,564  
 Shares for diluted earnings per share..... 109,636 109,636 109,636 109,636

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- (a) First and second quarter 2000 and third and fourth quarter 1999 included certain reclassifications for minority interest and gain (loss) from sale of assets to conform with the current presentation.
  - (b) Third quarter 2000 included an extraordinary gain of \$1.4 million, net of income taxes, relating to the early termination of debt. Fourth quarter 2000 included charges totaling \$37.2 million related to the settlement of an arbitration proceeding with Global Marine and a \$6.7 million (\$4.8 million after taxes) increase in provisions for legal claims.
  - (c) First quarter 1999 included charges totaling \$42.0 million (\$32.5 million after taxes) for severance liabilities and provisions for potential legal claims. Fourth quarter 1999 included charges totaling \$13.4 million for provisions for doubtful accounts receivable in West Africa and dayrate contract penalties in Brazil.
  - (d) Unaudited pro forma earnings per share was calculated using the Transocean Sedco Forex Inc. ordinary shares issued pursuant to the Sedco Forex merger agreement and the dilutive effect of Transocean Sedco Forex Inc. stock options granted to former Sedco Forex employees at the time of the Sedco Forex merger, as applicable.

Note 20--Subsequent Events (Unaudited)

Merger with R&B Falcon--On January 31, 2001, the Company announced the closing of its merger with R&B Falcon, creating the world's largest offshore drilling contractor. R&B Falcon's operating revenues for the year ended December 31, 2000 were approximately \$1.1 billion. Pursuant to the merger agreement, the Company issued approximately 106 million ordinary shares to R&B Falcon shareholders at the exchange ratio of 0.5 shares of the Company's shares for each share of R&B Falcon. Following the merger, the Company's ordinary shares issued and outstanding were approximately 317 million. The purchase price was approximately \$6.7 billion using the number of the

Company's ordinary shares to be issued in the merger and the average closing price of the Company's ordinary shares for a period immediately before and after the date the merger was announced, plus



TRANSOCEAN SEDCO FOREX INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

estimated direct costs and the estimated fair value of R&B Falcon stock options and warrants assumed in the merger. The assets and liabilities of R&B Falcon will be recorded at their estimated fair values at the date of the merger, with the excess of the purchase price over the sum of such fair values recorded as goodwill.

**Sale of Rigs by Sea Wolf Joint Venture--**In February 2001, Sea Wolf, a joint venture in which the Company holds a 25 percent interest sold two semisubmersible rigs, the Drill Star and Sedco Explorer. The Company will accelerate the amortization of deferred gains relating to both rigs, which are derived from the original sale of the rigs by the Company to the joint venture. This will result in the recognition of an incremental pre-tax gain of approximately \$27 million during the first quarter of 2001. The Company will continue to operate the Drill Star, which has been renamed the Pride North Atlantic, under a bareboat charter agreement until approximately September 2001. The amortization of the Drill Star's deferred gain will continue through September and will produce incremental gains totaling an estimated \$12 million in both the second and third quarters of 2001. The Company's bareboat charter on the Sedco Explorer has been terminated.

**Collection of Previously Reserved Receivables--**In February 2001, the Company received approximately \$10 million in payment of certain trade receivables relating to Nigerian operations. These receivables had been fully reserved in 1999.

**Tender Offer, Redemption and Bridge Facility--**On March 5, 2001, the Company entered into a \$1.2 billion 364-day revolving credit agreement with a group of banks led by SunTrust Bank, Atlanta, as syndication agent (the "Bridge Revolving Credit Agreement"). The purpose of the Bridge Revolving Credit Agreement is to provide liquidity to the Company in connection with the redemption of the \$200.0 million of 12.25% Senior Notes, the \$400.0 million of 11% Senior Secured Notes (the "11% Secured Notes") and the tender offer for the \$400.0 million of 11.375% Senior Secured Notes (the "11.375% Secured Notes"). Amounts outstanding under the Bridge Revolving Credit Agreement bear interest, at the Company's option, at a base rate or LIBOR plus a margin (0.475 percent per annum at March 5, 2001) that will vary from 0.190 percent to 0.725 percent, depending on the Company's senior unsecured public debt rating. A utilization fee (0.125 percent per annum at March 5, 2001) is payable if amounts outstanding under the Bridge Revolving Credit Agreement are greater than \$396 million. The Bridge Revolving Credit Agreement contains substantially the same restrictive covenants as are contained in the Term Loan Agreement and the SunTrust Revolving Credit Agreements.

On March 5, 2001, R&B Falcon commenced a tender offer for all of the outstanding 11.375% Secured Notes. Under the terms of the offer, R&B Falcon will purchase the outstanding 11.375% Secured Notes at a purchase price determined by reference to a fixed spread of 50 basis points over the yield to maturity of the United States Treasury 4 3/4% Note due February 15, 2004, plus accrued interest to the date of payment of such purchase price. The purchase price includes an amount equal to 3 percent of the principal amount that will be paid only for 11.375% Secured Notes tendered at or prior to a "consent payment deadline," which is expected to be 5:00 P.M., New York City time, on March 22, 2001. In connection with the offer, R&B Falcon is also seeking consents to certain proposed amendments to the Indenture under which the 11.375% Secured Notes were issued. The offer will expire at 5:00 P.M., New York City time, on April 9, 2001, unless extended or earlier terminated. Payment for the tendered 11.375% Secured Notes will be made in same day funds on the first business day following expiration of the offer, or as soon thereafter as practicable.

Concurrently with the launch of the offer, RBF Finance Co. has called the 11% Secured Notes and R&B Falcon has called the 12.25% Notes for redemption on April 6, 2001, in each case at the applicable redemption price.

The Company has agreed to provide R&B Falcon with sufficient funds to pay for all securities purchased pursuant to the offer or redeemed in the redemption. The Company expects to obtain the funds to pay for the tender and call offers by issuing commercial paper, drawing down on the Bridge Revolving Credit Agreement or long-term debt financing, or by a combination of the foregoing sources. The Company expects to incur an estimated \$18 million extraordinary loss, net of tax, in the second quarter of 2001 related to the early extinguishment of this debt.

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

The Company has not had a change in or disagreement with its accountants within 24 months prior to the date of its most recent financial statements or in any period subsequent to such date.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

ITEM 11. Executive Compensation

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

ITEM 13. Certain Relationships and Related Transactions

The information required by Items 10, 11, 12 and 13 is incorporated herein by reference to the Company's definitive proxy statement for its 2001 annual general meeting of shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days of December 31, 2000. Certain information with respect to the executive officers of the Company is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

PART IV

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

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

(1) Financial Statements

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Included in Part II of this report:

Report of Independent Auditors.....	45
Report of Independent Accountants.....	46
Consolidated Statements of Operations.....	47
Consolidated Balance Sheets.....	48
Consolidated Statements of Equity.....	49
Consolidated Statements of Cash Flows.....	50
Notes to Consolidated Financial Statements.....	51

Financial statements of 50 percent or less owned joint ventures are not presented herein because such joint ventures do not meet the significance test.

(2) Financial Statement Schedules

Transocean Sedco Forex Inc. and Subsidiaries  
Schedule II--Valuation and Qualifying Accounts

	Additions			Deductions- Describe	Balance at End of Period
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts- Describe		
(In thousands)					
Year Ended December 31, 1998					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable..	\$ 1,662	\$ 2,216	\$ --	\$3,049(5)	\$ 829
Allowance for obsolete materials and supplies.....	9,226	1,962	--	994(6)	10,194
Year Ended December 31, 1999					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable..	829	13,839	12,564(1)	123(5)	27,109
Allowance for obsolete materials and supplies.....	10,194	1,795	12,582(2)	1,439(6)	23,132
Year Ended December 31, 2000					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable..	27,109	20,012	151(3)	23,013(5)	24,259
Allowance for obsolete materials and supplies.....	\$23,132	\$ 289	\$ (232)(4)	\$ (75)(6)(7)	\$23,264

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- (1) Amount includes \$10,464 relating to the allowance for doubtful accounts receivable assumed in the Sedco Forex merger and \$2,100 in receivable reserves reclassifications.
  - (2) Amount includes \$12,582 relating to the allowance for obsolete materials and supplies assumed in the Sedco Forex merger.
  - (3) Amount represents the income statement effect of revaluation of amounts denominated in currencies other than U.S. dollars.
  - (4) Amount includes \$423,234 related to a write-off to assets held for sale.
  - (5) Uncollectible accounts receivable written off, net of recoveries.
  - (6) Obsolete materials and supplies written off, net of scrap.
  - (7) Amount includes \$685,045 related to reversals of prior year write-offs.

Other schedules are omitted either because they are not required or are not applicable, or because the required information is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS ON THE

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of Schlumberger Limited

Our audits of the combined financial statements referred to in our report dated August 6, 1999 appearing in the 2000 Annual Report to Shareholders of Transocean Sedco Forex Inc. (previously Sedco Forex Holdings Limited) (which report and combined financial statements are included in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein, as of and for the year ended December 31, 1998, when read in conjunction with the related combined financial statements.

/s/ PricewaterhouseCoopers LLP

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PricewaterhouseCoopers LLP

New York, New York

August 6, 1999

(3) Exhibits

The following exhibits are filed in connection with this Report:

Number	Description
-----	-----
2.1	Agreement and Plan of Merger dated as of August 19, 2000 by and among Transocean Sedco Forex Inc., Transocean Holdings Inc., TSF Delaware Inc. and R&B Falcon Corporation (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.2	Agreement and Plan of Merger dated as of July 12, 1999 among Schlumberger Limited, Sedco Forex Holdings Limited, Transocean Offshore Inc. and Transocean SF Limited (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.3	Distribution Agreement dated as of July 12, 1999 between Schlumberger Limited and Sedco Forex Holdings Limited (incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.4	Agreement and Plan of Merger and Conversion dated as of March 12, 1999 between Transocean Offshore Inc. and Transocean Offshore (Texas) Inc. (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 of Transocean Offshore (Texas) Inc. filed on April 8, 1999 (Registration No. 333-75899))
2.5	Agreement and Plan of Merger dated as of July 10, 1997 among R&B Falcon, FDC Acquisition Corp., Reading & Bates Acquisition Corp., Falcon Drilling Company, Inc. and Reading & Bates Corporation (Filed as Exhibit 2.1 to R&B Falcon's Registration Statement on Form S-4 dated November 20, 1997 and incorporated herein by reference)
2.6	Agreement and Plan of Merger dated as of August 21, 1998 by and among Cliffs Drilling Company, R&B Falcon Corporation and RBF Cliffs Drilling Acquisition Corp. (Filed as Exhibit 2 to R&B Falcon's Registration Statement No. 333-63471 on Form S-4 dated September 15, 1998 and incorporated herein by reference)
3.1	Memorandum of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex E to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
3.2	Articles of Association of Transocean Sedco Forex Inc., as amended (incorporated by reference to Annex F to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
4.1	Credit Agreement dated as of July 30, 1996 among Sonat Offshore Drilling Inc., the Lenders party thereto, ABN AMRO Bank, as Agent, and the Co-Agents listed therein (incorporated by reference to Exhibit 10-(1) to the Company's Form 10-Q for the quarter ending June 30, 1996)
4.2	First Amendment to Credit Agreement dated as of April 24, 1997 (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the quarter ending March 31, 1997)
4.3	Second Amendment to Credit Agreement dated as of December 19, 1997 (incorporated by reference to Exhibit 4.4 to the Company's Form 10-K for the year ending December 31, 1997)
4.4	Third Amendment to Credit Agreement dated May 22, 1998 (incorporated by reference to Exhibit 4.9 to the Company's Form 10-Q for the quarter ending June 30, 1998)
4.5	Secured Loan Agreement dated as of December 21, 1999 among Transocean Enterprise Inc., the Liquidity Providers party thereto and ABN AMRO Bank, as Agent and Enhancer (incorporated by reference to Exhibit 4.5 to the Company's Form 10-K for the year ending December 31, 1997)

Number -----	Description -----
4.6	Credit Agreement dated as of December 16, 1999 among Transocean Offshore Inc., the Lenders party thereto, and SunTrust Bank, Atlanta, as Agent (incorporated by reference to Exhibit 4.6 to the Company's Form 10-K for the year ending December 31, 1997)
4.7	Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated April 29, 1997)
4.8	First Supplemental Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee, supplementing the Indenture dated as of April 15, 1997 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated April 29, 1997)
4.9	Second Supplemental Indenture dated as of May 14, 1999 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-59001-99))
4.10	Third Supplemental Indenture dated as of May 24, 2000 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 24, 2000)
4.11	Form of Note (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated April 29, 1997)
4.12	Form of Debenture (incorporated by reference to Exhibit 4.4 to the Company's Form 8-K dated April 19, 1997)
4.13	Form of Zero Coupon Convertible Debenture due May 24, 2020 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 24, 2000)
4.14	Indenture dated as of March 1, 1996, between Falcon Drilling Company, Inc. and Bank One, Texas, N.A., including a form of Note (Filed as an exhibit to Falcon's Registration Statement on Form S-4, filed on March 8, 1996, Registration No. 333-2114 and incorporated herein by reference)
4.15	Indenture dated as of April 14, 1998, between R&B Falcon Corporation, as issuer, and Chase Bank of Texas, National Association, as trustee, with respect to Series A and Series B of each of \$250,000,000 6 1/2% Senior Notes due 2003, \$350,000,000 6 3/4% Senior Notes due 2005, \$250,000,000 6.95% Senior Notes due 2008, and \$250,000,000 7 3/8% Senior Notes due 2018 (Incorporated by reference to Exhibit 4.1 to R&B Falcon's Registration Statement No. 333-56821 on Form S-4 dated June 15, 1998)
4.16	Indenture dated as of December 22, 1998, between R&B Falcon Corporation, as issuer and Chase Bank of Texas, National Association, as trustee, with respect to \$400,000,000 Series A and Series B 9 1/8% Senior Notes due 2003, and 9 1/2% Senior Notes due 2008 (Incorporated by reference to Exhibit 4.21 to R&B Falcon's Annual Report on Form 10-K for 1998)
4.17	Indenture dated as of March 26, 1999, between RBF Finance Co., as issuer, and United States Trust Company of New York, as trustee, with respect to \$400,000,000 11% Senior Secured Notes due 2006 and \$400,000,000 11 3/8% Senior Secured Notes due 2009 (Incorporated by reference to Exhibit 4.1 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
4.18	Indenture dated as of March 26, 1999, between R&B Falcon Corporation, as issuer, and U.S. Trust Company of Texas, National Association, as trustee, with respect to 12 1/4% Senior Notes due 2006 (Incorporated by reference to Exhibit 4.2 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)

Number -----	Description -----
4.19	Indenture dated as of May 15, 1996 among Cliffs Drilling Company, as issuer, Cliffs Drilling Asset Acquisition Company, Cliffs Drilling Merger Company, Cliffs Drilling International, Inc. and Cliffs Oil and Gas Company, as subsidiary guarantors, and Fleet National Bank, predecessor of State Street Bank and Trust Company, as trustee, including a Form of Cliffs Drilling Company's 10.25% Senior Notes due 2003 (incorporated by reference to Exhibit 4.3 to Cliffs Drilling Company's Form 8-K dated May 23, 1996)
4.20	First Supplemental Indenture dated as of July 11, 1996 among Cliffs Drilling Company, as issuer, Southwestern Offshore Corporation (f/k/a Cliffs Drilling Asset Acquisition Company), Cliffs Drilling Merger Company, Cliffs Drilling International, Inc., Cliffs Oil and Gas Company and DRL, Inc., as subsidiary guarantors, and Fleet National Bank, predecessor of State Street Bank and Trust Company, as trustee (incorporated by reference to Exhibit 4.3.1 to Cliffs Drilling Company's Registration Statement on Form S-4, Registration No. 333-08273, filed July 17, 1996)
4.21	Second Supplemental Indenture dated as of January 24, 1997 among Cliffs Drilling Company, as issuer, Southwestern Offshore Corporation (f/k/a Cliffs Drilling Asset Acquisition Company), Cliffs Drilling Merger Company, Cliffs Drilling International, Inc. Cliffs Oil and Gas Company, DRL, Inc. and Greenbay Drilling Company Ltd., as subsidiary guarantors, and Fleet National Bank, predecessor of State Street Bank and Trust Company, as trustee (incorporated by reference to Exhibit 4.6.2 to Cliffs Drilling Company's Form 10-K for the year ended December 31, 1996)
4.22	Third Supplemental Indenture dated as of August 29, 1997 among Cliffs Drilling Company, as issuer, Southwestern Offshore Corporation (f/k/a Cliffs Drilling Asset Acquisition Company), Cliffs Drilling Merger Company, Cliffs Drilling International, Inc., Cliffs Oil and Gas Company, DRL, Inc., Cliffs Drilling Trinidad Limited and West Indies Drilling Joint Venture, as subsidiary guarantors, and State Street Bank and Trust Company, successor to Fleet National Bank, as trustee (incorporated by reference to Exhibit 4.3.3 to Cliffs Drilling Company's Registration Statement on Form S-4, Registration No. 333-36325, filed September 24, 1997)
4.23	Fourth Supplemental Indenture dated as of March 2, 1998 among Cliffs Drilling Company, as issuer, Southwestern Offshore Corporation (f/k/a Cliffs Drilling Asset Acquisition Company), Cliffs Drilling Merger Company, Cliffs Drilling International, Inc., Cliffs Oil and Gas Company, DRL, Inc., Cliffs Drilling Trinidad Limited, West Indies Drilling Joint Venture, Cliffs Drilling (Barbados) Holdings ESRL, Cliffs Drilling (Barbados) SRL and Cliffs Drilling Trinidad Offshore Limited, as subsidiary guarantors, and State Street Bank and Trust Company, successor to Fleet National Bank, as trustee (incorporated by reference to Exhibit 4.3.4 to Cliffs Drilling Company's Form 10-K for the year ended December 31, 1997)
4.24	Indenture dated as of August 7, 1997 among Cliffs Drilling Company, as issuer, Southwestern Offshore Corporation, Cliffs Drilling Merger Company, Cliffs Drilling International, Inc., Cliffs Oil and Gas Company and DRL, Inc. as subsidiary guarantors, and State Street Bank and Trust Company, as trustee, including a form of Cliffs Drilling Company's 10.25% Senior Notes due 2003 (incorporated by reference to Exhibit 4.4 to Cliffs Drilling Company's Registration Statement on Form S-4, Registration No. 333-36325, filed September 24, 1997)
4.25	First Supplemental Indenture dated as of August 29, 1997 among Cliffs Drilling Company, as issuer, Southwestern Offshore Corporation, Cliffs Drilling Merger Company, Cliffs Drilling International, Inc., Cliffs Oil and Gas Company, DRL, Inc., Cliffs Drilling Trinidad Limited and the West Indies Drilling Joint Venture, as subsidiary guarantors, and State Street Bank and Trust Company, as trustee (incorporated by reference to Exhibit 4.4.1 to Cliffs Drilling Company's Registration Statement on Form S-4, Registration No. 333-36325, filed September 24, 1997)

Number -----	Description -----
4.26	Second Supplemental Indenture dated as of March 2, 1998 among Cliffs Drilling Company, as issuer, Southwestern Offshore Corporation, Cliffs Drilling Merger Company, Cliffs Drilling International, Inc., Cliffs Oil and Gas Company, DRL, Inc., Cliffs Drilling Trinidad Limited, West Indies Drilling Joint Venture, Cliffs Drilling (Barbados) Holdings ESRL, Cliffs Drilling (Barbados) SRL and Cliffs Drilling Trinidad Offshore Limited, as subsidiary guarantors, and State Street Bank and Trust Company, as trustee (incorporated by reference to Exhibit 4.7.2 to Cliffs Drilling Company's Form 10-K for the year ended December 31, 1997)
4.27	Warrant Agreement, including form of Warrant, dated April 22, 1999 between R&B Falcon and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 to R&B Falcon's Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)
+4.28	Supplement to Warrant Agreement dated January 31, 2001 among Transocean Sedco Forex Inc., R&B Falcon Corporation and American Stock Transfer & Trust Company
4.29	Registration Rights Agreement dated April 22, 1999 between R&B Falcon and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.2 to R&B Falcon's Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)
+4.30	Supplement to Registration Rights Agreement dated January 31, 2001 between Transocean Sedco Forex Inc. and R&B Falcon Corporation
4.31	Letter of Credit and Reimbursement Agreement among R&B Falcon Corporation, Credit Agricole Indosuez, Credit Lyonnais New York Branch, as syndication agent and Christiania Bank og Kreditkasse ASA, New York Branch, as administrative agent dated as of August 31, 2000 (incorporated by reference to Exhibit 10.2 to R&B Falcon's Form 10-Q for the quarter ending September 30, 2000)
+4.32	Credit Agreement dated as of December 29, 2000 among the Company, the Lenders party thereto, Suntrust Bank, as Administrative Agent, ABN AMRO Bank, N.V., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and Wells Fargo Bank Texas, National Association, as Senior Managing Agent
+4.33	364-Day Credit Agreement dated as of December 29, 2000 among the Company, the Lenders party thereto, Suntrust Bank, as Administrative Agent, ABN AMRO Bank, N.V., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and Wells Fargo Bank Texas, National Association, as Senior Managing Agent
+4.34	364-Day Bridge Credit Agreement dated as of March 5, 2001 among the Company, the Lenders party thereto, U.C. Suntrust Bank, as Syndication Agent, ABN AMRO Bank, N.V., as Administrative Agent, Wells Fargo Bank Texas, National Association, as Documentation Agent, and Bank of America, N.A. as Senior Managing Agent
+4.35	Note Agreement dated as of January 30, 2001 among Delta Towing, LLC, as Borrower, R&B Falcon Drilling USA, Inc., as RBF Noteholder and Beta Marine Services, L.L.C., as Beta Noteholder
10.1	Tax Sharing Agreement between Sonat Inc. and Sonat Offshore Drilling Inc. dated June 3, 1993 (incorporated by reference to Exhibit 10-(3) to the Company's Form 10-Q for the quarter ending June 30, 1993)
*10.2	Performance Award and Cash Bonus Plan of Sonat Offshore Drilling Inc. (incorporated by reference to Exhibit 10-(5) to the Company's Form 10-Q for quarter ending June 30, 1993)
*10.3	Form of Sonat Offshore Drilling Inc. Executive Life Insurance Program Split Dollar Agreement and Collateral Assignment Agreement (incorporated by reference to Exhibit 10-(9) to the Company's Form 10-K for the year ending December 31, 1993)
10.4	Purchase Agreement dated as of April 1, 1987 among Sonat Offshore Drilling Inc., Sonat Offshore Ventures Inc., Dixilyn-Field Drilling Company and Panhandle Eastern Corporation (incorporated by reference to Exhibit 10-(9) to the Company's Registration Statement on Form S-1 (Registration No. 33-60992) dated April 13, 1993)



Number -----	Description -----
10.5	Agreement dated as of June 14, 1995, among Sonat Offshore Ventures Inc., Sonat Offshore Drilling Inc., Dixilyn-Field Drilling Company and Panhandle Eastern Corporation (incorporated by reference to Exhibit 10-(8) to the Company's Form 10-K for the year ending December 31, 1995)
*10.6	Employee Stock Purchase Plan, as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (Registration No. 333-94551) filed January 12, 2000)
+*10.7	First Amendment to the Amended and Restated Employee Stock Purchase Plan of Transocean Sedco Forex Inc., effective as of January 31, 2001
*10.8	Long-Term Incentive Plan of Transocean Sedco Forex Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for the year ending December 31, 1997)
+*10.9	First Amendment to the Amended and Restated Long-Term Incentive Plan of Transocean Sedco Forex Inc., effective as of January 31, 2001
*10.10	Form of Employment Agreement dated May 14, 1999 between J. Michael Talbert, W. Dennis Heagney, Robert L. Long, Jon C. Cole, Donald R. Ray, Eric B. Brown, Barbara S. Koucouthakis and Alan A. Broussard, individually, and the Company (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ending June 30, 1999)
*10.11	Deferred Compensation Plan of Transocean Offshore Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K for the year ending December 31, 1997)
*10.12	Employment Matters Agreement dated as of December 13, 1999 among Schlumberger Limited, Sedco Forex Holdings Limited and Transocean Offshore Inc. (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (Registration No. 333-94551) filed January 12, 2000)
*10.13	Sedco Forex Employees Option Plan of Transocean Sedco Forex Inc. effective December 31, 1999 (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 333-94569) filed January 12, 2000)
*10.14	Employment Agreement dated September 22, 2000 between J. Michael Talbert and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ending September 30, 2000)
*10.15	Employment Agreement dated October 3, 2000 between Jon C. Cole and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ending September 30, 2000)
*10.16	Employment Agreement dated September 17, 2000 between Robert L. Long and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ending September 30, 2000)
*10.17	Employment Agreement dated September 26, 2000 between Donald R. Ray and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ending September 30, 2000)
*10.18	Agreement dated October 8, 2000 between W. Dennis Heagney and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ending September 30, 2000)
*10.19	Agreement dated September 20, 2000 between Eric B. Brown and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ending September 30, 2000)

Number -----	Description -----
*10.20	Agreement dated October 4, 2000 between Barbara S. Koucouthakis and Transocean Offshore Deepwater Drilling Inc. (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ending September 30, 2000)
+*10.21	Consulting Agreement dated January 31, 2001 between Paul B. Loyd, Jr. and R&B Falcon Corporation
10.22	Form of Security Agreement and Assignment of Earnings and Insurances dated as of August 31, 2000, made by R&B Falcon Corporation and Christiania Bank og Kreditkasse ASA, New York Branch, as Collateral Agent (incorporated by reference to Exhibit 10.3 to R&B Falcon's Form 10-Q for the quarter ending September 30, 2000)
10.23	Form of Indenture of First Naval Mortgage (J.W. McLean) between R&B Falcon Corporation and Christiania Bank og Kreditkasse ASA, New York Branch dated August 31, 2000 (incorporated by reference to Exhibit 10.4 to R&B Falcon's Form 10-Q for the quarter ending September 30, 2000)
10.24	Form of Indenture of First Naval Mortgage (J.T. Angel) between R&B Falcon Corporation and Christiania Bank og Kreditkasse ASA, New York Branch dated August 31, 2000 (incorporated by reference to Exhibit 10.5 to R&B Falcon's Form 10-Q for the quarter ending September 30, 2000)
10.25	Form of Indenture of First Naval Mortgage (Randolph Yost) between R&B Falcon Corporation and Christiania Bank og Kreditkasse ASA, New York Branch dated August 31, 2000 (incorporated by reference to Exhibit 10.6 to R&B Falcon's Form 10-Q for the quarter ending September 30, 2000)
10.26	Form of Indenture of First Naval Mortgage (D.R. Stewart) between R&B Falcon Corporation and Christiania Bank og Kreditkasse ASA, New York Branch dated August 31, 2000 (incorporated by reference to Exhibit 10.7 to R&B Falcon's Form 10-Q for the quarter ending September 30, 2000)
10.27	Form of First Preferred Mortgage (George H. Galloway) between R&B Falcon Corporation and Christiania Bank og Kreditkasse ASA, New York Branch dated August 31, 2000 (incorporated by reference to Exhibit 10.8 to R&B Falcon's Form 10-Q for the quarter ending September 30, 2000)
10.28	Senior Secured Loan Agreement, Harvey Ward, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.1 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.29	Senior Secured Loan Agreement, Peregrine II, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.2 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.30	Senior Secured Loan Agreement, Peregrine I, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.3 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.31	Senior Secured Loan Agreement, Deepwater IV, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.4 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.32	Senior Secured Loan Agreement, Falrig 82, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.5 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.33	Senior Secured Loan Agreement, Peregrine IV, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.6 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.34	Senior Secured Loan Agreement, Peregrine VII, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.7 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)

Number -----	Description -----
10.35	Senior Secured Loan Agreement, Falcon 100, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.8 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.36	Senior Secured Loan Agreement, W.D. Kent, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.9 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.37	Senior Secured Loan Agreement, Deepwater Millennium, dated March 26, 1999 between R&B Falcon Corporation, as Borrower, and RBF Finance Co., as Lender (incorporated by reference to Exhibit 10.10 to R&B Falcon's Quarterly Report on Form 10-Q for the First Quarter of 1999)
10.38	Issuer Loan Escrow Agreement dated March 26, 1999 among United States Trust Company of New York, R&B Falcon Corporation and RBF Finance Co. (incorporated by reference to Exhibit 10.2 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.39	Senior Secured Note Escrow Agreement dated March 26, 1999 among United States Trust Company of New York and RBF Finance Co. (incorporated by reference to Exhibit 10.3 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.40	Security Agreement dated as of March 26, 1999 from R&B Falcon Corporation to RBF Finance Co. (Deepwater Millenium) (incorporated by reference to Exhibit 10.14 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.41	Security Agreement dated as of March 26, 1999 from R&B Falcon Corporation to RBF Finance Co. (Deepwater IV) (incorporated by reference to Exhibit 10.15 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.42	Senior Secured Note Security and Pledge Agreement dated as of March 26, 1999 by RBF Finance Co. in favor of United States Trust Company (incorporated by reference to Exhibit 10.16 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.43	First Preferred Ship Mortgage made March 26, 1999 by R&B Falcon Corporation and RBF Finance Co. (Peregrine IV) (incorporated by reference to Exhibit 10.17 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.44	First Preferred Ship Mortgage made March 26, 1999 by R&B Falcon Corporation and RBF Finance Co. (Peregrine VII) (incorporated by reference to Exhibit 10.18 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.45	First Preferred Ship Mortgage made March 26, 1999 by R&B Falcon Corporation and RBF Finance Co. (Falcon 100) (incorporated by reference to Exhibit 10.19 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.46	Deed of Covenants dated March 26, 1999 by and between R&B Falcon Corporation and R&B Finance Co. (Peregrine I) (incorporated by reference to Exhibit 10.20 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.47	Deed of Covenants dated March 26, 1999 by and between R&B Falcon Corporation and R&B Finance Co. (Peregrine II) (incorporated by reference to Exhibit 10.21 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.48	First Naval Mortgage dated April 12, 1999 by R&B Falcon Corporation to R&B Finance Co. (Harvey Ward) (incorporated by reference to Exhibit 10.22 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
10.49	First Naval Mortgage dated April 12, 1999 by R&B Falcon Corporation to R&B Finance Co. (W.D. Kent) (incorporated by reference to Exhibit 10.23 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)

Number -----	Description -----
10.50	First Preferred Ship Mortgage made March 26, 1999 by R&B Falcon Corporation and R&B Finance Co. (Falrig 82) (incorporated by reference to Exhibit 10.24 to R&B Falcon's Registration Statement No. 333-79363 on Form S-4 dated May 26, 1999)
*10.51	1992 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit B to Reading & Bates' Proxy Statement dated April 27, 1992)
*10.52	1995 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement dated March 29, 1995)
*10.53	1995 Director Stock Option Plan of Reading & Bates Corporation (incorporated by reference Exhibit 99.B to Reading & Bates' Proxy Statement dated March 29, 1995)
*10.54	1997 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference Exhibit 99.A to Reading & Bates' Proxy Statement dated March 18, 1997)
*10.55	1998 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 23, 1998)
*10.56	1998 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 23, 1998)
*10.57	1999 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 13, 1999)
*10.58	1999 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 13, 1999)
*10.59	Memorandum of Agreement dated November 28, 1995 between Reading and Bates, Inc., a subsidiary of Reading & Bates Corporation, and Deep Sea Investors, L.L.C. (incorporated by reference to Exhibit 10.110 to Reading & Bates' Annual Report on Form 10-K for 1995)
10.60	Bareboat Charter M. G. Hulme, Jr. dated November 28, 1995 between Deep Sea Investors, L.L.C. and Reading & Bates Drilling Co., a subsidiary of Reading & Bates Corporation (incorporated by reference to Exhibit 10.111 to Reading & Bates' Annual Report on Form 10-K for 1995)
10.61	Amended and Restated Bareboat Charter dated July 23, 1997 to Bareboat Charter M. G. Hulme, Jr. dated November 28, 1995 between Deep Sea Investors, L.L.C. and Reading & Bates Drilling Co., a subsidiary of Reading & Bates Corporation (incorporated by reference to Exhibit 10.176 to R&B Falcon's Annual Report on Form 10-K for 1998)
10.62	Amended and Restated Bareboat Charter dated July 1, 1998 to Bareboat Charter M. G. Hulme, Jr. dated November 28, 1995 between Deep Sea Investors, L.L.C. and Reading & Bates Drilling Co., a subsidiary of Reading & Bates Corporation (incorporated by reference to Exhibit 10.177 to R&B Falcon's Annual Report on Form 10-K for 1998)
10.63	Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.162 to Reading & Bates' Annual Report on Form 10-K for 1996)
10.64	Amendment No. 1 dated February 7, 1997 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.183 to R&B Falcon's Annual Report on Form 10-K for 1998)
10.65	Amendment No. 2 dated April 30, 1997 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.184 to R&B Falcon's Annual Report on Form 10-K for 1998)

Number -----	Description -----
10.66	Amendment No. 3 dated April 24, 1998 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.185 to R&B Falcon's Annual Report on Form 10-K for 1998)
10.67	Amendment No. 4 dated August 7, 1998 to Limited Liability Company Agreement dated October 28, 1996 between Conoco Development Company and RB Deepwater Exploration Inc. (incorporated by reference to Exhibit 10.186 to R&B Falcon's Annual Report on Form 10-K for 1998)
10.68	Limited Liability Company Agreement dated April 30, 1997 between Conoco Development II Inc. and RB Deepwater Exploration II Inc. (incorporated by reference to Exhibit 10.159 to R&B Falcon's Annual Report on Form 10-K for 1997)
10.69	Amendment No. 1 dated April 24, 1998 to Limited Liability Company Agreement dated April 30, 1997 between Conoco Development II Inc. and RB Deepwater Exploration II Inc. (incorporated by reference to Exhibit 10.188 to R&B Falcon's Annual Report on Form 10-K for 1998)
10.70	Guaranty, dated as of July 30, 1998, made by R&B Falcon in favor of the Deepwater Investment Trust 1998-A, Wilmington Trust FSB, not in its individual capacity, but solely as Investment Trustee, Wilmington Trust Company, not in its individual capacity, except as specified herein, but solely as Charter Trustee, BA Leasing & Capital Corporation, as Documentation Agent, ABN Amro Bank N.V., as Administrative Agent, The Bank of Nova Scotia, as Syndication Agent, BA Leasing & Capital Corporation, ABN Amro Bank N.V., Bank Austria Aktiengesellschaft New York Branch, The Bank of Nova Scotia, Bayerische Vereinsbank AG New York Branch, Commerzbank Aktiengesellschaft, Atlanta Agency, Credit Lyonnais New York Branch, Great-West Life and Annuity Insurance Company, Mees Pierson Capital Corporation, Westdeutsche Landesbank Girozentrale, New York Branch, as Certificate Purchasers, and ABN Amro Bank, N.V., Bank of America National Trust and Savings Association and The Bank of Nova Scotia, New York Branch, as Swap Counterparties, and the other parties named therein. (incorporated by reference to Exhibit 10.1 to R&B Falcon's Quarterly Report on Form 10-Q for the Third Quarter of 1998)
10.71	Letter agreement dated as of August 7, 1998 between RBF Deepwater Exploration Inc., an indirect subsidiary of R&B Falcon, and Conoco Development Company and Acknowledgment by Conoco Inc. and R&B Falcon (incorporated by reference to Exhibit 10.2 to R&B Falcon's Quarterly Report on Form 10-Q for the Third Quarter of 1998)
10.72	Letter agreement dated as of August 7, 1998 between RBF Deepwater Exploration Inc., an indirect subsidiary of R&B Falcon, and Conoco Development Company and Acknowledgment by Conoco Inc. and R&B Falcon (incorporated by reference to Exhibit 10.3 to R&B Falcon's Quarterly Report on Form 10-Q for the Third Quarter of 1998)
10.73	Participation Agreement dated as of August 31, 1999 among Deepwater Drilling II L.L.C., Deepwater Investment Trust 1999-A, Wilmington Trust FSB, Wilmington Trust Company, BA Leasing & Capital Corporation, and other Financial Institutions, as Certified Purchasers, solely with respect to Section 2.15, 6.9, 9.4(a) and 12.13(b) R&B Falcon Corporation and Conoco Inc., and solely with respect to Sections 5.2 and 6.4, RBF Deepwater Exploration II Inc. and Conoco Development II Inc. (incorporated by reference to Exhibit 10.9 to R&B Falcon's Quarterly Report on Form 10-Q for the Third Quarter of 1999)
10.74	Appendix 1 to Participation Agreement dated as of August 31, 1999. (incorporated by reference to Exhibit 10.10 to R&B Falcon's Quarterly Report on Form 10-Q for the Third Quarter of 1999)
10.75	Agreement dated as of August 31, 1991 among Reading & Bates, Arcade Shipping AS and Sonat Offshore Drilling Inc. (incorporated by reference to Exhibit 10.40 to Reading & Bates' Annual Report on Form 10-K for 1991)
+21	Subsidiaries of the Company
+23.1	Consent of Ernst & Young LLP

Number	Description
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+23.2	Consent of PricewaterhouseCoopers LLP
+24	Powers of Attorney

- - - - -  
 \*Compensatory plan or arrangement.  
 +Filed herewith.

Exhibits listed above as previously having been filed with the Securities and Exchange Commission are incorporated herein by reference pursuant to Rule 12b-32 under the Securities Exchange Act of 1934 and made a part hereof with the same effect as if filed herewith.

Certain instruments relating to long-term debt of the Company and its subsidiaries have not been filed as exhibits since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of each such instrument to the Commission upon request.

Reports on Form 8-K

During the quarter ended December 31, 2000 the Company filed Current Reports on Form 8-K on October 26, 2000 and on December 4, 2000. The Company filed a Current Report on Form 8-K on October 26, 2000 reporting under Items 5 and 7 thereof the Company's third quarter earnings. The Company filed a Current Report on Form 8-K on December 4, 2000 reporting Items 5 and 7 thereof an update of the Company's fourth quarter earnings prospects.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registration has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 19, 2001.

TRANSOCEAN SEDCO FOREX INC.

/s/ Robert L. Long  
 By: \_\_\_\_\_  
 Robert L. Long  
 Executive Vice President and  
 Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 19, 2001.

Signature -----	Title -----
*	
_____ Victor E. Grijalva	Chairman of the Board of Directors
/s/ J. Michael Talbert _____ J. Michael Talbert	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Robert L. Long _____ Robert L. Long	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Ricardo H. Rosa _____ Ricardo H. Rosa	Vice President and Controller (Principal Accounting Officer)
*	Director
_____ Charles A. Donabedian	
*	Director
_____ Richard D. Kinder	
*	Director
_____ Ronald L. Kuehn, Jr.	
*	Director
_____ Arthur Lindenauer	

Signature

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Title

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\*

Director

\_\_\_\_\_  
Paul B. Loyd, Jr.

\*

Director

\_\_\_\_\_  
Martin B. McNamara

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Director

\_\_\_\_\_  
Roberto Monti

\*

Director

\_\_\_\_\_  
Richard A. Pattarozzi

\*

Director

\_\_\_\_\_  
Alain Roger

\*

Director

\_\_\_\_\_  
Kristian Siem

\*

Director

\_\_\_\_\_  
Ian C. Strachan

/s/ Eric B. Brown

\*By:

\_\_\_\_\_  
Eric B. Brown  
(Attorney-in-Fact)

Director



## SUPPLEMENT TO WARRANT AGREEMENT

THIS SUPPLEMENT TO WARRANT AGREEMENT, dated as of January 31, 2001 (the "Supplement"), by and among Transocean Sedco Forex Inc., a company incorporated under the laws of the Cayman Islands ("Parent"), R&B Falcon Corporation, a Delaware corporation (the "Company"), and American Stock Transfer & Trust Company, a bank and trust company organized and existing under the laws of New York (the "Warrant Agent").

## WITNESSETH:

WHEREAS, pursuant to the Warrant Agreement dated as of April 22, 1999 (the "Warrant Agreement"), by and among the Company and the Warrant Agent, the Company appointed the Warrant Agent to act as agent for the Company in connection with the issuance, exchange, cancellation, replacement and exercise of warrants (the "Warrants") to purchase 35 shares of common stock, par value \$.01 per share, of the Company ("Company Common Stock") issued pursuant to the Warrant Agreement; and

WHEREAS, pursuant to an Agreement and Plan of Merger, dated as of August 19, 2000 (the "Merger Agreement"), by and among Parent, Transocean Holdings Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Sub"), TSF Delaware Inc., a Delaware corporation and a wholly owned subsidiary of Sub, and the Company (i) each outstanding share of Company Common Stock has been converted into the right to receive .5 ordinary shares, par value \$.01 per share, of Parent ("Parent Ordinary Shares") and (ii) the Company has become an indirect wholly owned subsidiary of Parent; and

WHEREAS, pursuant to Section 4.2(f) of the Merger Agreement, Parent has assumed the Warrants.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

1. Parent hereby assumes all obligations of the Company under the Warrant Agreement and agrees to be bound by all of the provisions thereof, as amended by this Supplement.
2. In accordance with Section 17(1) of the Warrant Agreement, each Warrant shall represent the right, subject to the provisions contained in the Warrant Agreement and in the certificate evidencing such Warrant, to purchase from the Company (and the Company shall issue and sell to such holder of the Warrant) 17.5 Parent Ordinary Shares (the "Warrant Shares") on exercise of such Warrant and payment of the exercise price of \$19.00 per Warrant Share (the "Exercise Price").
3. The words "not more than 10,500,000 shares of Common Stock of the Company" in Section 5(b) of the Warrant Agreement shall be amended and replaced by and read as "not more than 5,250,000 Parent Ordinary Shares."

4. To the extent that any provision hereof conflicts with any provision of the Warrant Agreement, the provision hereof shall control. Except as expressly supplemented and amended hereby, the terms and conditions of the Warrant Agreement shall remain in full force and effect.

5. Notwithstanding the date of execution hereof, this Supplement shall be deemed effective as of the Effective Time (as defined in the Merger Agreement).

6. This Supplement shall be governed by and construed in accordance with the laws of New York.

7. This Supplement may be executed in three counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed, as of the day and year first above written.

TRANSOCEAN SEDCO FOREX INC.

By: /s/ Robert L. Long

-----  
Name: Robert L. Long  
Title: Executive Vice President  
and Chief Financial Officer

R&B FALCON CORPORATION

By: /s/ Paul B. Loyd, Jr.

-----  
Name: Paul B. Loyd, Jr.  
Title: Chairman and Chief  
Executive Officer

AMERICAN STOCK TRANSFER & TRUST COMPANY

By: /s/ Herbert J. Lemmer

-----  
Name: Herbert J. Lemmer  
Title: Vice President

## SUPPLEMENT TO WARRANT REGISTRATION RIGHTS AGREEMENT

THIS SUPPLEMENT TO WARRANT REGISTRATION RIGHTS AGREEMENT, dated as of January 31, 2001 (the "Supplement"), is executed by Transocean Sedco Forex Inc., a company incorporated under the laws of the Cayman Islands ("Parent"), and R&B Falcon Corporation, a Delaware corporation (the "Company").

## WITNESSETH:

WHEREAS, pursuant to the Warrant Registration Rights Agreement, dated as of April 22, 1999 (the "Registration Rights Agreement"), by and between the Company and Donaldson, Lufkin & Jenrette Securities Corporation, the Company agreed to provide the registration rights set forth therein; and

WHEREAS, pursuant to the Warrant Agreement dated as of April 22, 1999 (the "Warrant Agreement"), by and among the Company and American Stock Transfer & Trust Company, a bank and trust company organized and existing under the laws of New York (the "Warrant Agent"), the Company appointed the Warrant Agent to act as agent for the Company in connection with the issuance, exchange, cancellation, replacement and exercise of warrants (the "Warrants") to purchase 35 shares of common stock, \$.01 per share, of the Company ("Company Common Stock") issued pursuant to the Warrant Agreement; and

WHEREAS, pursuant to an Agreement and Plan of Merger, dated as of August 19, 2000 (the "Merger Agreement"), by and among Parent, Transocean Holdings Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Sub"), TSF Delaware Inc., a Delaware corporation and a wholly owned subsidiary of Sub, and the Company (i) each outstanding share of Company Common Stock has been converted into the right to receive .5 ordinary shares, par value \$.01 per share, of Parent ("Parent Ordinary Shares") and (ii) the Company has become an indirect wholly owned subsidiary of Parent; and

WHEREAS, pursuant to Section 4.2(f) of the Merger Agreement and the Supplement to Warrant Agreement dated as of January 31, 2001, by and among the Company, Parent and the Warrant Agent, Parent has assumed the Warrants; and

WHEREAS, a registration statement on Form S-4 (Registration No. 333-46374) (the "Registration Statement") covering the issuance of the Warrants pursuant to the Merger and the issuance of the Parent Ordinary Shares upon exercise of the Warrants (the "Warrant Shares") has been declared effective by the Securities and Exchange Commission, and Warrants and Warrant Shares issued pursuant thereto will be freely transferable, except for restrictions applicable to "affiliates" of the Company under the Securities Act of 1933, as amended.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

1. Parent hereby assumes all obligations of the Company under the Registration Rights Agreement and agrees to be bound by all of the provisions thereof, as amended by this Supplement (it being understood that, provided the Registration Statement remains effective until the earlier of the expiration or

exercise of all Warrants, there will be no Transfer Restricted Securities (as defined in the Registration Rights Agreement)).

2. To the extent that any provision hereof conflicts with any provision of the Registration Rights Agreement, the provision hereof shall control. Except as expressly amended hereby, the terms and conditions of the Registration Rights Agreement shall remain in full force and effect.

3. Notwithstanding the date of execution hereof, this Supplement shall be deemed effective as of the Effective Time (as defined in the Merger Agreement).

4. This Supplement shall be governed by and construed in accordance with the laws of New York.

5. This Supplement may be executed in two counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed, as of the day and year first above written.

TRANSOCEAN SEDCO FOREX INC.

By: /s/ Robert L. Long

-----  
Name: Robert L. Long  
Title: Executive Vice President  
and Chief Financial Officer

R&B FALCON CORPORATION

By: /s/ Paul B. Loyd, Jr.

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Name: Paul B. Loyd, Jr.  
Title: Chairman and Chief Executive  
Officer

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CREDIT AGREEMENT

Dated as of

December 29, 2000

Among

TRANSOCEAN SEDCO FOREX INC.,

THE LENDERS PARTIES HERETO,

SUNTRUST BANK,  
as Administrative Agent,

ABN AMRO BANK, N.V.,  
as Syndication Agent,

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

And

WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION,  
as Senior Managing Agent

SUNTRUST EQUITABLE SECURITIES CORPORATION,  
as Lead Arranger and Book Runner

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CREDIT AGREEMENT

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THIS CREDIT AGREEMENT (the "Agreement"), dated as of December 29, 2000, among TRANSOCEAN SEDCO FOREX INC. (the "Borrower"), a Cayman Islands company, the lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), SUNTRUST BANK, a Georgia banking corporation ("STB"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), ABN AMRO BANK, N.V., as syndication agent for the Lenders (in such capacity, the "Syndication Agent"), BANK OF AMERICA, N.A., as documentation agent for the Lenders (in such capacity, the "Documentation Agent"), WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION, as senior managing agent for the Lenders (in such capacity, the "Senior Managing Agent"), and STB, as issuing bank of the Letters of Credit hereunder (STB and any other Lender that issues a Letter of Credit hereunder, in such capacity, an "Issuing Bank").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in its favor a revolving credit facility in the aggregate principal amount of U.S. \$550,000,000, pursuant to which facility loans would be made to, and letters of credit would be issued for the account of, the Borrower;

WHEREAS, the Borrower has further requested that a portion of such loans and letters of credit be made and issued in certain currencies other than U.S. dollars in an aggregate principal amount up to the U.S. dollar equivalent of \$200,000,000;

WHEREAS, the Lenders are willing to make such revolving credit facility available to the Borrower on the terms and subject to the conditions and requirements hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. Unless otherwise defined herein, the following terms shall have the following meanings, which meanings shall be equally applicable to both the singular and plural forms of such terms:

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Revolving Loans for any Interest Period, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR Rate for such Interest Period}}{1.00 - \text{Statutory Reserve Rate}}$$

"Adjusted LIBOR Loan" means a Eurocurrency Revolving Loan bearing interest at a rate based on Adjusted LIBOR as provided in Section 2.7(b).



"Administrative Agent" means SunTrust Bank, acting in its capacity as administrative agent for the Lenders, and any successor Administrative Agent appointed hereunder pursuant to Section 9.7.

"Agreement" means this Credit Agreement, as the same may be amended, restated and supplemented from time to time.

"Applicable Facility Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
A+/A1 or above	0.070%
A/A2	0.080%
A-/A3	0.100%
BBB+/Baa1	0.125%
BBB/Baa2	0.150%
BBB-/Baa3 or below	0.200%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Facility Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Facility Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Facility Fee Rate. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Facility Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Facility Fee Rate in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.125%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Facility Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Facility Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Facility Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Margin" means, for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
A+/A1 or above	0.180%
A/A2	0.220%
A-/A3	0.300%
BBB+/Baa1	0.450%
BBB/Baa2	0.575%
BBB-/Baa3 or below	0.700%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Margin, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Margin, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Margin. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Margin shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Margin in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.450%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Margin shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Margin in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Margin in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Utilization Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
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A+/A1 or above	0.075%
A/A2	0.100%
A-/A3	0.100%
BBB+/Baa1	0.125%
BBB/Baa2	0.125%
BBB-/Baa3 or below	0.150%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Utilization Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Utilization Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Utilization Fee Rate. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Utilization Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Utilization Fee Rate in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.125%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Utilization Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Utilization Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Utilization Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Application" means an application for a Letter of Credit as defined in Section 2.13(b).

"Assignment Agreement" means an agreement in substantially the form of Exhibit 10.10 whereby a Lender conveys part or all of its Commitment, Loans and - ----- participations in Letters of Credit to another Person that is, or thereupon becomes, a Lender, or increases its Commitments, outstanding Loans and outstanding participations in Letters of Credit, pursuant to Section 10.10.

"Base Rate" means for any day the greater of:

(i) the fluctuating commercial loan rate announced by the Administrative Agent from time to time at its Atlanta, Georgia office (or other corresponding office, in the case of any successor Administrative Agent) as its prime rate or base rate for U.S. Dollar loans in the United States of America in effect on such day (which base rate may not be the lowest rate charged by

such Lender on loans to any of its customers), with any change in the Base Rate resulting from a change in such announced rate to be effective on the date of the relevant change; and

(ii) the sum of (x) the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) 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 next Business Day, provided that (A) if such day is not a Business Day, the rate on such transactions on the immediately preceding Business Day as so published on the next Business Day shall apply, and (B) if no such rate is published on such next Business Day, the rate for such day shall be the average of the offered rates quoted to the Administrative Agent by two (2) federal funds brokers of recognized standing on such day for such transactions as selected by the Administrative Agent, plus (y) a percentage per annum equal to one-half of one percent (1/2%) per annum.

"Base Rate Loan" means a Loan bearing interest prior to maturity at the rate specified in Section 2.7(a).

"Borrower" means Transocean Sedco Forex Inc., a company organized under the laws of the Cayman Islands, and its successors.

"Borrowing" means any extension of credit of the same Type made by the Lenders on the same date by way of Revolving Loans or a Competitive Loan or group of Competitive Loans having a single Interest Period, or a Letter of Credit, including any Borrowing advanced, continued or converted. A Borrowing is "advanced" on the day the Lenders advance funds comprising such Borrowing to the Borrower or a Letter of Credit is issued, increased or extended, is "continued" (in the case of Eurocurrency Revolving Loans) on the date a new Interest Period commences for such Borrowing, and is "converted" (in the case of Eurocurrency Revolving Loans) when such Borrowing is changed from one Type of Loan to the other, all as requested by the Borrower pursuant to Section 2.3.

"Borrowing Multiple" means, for any Loan, (i) in the case of a Borrowing denominated in Dollars, \$100,000, (ii) in the case of a Borrowing denominated in Euros, E100,000, (iii) in the case of a Borrowing denominated in Pounds, (Pounds)50,000, and (iv) in the case of a Borrowing denominated in Kroner, 1,000,000 Kroner.

"Business Day" means any day other than a Saturday or Sunday on which banks are not authorized or required to close in Atlanta, Georgia or New York, New York and, if the applicable Business Day relates to the advance or continuation of, conversion into, or payment on a Eurocurrency Borrowing or Competitive Borrowing (i) in a currency other than Euros, on which banks are dealing in Dollar, Pound or Kroner deposits, as applicable, in the applicable interbank eurocurrency market in London, England, and in the country of issue of the currency of such Eurocurrency Borrowing or Competitive Borrowing, and (ii) in Euros, on which the TARGET payment system is open for the settlement of payments in Euros.

"Calculation Date" means the last Business Day of each calendar quarter.

"Capitalized Lease Obligations" means, for any Person, the aggregate amount of such Person's liabilities under all leases of real or personal property (or any interest therein) which is required to be capitalized on the balance sheet of such Person as determined in accordance with GAAP.

"Cash Equivalents" means (i) securities 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 twelve (12) months from the date of acquisition, (ii) time deposits and certificates of deposits maturing within one year from the date of acquisition thereof or repurchase agreements with financial institutions whose short-term unsecured debt rating is A or above as obtained from either S&P or Moody's, (iii) commercial paper or Eurocommercial paper with a rating of at least A-1 by S&P or at least P-1 by Moody's, with maturities of not more than twelve (12) months from the date of acquisition, (iv) repurchase obligations entered into with any Lender, or any other Person whose short-term senior unsecured debt rating from S&P is at least A-1 or from Moody's is at least P-1, which are secured by a fully perfected security interest in any obligation of the type described in (i) above and has a market value of the time such repurchase is entered into of not less than 100% of the repurchase obligation of such Lender or such other Person thereunder, (v) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within twelve (12) months from the date of acquisition thereof or providing for the resetting of the interest rate applicable thereto not less often than annually and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, and (vi) money market funds which have at least \$1,000,000,000 in assets and which invest primarily in securities of the types described in clauses (i) through (v) above.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Competitive Loans.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all property and assets of the Borrower in which the Administrative Agent or the Collateral Agent is granted a Lien for the benefit of the Lenders under the terms of Section 7.4.

"Collateral Account" means the cash collateral account for outstanding undrawn Letters of Credit defined in Section 7.4(b).

"Collateral Agent" means STB acting in its capacity as collateral agent for the Lenders, and any successor collateral agent appointed hereunder pursuant to Section 9.7.

"Commitment" means, relative to any Lender, such Lender's obligations to make Revolving Loans and participate in Letters of Credit pursuant to Sections 2.1 and 2.13, initially in the amount and percentage set forth opposite its signature hereto or pursuant to Section 10.10, as such obligations may be reduced or increased from time to time as expressly provided pursuant to this Agreement.

"Commitment Termination Date" means the earliest of (i) December 29, 2005, (ii) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.14, and (iii) the occurrence of any Event of Default described in Section 7.1(f) or (g) with respect to the Borrower or the occurrence and continuance of any other Event of Default and either (x) the declaration of the Loans to be due and payable pursuant to Section 7.2, or (y) in the absence of such declaration, the giving of written notice by the Administrative Agent, acting at the direction of the Required Lenders, to the Borrower pursuant to Section 7.2 that the Commitments have been terminated.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.4.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Competitive Margin or the Competitive Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.4.

"Competitive Borrowing" means a Borrowing of a Competitive Loan or group of Competitive Loans pursuant to Section 2.4.

"Competitive Fixed Rate" means, with respect to any Competitive Loan (other than a Competitive Margin Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Competitive Fixed Rate Loan" means a Competitive Loan bearing interest at a Competitive Fixed Rate.

"Competitive Loan" means a Competitive Margin Loan or a Competitive Fixed Rate Loan made pursuant to Section 2.4.

"Competitive Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBOR Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBOR Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Competitive Margin Loan" means a Competitive Loan bearing interest determined by reference to the LIBOR Rate and a Competitive Margin.

"Compliance Certificate" means a certificate in the form of Exhibit 6.6.  
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"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated October 2000, as the same may be amended, restated and supplemented from time to time and distributed to the Lenders prior to the Effective Date.

"Consolidated EBITDA" means, for any period, for the Borrower and its Subsidiaries, the sum of (a) net income or net loss (before discontinued operations and income or loss resulting from extraordinary items), plus (b) the sum of (i) Consolidated Interest Expense, (ii) income tax expense, (iii) depreciation expense, (iv) amortization expense, and (v) other non-cash charges, all determined in accordance with GAAP on a consolidated basis for the Borrower and its Subsidiaries (excluding, in the case of the foregoing clauses (a) and (b), any net income or net loss and expenses and charges of any SPVs or other Persons that are not Subsidiaries), plus (c) dividends or distributions received during such period by the Borrower and its Subsidiaries from SPVs and any other Persons that are not Subsidiaries. For purposes of the foregoing, Consolidated EBITDA for the Borrower and its Subsidiaries shall not include any such amounts attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such amounts relate to any period prior to the acquisition thereof.

"Consolidated Indebtedness" means all Indebtedness of the Borrower and its Subsidiaries that would be reflected on a consolidated balance sheet of such Persons prepared in accordance with GAAP.

"Consolidated Indebtedness to Total Capitalization Ratio" means, at any time, the ratio of Consolidated Indebtedness at such time to Total Capitalization at such time.

"Consolidated Interest Expense" means, for any period, total interest expense of the Borrower and its Subsidiaries on a consolidated basis for such period, in connection with Indebtedness, all as determined in accordance with GAAP, but excluding capitalized interest expense and interest expense attributable to expected federal income tax settlements. For purposes of the foregoing, Consolidated Interest Expense for the Borrower and its Subsidiaries shall not include any such interest expense attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such interest expense relates to any period prior to the acquisition thereof.

"Consolidated Net Assets" means, as of any date of determination, an amount equal to the aggregate book value of the assets of the Borrower, its Subsidiaries and, to the extent of the equity interest of the Borrower and its Subsidiaries therein, SPVs at such time, minus the current liabilities of the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, consolidated shareholders equity of the Borrower and its Subsidiaries determined in accordance with GAAP (but excluding the effect on shareholders equity of cumulative foreign exchange translation adjustments). For purposes of this definition, SPVs shall be accounted for pursuant to the equity method of accounting.

"Controlling Affiliate" means for the Borrower, (i) any other Person that directly or indirectly through one or more intermediaries controls, or is under common control with, the Borrower (other than Persons controlled by the Borrower), and (ii) any other Person owning beneficially or controlling ten percent (10%) or more of the equity interests in the Borrower. As used in this definition, "control" means the power, directly or indirectly, to direct or cause the

direction of management or policies of a Person (through ownership of voting securities or other equity interests, by contract or otherwise).

"Credit Documents" means this Agreement, the Notes, the Applications, the Letters of Credit, and any Subsidiary Guaranties in effect from time to time.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Documentation Agent" shall mean Bank of America, N.A., in its capacity as documentation agent for the Lenders, and any successor Documentation Agent appointed pursuant to Section 9.7; provided, however, that no such Documentation Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Dollar" and "U.S. Dollar" and the sign "\$" mean lawful money of the United States of America.

"Dollar Equivalent" means, on any date of determination, (i) with respect to any amount in Dollars, such amount, and (ii) with respect to any amount in any currency other than U.S. Dollars, the equivalent in Dollars of such amount, determined by the Administrative Agent pursuant to Section 10.19 using the applicable Exchange Rate with respect to such currency at the time in effect under the provisions of such Section.

"Effective Date" means the date this Agreement shall become effective as defined in Section 10.16.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating to any Environmental Law ("Claims") or any permit issued under any Environmental Law, including, without limitation, (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to the environment.

"Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial or administrative order, consent, decree or judgment, relating to the environment.

"EMU Legislation" means the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.



"Euro" or "E" means the single currency of the European Union as constituted by the Treaty on European Union and as referred to in the EMU Legislation for the introduction of, changeover to or operation of the Euro in one or more member states.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by reference to (i) in the case of a Revolving Loan or Revolving Borrowing, Adjusted LIBOR and the Applicable Margin, or (ii) in the case of a Competitive Loan or Competitive Borrowing, the LIBOR Rate and the Competitive Margin.

"Eurocurrency Loan" means a Eurocurrency Revolving Loan or a Competitive Margin Loan, as the case may be.

"Eurocurrency Revolving Loan" means a Revolving Loan bearing interest before maturity at the rate specified in Section 2.7(b).

"Event of Default" means any of the events or circumstances specified in Section 7.1.

"Exchange Rate" means on any day, with respect to Euros, Pounds, or Kroner, the offered rate at which such currency may be exchanged into Dollars, as set forth at approximately 11:00 a.m. on such day on the Reuters NFX Page (or comparable page on the Telerate or Bloomberg Service) for such currency. In the event that such rate does not appear on the applicable page of any such services, the Exchange Rate shall be determined by reference to such other publicly available services for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower, or, in the absence of such agreement, such Exchange Rate shall instead be the offered spot rate of exchange of the Administrative Agent or, if the Administrative Agent shall so determine, one of its affiliates in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about 10:00 a.m., local time, on such date for the purchase of Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent, after consultation with the Borrower, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

"Foreign Currency Payment Accounts" means those bank accounts specified on Schedule 1.1 for receipt of payments, both from the Lenders and the Borrower, in  
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Euros, Pounds and Kroner, as specified on Schedule 1.1, or such other bank  
- - - - -  
accounts as may hereafter be specified by the Administrative Agent in writing to the Borrower and the Lenders as being the applicable bank accounts for receipt of payments in such currencies.

"Foreign Currency Sublimit" means \$200,000,000, as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"Foreign Plan" means any pension, profit sharing, deferred compensation, or other employee benefit plan, program or arrangement maintained by any foreign Subsidiary of the Borrower which, under applicable local law, is required to be funded through a trust or other

funding vehicle, but shall not include any benefit provided by a foreign government or its agencies.

"GAAP" means generally accepted accounting principles from time to time in effect as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements, opinions and pronouncements by such other entity as may be approved by a significant segment of the U.S. accounting profession.

"Governmental Authority" means the government of the United States of America, any other nation or 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.

"Guarantor" means any Subsidiary of the Borrower required to execute and deliver a Subsidiary Guaranty hereunder pursuant to Section 6.11, in each case unless and until the relevant Subsidiary Guaranty is released pursuant to Section 6.11.

"Guaranty" by any Person means all contractual obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business) of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or to purchase any property or assets constituting security therefor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness, in each case primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iii) to lease property, or to purchase securities or other property or services, of the primary obligor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iv) otherwise to assure the owner of such Indebtedness of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any Indebtedness shall be deemed to be equal to the amount that would apply if such Indebtedness was the direct obligation of such Person rather than the primary obligor or, if less, the maximum aggregate potential liability of such Person under the terms of the Guaranty.

"Hazardous Material" shall have the meaning assigned to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Acts of 1986, and shall also include petroleum, including crude oil or any fraction thereof, or any other substance defined as

"hazardous" or "toxic" or words with similar meaning and effect under any Environmental Law applicable to the Borrower or any of its Subsidiaries.

"Highest Lawful Rate" means the maximum nonusurious interest rate, if any, that any time or from time to time may be contracted for, taken, reserved, charged or received on any Loans, under laws applicable to any of the Lenders which are presently in effect or, to the extent allowed by applicable law, under such laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. Determination of the rate of interest for the purpose of determining whether any Loans are usurious under all applicable laws shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the period of the full stated term of the Loans, all interest at any time contracted for, taken, reserved, charged or received from the Borrower in connection with the Loans.

"Indebtedness" means, for any Person, the following obligations of such Person, without duplication: (i) obligations of such Person for borrowed money; (ii) obligations of such Person representing the deferred purchase price of property or services other than accounts payable and accrued liabilities arising in the ordinary course of business and other than amounts which are being contested in good faith and for which reserves in conformity with GAAP have been provided; (iii) obligations of such Person evidenced by bonds, notes, bankers acceptances, debentures or other similar instruments of such Person, or obligations of such Person arising, whether absolute or contingent, out of letters of credit issued for such Person's account or pursuant to such Person's application securing Indebtedness; (iv) obligations of other Persons, whether or not assumed, secured by Liens (other than Permitted Liens) upon property or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, but only to the extent of such property's fair market value; (v) Capitalized Lease Obligations of such Person; (vi) obligations under Interest Rate Protection Agreements, and (vii) obligations of such Person pursuant to a Guaranty of any of the foregoing obligations of another Person; provided, however, Indebtedness shall exclude Non-recourse Debt. For purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture to the extent such Indebtedness is recourse to such Person.

"Initial Availability Date" means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 10.11).

"Interest Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (i) Consolidated EBITDA for the four fiscal quarter period then ended, minus all cash dividends paid to shareholders of the Borrower, or to holders of preferred shares or other preferred equity interests issued by any Subsidiaries of the Borrower where such holders are Persons other than the Borrower or any of its Subsidiaries, during such four fiscal quarter period, and all cash income taxes paid during such four fiscal quarter period, to (ii) Consolidated Interest Expense for the four fiscal quarter period then ended.

"Interest Payment Date" means (a) with respect to any Base Rate Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration,

each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Competitive Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Competitive Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or with the consent of each Lender making a Loan as part of such Borrowing, any other period) thereafter, as the Borrower may elect, and (b) with respect to any Competitive Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Protection Agreement" shall mean any interest rate swap, interest rate cap, interest rate collar, or other interest rate hedging agreement or arrangement designed to protect against fluctuations in interest rates.

"Issuing Bank" is defined in the preamble.

"Kroner" means lawful money of the Kingdom of Norway.

"L/C Documents" means the Letters of Credit, any Issuance Requests and Applications with respect thereto, any draft or other document presented in connection with a drawing thereunder, and this Agreement.

"L/C Obligations" means the undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"Lead Arranger" means SunTrust Equitable Securities Corporation, acting in its capacity as lead arranger and book runner for the credit facilities described in this Agreement.

"Lender" is defined in the preamble.

"Lending Office" means the branch, office or affiliate of a Lender specified on the appropriate signature page hereof, or designated pursuant to Sections 8.4 or 10.10, as the office through which it will make its Loans hereunder for each type of Loan available hereunder.

"Letter of Credit" means any of the letters of credit to be issued by the Issuing Bank for the account of the Borrower pursuant to Section 2.13(a).

"LIBOR Rate" means, relative to any Interest Period for each Eurocurrency Borrowing in any applicable currency, the rate per annum quoted at or about 11:00 a.m. (London, England time) two Business Days before the commencement of such Interest Period on that page of the Reuters, Telerate or Bloomburgs reporting service (as then being used by the Administrative Agent to obtain such interest rate quotes) that displays British Bankers' Association interest settlement rates for deposits in the applicable currency of such Eurocurrency Borrowing, or if such page or such service shall cease to be available, such other page or other service (as the case may be) for the purpose of displaying British Bankers' Association interest settlement rates as reasonably determined by the Administrative Agent upon advising the Borrower as to the use of any such other service. If for any reason any such settlement interest rate for such Interest Period is not available to the Administrative Agent through any such interest rate reporting service, then the "LIBOR Rate" with respect to such Eurocurrency Borrowing will be the rate at which the Administrative Agent is offered deposits for such applicable currency in the Dollar Equivalent of \$5,000,000 for a period approximately equal to such Interest Period in the London interbank market at 10:00 a.m. two Business Days before the commencement of such Interest Period.

"Lien" means any interest in any property or asset in favor of a Person other than the owner of such property or asset and securing an obligation owed to, or a claim by, such Person, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes.

"Loan" means (i) a Base Rate Loan, (ii) a Eurocurrency Revolving Loan, (iii) a Competitive Margin Loan, or (iv) a Competitive Fixed Rate Loan, as the case may be, and "Loans" means two or more of any such Loans.

"Material Adverse Effect" means a material adverse effect on (i) the business, assets, operations or condition of the Borrower and its Subsidiaries taken as a whole, or (ii) the Borrower's ability to perform any of its payment obligations under the Agreement or the Notes, or in respect of the Letters of Credit.

"Maturity Date" means the earlier of (i) December 29, 2005, and (ii) the date on which the Loans have become due and payable pursuant to Section 7.2 or 7.3.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Non-recourse Debt" means with respect to any Person (i) obligations of such Person against which the obligee has no recourse to such Person except as to certain named or described present or future assets or interests of such Person, and (ii) the obligations of SPVs to the extent the obligee thereof has no recourse to the Borrower or any of its Subsidiaries, except as to certain specified present or future assets or interests of SPVs.

"Note" means any of the promissory notes of the Borrower defined in Section 2.9.

"Obligations" means all obligations of the Borrower to pay fees, costs and expenses hereunder, to pay principal or interest on Loans and Reimbursement Obligations and to pay any other obligations to the Administrative Agent or any Lender or Issuing Bank arising under any Credit Document.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Percentage" means, for each Lender, the percentage of the Commitments represented by such Lender's Commitment; provided, that, if the Commitments are terminated, each Lender's Percentage shall be calculated based on its Commitment in effect immediately before such termination, subject to any assignments by such Lender of Obligations pursuant to Section 10.10.

"Performance Guaranties" means all Guaranties of the Borrower or any of its Subsidiaries delivered in connection with the construction financing of drill ships, offshore mobile drilling units or offshore drilling rigs for which firm drilling contracts have been obtained by the Borrower, any of its Subsidiaries or a SPV.

"Performance Letters of Credit" means all letters of credit for the account of the Borrower, any Subsidiary or a SPV issued as support for Non-recourse Debt or a Performance Guaranty.

"Permitted Business" has the meaning ascribed to such term in Section 6.8.

"Permitted Liens" means the Liens permitted as described in Section 6.10.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by the Borrower or any of its Subsidiaries, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any of its Subsidiaries is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made or had an obligation to make contributions.

"Pounds" means British Pounds Sterling.

"R&B Falcon" means R&B Falcon Corporation, a Delaware corporation.

"Reimbursement Obligations" has the meaning ascribed to such term in Section 2.13(c).

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the

Loans to be due and payable pursuant to Article 7, and for all purposes after the Loans become due and payable pursuant to Article 7 or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Reset Date" has the meaning assigned to such term in Section 10.19.

"Revolving Credit" means the credit facility for making Revolving Loans and issuing Letters of Credit described in Sections 2.1 and 2.13.

"Revolving Credit Commitment Amount" means an amount equal to \$550,000,000, as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum at such time, without duplication, of (i) such Lender's applicable Percentage of the Dollar Equivalent of the principal amounts of the outstanding Revolving Loans, and (ii) such Lender's applicable Percentage of the Dollar Equivalent of the aggregate outstanding L/C Obligations.

"Revolving Loan" means the revolving loans defined in Section 2.1.

"Revolving Notes" means certain promissory notes of the Borrower as defined in Section 2.9.

"Revolving Obligations" means the sum of the Dollar Equivalent of the principal amount of all Revolving Loans and L/C Obligations outstanding.

"Sale-Leaseback Transaction" means any arrangement whereby the Borrower or a Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

"Senior Managing Agent" means Wells Fargo Bank Texas, National Association in its capacity as senior managing agent for the Lenders, and any successor Senior Managing Agent appointed pursuant to Section 9.7; provided, however, that the Senior Managing Agent shall have no duties, responsibilities, or obligations hereunder in such capacity.

"S&P" means Standard & Poor's Ratings Group or any successor thereto.

"SPV" means any Person that is designated by the Borrower as a SPV, provided that the Borrower shall not designate as a SPV any Subsidiary that owns, directly or indirectly, any other Subsidiary that has total assets (including assets of any Subsidiaries of such other Subsidiary, but excluding any assets that would be eliminated in consolidation with the Borrower and its Subsidiaries) which equates to at least five percent (5%) of the Borrower's Total Assets, or that had net income (including net income of any Subsidiaries of such other Subsidiary, all before discontinued operations and income or loss resulting from extraordinary items, all determined in accordance with GAAP, but excluding revenues and expenses that would be eliminated in

consolidation with the Borrower and its Subsidiaries) during the most recently completed fiscal year of the Borrower in excess of the greater of (i) \$1,000,000, and (ii) fifteen percent (15%) of the net income (before discontinued operations and income or loss resulting from extraordinary items) for the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP during such fiscal year of the Borrower. The Borrower may elect to treat any Subsidiary as a SPV (provided such Subsidiary would otherwise qualify as such), and may rescind any such prior election, by giving written notice thereof to the Administrative Agent specifying the name of such Subsidiary or SPV, as the case may be, and the effective date of such election, which shall be a date within sixty (60) days after the date such notice is given. The election to treat a particular Person as a SPV may only be made once.

"Significant Subsidiary" has the meaning ascribed to it under Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended.

"Statutory Reserve Rate" means, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number 1 and the denominator of which is the number 1 minus the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D of the Board of Governors of the Federal Reserve System. Eurocurrency Loans shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, for any Person, any other Person (other than, except in the context of Section 6.6(a), a SPV) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the board of directors of such corporation, any managers of such limited liability company or similar governing body (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency), is at the time directly or indirectly owned by such former Person or by one or more of its Subsidiaries.

"Subsidiary Debt Basket Amount" has the meaning ascribed to such term in Section 6.11(i).

"Subsidiary Guaranty" means any Guaranty of any Subsidiary delivered pursuant to Section 6.11(j).

"Syndication Agent" shall mean ABN AMRO Bank, N.V., acting in its capacity as syndication agent for the Lenders, and any successor Syndication Agent appointed hereunder



pursuant to Section 9.7; provided, however, that no such Syndication Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"TARGET" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system.

"Taxes" has the meaning set forth in Section 5.12.

"364-Day Credit Agreement" means the 364-Day Credit Agreement dated as of December 29, 2000, among the Borrower, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent, as the same may be amended, supplemented and restated from time to time.

"Total Assets" means, as of any date of determination, the aggregate book value of the assets of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP as of such date.

"Total Capitalization" means, as of any date of determination, the sum of Consolidated Indebtedness plus Consolidated Net Worth as of such date.

"Transocean R&B Falcon Joint Proxy Statement" means the joint proxy statement/prospectus of the Borrower and R&B Falcon dated November 3, 2000, as the same may be amended or supplemented from time to time.

"Transocean/ABN Revolving Credit Facility" the Credit Agreement dated as of July 30, 1996, among the Borrower (formerly Transocean Offshore Inc.), ABN AMRO Bank N.V., Houston Agency, as Agent, and the lenders parties thereto, as such Credit Agreement has been amended and is in effect as of the Effective Date.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to Adjusted LIBOR or the Base Rate (in the case of a Revolving Loan or Borrowing), or the LIBOR Rate or a Competitive Fixed Rate (in the case of a Competitive Loan or Borrowing).

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Borrower or any of its Subsidiaries to the PBGC or such Plan.

Section 1.2. Time of Day. Unless otherwise expressly provided, all  
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references to time of day in this Agreement and the other Credit Documents shall be references to New York, New York time.

Section 1.3. Accounting Terms; GAAP. Except as otherwise expressly

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provided herein, and subject to the provisions of Section 10.20, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

ARTICLE 2. THE CREDIT FACILITIES.

Section 2.1. Commitments for Revolving Loans. Subject to the terms and

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conditions hereof, each Lender severally and not jointly agrees to make one or more loans (each a "Revolving Loan") to the Borrower from time to time before the Commitment Termination Date on a revolving basis in an aggregate amount not to exceed at any time outstanding an amount equal to its Commitment, subject to any reductions thereof pursuant to the terms of this Agreement; provided, however, that no Lender shall be permitted or required to make any Revolving Loan if, after giving effect thereto, (i) the Dollar Equivalent of the aggregate principal amount of the Revolving Loans, the Competitive Loans and the L/C Obligations of all Lenders (determined in accordance with Section 10.19) would thereby exceed the Revolving Credit Commitment Amount then in effect; or (ii) the Dollar Equivalent of the Revolving Credit Exposure of such Lender (determined in accordance with Section 10.19) would thereby exceed its Commitment then in effect. Each Borrowing of Revolving Loans shall be made ratably from the Lenders in proportion to their respective Percentages. Revolving Loans may be repaid, in whole or in part, and all or any portion of the principal amount thereof reborrowed, before the Commitment Termination Date, subject to the terms and conditions hereof. Funding of any Revolving Loans shall be in any combination of Dollars, Euros, Pounds or Kroner as specified by the Borrower as set forth in Section 2.3; provided, that the Dollar Equivalent amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations funded and issued in Euros, Pounds and Kroner determined, with respect to such Revolving Loans, Competitive Loans, and L/C Obligations in accordance with Section 10.19 shall at no time exceed the Foreign Currency Sublimit then in effect.

Section 2.2. Types of Revolving Loans and Minimum Borrowing Amounts.

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Borrowings of Revolving Loans may be outstanding as either Base Rate Loans or Adjusted LIBOR Loans, as selected by the Borrower pursuant to Section 2.3; provided, however, that any Revolving Loans funded in Euros, Pounds or Kroner may only be outstanding as Adjusted LIBOR Loans. Each Borrowing of Base Rate Loans shall be in an amount of not less than \$1,000,000 and each Borrowing of Adjusted LIBOR Loans shall be in an amount of not less than the Dollar Equivalent of \$5,000,000 and in an integral multiple of the Borrowing Multiple.

Section 2.3. Manner of Revolving Borrowings.

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(a) Notice to Administrative Agent. The Borrower shall give notice to the

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Administrative Agent by no later than 12:00 p.m. (i) at least three (3) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Revolving Loans to be funded in Dollars and at least four (4) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Revolving Loans to be funded in Euros, Pounds or Kroner, and (ii) on the date the Borrower requests the Lenders to advance a Borrowing of Base Rate Loans, in each case pursuant to a duly executed Borrowing Request substantially in the form of Exhibit 2.3 (each a

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"Revolver Borrowing

Request"). The Loans included in each Revolving Borrowing shall bear interest initially at the type of rate specified in the Revolver Borrowing Request with respect to such Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to the minimum amount requirement in Section 2.2 for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Revolving Loans, the Borrower may continue part or all of such Borrowing as Eurocurrency Revolving Loans for an Interest Period specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans on the last day of the Interest Period applicable thereto, or the Borrower may earlier convert part or all of such Borrowing into Base Rate Loans so long as it pays the breakage fees and funding losses provided in Section 2.12; and (ii) if such Borrowing is of Base Rate Loans, the Borrower may convert all or part of such Borrowing into Eurocurrency Revolving Loans for an Interest Period specified by the Borrower on any Business Day, in each case pursuant to notices of continuation or conversion as set forth below. The Borrower may select multiple Interest Periods for the Eurocurrency Revolving Loans constituting any particular Borrowing, provided that at no time shall the number of different Interest Periods for outstanding Eurocurrency Revolving Loans exceed twenty (20) (it being understood for such purposes that (x) Interest Periods of the same duration, but commencing on different dates, shall be counted as different Interest Periods, and (y) all Interest Periods commencing on the same date and of the same duration and currency shall be counted as one Interest Period regardless of the number of Borrowings or Loans involved. Notices of the continuation of Eurocurrency Revolving Loans for an additional Interest Period or of the conversion of part or all of Eurocurrency Revolving Loans into Base Rate Loans or of Base Rate Loans into Eurocurrency Revolving Loans must be given by no later than 12:00 p.m. at least three (3) Business Days with respect to Eurocurrency Revolving Loans funded in Dollars and four (4) Business Days with respect to Eurocurrency Revolving Loans funded in Euros, Pounds or Kroner, before the date of the requested continuation or conversion. The Borrower shall give such notices concerning the advance, continuation, or conversion of a Borrowing by telephone or facsimile (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing) pursuant to a Revolver Borrowing Request which shall specify the date of the requested advance, continuation or conversion (which shall be a Business Day), the amount and currency of the requested Borrowing, whether such Borrowing is to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Revolving Loans, the Interest Period applicable thereto. The Borrower agrees that the Administrative Agent may rely on any such telephonic or facsimile notice given by any Person it in good faith believes is an authorized representative of the Borrower without the necessity of independent investigation and that, if any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon.

(b) Notice to the Lenders. The Administrative Agent shall give prompt

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telephonic, telex or facsimile notice to each Lender of any notice received pursuant to Section 2.3(a) relating to a Revolving Borrowing. The Administrative Agent shall give notice to the Borrower and each Lender by like means of the interest rate applicable to each Borrowing of Eurocurrency Revolving Loans (but, if such notice is given by telephone, the Administrative Agent shall confirm such rate in writing) promptly after the Administrative Agent has made such determination.

(c) Borrower's Failure to Notify. If the Borrower fails to give notice

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pursuant to Section 2.3(a) of (i) the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Revolving Loans, or (ii) a Borrowing of Revolving Loans to pay outstanding Reimbursement Obligations, and has not notified the Administrative Agent by 12:00 p.m. at least three (3) Business Days before the last day of the Interest Period for any Borrowing of Eurocurrency Revolving Loans funded in Dollars or at least four (4) Business Days before the last day of the Interest Period for any Borrowing of Eurocurrency Revolving Loans funded in Euros, Pounds or Kroner, or by the day such Reimbursement Obligation becomes due, as the case may be, that it intends to repay such Borrowing or Reimbursement Obligation, the Borrower shall be deemed to have requested, as applicable, (x) the continuation of such Borrowing as a Eurocurrency Revolving Loan with an Interest Period of one (1) month or (y) the advance of a new Borrowing of Base Rate Loans (after converting, if necessary, the Reimbursement Obligation into Dollars as provided in Section 10.19) on such day in the amount of the Reimbursement Obligation then due, which Borrowing pursuant to this clause (y) shall be deemed to have been funded on such date by the Lenders in accordance with Section 2.3(a) and to have been applied on such day to pay the Reimbursement Obligation then due, in each case so long as no Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing but otherwise disregarding the conditions to Borrowings set forth in Section 4.2. Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Revolving Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan, and (ii) the obligation of the Lenders to fund Loans in Euros, Pounds or Kroner, and to make, continue or convert Loans into Eurocurrency Revolving Loans shall be suspended.

(d) Conversion. If the Borrower shall elect to convert any particular

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Borrowing from one Type of Loan to the other only in part, then, from and after the date on which such conversion shall be effective, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence) be deemed to instead constitute two Borrowings (each originally advanced on the same date as such particular Borrowing), one comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Revolving Loans in an aggregate principal amount equal to the portion of such Borrowing so elected by the Borrower to be comprised of Eurocurrency Revolving Loans and the second comprised of (subject to subsequent conversion in accordance with this Agreement) Base Rate Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to be comprised of Base Rate Loans. If the Borrower shall elect to have multiple Interest Periods apply to any particular Borrowing comprised of Eurocurrency Revolving Loans, then, from and after the date such multiple Interest Periods commence, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence), be deemed to constitute a number of separate Borrowings (each originally advanced on the same date as such particular Borrowing) equal to the number of, and corresponding to, the different Interest Periods so selected, each such deemed separate Borrowing corresponding to a particular selected Interest Period comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Revolving Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to have such Interest Period.

This Section 2.3(d) shall be applied appropriately in the event that the Borrower shall make the elections described in the two preceding sentences at the same time with respect to the same particular Borrowing.

Section 2.4. Competitive Bid Procedure.  
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(a) Competitive Bid Requests. Subject to the terms and conditions set  
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forth herein, from time to time before the Commitment Termination Date, the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone in the case of a Borrowing of Competitive Margin Loans, not later than 11:00 a.m., four (4) Business Days before the date of the proposed Borrowing and, in the case of a Borrowing of Competitive Fixed Rate Loans, not later than 10:00 a.m., one (1) Business Day before the date of the proposed Borrowing; provided that a Competitive Bid Request shall not be made within five (5) Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bids received in response thereto shall have been withdrawn, rejected or accepted. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in the form of Exhibit

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2.4A or such other form as shall be approved by the Administrative Agent and the  
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Borrower and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.3(a):

- (i) the aggregate amount and currency of the requested Competitive Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to consist of Competitive Margin Loans or Competitive Fixed Rate Loans;
- (iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Competitive Bids. Each Lender may (but shall not have any obligation  
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to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in the form of Exhibit 2.4B or such other form as shall be approved by the Administrative Agent  
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and the Borrower and must be received by the Administrative Agent by telecopy, in the case of a Borrowing of Competitive Margin Loans or a

Borrowing of Competitive Fixed Rate Loans in Euros, Pounds or Kroner, not later than 9:30 a.m., three (3) Business Days before the proposed date of such Borrowing, and in the case of a Borrowing of Competitive Fixed Rate Loans in Dollars, not later than 9:30 a.m., on the proposed date of such Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be equal to or greater than the Dollar Equivalent of \$10,000,000 and in an integral multiple of the Borrowing Multiple and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) Notice to Borrower. The Administrative Agent shall promptly notify

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the Borrower by telecopy of the Competitive Bid Rate or Rates and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Acceptance of Competitive Bids. Subject only to the provisions of

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this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of Exhibit 2.4D or such other form as shall be approved by the Administrative Agent and the Borrower, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Borrowing of Competitive Margin Loans or a Borrowing of Fixed Rate Loans in Euros, Pounds or Kroner, not later than 10:30 a.m., three (3) Business Days before the date of the proposed Borrowing, and in the case of a Borrowing of Competitive Fixed Rate Loans in Dollars, not later than 10:30 a.m. on the date of the proposed Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made pursuant to the same Competitive Bid Request at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is equal to or greater than the Dollar Equivalent of \$10,000,000 and in an integral multiple of the Borrowing Multiple; provided further that if a Competitive Loan must be in an amount less than the Dollar Equivalent of \$10,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of the Dollar Equivalent of \$1,000,000 and in any integral multiple of the Borrowing Multiple, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv), the amounts shall be rounded to integral multiples of the Borrowing Multiple in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) Notice of Acceptance. The Administrative Agent shall promptly notify

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each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) Submission of Competitive Bid by Administrative Agent. If the

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Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

(g) Limitation of Certain Competitive Loans. Notwithstanding anything to

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the contrary set forth in this Section 2.4, no Lender shall be permitted to make any Competitive Loan if, after giving effect thereto, (i) the Dollar Equivalent of the aggregate principal amount of the outstanding Revolving Loans, Competitive Loans, and L/C Obligations of all Lenders would thereby exceed the Revolving Credit Commitment Amount then in effect, or (ii) the Dollar Equivalent of the aggregate principal amount of the outstanding Revolving Loans, Competitive Loans, and L/C Obligations of all Lenders that have been funded or issued in Euros, Pounds and Kroner would thereby exceed the Foreign Currency Sublimit then in effect.

Section 2.5. Interest Periods. As provided in Sections 2.3 and 2.4, at

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the time of each request for a Borrowing of Eurocurrency Loans or Competitive Fixed Rate Loans, or for the continuation or conversion of any Borrowing of Eurocurrency Revolving Loans, the Borrower shall select an Interest Period(s) applicable to such Loans from among the available options subject to the limitations in Sections 2.3 and 2.4; provided, however, that:

(i) the Borrower may not select an Interest Period for a Borrowing of Loans that extends beyond the Maturity Date;

(ii) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall either be (i) extended to the next succeeding Business Day, or (ii) in the case of Eurocurrency Loans only, reduced to the immediately preceding Business Day if the next succeeding Business Day is in the next calendar month; and

(iii) for purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no such numerically corresponding day in the month in which an Interest Period is to end or if an Interest Period begins on the last Business Day of a calendar month, then in the case of Eurocurrency Loans only, such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.6. Funding of Loans.

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(a) Disbursement of Loans. Not later than 12:00 p.m. with respect to

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Borrowings in Dollars of Eurocurrency Loans and Competitive Fixed Rate Loans, and 2:00 p.m. with respect to Base Rate Loans, on the date of any requested advance of a new Borrowing of Loans, each Lender, subject to all other provisions hereof, shall make available its Loan comprising its portion of such Borrowing in funds immediately available in Atlanta, Georgia for the benefit of the Administrative Agent and according to the payment instructions of the Administrative Agent. Not later than 2:00 p.m. (local time at the bank where the applicable Foreign Currency Payment Account is maintained) with respect to a new Borrowing in Euros, Pounds or Kroner, on the date of any such requested Borrowing, each Lender, subject to all other provisions hereof, shall make available its Loan comprising its portion of such Borrowing in funds immediately available in the applicable Foreign Currency Payment Account for the benefit of the Administrative Agent and according to the payment instructions of the Administrative Agent. The Administrative Agent shall make the proceeds of each such Borrowing available in immediately available funds to the Borrower (or as directed in writing by the Borrower) on such date. In the event that any Lender does not make such amounts available to the Administrative Agent by the time prescribed above, but such amount is received later that day, such amount may be credited to the Borrower in the manner described in the preceding sentence on the next Business Day (with interest on such amount to begin accruing hereunder on such next Business Day) provided that acceptance by the Borrower of any such late amount shall not be deemed a waiver by the Borrower of any rights it may have against such Lender. No Lender shall be responsible to the Borrower for any failure by another Lender to fund its portion of a Borrowing, and no such failure by a Lender shall relieve any other Lender from its obligation, if any, to fund its portion of a Borrowing.

(b) Administrative Agent Reliance on Lender Funding. Unless the

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Administrative Agent shall have been notified by a Lender before the date on which such Lender is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Administrative Agent may assume that such Lender has made such payment when due and in reliance upon such assumption may (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Lender together with interest thereon for each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Administrative Agent at a rate per annum equal to the Administrative Agent's cost of funds for such amount. If such amount is not received from such Lender by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but the Borrower will in no event be liable to pay any amounts otherwise due pursuant to Section 2.12 in respect of such repayment. Nothing in this subsection shall be deemed to relieve any Lender from any obligation to fund any Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.



Section 2.7. Applicable Interest Rates.

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(a) Base Rate Loans. Each Base Rate Loan shall bear interest (computed on

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the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a Eurocurrency Revolving Loan, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the Base Rate from time to time in effect. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise).

(b) Eurocurrency Loans. Each Eurocurrency Loan (whether a Revolving Loan

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or Competitive Loan) shall bear interest (computed on the basis of a 360-day year and actual days elapsed, except with respect to Eurocurrency Loans funded in Pounds, in which case interest will be computed on the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed, in each case excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Revolving Loans, conversion to a Base Rate Loan at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the sum of Adjusted LIBOR plus the Applicable Margin (in the case of Eurocurrency Revolver Loans) or LIBOR Rate plus the Competitive Margin (in the case of Competitive Margin Loans), as the case may be. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Revolving Loans, conversion to a Base Rate Loan.

(c) Competitive Fixed Rate Loans. Each Competitive Fixed Rate Loan shall

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bear interest (computed on the basis of a 360-day year and actual days elapsed, except with respect to Competitive Fixed Rate Loans funded in Pounds, in which case interest will be computed on the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed, in each case excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) at a rate per annum equal to the Competitive Fixed Rate applicable to such Loan.

(d) Rate Determinations. The Administrative Agent shall determine each

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interest rate applicable to the Loans and Reimbursement Obligations hereunder insofar as such interest rate involves a determination of Base Rate, Adjusted LIBOR or LIBOR Rate, or any applicable default rate pursuant to Section 2.8, and such determination shall be conclusive and binding except in the case of the Administrative Agent's manifest error or willful misconduct. The Administrative Agent shall promptly give notice to the Borrower and each Lender of each determination of Adjusted LIBOR, and to the Borrower and each Lender submitting a Competitive Bid of each determination of LIBOR Rate, with respect to each Eurocurrency Loan.

Section 2.8. Default Rate. If any payment of principal on any Loan is not

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made when due after the expiration of the grace period therefor provided in Section 7.1(a) (whether by acceleration or otherwise), or any Reimbursement Obligation is not paid when due as provided in Section 2.13(c), such Loan or Reimbursement Obligation shall bear interest (computed on the basis of a year of 360, 365 or 366 days, as applicable, and actual days elapsed) after any such

grace period expires until such principal then due is paid in full, which the Borrower agrees to pay on demand, at a rate per annum equal to:

(a) for any Base Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due);

(b) for any Eurocurrency Loan (whether a Eurocurrency Revolving Loan or Competitive Margin Loan), the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at a rate per annum equal to the sum of two percent (2%) per annum plus (x) in the case of any Loans made in Dollars, the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due), or (y) in the case of any Loans made in Euros, Pounds or Kroners, the interest rate that would otherwise then be applicable under this Agreement to a Eurocurrency Revolving Loan made in such currency for an Interest Period of one month as from time to time in effect (but not less than such interest rate in effect at the time such payment was due);

(c) for any Competitive Fixed Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Competitive Fixed Rate in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at the rate of interest that would otherwise apply to a Eurocurrency Revolving Loan pursuant to paragraph (b) above; and

(d) for any unpaid Reimbursement Obligations, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus (x) in the case of any Reimbursement Obligations payable in Dollars, the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due), or (y) in the case of any Reimbursement Obligations payable in any currency other than Dollars, the interest rate that would otherwise then be applicable under this Agreement to a Eurocurrency Revolving Loan made in such currency for an Interest Period of one month as from time to time in effect (but not less than such interest rate in effect at the time such payment was due).

It is the intention of the Administrative Agent and the Lenders to conform strictly to usury laws applicable to them. Accordingly, if the transactions contemplated hereby or any Loan or other Obligation would be usurious as to any of the Lenders under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement, the Notes or any other Credit Document), then, in that event, notwithstanding anything to the contrary in this Agreement, the Notes or any other Credit Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under laws applicable to such Lender that is contracted for, taken, reserved, charged or received by such Lender under this Agreement, the Notes or any other Credit Document or otherwise shall under no circumstances exceed the Highest Lawful Rate, and any excess shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or, if the principal amount of the Loans and all Reimbursement Obligations shall have been paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Loans is accelerated by reason of an election of the holder or holders thereof resulting from any Event of Default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under laws applicable to such Lender may never include more than the Highest Lawful Rate, and excess interest, if any, provided for in this Agreement, the Notes, any other Credit Document or otherwise shall be automatically canceled by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or if the principal amount of the Loans and all Reimbursement Obligations shall

have been paid in full, refunded by such Lender to the Borrower). To the extent that the Texas Finance Code, Chapters 302 and 303, are relevant to the Administrative Agent and the Lenders for the purpose of determining the Highest Lawful Rate, the Administrative Agent and the Lenders hereby elect to determine the applicable rate ceiling under such Article by the indicated (weekly) rate ceiling from time to time in effect, subject to their right subsequently to change such method in accordance with applicable law. In the event the Loans and all Reimbursement Obligations are paid in full by the Borrower prior to the full stated term of the Loans and the interest received from the actual period of the existence of the Loans exceeds the Highest Lawful Rate, the Lenders shall refund to the Borrower the amount of the excess or shall credit the amount of the excess against amounts owing under the Loans and none of the Administrative Agent or the Lenders shall be subject to any of the penalties provided by law for contracting for, taking, reserving, charging or receiving interest in excess of the Highest Lawful Rate. The Texas Finance Code, Chapter 346, which regulates certain revolving credit loan accounts and revolving tri-party accounts, shall not apply to this Agreement or the Loans.

Section 2.9. Repayment of Loans; Evidence of Debt.  
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(a) Repayment of Loans. The Borrower hereby promises to pay (i) to the  
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Administrative Agent, for the account of each Lender, on the Maturity Date the unpaid principal amount of each Revolving Loan then outstanding and (ii) to the Administrative Agent, for the account of each Lender, on the last day of the Interest Period applicable to such Loan, or, if earlier, on the Maturity Date, the unpaid principal amount of each Competitive Loan then outstanding that is owed to such Lender.

(b) Record of Loans by Lenders. Each Lender shall maintain in accordance  
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with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and accrued interest payable and paid to such Lender from time to time hereunder.

(c) Record of Loans by Administrative Agent. The Administrative Agent  
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shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or accrued interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) Evidence of Obligations. The entries made in the accounts maintained  
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pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence  
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of the existence and amounts of the obligations recorded therein; provided that  
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the failure of any Lender or the Administrative Agent to maintain such accounts  
or any error therein shall not in any manner affect the obligation of the  
Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Notes. The Revolving Loans outstanding to the Borrower from each  
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Lender shall, at the request of such Lender, be evidenced by promissory notes of  
the Borrower payable to such Lender in the forms of Exhibit 2.9A (U.S. Dollars),  
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Exhibit 2.9B (Euros), Exhibit 2.9C (British Pounds Sterling) and Exhibit 2.9D  
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(Norwegian Kroner), respectively (each a "Revolving Note"). The Competitive  
Loans outstanding to the Borrower from any Lender, shall at the request of such  
Lender, be evidenced by a promissory note of the Borrower payable to such Lender  
in the form of Exhibit 2.9E (each a "Competitive Note"). The Borrower agrees to  
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execute and deliver to the Administrative Agent, for the benefit of each Lender  
requesting one or more promissory notes as aforesaid, an original of each such  
promissory note, appropriately completed, to evidence the respective Loans made  
by such Lender hereunder, within ten (10) Business Days after the Borrower  
receives a written request therefor.

(f) Recording of Loans and Payments on Notes. Each holder of a Note shall  
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record on its books and records or on a schedule to its appropriate Note (and  
prior to any transfer of its Notes shall endorse thereon or on schedules forming  
a part thereof appropriate notations to evidence) the amount of each Loan  
outstanding from it to the Borrower, all payments of principal and interest and  
the principal balance from time to time outstanding thereon, the type of such  
Loan and, if a Eurocurrency Loan or a Competitive Fixed Rate Loan, the Interest  
Period and interest rate applicable thereto. Such record, whether shown on the  
books and records of a holder of a Note or on a schedule to its Note, shall be  
prima facie evidence as to all such matters; provided, however, that the failure  
of any holder to record any of the foregoing or any error in any such record  
shall not limit or otherwise affect the obligation of the Borrower to repay all  
Loans outstanding to it hereunder together with accrued interest thereon. At the  
request of any holder of a Note and upon such holder tendering to the Borrower  
the Note to be replaced, the Borrower shall furnish a new Note to such holder to  
replace any outstanding Note and at such time the first notation appearing on  
the schedule on the reverse side of, or attached to, such new Note shall set  
forth the aggregate unpaid principal amount of all Loans, if any, then  
outstanding thereon.

Section 2.10. Optional Prepayments. The Borrower shall have the privilege  
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of prepaying Base Rate Loans without premium or penalty at any time in whole or  
at any time and from time to time in part (but, if in part, then in an amount  
which is equal to or greater than \$1,000,000); provided, however, that the  
Borrower shall have given notice of such prepayment to the Administrative Agent  
no later than 12:00 p.m. on the date of such prepayment. The Borrower shall have  
the privilege of prepaying Adjusted LIBOR Loans (a) without premium or penalty  
in whole or in part (but, if in part, then in an amount which is equal to or  
greater than the Dollar Equivalent of \$5,000,000 and in an integral multiple of  
the Borrowing Multiple) only on the last Business Day of an Interest Period for  
such Loan, and (b) at any other time so long as the breakage fees and funding  
losses provided for in Section 2.12 are paid; provided, however, that the  
Borrower shall have given notice of such prepayment to the Administrative Agent  
no later

than 12:00 p.m. at least three (3) Business Days before the last Business Day of such Interest Period or the proposed prepayment date. The Borrower shall not have the right to prepay any Competitive Loan without the prior written consent of the Lender thereof unless the applicable Competitive Bid Request shall have so provided, the Borrower has given timely notice to the Lender of any such prepayment as may be required pursuant to the terms of the Competitive Bid Request, and the Borrower shall have paid to such Lender in connection with any such prepayment all amounts required to be paid in connection with such prepayment pursuant to the terms of the applicable Competitive Bid Request. Any such prepayments shall be made by the payment of the principal amount to be prepaid and accrued and unpaid interest thereon to the date of such prepayment. Unless otherwise specified in writing by the Borrower, optional prepayments shall be applied first, to the Revolving Loans, second, to the Reimbursement Obligations with respect to Letters of Credit, and third, to the Competitive Loans.

Section 2.11. Mandatory Prepayments of Loans. In the event and on each

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occasion that (i) the sum of the Dollar Equivalent of the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations exceeds 105% of the Revolving Credit Commitment Amount then in effect, or (ii) the sum of the Dollar Equivalent of the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations denominated in Euros, Pounds, and Kroner exceeds 105% of the Foreign Currency Sublimit, then, in either case, the Borrower shall promptly prepay Revolving Loans and/or Competitive Loans in an aggregate amount sufficient to eliminate such excess. Immediately upon determining the need to make any such prepayment, the Borrower shall notify the Administrative Agent of such required prepayment and of the identity of the particular Revolving Loans and/or Competitive Loans being prepaid. If the Administrative Agent shall notify the Borrower that the Administrative Agent has determined that any prepayment is required under this Section 2.11, the Borrower shall make such prepayment no later than the second Business Day following such notice. Any mandatory prepayment of Revolving Loans and/or Competitive Loans pursuant hereto shall not be limited by the notice provision for prepayments set forth in Section 2.10. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and any applicable breakage fees and funding losses pursuant to Section 2.12.

Section 2.12. Breakage Fees. If any Lender incurs any loss, cost or

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expense (excluding loss of anticipated profits and other indirect or consequential damages) by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurocurrency Loan or Competitive Fixed Rate Loan as a result of any of the following events other than any such occurrence as a result of a change of circumstance described in Sections 8.1 or 8.2:

(a) any payment, prepayment or conversion of any such Loan on a date other than the last day of its Interest Period (whether by acceleration, mandatory prepayment or otherwise);

(b) any failure to make a principal payment of any such Loan on the due date therefor; or

(c) any failure by the Borrower to borrow, continue or prepay, or convert to, any such Loan on the date specified in a notice given pursuant to Section 2.3 or 2.4 (other than by reason of a default of such Lender),

then the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower a certificate executed by an officer of such Lender setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) no later than ninety (90) days after the event giving rise to the claim for compensation, and the amounts shown on such certificate shall be prima facie evidence of such Lender's entitlement thereto. Within ten (10) days of receipt of such certificate, the Borrower shall pay directly to such Lender such amount as will compensate such Lender for such loss, cost or expense as provided herein, unless such Lender has failed to timely give notice to the Borrower of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.13. Letters of Credit.  
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(a) Letters of Credit. Subject to the terms and conditions hereof, the  
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Issuing Bank agrees to issue, from time to time prior to the Commitment Termination Date, at the request of the Borrower and on behalf of the Lenders and in reliance on their obligations under this Section 2.13, one or more letters of credit (each a "Letter of Credit") for the Borrower's account in a face amount in each case of at least the Dollar Equivalent of \$500,000 and in an aggregate undrawn face amount for all Letters of Credit at any time outstanding not to exceed the Revolving Credit Commitment Amount; provided, that the Issuing Bank shall not be obligated to issue a Letter of Credit pursuant to Section 2.13(d) if, after the issuance thereof, (i) the Dollar Equivalent of the outstanding Revolving Loans, Competitive Loans, and L/C Obligations would thereby exceed the Revolving Credit Commitment Amount then in effect, or (ii) the issuance of such Letter of Credit would violate any legal or regulatory restriction then applicable to the Issuing Bank or any Lender as notified by the Issuing Bank or such Lender to the Administrative Agent before the date of issuance of such Letter of Credit. Letters of Credit and any increases and extensions thereof hereunder may be issued in face amounts of either Dollars, Euros, Pounds or Kroner; provided further, that the Dollar Equivalent amount of outstanding Revolving Loans, Competitive Loans, and Letters of Credit in Euros, Pounds and Kroner determined, with respect to each such Revolving Loan, Competitive Loan, or Letter of Credit, in accordance with Section 10.19 on the date such Revolving Loan or Competitive Loan is funded, continued or converted, or the date such Letter of Credit is issued, increased and extended, as applicable, shall not exceed in the aggregate the Foreign Currency Sublimit then in effect.

(b) Issuance Procedure. To request that the Issuing Bank issue a Letter  
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of Credit, the Borrower shall deliver to the Issuing Bank and the Administrative Agent (with a duplicate copy to an operations employee of the Issuing Bank as designated by the Issuing Bank from time to time) a duly executed Issuance Request substantially in the form of Exhibit 2.13A (each an "Issuance Request"),  
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together with a duly executed application for the relevant Letter of Credit substantially in the form of Exhibit 2.13B (each an "Application"), or such  
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other computerized issuance or application procedure, instituted from time to time by the Issuing Bank and the

Administrative Agent and agreed to by the Borrower, completed to the reasonable satisfaction of the Issuing Bank and the Administrative Agent, and such other information as the Issuing Bank and the Administrative Agent may reasonably request. In the event of any irreconcilable difference or inconsistency between this Agreement and an Application, the provisions of this Agreement shall govern. Upon receipt of a properly completed and executed Application and any other reasonably requested information at least three (3) Business Days prior to any requested issuance date, the Issuing Bank will process such Application in accordance with its customary procedures and issue the requested Letter of Credit on the requested issuance date. The Borrower may cancel any requested issuance of a Letter of Credit prior to the issuance thereof. The Issuing Bank will notify the Administrative Agent and each Lender of the amount, currency, and expiration date of each Letter of Credit it issues promptly upon issuance thereof. Each Letter of Credit shall have an expiration date no later than four (4) Business Days before the Maturity Date. If the Issuing Bank issues any Letters of Credit with expiration dates that automatically extend unless the Issuing Bank gives notice that the expiration date will not so extend, the Issuing Bank will give such notice of non-renewal before the time necessary to prevent such automatic extension if (and will not give such notice of non-renewal before such time unless) before such required notice date (i) the expiration date of such Letter of Credit if so extended would be later than four (4) Business Days before the Maturity Date, (ii) the Commitment Termination Date shall have occurred, (iii) a Default or an Event of Default exists and the Required Lenders have given the Issuing Bank instructions not to so permit the expiration date of such Letter of Credit to be extended, or (iv) the Issuing Bank is so directed by the Borrower. The Issuing Bank agrees to issue amendments to any Letter of Credit increasing its amount, or extending its expiration date, at the request of the Borrower, subject to the conditions precedent for all Borrowings of Section 4.2 and the other terms and conditions of this Section 2.13.

(c) The Borrower's Reimbursement Obligations.  
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(i) The Borrower hereby irrevocably and unconditionally agrees to reimburse the Issuing Bank for each payment or disbursement made by the Issuing Bank to settle its obligations under any draft drawn or other payment made under a Letter of Credit (a "Reimbursement Obligation") within two (2) Business Days from when such draft is paid or other payment is made with either funds not borrowed hereunder or with a Borrowing of Revolving Loans subject to Section 2.3 and the other terms and conditions contained in this Agreement. The Reimbursement Obligation shall bear interest (which the Borrower hereby promises to pay) from and after the date such draft is paid or other payment is made until (but excluding the date) the Reimbursement Obligation is paid at the lesser of (x) the Highest Lawful Rate, or (y) the Base Rate (in the case of a Letter of Credit payable in Dollars) or the rate of interest that would then be applicable hereunder to an Adjusted LIBOR Loan with an Interest Period of one month (in the case of a Letter of Credit payable in Euros, Pounds or Kroner), in each case so long as the Reimbursement Obligation shall not be past due, and thereafter at the default rate per annum as set forth in Section 2.8(d), whether or not the Maturity Date shall have occurred. If any such payment or disbursement is reimbursed to the Issuing Bank on the date such payment or disbursement is made by the Issuing Bank, interest shall be paid on the reimbursable amount for one (1) day. The Issuing Bank shall give the Borrower

notice of any drawing on a Letter of Credit within one (1) Business Day after such drawing is paid.

(ii) The Borrower agrees for the benefit of the Issuing Bank and each Lender that, notwithstanding any provision of any Application, the obligations of the Borrower under this Section 2.13(c) and each applicable Application shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement and each applicable Application under all circumstances whatsoever (other than the defense of payment in accordance with this Agreement), including, without limitation, the following circumstances (subject in all cases to the defense of payment in accordance with this Agreement):

- (1) any lack of validity or enforceability of any of the L/C Documents;
- (2) any amendment or waiver of or any consent to depart from all or any of the provisions of any of the L/C Documents;
- (3) the existence of any claim, set-off, defense or other right the Borrower may have at any time against a beneficiary of a Letter of Credit (or any person for whom a beneficiary may be acting), the Issuing Bank, any Lender or any other Person, whether in connection with this Agreement, another L/C Document or any unrelated transaction;
- (4) any statement or any other document presented under a 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;
- (5) payment by the Issuing Bank under a Letter of Credit against presentation to the Issuing Bank of a draft or certificate that does not comply with the terms of the Letter of Credit; or
- (6) any other act or omission to act or delay of any kind by the Issuing Bank, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 2.13(c), constitute a legal or equitable discharge of the Borrower's obligations hereunder, under an Issuance Request or under an Application;

provided, however, the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (but excluding consequential damages, which are hereby waived to the extent not prohibited by applicable law) suffered by the Borrower that are caused by the Issuing Bank's gross negligence or willful misconduct.

(d) The Participating Interests. Each Lender severally and not jointly

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agrees to purchase from the Issuing Bank, and the Issuing Bank hereby agrees to sell to each Lender, an undivided percentage participating interest, to the extent of its Percentage, in each Letter of Credit issued by, and Reimbursement Obligation owed to, the Issuing Bank in connection with a



Letter of Credit. Upon any failure by the Borrower to pay any Reimbursement Obligation in connection with a Letter of Credit at the time required in Sections 2.13(c) and 2.3(c), or if the Issuing Bank is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment by the Borrower of any Reimbursement Obligation in connection with a Letter of Credit, the Issuing Bank shall promptly give notice of same to each Lender, and the Issuing Bank shall have the right to require each Lender to fund its participation in such Reimbursement Obligation. Each Lender (except the Issuing Bank to the extent it is also a Lender) shall pay to the Issuing Bank in the applicable currency an amount equal to such Lender's Percentage of such unpaid or recaptured Reimbursement Obligation not later than the Business Day it receives notice from the Issuing Bank to such effect, if such notice is received before 2:00 p.m., or not later than the following Business Day if such notice is received after such time. If a Lender fails to pay timely such amount to the Issuing Bank, it shall also pay to the Issuing Bank interest on such amount accrued from the date payment of such amount was made by the Issuing Bank to the date of such payment by the Lender at a rate per annum equal to the Base Rate in effect for each such day and only after such payment shall such Lender be entitled to receive its Percentage of each payment received on the relevant Reimbursement Obligation and of interest paid thereon. The several obligations of the Lenders to the Issuing Bank under this Section 2.13(d) shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment any Lender may have or have had against the Borrower, the Issuing Bank, and any other Lender or any other Person whatsoever including, but not limited to, any defense based on the failure of the demand for payment under the Letter of Credit to conform to the terms of such Letter of Credit or the legality, validity, regularity or enforceability of such Letter of Credit and INCLUDING, BUT NOT LIMITED TO, THOSE RESULTING FROM THE ISSUING BANK'S OWN SIMPLE OR CONTRIBUTORY NEGLIGENCE. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any subsequent reduction or termination of any Commitment of a Lender, and each payment by a Lender under this Section 2.13 shall be made without any offset, abatement, withholding or reduction whatsoever.

Section 2.14. Commitment Terminations. The Borrower shall have the right  
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at any time and from time to time, upon three (3) Business Days' prior and irrevocable written notice to the Administrative Agent, to terminate or reduce the Commitments without premium or penalty, in whole or in part, any reduction (i) to be in an amount not less than \$5,000,000 as determined by the Borrower and in integral multiples of \$5,000,000, (ii) to effect an automatic pro rata reduction of the Foreign Currency Sublimit, and (iii) as to both the Commitments and the Foreign Currency Sublimit to be allocated ratably among the Lenders in proportion to their respective Commitments; provided, that (A) the Revolving Credit Commitment Amount may not be reduced to an amount less than the sum of the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations, and (B) the Foreign Currency Sublimit may not be reduced to an amount less than the sum of the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations payable in Euros, Pounds and Kroner, in each case after converting, if necessary, any such outstanding Obligations to their Dollar Equivalent amounts in accordance with Section 10.19 and after giving effect to payments on such proposed termination or reduction date; provided, however, that to the extent the Borrower provides  
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to the Administrative Agent cash collateral in an amount sufficient to cover

such shortage or back to back letters of credit from a bank(s) or financial institution(s) whose short-term unsecured debt rating is rated A or above from either S&P or Moody's or such other bank(s) or financial institution(s) satisfactory to the Required Lenders in an amount equal to the undrawn face amount of any applicable outstanding Letters of Credit with an expiration date of at least five (5) days after the expiration date of any applicable Letter of Credit and which provide that the Administrative Agent may make a drawing thereunder in the event that it pays a drawing under such Letter of Credit. The Administrative Agent shall give prompt notice to each Lender of any such termination or reduction of the Commitments. Any termination of Commitments pursuant to this Section 2.14 is permanent and may not be reinstated.

Section 2.15. Additional Interest Costs.  
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(a) Mandatory Costs Rate. If and so long as any Lender is required to make  
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special deposits with the Bank of England, to maintain reserve asset ratios or to pay fees, in each case in respect of such Lender's Eurocurrency Loans in any currency other than Dollars, such Lender may require the Borrower to pay, contemporaneously with each payment of interest on each of such Loans, additional interest on such Loan at a rate per annum equal to the Mandatory Costs Rate calculated in accordance with the formula and in the manner set forth in Exhibit 2.15 hereto.  
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(b) Other Requirements for Additional Interest. If and so long as any  
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Lender is required to comply with reserve assets, liquidity, cash margin or other requirements of any monetary or other authority (including any such requirement imposed by the European Central Bank or the European System of Central Banks, but excluding requirements reflected in the Statutory Reserve Rate or the Mandatory Costs Rate) in respect of any of such Lender's Eurocurrency Loans in any currency other than Dollars, such Lender may require the Borrower to pay, contemporaneously with each payment of interest on each of such Loans subject to such requirements, additional interest on such Loan at a rate per annum specified by such Lender to be the cost to such Lender of complying with such requirements in relation to such Loan.

(c) Determination of Amounts Due. Any additional interest owed pursuant to  
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paragraph (a) or (b) above shall be determined by the relevant Lender and notified to the Borrower (with a copy to the Administrative Agent) in the form of a certificate setting forth such additional interest at least five Business Days before each date on which interest is payable for the relevant Loan, and such additional interest so notified to the Borrower by such Lender shall be payable to the Administrative Agent for the account of such Lender on each date on which interest is payable for such Loan.

(d) Limitation on Amounts Due. Subject to the provisions of Section  
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8.3(c), failure or delay on the part of any Lender on any occasion to demand additional interest pursuant to this Section shall not constitute a waiver of such Lender's right to demand such additional interest on any subsequent occasion.

(e) Applicability to Competitive Loans. Notwithstanding the foregoing  
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provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the circumstances that would otherwise entitle it to such compensation

shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

ARTICLE 3. FEES AND PAYMENTS.

Section 3.1. Fees.

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(a) Facility Fees. The Borrower agrees to pay to the Administrative Agent

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for the account of each Lender a facility fee, which shall accrue at the Applicable Facility Fee Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Initial Availability Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last Business Day of March, June, September and December of each year, commencing on March 30, 2001, and on the date(s) on which the Commitments shall have terminated and the Lenders shall have no further Revolving Credit Exposures. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Utilization Fees. For any day on which the Dollar Equivalent of the

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outstanding principal amount of the Loans and L/C Obligations shall be greater than an amount equal to 33% of the total Commitments (and for any day after the termination of all the Commitments on which any Loans or L/C Obligations shall be outstanding if the Dollar Equivalent of the outstanding principal amount thereof on the date the Commitments terminated shall have been greater than 33% of the total Commitments in effect on such date), the Borrower shall pay to the Administrative Agent for the account of each Lender a utilization fee equal to the Applicable Utilization Fee Rate multiplied by the Dollar Equivalent of aggregate amount of such Lender's outstanding Loans and applicable Percentage of L/C Obligations on such day. Accrued and unpaid utilization fees, if any, shall be payable in arrears on the last Business Day of each March, June, September and December and on the date(s) on which the Commitments shall have terminated and there are no Loans or L/C Obligations outstanding. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Letter of Credit Fees. Commencing upon the date of issuance, increase

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or extension of any Letter of Credit and thereafter on the last Business Day of each March, June, September and December, the Borrower shall pay to the Administrative Agent quarterly in advance, for the period until the next Letter of Credit fee payment date, for the ratable amount of the Lenders, a non-refundable fee payable in Dollars equal to the Applicable Margin multiplied by the outstanding face amount or increase of such Letter of Credit during such upcoming period calculated on the basis of a 360 day year and actual days elapsed and based on the then scheduled expiration date of the Letter of Credit. For any Letter of Credit issued with a face amount in Euros, Pounds or Kroner, the fees shall be converted into Dollars in accordance with

Section 10.19 as of two (2) days before the issuance date thereof, and thereafter five (5) days before any fee with respect thereto shall be due and payable hereunder. In addition, the Borrower shall pay to the Issuing Bank solely for the Issuing Bank's account, in connection with each Letter of Credit, issuance and administrative fees and expenses for Letters of Credit as agreed from time to time between the Issuing Bank and the Borrower.

(d) Administrative Agent Fees. The Borrower shall pay to the

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Administrative Agent and Lead Arranger the fees from time to time agreed to by the Borrower, the Administrative Agent, and Lead Arranger.

(e) Payment of Fees. All fees payable hereunder shall be paid on the dates

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due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees, utilization fees, and Letter of Credit fees (other than issuance and administrative fees payable to the Issuing Bank), to the Lenders.

Section 3.2. Place and Application of Payments.

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(a) All payments of principal of and interest on the Loans, Reimbursement Obligations and all fees and other amounts payable by the Borrower under the Credit Documents shall be made by the Borrower to the Administrative Agent, for the benefit of the Lenders entitled to such payments, in immediately available funds on the due date thereof (i) in the case of payments in Dollars, no later than 2:00 p.m. at the office of the Administrative Agent in Atlanta, Georgia, or such other location as the Administrative Agent may designate in writing to the Borrower, and (ii) in the case of payments in Euros, Pounds or Kroner, no later than the close of business (at the bank where the applicable Foreign Currency Payment Account is maintained) to the applicable Foreign Currency Payment Account. Any payments received by the Administrative Agent from the Borrower after the time specified in the preceding sentence shall be deemed to have been received on the next Business Day. If the Borrower does not, or is unable for any reason to, effect payment of a Loan or Reimbursement Obligation to the Lenders in the applicable currency or if the Borrower shall default in the payment when due of any payment in such currency, the Lenders may, at their option, require such payment to be made to the Lenders in the Dollar Equivalent of such currency determined in accordance with Section 10.19. With respect to any amount due and payable in Euros, Pounds or Kroner, the Borrower agrees to hold the Lenders harmless from any losses incurred by the Lenders arising from any change in the value of Dollars in relation to such currency between the date such payment became due and the date of payment thereof (other than losses incurred by any Lender due to the gross negligence or willful misconduct of such Lender). The Administrative Agent will, on the same day each payment is received or deemed to have been received in accordance with this Section 3.2, cause to be distributed like funds in like currency to each Lender owed an Obligation for which such payment was received, pro rata based on the respective amounts of such type of Obligation then owing to each Lender.

(b) If any payment received by the Administrative Agent under any Credit Document is insufficient to pay in full all amounts then due and payable to the Administrative Agent and the Lenders under the Credit Documents, such payment shall be distributed by the Administrative Agent and applied by the Administrative Agent and the Lenders in the order set

forth in Section 7.7. In calculating the amount of Obligations owing each Lender other than for principal and interest on Loans and Reimbursement Obligations and fees under Section 3.1, the Administrative Agent shall only be required to include such other Obligations that Lenders have certified to the Administrative Agent in writing are due to such Lenders.

Section 3.3. Withholding Taxes.  
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(a) Payments Free of Withholding. Except as otherwise required by law and  
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subject to Section 3.3(b), each payment by the Borrower to any Lender, Issuing Bank or Administrative Agent under this Agreement or any other Credit Document shall be made without withholding for or on account of any present or future taxes imposed by or within the jurisdiction in which the Borrower is incorporated, any jurisdiction from which the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein, excluding, in the case of each Lender, Issuing Bank and the Administrative Agent, the following taxes:

(i) taxes imposed on, based upon, or measured by such Lender's, Issuing Bank's or the Administrative Agent's net income or profits, and branch profits, franchise and similar taxes imposed on it;

(ii) taxes imposed on such Lender, Issuing Bank or the Administrative Agent as a result of a present or former connection between the taxing jurisdiction and such Lender, Issuing Bank or Administrative Agent, or any affiliate thereof, as the case may be, other than a connection resulting solely from the transactions contemplated by this Agreement;

(iii) taxes imposed as a result of the transfer by such Lender, Issuing Bank or Administrative Agent of its interest in this Agreement or any other Credit Document or a designation by such Lender, Issuing Bank or the Administrative Agent (other than pursuant to Section 8.3(c)) of a new Lending Office (other than taxes imposed as a result of any change in treaty, law or regulation after such transfer of such Lender's, Issuing Bank's or the Administrative Agent's interest in this Agreement or any other Credit Document or designation of a new Lending Office);

(iv) taxes imposed by the United States of America (or any political subdivision thereof or tax authority therein) upon a Lender, Issuing Bank or Administrative Agent organized under the laws of a jurisdiction outside of the United States, except to the extent that such tax is imposed as a result of any change in applicable law, regulation or treaty (other than any addition of or change in any "anti-treaty shopping," "limitation of benefits," or similar provision applicable to a treaty) after the date hereof, in the case of each Lender, Issuing Bank or Administrative Agent originally a party hereto or, in the case of any Purchasing Lender (as defined in Section 10.10) or other Issuing Bank or Administrative Agent, after the date on which it becomes a Lender, Issuing Bank, or Administrative Agent, as the case may be; or

(v) taxes which would not have been imposed but for (a) the failure of any Lender, the Issuing Bank, or the Administrative Agent, as the case may be, to provide (I)

the applicable forms prescribed by the Internal Revenue Service, as required pursuant to Section 3.3(b), or (II) any other form, certification, documentation or proof which is reasonably requested by the Borrower, or (b) a determination by a taxing authority or a court of competent jurisdiction that a form, certification, documentation or other proof provided by such Lender, Issuing Bank or the Administrative Agent to establish an exemption from such tax, assessment or other governmental charge is false;

(all such present or future taxes, excluding only the taxes described in the preceding clauses (i) through (v), being hereinafter referred to as "Indemnified Taxes"). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Lender, Issuing Bank and the Administrative Agent is free and clear of such Indemnified Taxes (including Indemnified Taxes on such additional amount) and is equal to the amount that such Lender, Issuing Bank or the Administrative Agent (as the case may be) would have received had withholding of any Indemnified Tax not been made. If the Borrower pays any Indemnified Taxes, or any penalties or interest in connection therewith, it shall deliver official tax receipts evidencing the payment or certified copies thereof, or other evidence of payment if such tax receipts have not yet been received by the Borrower (with such tax receipts to be delivered within fifteen (15) days after being actually received), to the Lender, Issuing Bank or the Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) within fifteen (15) days of such payment. If the Administrative Agent, Issuing Bank or any Lender pays any Indemnified Taxes, or any penalties or interest in connection therewith, the Borrower shall reimburse the Administrative Agent, Issuing Bank or that Lender for the payment on demand in the currency in which such payment was made. Such Lender, Issuing Bank or the Administrative Agent shall make written demand on the Borrower for reimbursement hereunder no later than ninety (90) days after the earlier of (i) the date on which such Lender, Issuing Bank or the Administrative Agent makes payment of the Indemnified Taxes, penalties and interest, and (ii) the date on which the relevant taxing authority or other governmental authority makes written demand upon such Lender, Issuing Bank or the Administrative Agent for payment of the Indemnified Taxes, penalties and interest. Any such demand shall describe in reasonable detail such Indemnified Taxes, penalties or interest, including the amount thereof if then known to such Lender, Issuing Bank, or the Administrative Agent, as the case may be. In the event that such Lender, Issuing Bank or the Administrative Agent fails to give the Borrower timely notice as provided herein, the Borrower shall not have any obligation to pay such claim for reimbursement.

(b) U.S. Withholding Tax Exemptions. Upon the written request of the

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Borrower or the Administrative Agent, each Lender or Issuing Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent, promptly after such request, two duly completed and signed copies of either Form W-8 BEN or any successor form (entitling such Lender or Issuing Bank to a complete exemption from withholding under the Code on all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) or Form W-8 ECI or any successor form (relating to all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) of the United States Internal Revenue Service,

and any other form of the United States Internal Revenue Service reasonably necessary to accomplish exemption from withholding obligations or to facilitate the Administrative Agent's performance under this Agreement. Thereafter and from time to time, each such Lender or Issuing Bank shall submit to the Borrower and the Administrative Agent such additional duly completed and signed copies of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be required under then-current United States law or regulations to avoid United States withholding taxes on payments in respect of all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents. Upon the request of the Borrower, each Lender or Issuing Bank that is a United States person shall submit to the Borrower a certificate to the effect that it is such a United States person.

(c) Inability of Lender to Submit Forms. If any Lender or Issuing Bank

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determines in good faith, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that (i) it is unable to submit to the Borrower or Administrative Agent any form or certificate that such Lender or Issuing Bank is obligated to submit pursuant to subsection (b) of this Section 3.3, (ii) it is required to withdraw or cancel any such form or certificate previously submitted, or (iii) any such form or certificate otherwise becomes ineffective or inaccurate, such Lender or Issuing Bank shall promptly notify the Borrower and Administrative Agent of such fact, and the Lender or Issuing Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

(d) Refund of Taxes. If any Lender, Issuing Bank or the Administrative

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Agent receives a refund of any Indemnified Tax or any tax referred to in Section 10.3 with respect to which the Borrower has paid any amount pursuant to this Section 3.3 or Section 10.3, such Lender, Issuing Bank or the Administrative Agent shall pay the amount of such refund (including any interest received with respect thereto) to the Borrower within fifteen (15) days after receipt thereof. A Lender, Issuing Bank, or the Administrative Agent shall provide, at the sole cost and expense of the Borrower, such assistance as the Borrower may reasonably request in order to obtain such a refund; provided, however, that neither the Administrative Agent nor any Lender or Issuing Bank shall in any event be required to disclose any information to the Borrower with respect to the overall tax position of the Administrative Agent, Issuing Bank, or such Lender.

ARTICLE 4. CONDITIONS PRECEDENT.

Section 4.1. Initial Borrowing. The obligation of each Lender to advance

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the initial Loans hereunder, and of the Issuing Bank to issue the initial Letter of Credit hereunder, on or after the Initial Availability Date is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received the following all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient number of signed counterparts, where applicable, to provide one for each Lender:

(i) Certificates of Officers. Certificates of the Secretary or an  
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Assistant Secretary of the Borrower containing specimen signatures of the persons authorized to execute Credit Documents on the Borrower's behalf or any other documents provided for herein or therein, together with (x) copies of resolutions of the Board of Directors or other appropriate body of the Borrower authorizing the execution and delivery of the Credit Documents, (y) copies of the Borrower's Memorandum and Articles of Association and other publicly filed organizational documents in its jurisdiction of organization and bylaws and other governing documents, and (z) a certificate of incorporation and good standing from the appropriate governing agency of the Borrower's jurisdiction of organization;

(ii) Regulatory Filings and Approvals. Copies of all necessary  
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governmental and third party approvals, registrations, and filings in respect of the transactions contemplated by this Agreement;

(iii) Insurance Certificate. An insurance certificate dated not more  
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than ten (10) days prior to the Initial Availability Date from the Borrower describing in reasonable detail the insurance maintained by the Borrower and its Subsidiaries as required by this Agreement;

(iv) Opinions of Counsel. The opinions of (x) Baker Botts LLP,  
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counsel for the Borrower, in the form of Exhibit 4.1A, (y) William Turcotte, Associate General Counsel of the Borrower, in the form of Exhibit 4.1B, and (z) Walkers, Cayman Islands counsel for the Borrower, in the form of Exhibit 4.1C;  
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(v) Closing Certificate. Certificate of the President or a Vice  
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President of the Borrower as to the satisfaction of all conditions set forth in this Section 4.1; and

(vi) Transocean/ABN Revolving Credit Facility. Evidence that all  
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commitments of the lenders under the Transocean/ABN Revolving Credit Facility are being terminated, and all amounts then outstanding under the Transocean/ABN Revolving Credit Facility are being paid in full, simultaneously on the Initial Availability Date.

(b) Each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as of the time of such Borrowing, except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default or Event of Default shall have occurred and be continuing;

(d) There shall be no pending or, to the knowledge of the Borrower, threatened actions, suits or proceedings at law or in equity or by or before any governmental authority against or affecting the Borrower or any of its Subsidiaries or any of their respective businesses,



properties or rights which, if adversely determined, could reasonably be expected to result in a Material Adverse Effect; and

(e) Payment of all fees and all expenses incurred through the Effective Date then due and owing to the Administrative Agent, the Lenders, and the Lead Arranger pursuant to this Agreement and as otherwise agreed in writing by the Borrower.

Section 4.2. All Borrowings. The obligation of each Lender to make any advance of any Loan, and of the Issuing Bank to issue any Letter of Credit hereunder (including any increase in the amount of, or extension of the expiration date of, any Letter of Credit) is subject to satisfaction of the following conditions precedent (but subject to Sections 2.3(c) and 2.13(c)):

(a) Notices. In the case of any Loan, the Administrative Agent shall have received the Borrowing Request required by the first sentence of Section 2.3(a), or the Competitive Bid Request and notice of acceptance thereof pursuant to Section 2.4, as the case may be, and in the case of the issuance, extension or increase of a Letter of Credit, the Issuing Bank and the Administrative Agent shall have received a duly completed Issuance Request and Application for such Letter of Credit, as the case may be, meeting the requirements of Section 2.13(b);

(b) Warranties True and Correct. In the case of any advance, Borrowing, or issuance or increase of any Letter of Credit that increases the aggregate amount of Loans and L/C Obligations outstanding after giving effect to such advance, Borrowing or issuance or increase, each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as of the time of such advance, Borrowing, or issuance or increase of any Letter of Credit, except as a result of the transactions expressly permitted hereunder or thereunder and except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default. No Default or Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing; and

(d) Regulations U and X. The Borrowing to be made by the Borrower shall not result in the Borrower or any Lender or Issuing Bank being in non-compliance with or in violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

Each acceptance by the Borrower of an advance of any Loan or of the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such acceptance, that all conditions precedent to such Borrowing set forth in this Section 4.2 and in Section 4.1 with respect to the initial Borrowings hereunder have (except to the extent waived in accordance with the terms hereof) been satisfied or fulfilled unless the Borrower gives to the Administrative Agent and the Lenders written notice to the contrary, in which case none of the Lenders shall be required to fund such Loans and the Issuing Bank shall not be required to issue, increase the amount of or extend the expiration date of such Letter of Credit, unless the Required Lenders shall have previously waived in writing such non-compliance.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to each Lender, Issuing Bank and Administrative Agent as follows:

Section 5.1. Corporate Organization. The Borrower and each of its

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material Subsidiaries: (i) is duly organized and existing in good standing under the laws of the jurisdiction of its organization; (ii) has all necessary company power and authority to own the property and assets it uses in its business and otherwise to carry on its present business; and (iii) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified or to be in good standing, as the case may be, would not have a Material Adverse Effect.

Section 5.2. Power and Authority; Validity . The Borrower has the

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organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents and has taken all necessary company action to authorize the execution, delivery and performance of such Credit Documents. The Borrower has duly executed and delivered each Credit Document and each such Credit Document constitutes the legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles.

Section 5.3. No Violation. Neither the execution, delivery or performance

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by the Borrower of the Credit Documents nor compliance by it with the terms and provisions thereof, nor the consummation by it of the transactions contemplated herein or therein, will (i) contravene in any material respect any applicable provision of any law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien other than any Permitted Lien upon any of the property or assets of the Borrower or any of its Subsidiaries under, the terms of any material contractual obligation to which the Borrower or any of its Subsidiaries is a party or by which they or any of their properties or assets are bound or to which they may be subject, or (iii) violate or conflict with any provision of the Memorandum and Articles of Association, charter, articles or certificate of incorporation, partnership or limited liability company agreement, by-laws, or other applicable governance documents of the Borrower or any of its Subsidiaries.

Section 5.4. Litigation. There are no actions, suits, proceedings or

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counterclaims (including, without limitation, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that are reasonably likely to have a Material Adverse Effect.

Section 5.5. Use of Proceeds; Margin Regulations.

(a) Use of Proceeds. The proceeds of the Loans and the Letters of Credit

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shall only be used for general corporate purposes of the Borrower and its Subsidiaries.

(b) Margin Stock. Neither the Borrower nor any of its Subsidiaries is

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engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds of the Loans or the Letters of Credit will be used for a purpose which violates Regulations T, U or X of the Board of Governors of the Federal Reserve System. After application of the proceeds of the Loans, the issuance of the Letters of Credit, and any acquisitions permitted hereunder, less than 25% of the assets of each of the Borrower and its Subsidiaries consists of "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System).

Section 5.6. Investment Company Act. Neither the Borrower nor any of its

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Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 5.7. Public Utility Holding Company Act. Neither the Borrower nor

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any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.8. True and Complete Disclosure. All factual information (taken

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as a whole) furnished by the Borrower or any of its Subsidiaries in writing to the Administrative Agent or any Lender in connection with any Credit Document or the Confidential Information Memorandum or any transaction contemplated therein did not, as of the date such information was furnished (or, if such information expressly related to a specific date, as of such specific date), contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein (taken as a whole), in light of the circumstances under which such information was furnished, not misleading, except for such statements, if any, as have been updated, corrected, supplemented, superseded or modified pursuant to a written correction or supplement furnished to the Lenders prior to the date of this Agreement.

Section 5.9. Financial Statements. The financial statements heretofore

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delivered to the Lenders for the Borrower's fiscal year ending December 31, 1999, and for the Borrower's fiscal quarter and year-to-date period ending September 30, 2000, have been prepared in accordance with GAAP applied on a basis consistent, except as otherwise noted therein, with the Borrower's financial statements for the previous fiscal year. Such annual and quarterly financial statements fairly present on a consolidated basis the financial position of the Borrower as of the dates thereof, and the results of operations for the periods indicated, subject in the case of interim financial statements, to normal year-end audit adjustments and omission of certain footnotes (as permitted by the SEC). As of the Effective Date, the Borrower and its Subsidiaries, considered as a whole, had no material contingent liabilities or material Indebtedness required under GAAP to be disclosed in a consolidated balance sheet of the Borrower that were not disclosed in the financial statements referred to in this Section 5.9 or in the notes thereto or disclosed in writing to the Administrative Agent (with a request to the Administrative Agent to distribute such disclosure to the Lenders).

Section 5.10. No Material Adverse Change. There has occurred no event or  
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effect that has had or could reasonably be expected to have a Material Adverse  
Effect.

Section 5.11. Labor Controversies. There are no labor controversies  
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pending or, to the best knowledge of the Borrower, threatened against the  
Borrower or any of its Subsidiaries that could reasonably be expected to have a  
Material Adverse Effect.

Section 5.12. Taxes. The Borrower and its Subsidiaries have filed all  
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United States federal income tax returns, and all other material tax returns  
required to be filed, whether in the United States or in any foreign  
jurisdiction, and have paid all governmental taxes, rates, assessments, fees,  
charges and levies (collectively, "Taxes") shown to be due and payable on such  
returns or on any assessments made against Borrower and its Subsidiaries or any  
of their properties (other than any such assessments, fees, charges or levies  
that are not more than ninety (90) days past due, or which can thereafter be  
paid without penalty, or which are being contested in good faith by appropriate  
proceedings and for which reserves have been provided in conformity with GAAP,  
or which the failure to pay could not reasonably be expected to have a Material  
Adverse Effect).

Section 5.13. ERISA. With respect to each Plan, the Borrower and its  
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Subsidiaries have fulfilled their obligations under the minimum funding  
standards of, and are in compliance in all material respects with, ERISA and  
with the Code to the extent applicable to it, and have not incurred any  
liability under Title IV of ERISA to the PBGC other than a liability to the PBGC  
for premiums under Section 4007 of ERISA, except as described in Schedule 5.13  
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and in each case with such exceptions as could not reasonably be expected to  
have a Material Adverse Effect. As of the Effective Date, neither the Borrower  
nor any of its Subsidiaries has any material contingent liability with respect  
to any post-retirement benefits under a welfare plan subject to ERISA, other  
than liability for continuation coverage described in Part 6 of Title I of ERISA  
and as disclosed in the financial statements of the Borrower for the fiscal  
quarter ending September 30, 2000, described in Section 5.9, or any other  
liability that could not reasonably be expected to have a Material Adverse  
Effect.

Section 5.14. Consents. On the Initial Availability Date, all consents and  
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approvals of, and filings and registrations with, and all other actions of, all  
governmental agencies, authorities or instrumentalities required to have been  
obtained or made by the Borrower in order to obtain the Loans and Letters of  
Credit hereunder have been or will have been obtained or made and are or will be  
in full force and effect.

Section 5.15. Insurance. The Borrower and its material Subsidiaries  
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currently maintain in effect, with responsible insurance companies, insurance  
against any loss or damage to all insurable property and assets owned by it,  
which insurance is of a character and in or in excess of such amounts as are  
customarily maintained by companies similarly situated and operating like  
property or assets (subject to self-insured retentions and deductibles), and  
insurance with respect to employers' and public and product liability risks  
(subject to self-insured retentions and deductibles).

Section 5.16. Intellectual Property. The Borrower and its Subsidiaries own

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or hold valid licenses to use all the patents, trademarks, permits, service marks, and trade names that are necessary to the operation of the business of the Borrower and its Subsidiaries as presently conducted, except where the failure to own, or hold valid licenses to use, such patents, trademarks, permits, service marks, and trade names could not reasonably be expected to have a Material Adverse Effect.

Section 5.17. Ownership of Property. The Borrower and its Subsidiaries

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have good title to or a valid leasehold interest in all of their real property and good title to, or a valid leasehold interest in, all of their other property, subject to no Liens except Permitted Liens, except where the failure to have such title or leasehold interest in such property could not reasonably be expected to have a Material Adverse Effect.

Section 5.18. Compliance with Statutes, Etc. The Borrower and its

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Subsidiaries are in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic and foreign, in respect of the conduct of their businesses and the ownership of their properties, except for such instances of non-compliance as could not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 5.19. Environmental Matters.

(a) Compliance with Environmental Laws. Except as described in Schedule

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5.19, the Borrower and its Subsidiaries are in compliance with all applicable

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Environmental Laws and the requirements of any permits issued under such Environmental Laws, except for such instances of non-compliance as could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, there are no pending, past or threatened Environmental Claims against the Borrower or any of its Subsidiaries on any property owned or operated by the Borrower or any of its Subsidiaries except as described in Schedule 5.19 or except as could not reasonably be expected to have a Material

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Adverse Effect. To the best knowledge of the Borrower, there are no conditions or occurrences on any property owned or operated by the Borrower or any of its Subsidiaries or on any property adjoining or in the vicinity of any such property that could reasonably be expected to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any such property that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(b) Hazardous Materials. To the best of the Borrower's knowledge, (i)

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Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any property owned or operated by the Borrower or any of its Subsidiaries in a manner that has violated or could reasonably be expected to violate any Environmental Law, and (ii) Hazardous Materials have not at any time been released on or from any property owned or operated by the Borrower or any of its Subsidiaries, in the case of both (i) and (ii), with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 5.20. Existing Indebtedness. Schedule 5.20 contains a complete and

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accurate list of all Indebtedness outstanding as of the Effective Date, with respect to the Borrower and its

Subsidiaries, in each case in a principal amount of \$20,000,000 or more (other than the Obligations hereunder and Indebtedness permitted by Section 6.11(b) through (k)) and permitted by Section 6.11(a), in each case showing the aggregate principal amount thereof, the name of the respective borrower and any other entity which directly or indirectly guaranteed such Indebtedness, and the scheduled payments of such Indebtedness.

Section 5.21. Existing Liens. Schedule 5.21 contains a complete and

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accurate list of all Liens outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries where the Indebtedness or other obligations secured by such Lien is in a principal amount of \$20,000,000 or more (other than the Liens permitted by Section 6.10(b) through (r)), and permitted by Section 6.10(a), in each case showing the name of the Person whose assets are subject to such Lien, the aggregate principal amount of the Indebtedness secured thereby, and a description of the Agreements or other instruments creating, granting, or otherwise giving rise to such Lien.

#### ARTICLE 6. COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Note, Commitment, or L/C Obligation is outstanding hereunder, or any other Obligation is due and payable hereunder:

Section 6.1. Corporate Existence. Each of the Borrower and its material

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Subsidiaries will preserve and maintain its organizational existence, except (i) for the dissolution of any material Subsidiaries whose assets are transferred to the Borrower or any of its Subsidiaries, (ii) where the failure to preserve, renew or keep in full force and effect the existence of any Subsidiary could not reasonably be expected to have a Material Adverse Effect, or (iii) as otherwise expressly permitted in this Agreement.

Section 6.2. Maintenance. Each of the Borrower and its material

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Subsidiaries will maintain, preserve and keep its properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition (normal wear and tear excepted) and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such properties and equipment are reasonably preserved and maintained, in each case with such exceptions as could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect; provided, however, that nothing in this Section 6.2 shall prevent the Borrower or any material Subsidiary from discontinuing the operation or maintenance of any such properties or equipment if such discontinuance is, in the judgment of the Borrower or any material Subsidiary, as applicable, desirable in the conduct of their businesses.

Section 6.3. Taxes. Each of the Borrower and its Subsidiaries will duly

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pay and discharge all Taxes upon or against it or its properties before penalties accrue thereon (or, if later, within ninety (90) days of becoming past due), unless and to the extent that (i) the same is being contested in good faith and by appropriate proceedings and reserves have been established in conformity with GAAP, or (ii) the failure to effect such payment or discharge could not reasonably be expected to have a Material Adverse Effect.

Section 6.4. ERISA. Each of the Borrower and its Subsidiaries will timely

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pay and discharge all obligations and liabilities arising under ERISA or otherwise with respect to each Plan of a character which if unpaid or unperformed might result in the imposition of a material Lien against any properties or assets of the Borrower or any material Subsidiary and will promptly notify the Administrative Agent upon an officer of the Borrower becoming aware thereof, of (i) the occurrence of any reportable event (as defined in ERISA) relating to a Plan (other than a multi-employer plan, as defined in ERISA), so long as the event thereunder could reasonably be expected to have a Material Adverse Effect, other than any such event with respect to which the PBGC has waived notice by regulation; (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor; (iii) Borrower's or any of its Subsidiaries' intention to terminate or withdraw from any Plan if such termination or withdrawal would result in liability under Title IV of ERISA, unless such termination or withdrawal could not reasonably be expected to have a Material Adverse Effect; and (iv) the receipt by the Borrower or its Subsidiaries of notice of the occurrence of any event that could reasonably be expected to result in the incurrence of any liability (other than for benefits), fine or penalty to the Borrower and/or to the Borrower's Subsidiaries, or any plan amendment that could reasonably be expected to increase the contingent liability of the Borrower and its Subsidiaries, taken as a whole, in connection with any post-retirement benefit under a welfare plan (subject to ERISA), unless such event or amendment could not reasonably be expected to have a Material Adverse Effect. The Borrower will also promptly notify the Administrative Agent of (i) any material contributions to any Foreign Plan that have not been made by the required due date for such contribution if such default could reasonably be expected to have a Material Adverse Effect; (ii) any Foreign Plan that is not funded to the extent required by the law of the jurisdiction whose law governs such Foreign Plan based on the actuarial assumptions reasonably used at any time if such underfunding (together with any penalties likely to result) could reasonably be expected to have a Material Adverse Effect, and (iii) any material change anticipated to any Foreign Plan that could reasonably be expected to have a Material Adverse Effect.

Section 6.5. Insurance. Each of the Borrower and its material

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Subsidiaries will maintain or cause to be maintained, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, such insurance to be of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles) and will (subject to self-insured retentions and deductibles) maintain or cause to be maintained insurance with respect to employers' and public and product liability risks.

Section 6.6. Financial Reports and Other Information.

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(a) Periodic Financial Statements and Other Documents. The Borrower, its

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Subsidiaries and any SPVs will maintain a system of accounting in such manner as will enable preparation of financial statements in accordance with GAAP and will furnish to the Lenders and their respective authorized representatives such information about the business and financial condition of the Borrower, its Subsidiaries and any SPVs as any Lender may reasonably request; and, without any request, will furnish to the Administrative Agent:

(i) within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter and the related consolidated statements of income and retained earnings and of cash flows for such fiscal quarter and for the portion of the fiscal year ended with the last day of such fiscal quarter, all of which shall be in reasonable detail or in the form filed with the SEC, and certified by the chief financial officer of the Borrower that they fairly present the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated and that they have been prepared in accordance with GAAP, in each case, subject to normal year-end audit adjustments and the omission of any footnotes as permitted by the SEC (delivery to the Administrative Agent of a copy of the Borrower's Form 10-Q filed with the SEC (without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(ii) within one hundred twenty (120) days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such fiscal year and setting forth consolidated comparative figures as of the end of and for the preceding fiscal year, audited by an independent nationally-recognized accounting firm and in the form filed with the SEC (delivery to the Administrative Agent of a copy of the Borrower's Form 10-K filed with the SEC (without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(iii) commencing with fiscal year 2001, to the extent actually prepared and approved by the Borrower's board of directors, a projection of Borrower's consolidated balance sheet and consolidated income, retained earnings and cash flows for its current fiscal year showing such projected budget for each fiscal quarter of the Borrower ending during such year; and

(iv) within ten (10) days after the sending or filing thereof, copies of all financial statements, projections, documents and other communications that the Borrower sends to its stockholders generally or files with the SEC or any similar governmental authority (and is publicly available).

The Administrative Agent will forward promptly to the Lenders the information provided by the Borrower pursuant to (i) through (iv) above.

(b) Compliance Certificates. Each financial statement furnished to the

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Lenders pursuant to subsections (i) and (ii) of Section 6.6(a) shall be (i) accompanied by additional information setting forth calculations excluding the effects of any SPVs and containing such calculations for any SPVs as reasonably requested by the Administrative Agent, and (ii) accompanied by (x) a written certificate signed by the Borrower's chief financial officer (or other financial officer of the Borrower), in his or her capacity as such, to the effect that no Default or Event of Default then exists or, if any such Default or Event of Default exists as of the date of



such certificate, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, and (y) a Compliance Certificate in the form of Exhibit 6.6 showing the

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Borrower's compliance with certain of the covenants set forth herein.

(c) Management Letters. Promptly upon receipt thereof, the Borrower will

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provide the Administrative Agent with a copy of each report or "management letter" submitted to the Borrower by its independent accountants or auditors in connection with any annual, interim or special audit made by them of the books and records of the Borrower.

(d) Notice of Events Relating to Environmental Laws and Claims. Promptly

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after any officer of the Borrower obtains knowledge of any of the following, the Borrower will provide the Administrative Agent with written notice in reasonable detail of any of the following that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect:

(i) any pending or threatened Environmental Claim against the Borrower, any of its Subsidiaries or any SPV or any property owned or operated by the Borrower, any of its Subsidiaries or any SPV;

(ii) any condition or occurrence on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV that results in noncompliance by the Borrower, any of its Subsidiaries or any SPV with any Environmental Law; and

(iii) the taking of any material remedial action in response to the actual or alleged presence of any Hazardous Material on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV other than in the ordinary course of business.

(e) Notices of Default, Litigation, Etc. The Borrower will promptly, and

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in any event within five (5) Days, after an officer of the Borrower has knowledge thereof, give written notice to the Administrative Agent of (who will in turn provide notice to the Lenders of): (i) the occurrence of any Default or Event of Default; (ii) any litigation or governmental proceeding of the type described in Section 5.4; (iii) any circumstance that has had or could reasonably be expected to have a Material Adverse Effect; (iv) the occurrence of any event which has resulted in a breach of, or is likely to result in a breach of, Sections 6.16 or 6.17; and (v) any notice received by it, any Subsidiary or any SPV from the holder(s) of Indebtedness of the Borrower, any Subsidiary or any SPV in an amount which, in the aggregate, exceeds \$30,000,000, where such notice states or claims the existence or occurrence of any default or event of default with respect to such Indebtedness under the terms of any indenture, loan or credit agreement, debenture, note, or other document evidencing or governing such Indebtedness.

Section 6.7. Lender Inspection Rights. Upon reasonable notice from the

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Administrative Agent or any Lender, the Borrower will permit the Administrative Agent or any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) during normal business hours at such entity's sole expense unless a Default or Event of Default

shall have occurred and be continuing, in which event at the Borrower's expense, to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books and records, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Administrative Agent and any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) the affairs, finances and accounts of the Borrower and its Subsidiaries), all as often, and to such extent, as may be reasonably requested. The chief financial officer of the 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. The Administrative Agent agrees to use reasonable efforts to minimize, to the extent practicable, the number of separate requests from the Lenders to exercise their rights under this Section 6.7 and/or Section 6.6 and to coordinate the exercise by the Lenders of such rights.

Section 6.8. Conduct of Business. The Borrower and its Subsidiaries will

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at all times remain primarily engaged in (i) the contract drilling business, (ii) the provision of services to the energy industry, (iii) other existing businesses described in the Borrower's current SEC reports and in the Transocean/R&B Falcon Joint Proxy Statement, or (iv) any related businesses (each a "Permitted Business").

Section 6.9. Restrictions on Fundamental Changes. The Borrower shall not

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merge or consolidate with any other Person, or cause or permit any dissolution of the Borrower or liquidation of its assets, or sell, transfer or otherwise dispose of all or substantially all of the Borrower's assets, except that:

(a) The Borrower or any of its Subsidiaries may merge into, or consolidate with, any other Person if upon the consummation of any such merger or consolidation the Borrower or such Subsidiary is the surviving corporation to any such merger or consolidation (or the other Person is, or will thereby become, a Subsidiary of the Borrower); and

(b) The Borrower may sell or transfer all or substantially all of its assets (including stock in its Subsidiaries) to any Person if such Person is a Subsidiary of the Borrower (or a Person who will contemporaneously therewith become a Subsidiary of the Borrower);

provided in the case of any transaction described in the preceding clauses (a) and (b), no Default or Event of Default shall exist immediately prior to, or after giving effect to, such transaction.

Section 6.10. Liens. The Borrower and its Subsidiaries shall not create,

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incur, assume or suffer to exist any Lien of any kind on any property or asset of any kind of the Borrower or any Subsidiary, except the following (collectively, the "Permitted Liens"):

(a) Liens existing on the date hereof (each such Lien, to the extent it secures Indebtedness or other obligations in an aggregate amount of \$20,000,000 or more, being described on Schedule 5.21 attached hereto);

(b) Liens arising in the ordinary course of business by operation of law, deposits, pledges or other Liens in connection with workers' compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, public or statutory obligations or other similar charges, good faith deposits, pledges or other Liens in connection with (or to obtain letters of credit in connection with) bids, performance, return-of-money or payment bonds, contracts or leases to which the Borrower or its Subsidiaries are parties or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not for Indebtedness for borrowed money and is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(c) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) related to obligations not overdue for more than thirty (30) days if such Liens arise with respect to domestic assets and for more than ninety (90) days if such Liens arise with respect to foreign assets, or, if so overdue, that are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(d) Liens for Taxes not more than ninety (90) days past due or which can thereafter be paid without penalty or which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(e) Liens imposed by ERISA (or comparable foreign laws) which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(f) Liens arising out of judgments or awards against the Borrower or any of its Subsidiaries, or in connection with surety or appeal bonds or the like in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or for which the Borrower or such Subsidiary shall be prosecuting on appeal or proceeding for review, and for which it shall have obtained (within thirty (30) days with respect to a judgment or award rendered in the United States or within sixty (60) days with respect to a judgment or award rendered in a foreign jurisdiction after entry of such judgment or award or expiration of any previous such stay, as applicable) a stay of execution or the like pending such appeal or proceeding for review; provided, that the aggregate amount of uninsured or underinsured liabilities (net of customary deductibles, and including interest, costs, fees and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed \$50,000,000 at any one time outstanding;

(g) Liens on fixed or capital assets and related inventory and intangible assets acquired, constructed, improved, altered or repaired by the Borrower or any Subsidiary; provided that (i) such Liens secure Indebtedness otherwise permitted by this Agreement, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such

acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (iv) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary;

(h) Liens securing Interest Rate Protection Agreements or foreign exchange hedging obligations incurred in the ordinary course of business and not for speculative purposes;

(i) Liens on property existing at the time such property is acquired by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition (or on repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the assets of any Person at the time such Person becomes a Subsidiary of the Borrower and not created in contemplation of such Person becoming a Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto);

(j) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing subsections (a) through (i), provided, however, that the principal amount of Indebtedness secured thereby does not exceed the principal amount secured at the time of such extension, renewal or replacement (other than amounts incurred to pay costs of such extension, renewal or replacement), and that such extension, renewal or replacement is limited to the property already subject to the Lien so extended, renewed or replaced (together with accessions and improvements thereto and replacements thereof);

(k) rights reserved to or vested in any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the property of a Person;

(l) rights reserved to or vested in any municipality or governmental, statutory or public authority to control, regulate or use any property of a Person;

(m) rights of a common owner of any interest in property held by a Person and such common owner as tenants in common or through other common ownership;

(n) encumbrances (other than to secure the payment of Indebtedness), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any property or rights-of-way of a Person for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines, removal of gas, oil, coal, metals, steam, minerals, timber or other natural resources, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities or equipment, or defects, irregularity and deficiencies in title of any property or rights-of-way;

(o) Liens created by or resulting from zoning, planning and environmental laws and ordinances and municipal regulations;

(p) Liens created by or resulting from financing statements filed by lessors of property (but only with respect to the property so leased);

(q) Liens on property securing Non-recourse Debt;

(r) Liens on the stock or assets of SPVs; and

(s) Liens (not otherwise permitted by this Section 6.10) on property securing Indebtedness (or other obligations) not exceeding \$175,000,000 in the aggregate at any time outstanding.

Section 6.11. Indebtedness. The Borrower and its Subsidiaries shall not  
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incur, assume or suffer to exist any Indebtedness, except:

(a) existing Indebtedness outstanding on the Effective Date (such Indebtedness, to the extent the principal amount thereof is \$20,000,000 or more, being described on Schedule 5.20 attached hereto), and any subsequent  
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extensions, renewals or refinancings thereof so long as such Indebtedness is not increased in amount (other than amounts incurred to pay costs of such extension, renewal or refinancing), the scheduled maturity date thereof (if prior to the Maturity Date) is not accelerated, the interest rate per annum applicable thereto is not increased, any scheduled amortization of principal thereunder prior to the Maturity Date is not shortened and the payments thereunder are not increased;

(b) Indebtedness under the Credit Documents;

(c) intercompany loans and advances to the Borrower or its Subsidiaries, and intercompany loans and advances from any of such Subsidiaries or SPVs to the Borrower or any other Subsidiaries of the Borrower;

(d) Indebtedness under any Interest Rate Protection Agreements and under foreign exchange futures agreements, arrangements or options designed to protect against fluctuations in currency exchange rates;

(e) Indebtedness of the Borrower that may be incurred, assumed or suffered to exist without violating any section of this Agreement, including, without limitation, Sections 6.16 and 6.17 hereof;

(f) Indebtedness of any Subsidiary of the Borrower (i) under unsecured lines of credit for overdrafts or for working capital purposes in foreign countries with financial institutions, and (ii) arising from the honoring by a bank or other Person of a check, draft or similar instrument inadvertently drawing against insufficient funds, all such Indebtedness not to exceed \$100,000,000 in the aggregate at any time outstanding, provided that amounts under overdraft

lines of credit or outstanding as a result of drawings against insufficient funds shall be outstanding for one (1) Business Day before being included in such aggregate amount;

(g) Indebtedness of a Person existing at the time such Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or any Subsidiary of the Borrower and not incurred in contemplation of such transaction;

(h) Indebtedness of the Borrower or any Subsidiary of the Borrower (i) under Performance Guaranties and Performance Letters of Credit, and (ii) with respect to letters of credit issued in the ordinary course of business;

(i) Indebtedness of any Subsidiaries of the Borrower in an aggregate principal amount for all Subsidiaries not to exceed an amount equal to ten percent (10%) of Consolidated Net Assets (the "Subsidiary Debt Basket Amount") in the aggregate at any time outstanding;

(j) other Indebtedness of any Subsidiary of the Borrower so long as such Subsidiary has in force a Subsidiary Guaranty in substantially the form of Exhibit 6.11, provided that such Subsidiary Guaranty shall contain a provision

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that such Subsidiary Guaranty and all obligations thereunder of the Guarantor party thereto shall be terminated upon delivery to the Administrative Agent by the Borrower of a certificate stating that (x) the aggregate principal amount of Indebtedness of all Subsidiaries outstanding pursuant to the preceding clause (i) and this clause (j) is equal to or less than the Subsidiary Debt Basket Amount, and (y) no Default or Event of Default has occurred and is continuing; and

(k) extensions, renewals or replacements of Indebtedness permitted by this Section 6.11 that do not increase the amount of such Indebtedness (other than amounts incurred to pay costs of such extension, renewal or refinancing).

Section 6.12. Use of Property and Facilities; Environmental Laws. The

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Borrower and its Subsidiaries shall comply in all material respects with all Environmental Laws applicable to or affecting the properties or business operations of the Borrower or any Subsidiary of the Borrower, where the failure to comply could reasonably be expected to have a Material Adverse Effect.

Section 6.13. Transactions with Affiliates. Except as otherwise

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specifically permitted herein, the Borrower and its Subsidiaries shall not (except pursuant to contracts outstanding as of (i) with respect to the Borrower, the Effective Date or (ii) with respect to any Subsidiary of the Borrower, the Effective Date or, if later, the date such Subsidiary first became a Subsidiary of the Borrower) enter into or engage in any material transaction or arrangement or series of related transactions or arrangements which in the aggregate would be material with any Controlling Affiliate, including without limitation, the purchase from, sale to or exchange of property with, any merger or consolidation with or into, or the rendering of any service by or for, any Controlling Affiliate, except pursuant to the requirements of the Borrower's or such Subsidiary's business and unless such transaction or arrangement or series of related transactions or arrangements, taken as a whole, are no less favorable to the Borrower or such Subsidiary (other

than a wholly owned Subsidiary) than would be obtained in an arms' length transaction with a Person not a Controlling Affiliate.

Section 6.14. Sale and Leaseback Transactions. The Borrower will not, and -----  
will not permit any of its Subsidiaries to, enter into, assume, or suffer to exist any Sale-Leaseback Transaction, except any such transaction that may be entered into, assumed or suffered to exist without violating any other provision of this Agreement, including without limitation, Sections 6.16 and 6.17.

Section 6.15. Compliance with Laws. Without limiting any of the other -----  
covenants of the Borrower in this Article 6, the Borrower and its Subsidiaries shall conduct their business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; provided, however, that this Section 6.15 shall not require the Borrower or any Subsidiary of the Borrower to comply with any such law, regulation, ordinance or order if (x) it shall be contesting such law, regulation, ordinance or order in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or (y) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 6.16. Interest Coverage Ratio. The Borrower will not permit the -----  
Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3:00 to 1:00.

Section 6.17. Indebtedness to Total Capitalization Ratio. The Borrower -----  
will maintain, as of the end of each fiscal quarter of the Borrower, a ratio (expressed as a percentage) of Consolidated Indebtedness to Total Capitalization of no greater than 40%.

#### ARTICLE 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1. Events of Default. Any one or more of the following shall -----  
constitute an Event of Default:

(a) default by the Borrower in the payment of any principal amount of any Loan or Reimbursement Obligation, any interest thereon or any fees payable hereunder, within two (2) Business Days following the date when due;

(b) default by the Borrower in the observance or performance of any covenant set forth in Sections 6.9, 6.10, 6.16, or 6.17;

(c) default by the Borrower in the observance or performance of any provision hereof or of any other Credit Document not mentioned in clauses (a) or (b) above, which is not remedied within thirty (30) days after notice thereof to the Borrower by the Administrative Agent;

(d) any representation or warranty made or deemed made herein or in any other Credit Document by the Borrower or any Subsidiary proves untrue in any material respect as of the date of the making, or deemed making, thereof;

(e) (x) Indebtedness in the aggregate principal amount of \$50,000,000 of the Borrower and its Subsidiaries ("Material Indebtedness") shall (i) not be paid at maturity (beyond any applicable grace periods), or (ii) be declared to be due and payable or required to be prepaid, redeemed or repurchased prior to its stated maturity, or (y) any default in respect of Material Indebtedness shall occur which permits the holders thereof, or any trustees or agents on their behalf, to accelerate the maturity of such Indebtedness or requires such Indebtedness to be prepaid, redeemed, or repurchased prior to its stated maturity;

(f) the Borrower or any Significant Subsidiary (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code or a comparable action is taken under any bankruptcy or insolvency law of another country or political subdivision of such country, (ii) generally does not pay, or admits its inability generally to pay, its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, liquidator or similar official for it or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code or any comparable law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of or consents to or acquiesces in any such proceeding filed against it, (vi) makes any board of directors resolution in direct furtherance of any matter described in clauses (i)-(v) above, or (vii) fails to contest in good faith any appointment or proceeding described in this Section 7.1(f);

(g) a custodian, receiver, trustee, liquidator or similar official is appointed for the Borrower or any Significant Subsidiary or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, or a proceeding described in Section 7.1(f)(v) is instituted against the Borrower or any Significant Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed and unstayed for a period of sixty (60) days (or one hundred twenty (120) days in the case of any such event occurring outside the United States of America);

(h) the Borrower or any Subsidiaries of the Borrower fail within thirty (30) days with respect to any judgments or orders that are rendered in the United States or sixty (60) days with respect to any judgments or orders that are rendered in foreign jurisdictions (or such earlier date as any execution on such judgments or orders shall take place) to vacate, pay, bond or otherwise discharge any judgments or orders for the payment of money the uninsured portion of which is in excess of \$50,000,000 in the aggregate and which are not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution;

(i) (x) the Borrower or any Subsidiary of the Borrower fails to pay when due an amount that it is liable to pay to the PBGC or to a Plan under Title IV of ERISA; or a notice of intent to terminate a Plan having Unfunded Vested Liabilities of the Borrower or any of its



Subsidiaries in excess of \$30,000,000 (a "Material Plan") is filed under Title IV of ERISA; or the PBGC institutes proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding is instituted by a fiduciary of any Material Plan against any Borrower or any Subsidiary to collect any liability under Section 515 or 4219(c)(5) of ERISA, and in each case such proceeding is not dismissed within thirty (30) days thereafter; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated, and (y) the occurrence of one or more of the matters in the preceding clause (x) could reasonably be expected to have a Material Adverse Effect; or

(j) any Person or group of Persons acting in concert (as such terms are used in Rule 13d-5 under the Securities Exchange Act of 1934, as amended) shall own, directly or indirectly, beneficially or of record, securities of the Borrower (or other securities convertible into such securities) representing fifty percent (50%) or more of the combined voting power of all outstanding securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency.

Section 7.2. Non-Bankruptcy Defaults. When any Event of Default (other

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than those described in subsections (f) or (g) of Section 7.1 with respect to the Borrower) has occurred and is continuing, the Administrative Agent shall, by notice to the Borrower: (a) if so directed by the Required Lenders, terminate the remaining Commitments to the Borrower hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Lenders, declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, shall be and become immediately due and payable together with all other accrued amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind, including, but not limited to, notice of intent to accelerate and notice of acceleration, each of which is expressly waived by the Borrower; and (c) if so directed by the Required Lenders, demand that the Borrower immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under each outstanding Letter of Credit, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Lenders, the Issuing Bank and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Lenders and the Issuing Bank, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Administrative Agent, after giving notice to the Borrower pursuant to this Section 7.2, shall also promptly send a copy of such notice to the other Lenders and the Issuing Bank, but the failure to do so shall not impair or annul the effect of such notice.

Section 7.3. Bankruptcy Defaults. When any Event of Default described in

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subsections (f) or (g) of Section 7.1 has occurred and is continuing with respect to the Borrower, then all outstanding Loans shall immediately become due and payable together with all other accrued amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, each of which is expressly waived by the Borrower; and all obligations of the Lenders and the Issuing Bank to extend further credit pursuant to any of the terms hereof shall

immediately terminate and the Borrower shall immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging that the Lenders, the Issuing Bank, and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Lenders, the Issuing Bank, and the Administrative Agent shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any of the Letters of Credit.

Section 7.4. Collateral for Undrawn Letters of Credit.  
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(a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 7.2 or 7.3, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Administrative Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Administrative Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the "Collateral Account") as security for, and for application to, the reimbursement of any drawing under any Letter of Credit then or thereafter paid by the Issuing Bank, and to the payment of the unpaid balance of any Loans and all other due and unpaid Obligations (collectively, the "Collateralized Obligations"). The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of the Administrative Agent, for the benefit of the Issuing Bank, the Administrative Agent, and the Lenders, as pledgee hereunder. If and when required by the Borrower, the Administrative Agent shall invest and reinvest funds held in the Collateral Account from time to time in Cash Equivalents specified from time to time by the Borrower, provided that the Administrative Agent is irrevocably authorized to sell on market terms any investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to Collateralized Obligations due and owing from the Borrower to the Issuing Bank, the Administrative Agent, or the Lenders. When and if (A) (i) the Borrower shall have made payment of all Collateralized Obligations then due and payable, and (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, or (B) no Default or Event of Default shall be continuing, the Administrative Agent shall repay to the Borrower any remaining amounts and assets held in the Collateral Account, provided that if the Collateral Account is being released pursuant to clause (A) and any Letter of Credit then remains outstanding, the Borrower, prior to or contemporaneously with such release, shall make arrangements with respect to such outstanding Letters of Credit in the manner described in the first sentence of Section 2.14. In addition, if the aggregate amount on deposit with the Collateral Agent exceeds the Collateralized Obligations then existing, then the Administrative Agent shall release and deliver such excess amount upon the written request of the Borrower.

Section 7.5. Notice of Default. The Administrative Agent shall give

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notice to the Borrower under Section 7.2 promptly upon being requested to do so by the Required Lenders and shall thereupon notify all the Lenders thereof.

Section 7.6. Expenses. The Borrower agrees to pay to the Administrative

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Agent, the Issuing Bank, and each Lender all reasonable out-of-pocket expenses incurred or paid by the Administrative Agent, the Issuing Bank, or such Lender, including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default hereunder or in connection with the enforcement of any of the Credit Documents.

Section 7.7. Distribution and Application of Proceeds. After the

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occurrence of and during the continuance of an Event of Default, any payment to the Administrative Agent, the Issuing Bank, or any Lender hereunder or from the proceeds of the Collateral Account or otherwise shall be paid to the Administrative Agent to be distributed and applied as follows (unless otherwise agreed by the Borrower, the Administrative Agent, the Issuing Bank, and all Lenders):

(a) First, to the payment of any and all reasonable out-of-pocket costs and expenses of the Administrative Agent, including without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Administrative Agent, the Issuing Bank, or the Lenders under this Agreement or any other Credit Document;

(b) Second, to the payment of any and all reasonable out-of-pocket costs and expenses of the Issuing Bank and the Lenders, including, without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Lenders or the Issuing Bank under this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such costs and expenses unpaid to each Lender or the Issuing Bank bears to the aggregate amount of the costs and expenses unpaid to all Lenders and the Issuing Bank collectively, until all such fees, costs and expenses have been paid in full;

(c) Third, to the payment of any due and unpaid fees to the Administrative Agent or any Lender or Issuing Bank as provided by this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such fees due and unpaid to the Administrative Agent and each Lender and Issuing Bank bears to the aggregate amount of the fees due and unpaid to the Administrative Agent and all Lenders and Issuing Bank collectively, until all such fees have been paid in full;

(d) Fourth, to the payment of accrued and unpaid interest on the Loans or the Reimbursement Obligations to the date of such application, pro rata in the proportion in which the amount of such interest, accrued and unpaid to each Lender or the Issuing Bank bears to the aggregate amount of such interest accrued and unpaid to all Lenders and the Issuing Bank collectively, until all such accrued and unpaid interest has been paid in full;

(e) Fifth, to the payment of the outstanding due and payable principal amount of each of the Loans and the amount of the outstanding Reimbursement Obligations (reserving cash collateral for all undrawn face amounts of any outstanding Letters of Credit (if Section 7.4(a) has not been complied with)), pro rata in the proportion in which the outstanding principal amount of such Loans and the amount of such outstanding Reimbursement Obligations owing to each Lender and Issuing Bank, together (if Section 7.4(a) has not been complied with) with the undrawn face amounts of such outstanding Letters of Credit, bears to the aggregate amount of all outstanding Loans, outstanding Reimbursement Obligations and (if Section 7.4(a) has not been complied with) the undrawn face amounts of all outstanding Letters of Credit. In the event that any such Letters of Credit, or any portions thereof, expire without being drawn, any cash collateral therefor shall be distributed by the Administrative Agent until the principal amount of all Loans and Reimbursement Obligations shall have been paid in full;

(f) Sixth, to the payment of any other outstanding Obligations then due and payable, pro rata in the proportion in which the outstanding Obligations owing to each Lender, Issuing Bank and Administrative Agent bears to the aggregate amount of all such Obligations until all such Obligations have been paid in full; and

(g) Seventh, to the Borrower or as the Borrower may direct.

#### ARTICLE 8. CHANGE IN CIRCUMSTANCES.

##### Section 8.1. Change of Law.

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(a) Notwithstanding any other provisions of this Agreement or any Note, if at any time any change, after the date hereof (or, if later, after the date the Administrative Agent or any Issuing Bank or Lender becomes the Administrative Agent or an Issuing Bank or Lender), in applicable law or regulation or in the interpretation thereof makes it unlawful for any Lender to make or maintain Eurocurrency Loans or to fund any Loans in Euros, Pounds, or Kroner, or the Issuing Bank to issue any Letter of Credit or to provide payment thereunder in Euros, Pounds or Kroner, such Lender or Issuing Bank, as the case may be, shall promptly give written notice thereof and of the basis therefor in reasonable detail to the Borrower, and such Lender's or Issuing Bank's obligations to fund affected Eurocurrency Loans or make, continue or convert such Loans under this Agreement, or to issue any such Letters of Credit, as the case may be, shall thereupon be suspended until it is no longer unlawful for such Lender to make or maintain such Loans or issue such Letters of Credit.

(b) Upon the giving of the notice to Borrower referred to in subsection (a) above in respect of any such Loan, (i) any outstanding such Loan of such Lender shall be automatically converted to a Base Rate Loan in Dollars on the last day of the Interest Period then applicable thereto or on such earlier date as required by law, and (ii) such Lender shall make or continue its portion of any requested Borrowing of such Loan as a Base Rate Loan in Dollars, which Base Rate Loan shall, for all other purposes, be considered part of such Borrowing.

(c) Any Lender or Issuing Bank that has given any notice pursuant to Section 8.1(a) shall, upon determining that it would no longer be unlawful for it to make such Loans or issue such Letters of Credit, give prompt written notice thereof to the Borrower and the Administrative Agent, and upon giving such notice, its obligation to make, allow conversions into and maintain such Loans or issue such Letters of Credit shall be reinstated.

Section 8.2. Unavailability of Deposits or Inability to Ascertain LIBOR

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Rate. If on or before the first day of any Interest Period for any Borrowing of

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Eurocurrency Loans the Administrative Agent determines in good faith (after consultation with the other Lenders) that, due to changes in circumstances since the date hereof, adequate and fair means do not exist for determining the LIBOR Rate or such rate will not accurately reflect the cost to the Required Lenders of funding Eurocurrency Loans in the applicable currency for such Interest Period, the Administrative Agent shall give written notice (in reasonable detail) of such determination and of the basis therefor to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower and Lenders that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent shall do promptly after they do not exist), (i) the obligations of the Lenders to fund Loans in Euros, Pounds or Kroner, or make, continue or convert Loans as or into such Eurocurrency Loans, or to convert Base Rate Loans into such Eurocurrency Loans, shall be suspended and (ii) each Eurocurrency Loan will automatically on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan in Dollars.

Section 8.3. Increased Cost and Reduced Return.

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(a) If, on or after the date hereof, the adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or Issuing Bank (or its Lending Office), with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency exercising control over banks or financial institutions generally issued after the date hereof (or, if later, after the date the Administrative Agent, Issuing Bank, or Lender becomes the Administrative Agent, Issuing Bank, or Lender):

(i) subjects any Lender or Issuing Bank (or its Lending Office) to any tax, duty or other charge related to any Eurocurrency Loan, Competitive Fixed Rate Loan, Reimbursement Obligation, or its obligation to advance or maintain Eurocurrency Loans, Competitive Fixed Rate Loans, or issue any Letter of Credit, or shall change the basis of taxation of payments to any Lender or Issuing Bank (or its Lending Office) of the principal of or interest on its Eurocurrency Loans, Competitive Fixed Rate Loans, Letters of Credit or Reimbursement Obligation or any participations in any thereof, or any other amounts due under this Agreement related to its Eurocurrency Loans, Competitive Fixed Rate Loans, Letters of Credit, Reimbursement Obligations or participations therein, or its obligation to make Eurocurrency Loans and Competitive Fixed Rate Loans, issue Letters of Credit, or acquire participations therein (except for changes with respect to taxes that are not Indemnified Taxes pursuant to Section 3.3); or

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding for any Eurocurrency Loan any such requirement included in an applicable Statutory Reserve Rate) against assets of, deposits with or for the account of, or credit extended by, any Lender or Issuing Bank (or its Lending Office) or imposes on any Lender or Issuing Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans, Letters of Credit, any Reimbursement Obligations owed to it, or its participation in any thereof, or its obligation to advance or maintain Eurocurrency Loans, issue Letters of Credit or participate in any thereof;

and the result of any of the foregoing is to increase the cost to such Lender or Issuing Bank (or its Lending Office) of advancing or maintaining any Eurocurrency Loan or Competitive Fixed Rate Loan, issuing or maintaining a Letter of Credit or participating therein, or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank (or its Lending Office) in connection therewith under this Agreement or its Note, by an amount deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall be obligated to pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing Bank for such increased cost or reduction.

(b) If, after the date hereof, the Administrative Agent or any Lender or Issuing Bank shall have reasonably determined that the adoption after the date hereof of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital adequacy rules heretofore adopted and issued by any governmental authority), or any change after the date hereof in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Administrative Agent or any Lender or Issuing Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital, or on the capital of any corporation controlling such Lender or Issuing Bank, as a consequence of its obligations hereunder to a level below that which such Lender or Issuing Bank could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or Issuing Bank's or its controlling corporation's policies with respect to capital adequacy in effect immediately before such adoption, change or compliance) by an amount reasonably deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after its receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing

Bank for such reduction or the Borrower may prepay all Eurocurrency Loans of such Lender or obtain the cancellation of all such Letters of Credit.

(c) The Administrative Agent and each Lender and Issuing Bank that determines to seek compensation or additional interest under this Section 8.3 or Section 2.15 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle the Administrative Agent or such Lender or Issuing Bank to such compensation no later than ninety (90) days after the Administrative Agent or such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the ninetieth day preceding such written demand. The Administrative Agent and each Lender and Issuing Bank shall use reasonable efforts to avoid the need for, or reduce the amount of, such compensation, additional interest, and any payment under Section 3.3, including, without limitation, the designation of a different Lending Office, if such action or designation will not, in the sole judgment of the Administrative Agent or such Lender or Issuing Bank made in good faith, be otherwise disadvantageous to it; provided that the foregoing shall not in any way affect the rights of any Lender or Issuing Bank or the obligations of the Borrower under this Section 8.3 or Section 2.15, and provided further that no Lender or Issuing Bank shall be obligated to make its Eurocurrency Loans or Competitive Fixed Rate Loans hereunder or fund any amount due in respect of a Letter of Credit at any office located in the United States of America. A certificate of the Administrative Agent or any Lender or Issuing Bank, as applicable, claiming compensation or additional interest under this Section 8.3 or Section 2.15, and setting forth the additional amount or amounts to be paid to it hereunder and accompanied by a statement prepared by the Administrative Agent or such Lender or Issuing Bank, as applicable, describing in reasonable detail the calculations thereof shall be prima facie evidence of the correctness thereof. In determining such amount, such Lender or Issuing Bank may use any reasonable averaging and attribution methods.

Section 8.4. Lending Offices. The Administrative Agent and each Lender

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and Issuing Bank may, at its option, elect to make or maintain its Loans and issue its Letters of Credit hereunder at the Lending Office for each type of Loan or Letter of Credit available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent, provided that, except in the case of any such transfer to another of its branches, offices or affiliates made at the request of the Borrower, the Borrower shall not be responsible for the costs arising under Section 3.3 or 8.3 resulting from any such transfer to the extent not otherwise applicable to such Lender or Issuing Bank prior to such transfer.

Section 8.5. Discretion of Lender as to Manner of Funding. Subject to the

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other provisions of this Agreement, each Lender and Issuing Bank shall be entitled to fund and maintain its funding of all or any part of its Loans and Letters of Credit in any manner it sees fit.

Section 8.6. Substitution of Lender or Issuing Bank. If (a) any Lender or

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Issuing Bank has demanded compensation or additional interest or given notice of its intention to demand compensation or additional interest under Section 8.3 or Section 2.15, (b) the Borrower is

required to pay any additional amount to any Lender or Issuing Bank under Section 2.12, (c) any Lender or Issuing Bank is unable to submit any form or certificate required under Section 3.3(b) or withdraws or cancels any previously submitted form with no substitution therefor, (d) any Lender or Issuing Bank gives notice of any change in law or regulations, or in the interpretation thereof, pursuant to Section 8.1, (e) any Lender or Issuing Bank has been declared insolvent or a receiver or conservator has been appointed for a material portion of its assets, business or properties or (f) any Lender or Issuing Bank shall seek to avoid its obligation to make or maintain Loans or issue Letters of Credit hereunder for any reason, including, without limitation, reliance upon 12 U.S.C. (S) 1821(e) or (n) (1) (B), (g) any taxes referred to in Section 3.3 have been levied or imposed (or the Borrower determines in good faith that there is a substantial likelihood that such taxes will be levied or imposed) so as to require withholding or deductions by the Borrower or payment by the Borrower of additional amounts to any Lender or Issuing Bank, or other reimbursement or indemnification of any Lender or Issuing Bank, as a result thereof, (h) any Lender shall decline to consent to a modification or waiver of the terms of this Agreement or any other Credit Documents requested by the Borrower, or (i) the Issuing Bank gives notice pursuant to Section 2.13(a)(ii) that the issuance of the Letter of Credit would violate any legal or regulatory restriction then applicable to such Issuing Bank, then and in such event, upon request from the Borrower delivered to such Lender or Issuing Bank, and the Administrative Agent, such Lender shall assign, in accordance with the provisions of Section 10.10 and an appropriately completed Assignment Agreement, all of its rights and obligations under the Credit Documents to another Lender or a commercial banking institution selected by the Borrower and (in the case of a commercial banking institution) reasonably satisfactory to the Administrative Agent, in consideration for the payments set forth in such Assignment Agreement and payment by the Borrower to such Lender of all other amounts which such Lender may be owed pursuant to this Agreement, including, without limitation, Sections 2.12, 2.15, 3.3, 8.3 and 10.13.

ARTICLE 9. THE AGENTS.

Section 9.1. Appointment and Authorization of Administrative Agent,

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Syndication Agent, Documentation Agent and Senior Managing Agent. Each Lender

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hereby appoints STB as the Administrative Agent, ABN AMRO Bank, N.V. as the Syndication Agent, Bank of America, N.A. as the Documentation Agent, and Wells Fargo Bank Texas, National Association as Senior Managing Agent, under the Credit Documents and hereby authorizes the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent to take such action as Administrative Agent, Syndication Agent, Documentation Agent and Senior Managing Agent on each of its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent, respectively, by the terms thereof, together with such powers as are reasonably incidental thereto.

Section 9.2. Rights and Powers. The Administrative Agent, the Syndication

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Agent, the Documentation Agent and the Senior Managing Agent shall have the same rights and powers under the Credit Documents as any other Lender and may exercise or refrain from exercising such rights and power as though it were not an Administrative Agent, a Syndication Agent, a Documentation Agent or a Senior Managing Agent, and the Administrative Agent, the



Syndication Agent, the Documentation Agent and the Senior Managing Agent and their respective Controlling Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any of its Subsidiaries or Controlling Affiliates as if it were not an Administrative Agent, a Syndication Agent, a Documentation Agent or a Senior Managing Agent under the Credit Documents. The term Lender as used in all Credit Documents, unless the context otherwise clearly requires, includes the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent in their respective individual capacities as a Lender.

Section 9.3. Action by Administrative Agent, Syndication Agent,

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Documentation Agent and Senior Managing Agent. The obligations of the  
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Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action concerning any Default or Event of Default, except as expressly provided in Sections 7.2 and 7.4. Unless and until the Required Lenders (or, if required by Section 10.11, all of the Lenders) give such direction the Administrative Agent may, except as otherwise expressly provided herein or therein, take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders. In no event, however, shall the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and each of the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expenses, and liabilities it may incur in taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default, other than non-payment of any scheduled principal or interest payment due hereunder, exists unless notified in writing to the contrary by a Lender or the Borrower. In all cases in which the Credit Documents do not require the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent to take specific action, the Administrative Agent, each of the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Required Lenders, or of any other group of Lenders called for under specific provisions of the Credit Documents, shall be binding on all the Lenders and holders of Notes.

Section 9.4. Consultation with Experts. Each of the Administrative Agent,

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the Syndication Agent, the Documentation Agent and the Senior Managing Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 9.5. Indemnification Provisions; Credit Decision. Neither the

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Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent nor any of their directors, officers, agents, or employees shall be liable for any action taken or not taken by

them in connection with the Credit Documents (i) with the consent or at the request of the Required Lenders (or, if required by Section 10.11, all of the Lenders), or (ii) in the absence of their own gross negligence or willful misconduct. Neither the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Borrowing; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Article 4, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness, genuineness, enforceability, value, worth or collectability hereof or of any other Credit Document or of any other documents or writings furnished in connection with any Credit Document; and the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent make no representation of any kind or character with respect to any such matters mentioned in this sentence. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may execute any of their duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent and the Documentation Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by any of them under the Credit Documents. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with such Administrative Agent signed by such owner in form satisfactory to such Administrative Agent. Each Lender acknowledges that it has independently, and without reliance on the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent or any other Lender, obtained such information and made such investigations and inquiries regarding the Borrower and its Subsidiaries as it deems appropriate, and based upon such information, investigations and inquiries, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Lender to keep itself informed about the creditworthiness and business, properties, assets, liabilities, condition (financial or otherwise) and prospects of the Borrower and its Subsidiaries, and the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall have no liability whatsoever to any Lender for such matters. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall have no duty to disclose to the Lenders information that is not required by any Credit Document to be furnished by the Borrower or any Subsidiaries to such Agent at such time, but is voluntarily furnished to such Agent (either in their respective capacity as Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent or in their individual capacity).

Section 9.6. Indemnity. The Lenders shall ratably, in accordance with

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their Percentages, indemnify and hold the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section 9.6 shall survive termination of this Agreement.

Section 9.7. Resignation of Agents and Successor Agents. The

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Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may resign at any time and shall resign upon any removal thereof as a Lender pursuant to the terms of this Agreement upon at least thirty (30) days' prior written notice to the Lenders and the Borrower. Any resignation of the Administrative Agent shall not be effective until a replacement therefor is appointed pursuant to the terms hereof. Upon any such resignation of the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent, the Required Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) shall have the right to appoint a successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be. If no successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's, Syndication Agent's, Senior Managing Agent's or Documentation Agent's giving of notice of resignation, then the retiring Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, may, on behalf of the Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) appoint a successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, which shall be any Lender hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance of its appointment as the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent hereunder, such successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, under the Credit Documents, and the retiring Administrative Agent, Syndication Agent, Documentation Agent or the Senior Managing Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's, Syndication Agent's, Documentation Agent's or Senior Managing Agent's resignation hereunder as Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, the provisions of this Article 9 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be.

ARTICLE 10. MISCELLANEOUS.

Section 10.1. No Waiver. No delay or failure on the part of the  
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Administrative Agent or any Lender or Issuing Bank, or on the part of the holder or holders of any Notes, in the exercise of any power, right or remedy under any Credit Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power, right or remedy. To the fullest extent permitted by applicable law, the powers, rights and remedies under the Credit Documents of the Administrative Agent, the Lenders, the Issuing Bank and the holder or holders of any Notes are cumulative to, and not exclusive of, any powers, rights or remedies any of them would otherwise have.

Section 10.2. Non-Business Day. Subject to Section 2.5, if any payment of  
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principal or interest on any portion of any Loan, any Reimbursement Obligation, or any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such portion of any Loan, any Reimbursement Obligation, or other Obligation bears for the period prior to maturity shall continue to accrue in the manner set forth herein on such Obligation from the stated due date thereof to the next succeeding Business Day, on which the same shall instead be payable.

Section 10.3. Documentary Taxes. The Borrower agrees that it will pay any  
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documentary, stamp or similar taxes payable with respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed irrespective of when such assessment is made, other than any such taxes imposed as a result of any transfer of an interest in a Credit Document. Each Lender and Issuing Bank that determines to seek compensation under this Section 10.3 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle such Lender or Issuing Bank to such compensation no later than ninety (90) days after such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event, the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the 90th day preceding such written demand.

Section 10.4. Survival of Representations. All representations and  
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warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as the Borrower has any Obligation hereunder or any Commitment hereunder is in effect.

Section 10.5. Survival of Indemnities. All indemnities and all provisions  
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relative to reimbursement to the Lenders and Issuing Bank of amounts sufficient to protect the yield of the Lenders and Issuing Bank with respect to the Loans and the L/C Obligations, including, but not limited to, Section 2.12, Section 2.15, Section 3.3, Section 7.6, Section 8.3, Section 10.3, and Section 10.13 hereof, shall, subject to Section 8.3(c), survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations and,

with respect to any Lender or Issuing Bank, any replacement by the Borrower of such Lender pursuant to the terms hereof, in each case for a period of one (1) year.

Section 10.6. Setoff. In addition to any rights now or hereafter granted

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under applicable law and not by way of limitation of any such rights, upon the occurrence of, and throughout the continuance of, any Event of Default, each Lender and Issuing Bank and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time owing by that Lender or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the due and unpaid obligations and liabilities of the Borrower to that Lender or Issuing Bank or that subsequent holder under the Credit Documents, irrespective of whether or not that Lender or Issuing Bank or that subsequent holder shall have made any demand hereunder. Each Lender or Issuing Bank shall promptly give notice to the Borrower of any action taken by it under this Section 10.6, provided that any failure of such Lender or Issuing Bank to give such notice to the Borrower shall not affect the validity of such setoff. Each Lender and Issuing Bank agrees with each other Lender and Issuing Bank a party hereto that if such Lender or Issuing Bank receives and retains any payment, whether by setoff or application of deposit balances or otherwise, in respect of the Loans or L/C Obligations in excess of its ratable share of payments on all such Obligations then owed to the Lenders and Issuing Bank hereunder, then such Lender or Issuing Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans and L/C Obligations and participations therein held by each such other Lender as shall be necessary to cause such Lender or Issuing Bank to share such excess payment ratably with all the other Lenders; provided, however, that if any such purchase is made by any Lender or Issuing Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender or Issuing Bank, the related purchases from the other Lenders or Issuing Bank shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 10.7. Notices. Except as otherwise specified herein, all notices

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under the Credit Documents shall be in writing (including cable, telecopy or telex) and shall be given to a party hereunder at its address, telecopier number or telex number set forth below or such other address, telecopier number or telex number as such party may hereafter specify by notice to the Administrative Agent and the Borrower, given by courier, by United States certified or registered mail, by telegram or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Lenders, the Administrative Agent and the Issuing Bank shall be addressed to their respective addresses, telecopier or telex number, or telephone numbers set forth on the signature pages hereof, and to the Borrower to:

Transocean Sedco Forex Inc.  
4 Greenway Plaza  
Houston, Texas 77046

Attention: Brian C. Voegele  
Telephone No.: (713) 232-7587  
Fax No.: (713) 232-7033

With a copy to:

Baker Botts LLP  
One Shell Plaza  
Houston, Texas 77002-4995  
Attention: Stephen Krebs  
Telephone No. (713) 229-1467  
Fax No.: (713) 229-1522

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10 and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, or (iv) if given by any other means, when delivered at the addresses specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10; provided that any notice given pursuant to Article 2 shall be effective only upon receipt and, provided further, that any notice that but for this proviso would be effective after the close of business on a Business Day or on a day that is not a Business Day shall be effective at the opening of business on the next Business Day.

Section 10.8. Counterparts. This Agreement may be executed in any number

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of counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same Agreement.

Section 10.9. Successors and Assigns. This Agreement shall be binding

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upon the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their respective successors and assigns, and shall inure to the benefit of the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their respective successors and assigns, including any subsequent holder of any Note; provided, however, the Borrower may not assign any of its rights or obligations under this Agreement or any other Credit Document without the written consent of all Lenders, the Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent, and the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may not assign any of their respective rights or obligations under this Agreement or any Credit Document except in accordance with Article 9 and no Lender or Issuing Bank may assign any of its rights or obligations under this Agreement or any other Credit Document except in accordance with Section 10.10. Any Lender or Issuing Bank may at any time pledge or assign all or any portion of its rights under this Agreement and the Notes issued to it to a Federal Reserve Bank to secure extensions of credit by

such Federal Reserve Bank to such Lender; provided that no such pledge or assignment shall release a Lender or Issuing Bank from any of its obligations hereunder or substitute any such Federal Reserve Bank for such Lender as a party hereto. Any Lender or Issuing Bank may at any time pledge or assign all or any portion of its rights under this Agreement and the Notes issued to it (i) to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Lender, or (ii) in the case of any Lender that is a fund comprised in whole or in part of commercial loans, to a trustee for such fund in support of such Lender's obligations to such trustee; provided that no such pledge or assignment shall release a Lender or Issuing Bank from any of its obligations hereunder or substitute any such Federal Reserve Bank or such trustee for such Lender as a party hereto and the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely with such Lender or Issuing Bank in connection with the rights and obligations of such Lender and Issuing Bank under this Agreement.

Section 10.10. Sales and Transfers of Borrowing and Notes; Participations

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in Borrowings and Notes.  
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(a) Any Lender may, upon written notice to the Borrower, at any time sell to one or more commercial banking or other financial or lending institutions ("Participants") participating interests in any Borrowing owing to such Lender, any Note held by such Lender, any Commitment of such Lender, or any obligations and interests in respect of L/C Obligations, provided that no Lender may sell any participating interests in any such Borrowing, Note, Commitment and any obligations and interests in respect of L/C Obligations without also selling to such Participant the appropriate pro rata share of all such Borrowings, Notes, Commitment and any obligations and interests in respect of L/C Obligations (but excluding interests in respect of Competitive Loans), and provided further that no Lender shall transfer, grant or assign any participation under which the Participant shall have rights to vote upon or to consent to any matter to be decided by the Lenders or the Required Lenders hereunder or under any other Credit Document or to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) increase the amount of such Lender's Commitment and such increase would affect such Participant, (ii) reduce the principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such reduction would affect such Participant, (iii) postpone any date fixed for any scheduled payment of principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such postponement would affect such Participant, or (iv) release any collateral security for any Obligation, except as otherwise specifically provided in any Credit Document. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and such Lender shall retain the sole right to enforce the obligations of the Borrower under any Credit Document. The Borrower agrees that if amounts outstanding under this Agreement and the Notes shall have been declared or shall have become due and payable in accordance with Section 7.2 or 7.3 upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating

interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 10.6. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.12, 2.15, 3.3 and 8.3 with respect to its participation in the Commitments and the Borrowings outstanding from time to time, provided that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred if no participation had been transferred and provided, further, that Sections 8.3(c) and 8.6 shall apply to the transferor Lender with respect to any claim by any Participant pursuant to Section 2.12, 2.15, 3.3 or 8.3 as fully as if such claim was made by such Lender. Anything herein to the contrary notwithstanding, the Borrower shall not, at any time, be obligated to pay to any Lender any sum in excess of the sum the Borrower would have been obligated to pay to such Lender hereunder if such Lender had not sold any participation in its rights and obligations under this Agreement or any other Credit Document.

(b) Any Lender may at any time sell to (i) any of such Lender's affiliates or to any other Lender or any affiliate thereof that is a commercial banking or other financial or lending institution not subject to Regulation T of the Board of Governors of the Federal Reserve System and, (ii) with the prior written consent of the Administrative Agent and the Borrower (which shall not be unreasonably withheld or delayed), to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System (any of (i) or (ii), a "Purchasing Lender"), all or any part of its rights and obligations under this Agreement and the other Credit Documents, pursuant to an Assignment Agreement in the form attached as Exhibit 10.10, executed by such Purchasing Lender and such

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transferor Lender (and, in the case of a Purchasing Lender which is not then a Lender or an affiliate thereof, by the Borrower and the Administrative Agent) and delivered to the Administrative Agent; provided that each such sale to a Purchasing Lender shall be in a Dollar Equivalent amount of \$5,000,000 (calculated as hereinafter set forth) or more, or if in a lesser amount or if as a result of such sale the sum of the unfunded Commitment of such Lender plus the aggregate principal amount of such Lender's Loans and participations in Letters of Credits would be less than a Dollar Equivalent amount of \$5,000,000 (calculated as hereinafter set forth), such sale shall be of all of such Lender's rights and obligations under this Agreement and all of the other Credit Documents payable to it to one Purchasing Lender. Notwithstanding the requirement of the Borrower's consent set forth above, but subject to all of the other terms and conditions of this Section 10.10(b), any Lender may sell to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System, all or any part of their rights and obligations under this Agreement and the other Credit Documents with only the consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) if an Event of Default shall have occurred and be continuing. No Lender may sell or assign any portion of its Commitment, Borrowings, Notes, or obligations and interests in respect of L/C Obligations hereunder to a Purchasing Lender without also selling to such Purchasing Lender (i) the appropriate pro rata share of all such Borrowings, Notes, Commitment, and obligations and interests in respect of L/C Obligations hereunder (but excluding interests in respect of Competitive Loans), and (ii) a pro rata amount of any loans



(excluding loans made by such Lender on a competitive bid basis pursuant to the 364-Day Credit Agreement), borrowings, promissory notes, commitment or obligations and interests in respect of letter of credit obligations under the 364-Day Credit Agreement (but excluding interests in respect of loans made by such Lender on a competitive bid basis thereunder). For purposes of calculating the satisfaction of the \$5,000,000 minimum amount requirement set forth in the first sentence of this Section 10.10(b), such amount shall be the sum of the total amount so sold and assigned to the Purchasing Lender pursuant to this Agreement and the total amount so sold and assigned to the Purchasing Lender pursuant to the 364-Day Credit Agreement in accordance with the immediately preceding sentence. Upon such execution, delivery and acceptance, from and after the effective date of the transfer determined pursuant to such Assignment Agreement, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder with a Commitment as set forth herein and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitments and Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the Notes and the other Credit Documents. On or prior to the effective date of the transfer determined pursuant to such Assignment Agreement, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for any surrendered Note, a new Note as appropriate to the order of such Purchasing Lender in an amount equal to the Commitments assumed by it pursuant to such Assignment Agreement, and, if the transferor Lender has retained a Commitment or Borrowing hereunder, a new Note to the order of the transferor Lender in an amount equal to the Commitments or Borrowings retained by it hereunder. Such new Notes shall be dated the Initial Availability Date and shall otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrower marked "cancelled."

(c) Upon its receipt of an Assignment Agreement executed by a transferor Lender, a Purchasing Lender and the Administrative Agent (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Borrower), together with payment by the transferor Lender to the Administrative Agent hereunder of a registration and processing fee of \$1,000 (unless the Borrower is replacing such Lender pursuant to the terms hereof, in which event such fee shall be paid by the Borrower), the Administrative Agent shall (i) promptly accept such Assignment Agreement, and (ii) on the effective date of the transfer determined pursuant thereto give notice of such acceptance and recordation to the Lenders and the Borrower. The Borrower shall not be responsible for such registration and processing fee or any costs or expenses incurred by any Lender, any Purchasing Lender or the Administrative Agent in connection with such assignment except as provided above.

(d) If, pursuant to this Section 10.10 any interest in this Agreement or any Loan or Note is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States of America or any State thereof, the transferor Lender shall cause such

transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Administrative Agent, the Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the Loans or the L/C Obligations, (ii) to furnish to the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) two duly completed and signed copies of either U.S. Internal Revenue Service Form W-8 BEN or U.S. Internal Revenue Service Form W-8 ECI or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities (wherein such transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) to provide the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) new forms as contemplated by Section 3.3(b) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(e) Notwithstanding any other provisions of this Section 10.10, no transfer or assignment of the interests of any Lender hereunder or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans, the Notes or any other Obligations under the securities laws of any jurisdiction.

Section 10.11. Amendments, Waivers and Consents. Any provision of the

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Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders, and (c) if the rights or duties of the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent are affected thereby, the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent, as the case may be, provided that:

(i) no amendment or waiver shall (A) increase the Revolving Credit Commitment Amount without the consent of all Lenders or increase any Commitment of any Lender without the consent of such Lender, or (B) postpone the Maturity Date without the consent of all Lenders, or reduce the amount of or postpone the date for any scheduled payment of any principal of or interest (including, without limitation, any reduction in the rate of interest unless such reduction is otherwise provided herein) on any Loan or Reimbursement Obligation or of any fee payable hereunder, without the consent of each Lender owed any such Obligation, or (C) release any Collateral for any Collateralized Obligations (other than as provided in accordance with Section 7.4) without the consent of all Lenders; and

(ii) no amendment or waiver shall, unless signed by each Lender, change the provisions of this Section 10.11 or the definition of Required Lenders or the number of Lenders required to take any action under any other provision of the Credit Documents.

Section 10.12. Headings. Section headings used in this Agreement are for  
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reference only and shall not affect the construction of this Agreement.

Section 10.13. Legal Fees, Other Costs and Indemnification. The Borrower,  
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upon demand by the Administrative Agent, agrees to pay the reasonable fees and disbursements of legal counsel to the Administrative Agent in connection with the preparation and execution of the Credit Documents (which shall be in an amount agreed in writing by the Borrower), and any amendment, waiver or consent related thereto, whether or not the transactions contemplated therein are consummated. The Borrower further agrees to indemnify each Lender, Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their respective directors, officers, employees and attorneys (collectively, the "Indemnified Parties"), against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable attorneys' fees and other reasonable expenses of litigation or preparation therefor, whether or not such Indemnified Party is a party thereto) which any of them may pay or incur as a result of (a) any action, suit or proceeding by any third party or governmental authority against such Indemnified Party and relating to any Credit Document, the Loans, any Letter of Credit, or the application or proposed application by any of the Borrower of the proceeds of any Loan or use of any Letter of Credit, REGARDLESS OF WHETHER SUCH CLAIMS OR ACTIONS ARE FOUNDED IN WHOLE OR IN PART UPON THE ALLEGED SIMPLE OR CONTRIBUTORY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES AND/OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR ATTORNEYS, (b) any investigation of any third party or any governmental authority involving any Lender (as a lender hereunder), Issuing Bank, or the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent (in such capacity hereunder) and related to any use made or proposed to be made by the Borrower of the proceeds of any Loan, or use of any Letter of Credit or any transaction financed or to be financed in whole or in part, directly or indirectly with the proceeds of any Loan or Letter of Credit, and (c) any investigation of any third party or any governmental authority, litigation or proceeding involving any Lender (as a lender hereunder) or the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent (in such capacity hereunder) and related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the presence of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law) with respect to the Borrower, regardless of whether caused by, or within the control of, the Borrower; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any of the foregoing arising out of such Indemnified Party's gross negligence or willful misconduct, as determined pursuant to a final nonappealable judgment of a court of competent jurisdiction or as expressly agreed in writing by such Indemnified Party. The Borrower, upon demand by the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent or a Lender or Issuing Bank at any time, shall reimburse such Agent or such Lender or Issuing Bank for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing, except if the same is excluded from indemnification pursuant to the provisions of the preceding sentence. Each Indemnified Party agrees to contest any indemnified claim if requested by the Borrower, in a manner reasonably directed by the Borrower, with counsel selected by the Indemnified Party and approved by the Borrower, which approval shall

not be unreasonably withheld or delayed. Any Indemnified Party that proposes to settle or compromise any such indemnified claim shall give the Borrower written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain the Borrower's prior written consent thereto, which consent shall not be unreasonably withheld or delayed; provided that the Indemnified Party shall not be restricted from settling or compromising any such claim if the Indemnified Party waives its right to indemnity from the Borrower in respect of such claim.

Section 10.14. Governing Law; Submission to Jurisdiction; Waiver of Jury

Trial.  
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(A) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS, AND THE RIGHTS AND DUTIES OF THE PARTIES THERETO, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

(B) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE DOCUMENTATION AGENT, THE SENIOR MANAGING AGENT, THE SYNDICATION AGENT, THE LENDERS, THE ISSUING BANK, OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE BORROWER HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, 111 8TH AVENUE, NEW YORK, NEW YORK 10011, AS THE DESIGNEE, APPOINTEE AND AGENT OF THE BORROWER TO RECEIVE, FOR AND ON BEHALF OF THE BORROWER, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT HERETO. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS, BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN

INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS.

(C) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(D) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.7. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15. Confidentiality. Each of the Agents, Issuing Bank and

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Lenders agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to their respective affiliates and to prospective Purchasing Lenders and Participants and their respective directors, officers, employees and agents, including accountants, legal counsel and other advisors who have reason to use such Information in connection with the evaluation of the transactions contemplated by this Agreement (subject to similar confidentiality provisions as provided herein) solely for purposes of evaluating such Information, (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable law or regulation or by any subpoena or similar legal process, (iv) in connection with the exercise of any remedies hereunder or any proceedings relating to this Agreement or the other Credit Documents, (v) with the consent of the Borrower, or (vi) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.15, or (y) becomes available on a non-confidential basis from a source other than the Borrower or its affiliates or the Lenders or their respective affiliates. For purposes hereof, "Information" means all information received by the Lenders from the Borrower relating to the Borrower or its business, other than any such information that is available to the Lenders on a non-confidential basis prior to disclosure by the Borrower. The Lenders shall be considered to have complied with their respective obligations if they have exercised the same degree of care to maintain the confidentiality of such Information as they would accord their own confidential information.

Section 10.16. Effectiveness. This Agreement shall become effective on

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the date (the "Effective Date") on which the Borrower, the Administrative Agent, and each Lender have signed and delivered to the Administrative Agent a counterparty signature page hereto or, in the case of a Lender, the Administrative Agent has received a facsimile notice that such a counterpart has been signed and mailed to the Administrative Agent.

Section 10.17. Severability. Any provision of this Agreement that is

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prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.18. Currency Conversion. All payments of Obligations under

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this Agreement, the Notes or any other Credit Document shall be made in Dollars, except for Loans funded, or Reimbursement Obligations with respect to Letters of Credit issued, in Euros, Pounds or Kroner, which shall be repaid, including interest thereon, in the applicable currency. If any payment of any Obligation, whether through payment by the Borrower or the proceeds of any collateral, shall be made in a currency other than the currency required hereunder, such amount shall be converted into the currency required hereunder at the current market rate for the purchase of the currency required hereunder with the currency in which such obligation was paid, as quoted by the Lender who is the Administrative Agent in accordance with the methods customarily used by such Lender for such purposes as of the time of such determination. The parties hereto hereby agree, to the fullest extent that they may effectively do so under applicable law, that (i) if for the purposes of obtaining any judgment or award it becomes necessary to convert from any currency other than the currency required hereunder into the currency required hereunder any amount in connection with the Obligations, then the conversion shall be made as provided above on the Business Day before the day on which the judgment or award is given, (ii) in the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment or award is given and the date of payment, the Borrower will pay to the Administrative Agent, for the benefit of the Lenders, such additional amounts (if any) as may be necessary, and the Administrative Agent, on behalf of the Lenders, will pay to the Borrower such excess amounts (if any) as result from such change in the rate of exchange, to assure that the amount paid on such date is the amount in such other currency, which when converted at the rate of exchange described herein on the date of payment, is the amount then due in the currency required hereunder, and (iii) any amount due from the Borrower under this Section 10.18 shall be due as a separate debt and shall not be affected by judgment or award being obtained for any other sum due. For the avoidance of doubt, the parties affirm and agree that neither the fixation of the conversion rate of Pounds or Kroners against the Euro as a single currency, in accordance with the Treaty Establishing the European Economic Community, as amended by the Treaty on the European Union (The Maastricht Treaty), nor the conversion of the Obligations under this Agreement from Pounds or Kroners into Euros will be a reason for early termination or revision of this Agreement or prepayment of any amount due under this agreement or create any liability of any party towards any other party for any direct or consequential loss arising from any of these events. As of the date that Pounds or Kroners are no longer the lawful currency of the United Kingdom or Norway, as the case may be, all funding and payment Obligations to be made in such affected currency under this Agreement shall be satisfied in Euros. If, in relation to

the currency of any member state of the European Union that adopts the Euro as its lawful currency, 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; provided that if any Borrowing in the currency of such member state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.

Section 10.19. Exchange Rates.  
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(a) Determination of Exchange Rates. Not later than 2:00 p.m. on each  
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Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date with respect to Euros, Pounds, and Kroner, and (ii) give notice thereof to the Lenders and the Borrower. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective until the next succeeding Reset Date, and shall for all purposes of this Agreement (other than Section 10.18 or any other provision expressly requiring the use of a current Exchange Rate) be the Exchange Rates employed in determining the Dollar Equivalent of any amounts of Euros, Pounds, or Kroner.

(b) Notice of Foreign Currency Loans and Letters of Credit. Not later than  
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5:00 p.m. on each Reset Date and each date on which Loans and/or Letters of Credit denominated in Euros, Pounds and/or Kroner are made or issued, the Administrative Agent shall (i) determine the Dollar Equivalent of the aggregate principal amounts of the Loans and L/C Obligations denominated in such currencies (after giving effect to any Loans and/or Letters of Credit denominated in such currencies being made, issued, repaid, or cancelled or reduced on such date), and (ii) notify the Lenders and the Borrower of the results of such determination.

Section 10.20. Change in Accounting Principles, Fiscal Year or Tax Laws.  
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If (i) any change in accounting principles from those used in the preparation of the financial statements of the Borrower referred to in Section 5.9 is hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change materially affects the calculation of any component of any financial covenant, standard or term found in this Agreement, or (ii) there is a material change in federal or foreign tax laws which materially affects any of the Borrower and its Subsidiaries' ability to comply with the financial covenants, standards or terms found in this Agreement, the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 10.11, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Borrower's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made. Unless and until such provisions have been so amended, the provisions of this Agreement shall govern.

Section 10.21. Final Agreement. The Credit Documents constitute the  
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entire understanding among the Credit Parties, the Lenders, the Issuing Bank,  
and the Administrative Agent and supersede all earlier or contemporaneous  
agreements, whether written or oral, concerning the subject matter of the Credit  
Documents. THIS WRITTEN AGREEMENT TOGETHER WITH THE OTHER CREDIT DOCUMENTS  
REPRESENTS THE FINAL AGREEMENT BETWEEN 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 BETWEEN THE PARTIES.

Section 10.22. Officer's Certificates. It is not intended that any  
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certificate of any officer of the Borrower delivered to the Administrative Agent  
or any Lender pursuant to this Agreement shall give rise to any personal  
liability on the part of such officer.

Section 10.23. Effect of Inclusion of Exceptions. It is not intended that  
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the specification of any exception to any covenant herein shall imply that the  
excepted matter would, but for such exception, be prohibited or required.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWER:  
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TRANSOCEAN SEDCO FOREX INC.,  
a Cayman Islands company

By: \_\_\_\_\_  
Name:  
Title:

Attest: \_\_\_\_\_  
Name:  
Title:

SUNTRUST BANK,  
As Administrative Agent, Issuing Bank,  
and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$47,265,625

PERCENTAGE: 0.0859375%

Address for Notices:  
- - - - -

SunTrust Bank  
SunTrust Plaza  
303 Peachtree Street, N.E., 3rd Floor  
Atlanta, GA 30308  
Attn: Mr. John Fields  
Telephone No.: 404/724-3667  
Telecopy No.: 404/827-6270

Lending Office:  
- - - - -

SunTrust Bank  
SunTrust Plaza  
303 Peachtree Street, N.E., 3rd Floor  
Atlanta, GA 30308  
Attn: Mr. John Fields  
Telephone No.: 404/724-3667  
Telecopy No.: 404/827-6270

Payment Instructions:  
- - - - -

Bank Name: SunTrust Bank  
ABA Number: 061 000 104  
City, State: Atlanta, Georgia  
Account Number: 908 8000 112  
Attention: Pat Etheridge 404/588-8358  
Reference: Transocean Sedco Forex Inc.

ABN AMRO BANK, N.V.,  
As Syndication Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$43,828,125  
PERCENTAGE: 0.0796875%

Address for Notices:  
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ABN AMRO Bank, N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Dina Tucci-Albro  
Telephone No.: 312/992-5120  
Telecopy No.: 312/992-5111

with a copy to:

ABN AMRO Bank, N.V.  
Three Riverway, Suite 1700  
Houston, TX 77056  
Attn: Deanna Breland  
Telephone No.: 713/964-3326  
Telecopy No.: 713/964-5801

Lending Office:  
-----

ABN AMRO Bank, N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Loan Administration  
Telephone No.: 312/992-5150  
Telecopy No.: 312/992-5155

ABN AMRO BANK, N.V., (Continued)  
As Syndication Agent and a Lender

Letter of Credit:

-----

ABN AMRO Bank N.V.  
200 West Monroe Street, Suite 1100  
Chicago, IL 60608-5002

Payment Instructions:

-----

Bank Name: ABN AMRO Bank, N.V.  
ABA Number: 026009580  
City, State: New York, NY  
Account Name: F/O ABN AMRO Bank, N.V.  
Chicago Branch CPU  
Account Number: 650-001-178941  
Attention:  
Reference: CPU 00193232 - Transocean Sedco

Letters of Credit:

-----

Bank Name: ABN AMRO Bank, N.V.  
ABA Number: 026009580  
City, State: New York, NY  
Account Name: F/O ABN AMRO Bank, N.V.  
Chicago Trade Services CPU  
Account Number: 653-001 1738 41  
Attention:  
Reference: Transocean Sedco

BANK OF AMERICA, N.A.,  
As Documentation Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$43,828,125

PERCENTAGE: 0.0796875%

Address for Notices:  
- - - - -

Bank of America, N.A.  
333 Clay Street, Suite 4550  
Houston, TX 77002  
Attn: Patrick Delaney, Managing Director  
Telephone No.: 713/651-4929  
Telecopy No.: 713/651-4808

Lending Office:  
- - - - -

Bank of America, N.A.  
901 Main Street  
Dallas, TX 75202  
Attn: Ramon Garcia  
Customer Service Representative  
Telephone No.: 214/209-2119  
Telecopy No.: 214/290-9462

with a copy to:

Bank of America, N.A.  
333 Clay Street, Suite 4550  
Houston, TX 77002  
Attn: Thelma Johnson  
Telephone No.: 713/651-4864  
Telecopy No.: 713/651-4808

BANK OF AMERICA, N.A., (continued)  
As Documentation Agent and a Lender

Payment Instructions:  
- - - - -

Bank Name: Bank of America, N.A.  
ABA Number: #111000012  
City, State:  
Account Number: 1292000883  
Attention: Corporate Loan Funds  
Reference: Transocean Sedco Forex Inc.

WELLS FARGO BANK TEXAS,  
NATIONAL ASSOCIATION,  
As Senior Managing Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$43,828,125

PERCENTAGE: 0.0796875%

Address for Notices:

- - - - -

Wells Fargo Bank Texas, National Association  
1000 Louisiana  
3rd Floor, Energy Department  
Houston, TX 77002  
Attn: Spencer Smith, Vice President  
Telephone No.: 713/319-1362  
Telecopy No.: 713/739-1087

Lending Office:

- - - - -

Wells Fargo Bank Texas, National Association  
1740 Broadway  
Denver, CO 80274  
Attn: Tanya Ivie, Production Manager  
Telephone No.: 303/863-6102  
Telecopy No.: 303/863-2729

Payment Instructions:

- - - - -

Bank Name: Wells Fargo Bank  
ABA Number: 121-000-248  
City, State: San Francisco, CA  
Account Number: 2712501201  
Attention: Syndicated Loans  
Reference: Transocean Sedco Forex

NATIONAL WESTMINSTER BANK PLC,  
NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

NATIONAL WESTMINSTER BANK PLC,  
NASSAU BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:

- - - - -

National Westminster Bank Plc  
600 Travis Street, Suite 6070  
Houston, TX 77002  
Attn: Scott Barton  
Senior Vice President  
Telephone No.: 713/221-2436  
Telecopy No.: 713/221-2430

National Westminster Bank Plc  
600 Travis Street, Suite 6070  
Houston, TX 77002  
Attn: John Preece  
Assistant Vice President  
Telephone No.: 713/221-2429  
Telecopy No.: 713/221-2430



NATIONAL WESTMINSTER BANK PLC,  
NEW YORK BRANCH, (Continued)

NATIONAL WESTMINSTER BANK PLC,  
NASSAU BRANCH,

Administrative Contacts - Borrowings, Payments, Etc.  
-----

National Westminster Bank Plc  
65 East 55/th/ Street, 24/th/ Floor  
New York, NY 10022  
Attn: Sheila Shaw/Juanita Baird  
Telephone No.: 212/401-1406/1420  
Telecopy No.: 212/401-1494

Domestic Lending Office:  
-----

National Westminster Bank Plc  
65 East 55/th/ Street, 24/th/ Floor  
New York, NY 10022

Eurodollar Lending Office:  
-----

National Westminster Bank Plc  
Nassau Branch  
65 East 55/th/ Street, 24/th/ Floor  
New York, NY 10022

Payment Instructions:  
-----

Bank Name: Chase Manhattan Bank, New York  
ABA Number: 2712507201  
City, State: New York, NY  
Account Name: NatWest Plc, New York FX  
Account Number: 0011012440  
Attention: Commercial Loans  
Reference: Transocean Sedco Forex Inc.

THE BANK OF TOKYO-MITSUBISHI, LTD.  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:  
- - - - -

The Bank of Tokyo-Mitsubishi, Ltd.  
1100 Louisiana Street  
Suite 2800  
Houston, TX 77002  
Attn: Iris Munoz, Senior Associate  
Telephone No.: 713/655-3814  
Telecopy No.: 713/655-3855

Lending Office:  
- - - - -

The Bank of Tokyo-Mitsubishi, Ltd.  
1100 Louisiana Street  
Suite 2800  
Houston, TX 77002  
Attn: Nadra Breir  
Telephone 713/655-3847  
Telecopy No.: 713/658-0116

Payment Instructions:  
- - - - -

Bank Name: The Bank of Tokyo-Mitsubishi, Ltd. - New York  
ABA Number: 026009632  
City, State: New York, New York  
Account Name: The Bank of Tokyo-Mitsubishi, Ltd. - Houston Agency  
Account Number: 30001710  
Attention: Nadra Breir  
Reference: Transocean Sedco Forex

THE FUJI BANK, LIMITED,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:  
- - - - -

The Fuji Bank, Limited  
Two World Trade Center  
New York, NY 10048  
Attn: Tina Catapano  
Telephone No.: 212/898-2099  
Telecopy No.: 212/488-8216

Lending Office:  
- - - - -

The Fuji Bank, Limited  
1221 McKinney Street  
Suite 4100  
Houston, TX 77010  
Attn: Mark Polasek  
Telephone No.: 713/650-7863  
Telecopy No.: 713/759-0717

Payment Instructions:  
- - - - -

Bank Name: The Fuji Bank, Limited  
ABA Number: 026009700  
City, State:  
Account Number: 515011  
Attention: US Corporate  
Reference: Transocean Sedco Forex Inc.

BANK ONE, NA  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

Bank One, NA  
910 Travis  
6th Floor  
Houston, TX 77002  
Attn: Dorothy Meachum  
Telephone No.: 713/751-3735  
Telecopy No.: 713/751-3760

Borrowings, Payments, Interest, Etc.  
-----

Bank One, NA  
1 Bank One Plaza  
0634, 1FNP, 10  
Chicago, IL 60670  
Attn: Bill Laird  
Telephone No.: 312/732-5635  
Telecopy No.: 312/732-4840

Domestic Lending Office:  
-----

Bank One, NA  
1 Bank One Plaza  
0634, 1FNP, 10  
Chicago, IL 60670

BANK ONE, NA (Continued)  
As a Lender

Eurodollar Lending Office:  
-----

Bank One, NA  
1 Bank One Plaza  
IL 1 0634  
Chicago, IL 60670

Payment Instructions:  
-----

Bank Name: Bank One, Chicago  
ABA Number: 071000013  
City, State: Chicago, IL  
Account Number: 481152860000  
Account Name: LSII Incoming Clearing A/c  
Attention: Bill Laird  
Reference: Transocean Sedco Forex Inc.

THE BANK OF NEW YORK  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

The Bank of New York  
One Wall Street, 19th Floor  
New York, NY 10286  
Attn: Theresa M. Burke  
Oil & Gas Division  
Telephone No.: 212/635-7532  
Telecopy No.: 212/635-7923

Domestic Borrowings:  
-----

The Bank of New York  
101 Barclay Street  
New York, NY 10286  
Attn: Bill Barbiero  
Commercial Loan Servicing  
Department  
Telephone No.:  
Telecopy No.:

Payment Instructions:  
-----

Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Comm. Loan Servicing Dept.  
Account Number: 111 556  
Attention: Bill Barbiero  
Reference: Transocean Sedco Forex Inc.

Eurodollar Lending Office:  
-----

The Bank of New York  
101 Barclay Street  
New York, NY 10286  
Attn: Bill Barbiero  
Commercial Loan Servicing  
Department  
Telephone No.:  
Telecopy No.:

Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Comm. Loan Servicing Dept.  
Account Number: 111 556  
Attention: Bill Barbiero  
Reference: Transocean Sedco Forex Inc.

THE BANK OF NEW YORK (Continued)  
As a Lender

Letters of Credit:

-----

The Bank of New York  
101 Barclay Street  
New York, NY 10286  
Attn: Venus McGregor  
Trade Services Department  
Telephone No.:  
Telecopy No.:

Payment Instructions:

-----

Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Trade Services Department  
Account Number: GLA #111115  
Attention: Venus McGregor  
Reference: Transocean Sedco Forex Inc.

Domestic Borrowings:

-----

The Bank of New York  
101 Barclays Street  
New York, NY 10286  
Attn: Bill Barbiero  
Commercial Loan Servicing  
Department  
Telephone No.:  
Telecopy No.:

Payment Instructions:

-----

Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Comm. Loan Servicing Dept.  
Account Number: 111 556  
Attention: Bill Barbiero  
Reference: Transocean Sedco Forex Inc.

CITIBANK, N.A.,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

Citibank, N.A.  
399 Park Avenue  
New York, NY 10043  
Attn: Mark S. Johnson  
Vice President  
Telephone No.: 212/559-4721  
Telecopy No.: 212/793-3588

Lending Office:  
-----

Citibank, N.A.  
Two Penns Way  
Suite 200  
New Castle, DE 19720  
Attn: Sean Portrait  
Telephone No.: 302/894-6083  
Telecopy No.: 302/894-6120

Payment Instructions:  
-----

Bank Name: Citibank, N.A.  
ABA Number: 021000089  
City, State: New Castle, DE  
Account Name: Shipping Concentration  
Account Number: 4054-8046  
Attention: Sean Portrait  
Reference: Transocean Sedco Forex Inc.



CREDIT LYONNAIS NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:  
- - - - -

Credit Lyonnais  
1000 Louisiana  
Suite 5360  
Houston, TX 77002  
Attn: Page Dillehunt  
Telephone No.: 713/753-8713  
Telecopy No.: 713/751-0307

Credit Lyonnais  
1301 Avenue of the Americas  
New York, NY 10019  
Attn: Bindu Menon  
Telephone No.: 212/761-7633  
Telecopy No.: 917/849-5440

Domestic and Eurodollar Lending Office:  
- - - - -

Credit Lyonnais New York Branch  
1301 Avenue of the Americas  
New York, NY 10019

CREDIT LYONNAIS NEW YORK BRANCH,  
As a Lender (Continued)

Payment Instructions:

- - - - -

Bank Name: Credit Lyonnais New York  
ABA Number: 026008073  
City, State: New York, NY  
Account Number: 01-88179-3701-00-179  
Attention:  
Reference: Transocean Sedco Forex Inc.

DEN NORSKE BANK ASA,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$36,093,750

PERCENTAGE: 0.0656250%

Address for Notices:

-----

Den norske Bank ASA  
200 Park Avenue, 31/st/ Floor  
New York, NY 10166  
Attn: Barbara Gronquist  
Senior Vice President  
Telephone No.: 212/681-3859  
Telecopy No.: 212/681-3900

Lending Office:

-----

Den norske Bank ASA  
299 Park Avenue  
New York, NY 10166  
Attn: Bill Trivedi  
Credit Manager  
Telephone No.: 212/681-3824  
Telecopy No.: 212/681-3900

Payment Instructions:

-----

Bank Name: Bank of New York  
ABA Number: 021 000 018  
City, State: New York, NY  
Account Name: Den Norske Bank - New York / SWIFT:DNBAUS33  
Account Number: Transocean - A/C# 10768999  
Attention: Anny Peralta  
Reference: Transocean Sedco Forex Inc.

CREDIT SUISSE FIRST BOSTON,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$17,187,500

PERCENTAGE: 0.0312500%

Address for Notices:  
-----

Credit Suisse First Boston  
11 Madison Avenue  
New York, NY 10010  
Attn: James Moran  
Director  
Telephone No.: 212/325-9176  
Telecopy No.: 212/325-8615

Lending Office:  
-----

Credit Suisse First Boston  
5 World Trade Center  
New York, NY 10048  
Attn: Jenaro Sarasola  
Telephone No.: 212/322-1384  
Telecopy No.: 212/335-0593

Payment Instructions:  
-----

Bank Name: Bank of New York  
ABA Number: 021 000 018  
City, State: New York, NY  
Account Name: CSFBNY Loan Clearing  
Account Number: 8900329262  
Attention: \_\_\_\_\_  
Reference: Transocean Sedco Forex Inc.

THE BANK OF NOVA SCOTIA,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$17,187,500

PERCENTAGE: 0.0312500%

Address for Notices:  
-----

The Bank of Nova Scotia  
Houston Representative Office  
1100 Louisiana, Suite 3000  
Houston, TX 77002  
Attn: Jean Paul Purdy  
Telephone No.: 713/759-3433  
Telecopy No.: 713/752-2425

The Bank of Nova Scotia  
Houston Representative Office  
1100 Louisiana, Suite 3000  
Houston, TX 77002  
Attn: Julie Hellman  
Telephone No.: 713/759-3442  
Telecopy No.: 713/752-2425

Lending Office:  
-----

PRIMARY  
The Bank of Nova Scotia  
Atlanta Agency  
Suite 2700, 600 Peachtree St. NE  
Atlanta, GA 30308  
Attn: Donna Gardner  
Telephone No.: 404/877-1552  
Telecopy No.: 404/888-8998

SECONDARY  
The Bank of Nova Scotia  
Atlanta Agency  
Suite 2700, 600 Peachtree St. NE  
Atlanta, GA 30308  
Attn: Michelle Wingard  
Telephone No.: 404/877-1562  
Telecopy No.: 404/888-8998

THE BANK OF NOVA SCOTIA, (Continued)  
As a Lender

Domestic and Eurodollar Lending Office:  
-----

The Bank of Nova Scotia  
Atlanta Agency  
Suite 2700, 600 Peachtree Street, N.E.  
Atlanta, GA 30308

Payment Instructions:  
-----

Bank Name: The Bank of Nova Scotia, New York Agency  
ABA Number: 026002532  
City, State: New York, NY  
Account Name: BNS Atlanta Agency  
Account Number: #0606634  
Reference: Transocean Sedco Forex Inc.

CHRISTIANIA BANK OG KREDITKASSE  
ASA, NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$17,187,500

PERCENTAGE: 0.0312500%

Address for Notices:  
-----

Christiania Bank og Kreditkasse  
ASA, New York Branch  
11 West 42nd/ Street  
New York, NY 10036  
Attn: Martin Lunder  
Senior Vice President  
Telephone No.: 212/827-4828  
Telecopy No.: 212/827-4888

Lending Office:  
-----

Christiania Bank og Kreditkasse  
ASA, New York Branch  
11 West 42nd/ Street  
New York, NY 10036  
Attn: Jacqueline Ng  
Assistant Treasurer  
Telephone No.: 212/827-4897  
Telecopy No.: 212/827-4888

Payment Instructions:  
-----

Bank Name: Bank of New York, New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Christiania Bank, New York  
Account Number: #8026120277  
Attention: Loan Administration  
Reference: Transocean Sedco Forex Inc.

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$10,312,500

PERCENTAGE: 0.0187500%

Address for Notices:  
-----

Australia and New Zealand Banking  
Group Limited  
1177 6/th/ Avenue  
New York, NY 10036  
Attn: David Giacalone  
Vice President  
Telephone No.: 212/801-9814  
Telecopy No.: 212/556-4814

Lending Office:  
-----

Australia and New Zealand Banking  
Group Limited  
1177 6/th/ Avenue  
New York, NY 10036  
Attn: Tessie Amante  
Supervisor  
Telephone No.: 212/801-9744  
Telecopy No.: 212/801-9859

Payment Instructions:  
-----

Bank Name: Chase Manhattan Bank  
ABA Number: 021-000-021  
City, State: New York, NY  
Account Name: Australia and New Zealand Bank, New York  
Account Number: 400-928884  
Reference: Transocean Sedco Forex Inc. Revolvers



WESTDEUTSCHE LANDESBANK  
GIROZENTRALE, NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$20,625,000

PERCENTAGE: 0.0375000%

Address for Notices:  
-----

Westdeutsche Landesbank Girozentrale,  
New York Branch  
1211 Avenue of the Americas  
New York, NY 10036  
Attn: Richard Newman  
Director, Corporate Finance  
Telephone No.: 212/963-5203  
Telecopy No.: 212/963-5308

Lending Office:  
-----

Westdeutsche Landesbank Girozentrale,  
New York Branch  
1211 Avenue of the Americas  
New York, NY 10036  
Attn: Thomas Lee  
Manager  
Telephone No.: 212/852-0204  
Telecopy No.: 212/852-6148

Payment Instructions:  
-----

Bank Name: The Chase Manhattan Bank, N.A.  
ABA Number: 021-000-021  
City, State: New York, NY  
Account Name: Westdeutsche Landesbank Girozentrale, New York Branch  
Account Number: 9201060663  
Attention: Grace Curran  
Reference: Transocean Sedco Forex Inc. Revolvers

SCHEDULE 1.1

FOREIGN CURRENCY PAYMENT ACCOUNTS

-----

FOR POUNDS STERLING:

PAY TO: BARCLAYS BANK PLC (SWIFT CODE: BARCGB22)  
54 LOMBARD STREET  
LONDON, EC3V 9BA ENGLAND  
ACCOUNT OF: SUNTRUST BANK (SWIFT CODE: SNTRUS3A)  
ACCOUNT NO.: 30847747  
REF: TRANSOCEAN

FOR EUROS:

PAY TO: BAYERISCHE LANDESBANK GIROZENTRALE (SWIFT CODE:  
BYLADEMM)  
BRIENNER STRASSE 20  
P.O. BOX 200525  
80000 MUNICH 2, GERMANY  
ACCOUNT OF: SUNTRUST BANK (SWIFT CODE: SNTRUS3A)  
ACCOUNT NO: 8116691  
REF: TRANSOCEAN

FOR NORWEGIAN KRONER:

PAY TO: DEN NORSKE BANK, A.S. (SWIFT CODE: DNBANOKK)  
KIRKEGATEN 21  
OSLO 1, NORWAY  
ACCOUNT OF: SUNTRUST BANK (SWIFT CODE: SNTRUS3A)  
ACCOUNT NO: 7001.02.42124  
REF: TRANSOCEAN

=====

364-DAY CREDIT AGREEMENT

Dated as of

December 29, 2000

Among

TRANSOCEAN SEDCO FOREX INC.,

THE LENDERS PARTIES HERETO,

SUNTRUST BANK,  
as Administrative Agent,

ABN AMRO BANK, N.V.,  
as Syndication Agent,

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

And

WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION,  
as Senior Managing Agent

SUNTRUST EQUITABLE SECURITIES CORPORATION,  
as Lead Arranger and Book Runner

=====

364-DAY CREDIT AGREEMENT

-----

THIS 364-DAY CREDIT AGREEMENT (the "Agreement"), dated as of December 29, 2000, among TRANSOCEAN SEDCO FOREX INC. (the "Borrower"), a Cayman Islands company, the lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), SUNTRUST BANK, a Georgia banking corporation ("STB"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), ABN AMRO BANK, N.V., as syndication agent for the Lenders (in such capacity, the "Syndication Agent"), BANK OF AMERICA, N.A., as documentation agent for the Lenders (in such capacity, the "Documentation Agent"), WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION, as senior managing agent for the Lenders (in such capacity, the "Senior Managing Agent"), and STB, as issuing bank of the Letters of Credit hereunder (STB and any other Lender that issues a Letter of Credit hereunder, in such capacity, an "Issuing Bank").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in its favor a 364-day revolving credit facility in the aggregate principal amount of U.S. \$250,000,000, pursuant to which facility loans would be made to, and letters of credit would be issued for the account of, the Borrower;

WHEREAS, the Lenders are willing to make such revolving credit facility available to the Borrower on the terms and subject to the conditions and requirements hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. Unless otherwise defined herein, the following terms shall have the following meanings, which meanings shall be equally applicable to both the singular and plural forms of such terms:

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Revolving Loans for any Interest Period, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR Rate for such Interest Period}}{\text{1.00 - Statutory Reserve Rate}}$$

"Adjusted LIBOR Loan" means a Eurocurrency Revolving Loan bearing interest at a rate based on Adjusted LIBOR as provided in Section 2.7(b).

"Administrative Agent" means SunTrust Bank, acting in its capacity as administrative agent for the Lenders, and any successor Administrative Agent appointed hereunder pursuant to Section 9.7.

"Agreement" means this 364-Day Credit Agreement, as the same may be amended, restated and supplemented from time to time.

"Applicable Facility Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
A+/A1 or above	0.060%
A/A2	0.070%
A-/A3	0.080%
BBB+/Baa1	0.100%
BBB/Baa2	0.125%
BBB-/Baa3 or below	0.175%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Facility Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Facility Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Facility Fee Rate. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Facility Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Facility Fee Rate in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.100%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Facility Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Facility Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Facility Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Margin" means, for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is

in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
A+/A1 or above	0.190%
A/A2	0.230%
A-/A3	0.320%
BBB+/Baa1	0.475%
BBB/Baa2	0.600%
BBB-/Baa3 or below	0.725%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Margin, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Margin, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Margin. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Margin shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Margin in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.475%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Margin shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Margin in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Margin in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Utilization Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Administrative Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
A+/A1 or above	0.075%
A/A2	0.100%

A-/A3	0.100%
BBB+/Baa1	0.125%
BBB/Baa2	0.125%
BBB-/Baa3 or below	0.150%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Utilization Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Utilization Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Utilization Fee Rate. The Borrower shall give written notice to the Administrative Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Utilization Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, (i) the Applicable Utilization Fee Rate in effect at all times during the first six months after the Initial Availability Date shall in no event be less than a percentage per annum equal to 0.125%, and (ii) if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Utilization Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Utilization Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Utilization Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Application" means an application for a Letter of Credit as defined in Section 2.13(b).

"Assignment Agreement" means an agreement in substantially the form of Exhibit 10.10 whereby a Lender conveys part or all of its Commitment, Loans and - ----- participations in Letters of Credit to another Person that is, or thereupon becomes, a Lender, or increases its Commitments, outstanding Loans and outstanding participations in Letters of Credit, pursuant to Section 10.10.

"Base Rate" means for any day the greater of:

(i) the fluctuating commercial loan rate announced by the Administrative Agent from time to time at its Atlanta, Georgia office (or other corresponding office, in the case of any successor Administrative Agent) as its prime rate or base rate for U.S. Dollar loans in the United States of America in effect on such day (which base rate may not be the lowest rate charged by such Lender on loans to any of its customers), with any change in the Base Rate resulting from a change in such announced rate to be effective on the date of the relevant change; and

(ii) the sum of (x) the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) 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 next Business Day, provided that (A) if such day is not a Business Day, the rate on such transactions on the immediately preceding Business Day as so published on the next Business Day shall apply, and (B) if no such rate is published on such next Business Day, the rate for such day shall be the average of the offered rates quoted to the Administrative Agent by two (2) federal funds brokers of recognized standing on such day for such transactions as selected by the Administrative Agent, plus (y) a percentage per annum equal to one-half of one percent (1/2%) per annum.

"Base Rate Loan" means a Loan bearing interest prior to maturity at the rate specified in Section 2.7(a).

"Borrower" means Transocean Sedco Forex Inc., a company organized under the laws of the Cayman Islands, and its successors.

"Borrowing" means any extension of credit of the same Type made by the Lenders on the same date by way of Revolving Loans or a Competitive Loan or group of Competitive Loans having a single Interest Period, or a Letter of Credit, including any Borrowing advanced, continued or converted. A Borrowing is "advanced" on the day the Lenders advance funds comprising such Borrowing to the Borrower or a Letter of Credit is issued, increased or extended, is "continued" (in the case of Eurocurrency Revolving Loans) on the date a new Interest Period commences for such Borrowing, and is "converted" (in the case of Eurocurrency Revolving Loans) when such Borrowing is changed from one Type of Loan to the other, all as requested by the Borrower pursuant to Section 2.3.

"Business Day" means any day other than a Saturday or Sunday on which banks are not authorized or required to close in Atlanta, Georgia or New York, New York and, if the applicable Business Day relates to the advance or continuation of, conversion into, or payment on a Eurocurrency Borrowing or Competitive Borrowing, on which banks are dealing in Dollar deposits in the interbank eurodollar market in London, England.

"Capitalized Lease Obligations" means, for any Person, the aggregate amount of such Person's liabilities under all leases of real or personal property (or any interest therein) which is required to be capitalized on the balance sheet of such Person as determined in accordance with GAAP.

"Cash Equivalents" means (i) securities 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 twelve (12) months from the date of acquisition, (ii) time deposits and certificates of deposits maturing within one year from the date of acquisition thereof or repurchase agreements with financial institutions whose short-term unsecured debt rating is A or above as obtained from either S&P or Moody's, (iii) commercial paper or Eurocommercial paper with a rating of at least A-1 by S&P or at least P-1 by Moody's, with maturities of not more than twelve (12) months from the date of acquisition, (iv) repurchase obligations entered into with any



Lender, or any other Person whose short-term senior unsecured debt rating from S&P is at least A-1 or from Moody's is at least P-1, which are secured by a fully perfected security interest in any obligation of the type described in (i) above and has a market value of the time such repurchase is entered into of not less than 100% of the repurchase obligation of such Lender or such other Person thereunder, (v) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within twelve (12) months from the date of acquisition thereof or providing for the resetting of the interest rate applicable thereto not less often than annually and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, and (vi) money market funds which have at least \$1,000,000,000 in assets and which invest primarily in securities of the types described in clauses (i) through (v) above.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Competitive Loans.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all property and assets of the Borrower in which the Administrative Agent or the Collateral Agent is granted a Lien for the benefit of the Lenders under the terms of Section 7.4.

"Collateral Account" means the cash collateral account for outstanding undrawn Letters of Credit defined in Section 7.4(b).

"Collateral Agent" means STB acting in its capacity as collateral agent for the Lenders, and any successor collateral agent appointed hereunder pursuant to Section 9.7.

"Commitment" means, relative to any Lender, such Lender's obligations to make Revolving Loans and participate in Letters of Credit pursuant to Sections 2.1 and 2.13, initially in the amount and percentage set forth opposite its signature hereto or pursuant to Section 10.10, as such obligations may be reduced or increased from time to time as expressly provided pursuant to this Agreement.

"Commitment Termination Date" means the earliest of (i) December 27, 2001, or such later date to which the Existing Commitment Termination Date has been extended pursuant to Section 2.15, (ii) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.14, and (iii) the occurrence of any Event of Default described in Section 7.1(f) or (g) with respect to the Borrower or the occurrence and continuance of any other Event of Default and either (x) the declaration of the Loans to be due and payable pursuant to Section 7.2, or (y) in the absence of such declaration, the giving of written notice by the Administrative Agent, acting at the direction of the Required Lenders, to the Borrower pursuant to Section 7.2 that the Commitments have been terminated.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.4.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Competitive Margin or the Competitive Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.4.

"Competitive Borrowing" means a Borrowing of a Competitive Loan or group of Competitive Loans pursuant to Section 2.4.

"Competitive Fixed Rate" means, with respect to any Competitive Loan (other than a Competitive Margin Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Competitive Fixed Rate Loan" means a Competitive Loan bearing interest at a Competitive Fixed Rate.

"Competitive Loan" means a Competitive Margin Loan or a Competitive Fixed Rate Loan made pursuant to Section 2.4.

"Competitive Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBOR Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBOR Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Competitive Margin Loan" means a Competitive Loan bearing interest determined by reference to the LIBOR Rate and a Competitive Margin.

"Compliance Certificate" means a certificate in the form of Exhibit 6.6.  
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"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated October 2000, as the same may be amended, restated and supplemented from time to time and distributed to the Lenders prior to the Effective Date.

"Consolidated EBITDA" means, for any period, for the Borrower and its Subsidiaries, the sum of (a) net income or net loss (before discontinued operations and income or loss resulting from extraordinary items), plus (b) the sum of (i) Consolidated Interest Expense, (ii) income tax expense, (iii) depreciation expense, (iv) amortization expense, and (v) other non-cash charges, all determined in accordance with GAAP on a consolidated basis for the Borrower and its Subsidiaries (excluding, in the case of the foregoing clauses (a) and (b), any net income or net loss and expenses and charges of any SPVs or other Persons that are not Subsidiaries), plus (c) dividends or distributions received during such period by the Borrower and its Subsidiaries from SPVs and any other Persons that are not Subsidiaries. For purposes of the foregoing, Consolidated EBITDA for the Borrower and its Subsidiaries shall not include any such amounts attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such amounts relate to any period prior to the acquisition thereof.

"Consolidated Indebtedness" means all Indebtedness of the Borrower and its Subsidiaries that would be reflected on a consolidated balance sheet of such Persons prepared in accordance with GAAP.

"Consolidated Indebtedness to Total Capitalization Ratio" means, at any time, the ratio of Consolidated Indebtedness at such time to Total Capitalization at such time.

"Consolidated Interest Expense" means, for any period, total interest expense of the Borrower and its Subsidiaries on a consolidated basis for such period, in connection with Indebtedness, all as determined in accordance with GAAP, but excluding capitalized interest expense and interest expense attributable to expected federal income tax settlements. For purposes of the foregoing, Consolidated Interest Expense for the Borrower and its Subsidiaries shall not include any such interest expense attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such interest expense relates to any period prior to the acquisition thereof.

"Consolidated Net Assets" means, as of any date of determination, an amount equal to the aggregate book value of the assets of the Borrower, its Subsidiaries and, to the extent of the equity interest of the Borrower and its Subsidiaries therein, SPVs at such time, minus the current liabilities of the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, consolidated shareholders equity of the Borrower and its Subsidiaries determined in accordance with GAAP (but excluding the effect on shareholders equity of cumulative foreign exchange translation adjustments). For purposes of this definition, SPVs shall be accounted for pursuant to the equity method of accounting.

"Controlling Affiliate" means for the Borrower, (i) any other Person that directly or indirectly through one or more intermediaries controls, or is under common control with, the Borrower (other than Persons controlled by the Borrower), and (ii) any other Person owning beneficially or controlling ten percent (10%) or more of the equity interests in the Borrower. As used in this definition, "control" means the power, directly or indirectly, to direct or cause the direction of management or policies of a Person (through ownership of voting securities or other equity interests, by contract or otherwise).

"Credit Documents" means this Agreement, the Notes, the Applications, the Letters of Credit, and any Subsidiary Guaranties in effect from time to time.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Documentation Agent" shall mean Bank of America, N.A., in its capacity as documentation agent for the Lenders, and any successor Documentation Agent appointed

pursuant to Section 9.7; provided, however, that no such Documentation Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Dollar" and "U.S. Dollar" and the sign "\$" mean lawful money of the United States of America.

"Effective Date" means the date this Agreement shall become effective as defined in Section 10.16.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating to any Environmental Law ("Claims") or any permit issued under any Environmental Law, including, without limitation, (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to the environment.

"Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial or administrative order, consent, decree or judgment, relating to the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by reference to (i) in the case of a Revolving Loan or Revolving Borrowing, Adjusted LIBOR and the Applicable Margin, or (ii) in the case of a Competitive Loan or Competitive Borrowing, the LIBOR Rate and the Competitive Margin.

"Eurocurrency Loan" means a Eurocurrency Revolving Loan or a Competitive Margin Loan, as the case may be.

"Eurocurrency Revolving Loan" means a Revolving Loan bearing interest before maturity at the rate specified in Section 2.7(b).

"Event of Default" means any of the events or circumstances specified in Section 7.1.

"Five-Year Credit Agreement" means the Credit Agreement dated as of December 29, 2000, among the Borrower, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent, as the same may be amended, supplemented and restated from time to time.

"Foreign Plan" means any pension, profit sharing, deferred compensation, or other employee benefit plan, program or arrangement maintained by any foreign Subsidiary of the

Borrower which, under applicable local law, is required to be funded through a trust or other funding vehicle, but shall not include any benefit provided by a foreign government or its agencies.

"GAAP" means generally accepted accounting principles from time to time in effect as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements, opinions and pronouncements by such other entity as may be approved by a significant segment of the U.S. accounting profession.

"Governmental Authority" means the government of the United States of America, any other nation or 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.

"Guarantor" means any Subsidiary of the Borrower required to execute and deliver a Subsidiary Guaranty hereunder pursuant to Section 6.11, in each case unless and until the relevant Subsidiary Guaranty is released pursuant to Section 6.11.

"Guaranty" by any Person means all contractual obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business) of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or to purchase any property or assets constituting security therefor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness, in each case primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iii) to lease property, or to purchase securities or other property or services, of the primary obligor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iv) otherwise to assure the owner of such Indebtedness of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any Indebtedness shall be deemed to be equal to the amount that would apply if such Indebtedness was the direct obligation of such Person rather than the primary obligor or, if less, the maximum aggregate potential liability of such Person under the terms of the Guaranty.

"Hazardous Material" shall have the meaning assigned to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Acts of 1986, and shall also include

petroleum, including crude oil or any fraction thereof, or any other substance defined as "hazardous" or "toxic" or words with similar meaning and effect under any Environmental Law applicable to the Borrower or any of its Subsidiaries.

"Highest Lawful Rate" means the maximum nonusurious interest rate, if any, that any time or from time to time may be contracted for, taken, reserved, charged or received on any Loans, under laws applicable to any of the Lenders which are presently in effect or, to the extent allowed by applicable law, under such laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. Determination of the rate of interest for the purpose of determining whether any Loans are usurious under all applicable laws shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the period of the full stated term of the Loans, all interest at any time contracted for, taken, reserved, charged or received from the Borrower in connection with the Loans.

"Indebtedness" means, for any Person, the following obligations of such Person, without duplication: (i) obligations of such Person for borrowed money; (ii) obligations of such Person representing the deferred purchase price of property or services other than accounts payable and accrued liabilities arising in the ordinary course of business and other than amounts which are being contested in good faith and for which reserves in conformity with GAAP have been provided; (iii) obligations of such Person evidenced by bonds, notes, bankers acceptances, debentures or other similar instruments of such Person, or obligations of such Person arising, whether absolute or contingent, out of letters of credit issued for such Person's account or pursuant to such Person's application securing Indebtedness; (iv) obligations of other Persons, whether or not assumed, secured by Liens (other than Permitted Liens) upon property or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, but only to the extent of such property's fair market value; (v) Capitalized Lease Obligations of such Person; (vi) obligations under Interest Rate Protection Agreements, and (vii) obligations of such Person pursuant to a Guaranty of any of the foregoing obligations of another Person; provided, however, Indebtedness shall exclude Non-recourse Debt. For purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture to the extent such Indebtedness is recourse to such Person.

"Initial Availability Date" means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 10.11).

"Interest Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (i) Consolidated EBITDA for the four fiscal quarter period then ended, minus all cash dividends paid to shareholders of the Borrower, or to holders of preferred shares or other preferred equity interests issued by any Subsidiaries of the Borrower where such holders are Persons other than the Borrower or any of its Subsidiaries, during such four fiscal quarter period, and all cash income taxes paid during such four fiscal quarter period, to (ii) Consolidated Interest Expense for the four fiscal quarter period then ended.

"Interest Payment Date" means (a) with respect to any Base Rate Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the

case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Competitive Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Competitive Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

"Interest Period" means (a) with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or with the consent of each Lender making a Loan as part of such Borrowing, any other period) thereafter, as the Borrower may elect, and (b) with respect to any Competitive Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Protection Agreement" shall mean any interest rate swap, interest rate cap, interest rate collar, or other interest rate hedging agreement or arrangement designed to protect against fluctuations in interest rates.

"Issuing Bank" is defined in the preamble.

"L/C Documents" means the Letters of Credit, any Issuance Requests and Applications with respect thereto, any draft or other document presented in connection with a drawing thereunder, and this Agreement.

"L/C Obligations" means the undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"Lead Arranger" means SunTrust Equitable Securities Corporation, acting in its capacity as lead arranger and book runner for the credit facilities described in this Agreement.

"Lender" is defined in the preamble.

"Lending Office" means the branch, office or affiliate of a Lender specified on the appropriate signature page hereof, or designated pursuant to Sections 8.4 or 10.10, as the office through which it will make its Loans hereunder for each type of Loan available hereunder.

"Letter of Credit" means any of the letters of credit to be issued by the Issuing Bank for the account of the Borrower pursuant to Section 2.13(a).

"LIBOR Rate" means, relative to any Interest Period for each Eurocurrency Borrowing, the rate per annum quoted at or about 11:00 a.m. (London, England time) two Business Days before the commencement of such Interest Period on that page of the Reuters, Telerate or Bloombergs reporting service (as then being used by the Administrative Agent to obtain such interest rate quotes) that displays British Bankers' Association interest settlement rates for deposits in Dollars, or if such page or such service shall cease to be available, such other page or other service (as the case may be) for the purpose of displaying British Bankers' Association interest settlement rates as reasonably determined by the Administrative Agent upon advising the Borrower as to the use of any such other service. If for any reason any such settlement interest rate for such Interest Period is not available to the Administrative Agent through any such interest rate reporting service, then the "LIBOR Rate" with respect to such Eurocurrency Borrowing will be the rate at which the Administrative Agent is offered deposits in Dollars of \$5,000,000 for a period approximately equal to such Interest Period in the London interbank market at 10:00 a.m. two Business Days before the commencement of such Interest Period.

"Lien" means any interest in any property or asset in favor of a Person other than the owner of such property or asset and securing an obligation owed to, or a claim by, such Person, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes.

"Loan" means (i) a Base Rate Loan, (ii) a Eurocurrency Revolving Loan, (iii) a Competitive Margin Loan, or (iv) a Competitive Fixed Rate Loan, as the case may be, and "Loans" means two or more of any such Loans.

"Material Adverse Effect" means a material adverse effect on (i) the business, assets, operations or condition of the Borrower and its Subsidiaries taken as a whole, or (ii) the Borrower's ability to perform any of its payment obligations under the Agreement or the Notes, or in respect of the Letters of Credit.

"Maturity Date" means the earlier of (i) December 27, 2001, or such later date to which the Existing Commitment Termination Date has been extended pursuant to Section 2.15, and (ii) the date on which the Loans have become due and payable pursuant to Section 7.2 or 7.3.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Non-recourse Debt" means with respect to any Person (i) obligations of such Person against which the obligee has no recourse to such Person except as to certain named or described present or future assets or interests of such Person, and (ii) the obligations of SPVs to the extent the obligee thereof has no recourse to the Borrower or any of its Subsidiaries, except as to certain specified present or future assets or interests of SPVs.

"Note" means any of the promissory notes of the Borrower defined in Section 2.9.

"Obligations" means all obligations of the Borrower to pay fees, costs and expenses hereunder, to pay principal or interest on Loans and Reimbursement Obligations and to pay any



other obligations to the Administrative Agent or any Lender or Issuing Bank arising under any Credit Document.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Percentage" means, for each Lender, the percentage of the Commitments represented by such Lender's Commitment; provided, that, if the Commitments are terminated, each Lender's Percentage shall be calculated based on its Commitment in effect immediately before such termination, subject to any assignments by such Lender of Obligations pursuant to Section 10.10.

"Performance Guaranties" means all Guaranties of the Borrower or any of its Subsidiaries delivered in connection with the construction financing of drill ships, offshore mobile drilling units or offshore drilling rigs for which firm drilling contracts have been obtained by the Borrower, any of its Subsidiaries or a SPV.

"Performance Letters of Credit" means all letters of credit for the account of the Borrower, any Subsidiary or a SPV issued as support for Non-recourse Debt or a Performance Guaranty.

"Permitted Business" has the meaning ascribed to such term in Section 6.8.

"Permitted Liens" means the Liens permitted as described in Section 6.10.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by the Borrower or any of its Subsidiaries, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any of its Subsidiaries is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made or had an obligation to make contributions.

"R&B Falcon" means R&B Falcon Corporation, a Delaware corporation.

"Reimbursement Obligations" has the meaning ascribed to such term in Section 2.13(c).

"Related Credit Extensions" has the meaning ascribed to such term in Section 2.15(c).

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article 7, and for all purposes after the Loans become due and payable pursuant to Article 7 or the Commitments expire or terminate, the outstanding

Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Revolving Credit" means the credit facility for making Revolving Loans and issuing Letters of Credit described in Sections 2.1 and 2.13.

"Revolving Credit Commitment Amount" means an amount equal to \$250,000,000, as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum at such time, without duplication, of (i) such Lender's applicable Percentage of the principal amounts of the outstanding Revolving Loans, and (ii) such Lender's applicable Percentage of the aggregate outstanding L/C Obligations.

"Revolving Loan" means the revolving loans defined in Section 2.1.

"Revolving Notes" means certain promissory notes of the Borrower as defined in Section 2.9.

"Revolving Obligations" means the sum of the principal amount of all Revolving Loans and L/C Obligations outstanding.

"Sale-Leaseback Transaction" means any arrangement whereby the Borrower or a Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

"Senior Managing Agent" means Wells Fargo Bank Texas, National Association in its capacity as senior managing agent for the Lenders, and any successor Senior Managing Agent appointed pursuant to Section 9.7; provided, however, that the Senior Managing Agent shall have no duties, responsibilities, or obligations hereunder in such capacity.

"S&P" means Standard & Poor's Ratings Group or any successor thereto.

"SPV" means any Person that is designated by the Borrower as a SPV, provided that the Borrower shall not designate as a SPV any Subsidiary that owns, directly or indirectly, any other Subsidiary that has total assets (including assets of any Subsidiaries of such other Subsidiary, but excluding any assets that would be eliminated in consolidation with the Borrower and its Subsidiaries) which equates to at least five percent (5%) of the Borrower's Total Assets, or that had net income (including net income of any Subsidiaries of such other Subsidiary, all before discontinued operations and income or loss resulting from extraordinary items, all determined in accordance with GAAP, but excluding revenues and expenses that would be eliminated in consolidation with the Borrower and its Subsidiaries) during the most recently completed fiscal year of the Borrower in excess of the greater of (i) \$1,000,000, and (ii) fifteen percent (15%) of the net income (before discontinued operations and income or loss resulting from extraordinary items) for the Borrower and its Subsidiaries, all as determined on a consolidated basis in

accordance with GAAP during such fiscal year of the Borrower. The Borrower may elect to treat any Subsidiary as a SPV (provided such Subsidiary would otherwise qualify as such), and may rescind any such prior election, by giving written notice thereof to the Administrative Agent specifying the name of such Subsidiary or SPV, as the case may be, and the effective date of such election, which shall be a date within sixty (60) days after the date such notice is given. The election to treat a particular Person as a SPV may only be made once.

"Significant Subsidiary" has the meaning ascribed to it under Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended.

"Statutory Reserve Rate" means, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number 1 and the denominator of which is the number 1 minus the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D of the Board of Governors of the Federal Reserve System. Eurocurrency Loans shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, for any Person, any other Person (other than, except in the context of Section 6.6(a), a SPV) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the board of directors of such corporation, any managers of such limited liability company or similar governing body (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency), is at the time directly or indirectly owned by such former Person or by one or more of its Subsidiaries.

"Subsidiary Debt Basket Amount" has the meaning ascribed to such term in Section 6.11(i).

"Subsidiary Guaranty" means any Guaranty of any Subsidiary delivered pursuant to Section 6.11(j).

"Syndication Agent" shall mean ABN AMRO Bank, N.V., acting in its capacity as syndication agent for the Lenders, and any successor Syndication Agent appointed hereunder pursuant to Section 9.7; provided, however, that no such Syndication Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Taxes" has the meaning set forth in Section 5.12.

"Total Assets" means, as of any date of determination, the aggregate book value of the assets of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP as of such date.

"Total Capitalization" means, as of any date of determination, the sum of Consolidated Indebtedness plus Consolidated Net Worth as of such date.

"Transocean R&B Falcon Joint Proxy Statement" means the joint proxy statement/prospectus of the Borrower and R&B Falcon dated November 3, 2000, as the same may be amended or supplemented from time to time.

"Transocean/ABN Revolving Credit Facility" the Credit Agreement dated as of July 30, 1996, among the Borrower (formerly Transocean Offshore Inc.), ABN AMRO Bank N.V., Houston Agency, as Agent, and the lenders parties thereto, as such Credit Agreement has been amended and is in effect as of the Effective Date.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to Adjusted LIBOR or the Base Rate (in the case of a Revolving Loan or Borrowing), or the LIBOR Rate or a Competitive Fixed Rate (in the case of a Competitive Loan or Borrowing).

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Borrower or any of its Subsidiaries to the PBGC or such Plan.

Section 1.2. Time of Day. Unless otherwise expressly provided, all  
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references to time of day in this Agreement and the other Credit Documents shall be references to New York, New York time.

Section 1.3. Accounting Terms; GAAP. Except as otherwise expressly  
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provided herein, and subject to the provisions of Section 10.19, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

## ARTICLE 2. THE CREDIT FACILITIES.

Section 2.1. Commitments for Revolving Loans. Subject to the terms and  
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conditions hereof, each Lender severally and not jointly agrees to make one or more loans (each a "Revolving Loan") to the Borrower from time to time before the Commitment Termination Date on a revolving basis in an aggregate amount not to exceed at any time outstanding an amount equal to its Commitment, subject to any reductions thereof pursuant to the terms of this Agreement; provided, however, that no Lender shall be permitted or required to make any Revolving Loan if, after giving effect thereto, (i) the aggregate principal amount of the Revolving Loans, the Competitive Loans and the L/C Obligations of all Lenders would thereby

exceed the Revolving Credit Commitment Amount then in effect; or (ii) the Revolving Credit Exposure of such Lender would thereby exceed its Commitment then in effect. Each Borrowing of Revolving Loans shall be made ratably from the Lenders in proportion to their respective Percentages. Revolving Loans may be repaid, in whole or in part, and all or any portion of the principal amount thereof reborrowed, before the Commitment Termination Date, subject to the terms and conditions hereof. Funding of all Revolving Loans shall be in Dollars.

Section 2.2. Types of Revolving Loans and Minimum Borrowing Amounts.  
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Borrowings of Revolving Loans may be outstanding as either Base Rate Loans or Adjusted LIBOR Loans, as selected by the Borrower pursuant to Section 2.3. Each Borrowing of Base Rate Loans shall be in an amount of not less than \$1,000,000 and each Borrowing of Adjusted LIBOR Loans shall be in an amount of not less than \$5,000,000 and in an integral multiple of \$100,000.

Section 2.3. Manner of Revolving Borrowings.  
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(a) Notice to Administrative Agent. The Borrower shall give notice to the  
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Administrative Agent by no later than 12:00 p.m. (i) at least three (3) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Revolving Loans, and (ii) on the date the Borrower requests the Lenders to advance a Borrowing of Base Rate Loans, in each case pursuant to a duly executed Borrowing Request substantially in the form of Exhibit 2.3 (each a "Revolver Borrowing Request"). The Loans included in each  
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Revolving Borrowing shall bear interest initially at the type of rate specified in the Revolver Borrowing Request with respect to such Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to the minimum amount requirement in Section 2.2 for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Revolving Loans, the Borrower may continue part or all of such Borrowing as Eurocurrency Revolving Loans for an Interest Period specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans on the last day of the Interest Period applicable thereto, or the Borrower may earlier convert part or all of such Borrowing into Base Rate Loans so long as it pays the breakage fees and funding losses provided in Section 2.12; and (ii) if such Borrowing is of Base Rate Loans, the Borrower may convert all or part of such Borrowing into Eurocurrency Revolving Loans for an Interest Period specified by the Borrower on any Business Day, in each case pursuant to notices of continuation or conversion as set forth below. The Borrower may select multiple Interest Periods for the Eurocurrency Revolving Loans constituting any particular Borrowing, provided that at no time shall the number of different Interest Periods for outstanding Eurocurrency Revolving Loans exceed twenty (20) (it being understood for such purposes that (x) Interest Periods of the same duration, but commencing on different dates, shall be counted as different Interest Periods, and (y) all Interest Periods commencing on the same date and of the same duration and currency shall be counted as one Interest Period regardless of the number of Borrowings or Loans involved. Notices of the continuation of Eurocurrency Revolving Loans for an additional Interest Period or of the conversion of part or all of Eurocurrency Revolving Loans into Base Rate Loans or of Base Rate Loans into Eurocurrency Revolving Loans must be given by no later than 12:00 p.m. at least three (3) Business Days before the date of the requested continuation or conversion. The Borrower shall give such notices concerning the advance,

continuation, or conversion of a Borrowing by telephone or facsimile (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing) pursuant to a Revolver Borrowing Request which shall specify the date of the requested advance, continuation or conversion (which shall be a Business Day), the amount of the requested Borrowing, whether such Borrowing is to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Revolving Loans, the Interest Period applicable thereto. The Borrower agrees that the Administrative Agent may rely on any such telephonic or facsimile notice given by any Person it in good faith believes is an authorized representative of the Borrower without the necessity of independent investigation and that, if any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon.

(b) Notice to the Lenders. The Administrative Agent shall give prompt

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telephonic, telex or facsimile notice to each Lender of any notice received pursuant to Section 2.3(a) relating to a Revolving Borrowing. The Administrative Agent shall give notice to the Borrower and each Lender by like means of the interest rate applicable to each Borrowing of Eurocurrency Revolving Loans (but, if such notice is given by telephone, the Administrative Agent shall confirm such rate in writing) promptly after the Administrative Agent has made such determination.

(c) Borrower's Failure to Notify. If the Borrower fails to give notice

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pursuant to Section 2.3(a) of (i) the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Revolving Loans, or (ii) a Borrowing of Revolving Loans to pay outstanding Reimbursement Obligations, and has not notified the Administrative Agent by 12:00 p.m. at least three (3) Business Days before the last day of the Interest Period for any Borrowing of Eurocurrency Revolving Loans, or by the day such Reimbursement Obligation becomes due, as the case may be, that it intends to repay such Borrowing or Reimbursement Obligation, the Borrower shall be deemed to have requested, as applicable, (x) the continuation of such Borrowing as a Eurocurrency Revolving Loan with an Interest Period of one (1) month or (y) the advance of a new Borrowing of Base Rate Loans on such day in the amount of the Reimbursement Obligation then due, which Borrowing pursuant to this clause (y) shall be deemed to have been funded on such date by the Lenders in accordance with Section 2.3(a) and to have been applied on such day to pay the Reimbursement Obligation then due, in each case so long as no Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing but otherwise disregarding the conditions to Borrowings set forth in Section 4.2. Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Revolving Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan, and (ii) the obligation of the Lenders to make, continue or convert Loans into Eurocurrency Revolving Loans shall be suspended.

(d) Conversion. If the Borrower shall elect to convert any particular

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Borrowing from one Type of Loan to the other only in part, then, from and after the date on which such conversion shall be effective, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence) be deemed to instead constitute two Borrowings (each originally advanced on the same date as such

particular Borrowing), one comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Revolving Loans in an aggregate principal amount equal to the portion of such Borrowing so elected by the Borrower to be comprised of Eurocurrency Revolving Loans and the second comprised of (subject to subsequent conversion in accordance with this Agreement) Base Rate Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to be comprised of Base Rate Loans. If the Borrower shall elect to have multiple Interest Periods apply to any particular Borrowing comprised of Eurocurrency Revolving Loans, then, from and after the date such multiple Interest Periods commence, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence), be deemed to constitute a number of separate Borrowings (each originally advanced on the same date as such particular Borrowing) equal to the number of, and corresponding to, the different Interest Periods so selected, each such deemed separate Borrowing corresponding to a particular selected Interest Period comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Revolving Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to have such Interest Period. This Section 2.3(d) shall be applied appropriately in the event that the Borrower shall make the elections described in the two preceding sentences at the same time with respect to the same particular Borrowing.

Section 2.4. Competitive Bid Procedure.  
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(a) Competitive Bid Requests. Subject to the terms and conditions set  
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forth herein, from time to time before the Commitment Termination Date, the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone in the case of a Borrowing of Competitive Margin Loans, not later than 11:00 a.m., four (4) Business Days before the date of the proposed Borrowing and, in the case of a Borrowing of Competitive Fixed Rate Loans, not later than 10:00 a.m., one (1) Business Day before the date of the proposed Borrowing; provided that a Competitive Bid Request shall not be made within five (5) Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bids received in response thereto shall have been withdrawn, rejected or accepted. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in the form of Exhibit

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2.4A or such other form as shall be approved by the Administrative Agent and the  
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Borrower and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.3(a):

- (i) the aggregate amount of the requested Competitive Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to consist of Competitive Margin Loans or Competitive Fixed Rate Loans;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Competitive Bids. Each Lender may (but shall not have any obligation

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to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in the form of Exhibit 2.4B or such other form as shall be approved by the Administrative Agent

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and the Borrower and must be received by the Administrative Agent by telecopy, in the case of a Borrowing of Competitive Margin Loans, not later than 9:30 a.m., three (3) Business Days before the proposed date of such Borrowing, and in the case of a Borrowing of Competitive Fixed Rate Loans, not later than 9:30 a.m., on the proposed date of such Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be equal to or greater than \$10,000,000 and in an integral multiple of \$100,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) Notice to Borrower. The Administrative Agent shall promptly notify the

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Borrower by telecopy of the Competitive Bid Rate or Rates and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Acceptance of Competitive Bids. Subject only to the provisions of this

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paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of Exhibit 2.4D or such other form as shall be approved by the

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Administrative Agent and the Borrower, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Borrowing of Competitive Margin Loans, not later than 10:30 a.m., three (3) Business Days before the date of the proposed Borrowing, and in the case of a Borrowing of Competitive Fixed Rate Loans, not later than 10:30 a.m. on the date of the proposed Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made pursuant to the same Competitive Bid Request at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with



clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is equal to or greater than \$10,000,000 and in an integral multiple of \$100,000; provided further that if a Competitive Loan must be in an amount less than \$10,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 and in any integral multiple of \$100,000, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv), the amounts shall be rounded to integral multiples of \$100,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) Notice of Acceptance. The Administrative Agent shall promptly notify

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each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) Submission of Competitive Bid by Administrative Agent. If the

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Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

Section 2.5. Interest Periods. As provided in Sections 2.3 and 2.4, at

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the time of each request for a Borrowing of Eurocurrency Loans or Competitive Fixed Rate Loans, or for the continuation or conversion of any Borrowing of Eurocurrency Revolving Loans, the Borrower shall select an Interest Period(s) applicable to such Loans from among the available options subject to the limitations in Sections 2.3 and 2.4; provided, however, that:

(i) the Borrower may not select an Interest Period for a Borrowing of Loans that extends beyond the Maturity Date;

(ii) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall either be (i) extended to the next succeeding Business Day, or (ii) in the case of Eurocurrency Loans only, reduced to the immediately preceding Business Day if the next succeeding Business Day is in the next calendar month; and

(iii) for purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no such numerically corresponding day in the month in which an Interest Period is to end or if an Interest Period begins on the last Business Day of a calendar month, then in the case of

Eurocurrency Loans only, such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.6. Funding of Loans.  
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(a) Disbursement of Loans. Not later than 12:00 p.m. with respect to  
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Borrowings of Eurocurrency Loans and Competitive Fixed Rate Loans, and 2:00 p.m. with respect to Base Rate Loans, on the date of any requested advance of a new Borrowing of Loans, each Lender, subject to all other provisions hereof, shall make available its Loan comprising its portion of such Borrowing in funds immediately available in Atlanta, Georgia for the benefit of the Administrative Agent and according to the payment instructions of the Administrative Agent. The Administrative Agent shall make the proceeds of each such Borrowing available in immediately available funds to the Borrower (or as directed in writing by the Borrower) on such date. In the event that any Lender does not make such amounts available to the Administrative Agent by the time prescribed above, but such amount is received later that day, such amount may be credited to the Borrower in the manner described in the preceding sentence on the next Business Day (with interest on such amount to begin accruing hereunder on such next Business Day) provided that acceptance by the Borrower of any such late amount shall not be deemed a waiver by the Borrower of any rights it may have against such Lender. No Lender shall be responsible to the Borrower for any failure by another Lender to fund its portion of a Borrowing, and no such failure by a Lender shall relieve any other Lender from its obligation, if any, to fund its portion of a Borrowing.

(b) Administrative Agent Reliance on Lender Funding. Unless the  
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Administrative Agent shall have been notified by a Lender before the date on which such Lender is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Administrative Agent may assume that such Lender has made such payment when due and in reliance upon such assumption may (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Lender together with interest thereon for each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Administrative Agent at a rate per annum equal to the Administrative Agent's cost of funds for such amount. If such amount is not received from such Lender by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but the Borrower will in no event be liable to pay any amounts otherwise due pursuant to Section 2.12 in respect of such repayment. Nothing in this subsection shall be deemed to relieve any Lender from any obligation to fund any Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Section 2.7. Applicable Interest Rates.  
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(a) Base Rate Loans. Each Base Rate Loan shall bear interest (computed on -----

the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a Eurocurrency Revolving Loan, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the Base Rate from time to time in effect. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise).

(b) Eurocurrency Loans. Each Eurocurrency Loan (whether a Revolving Loan -----

or Competitive Loan) shall bear interest (computed on the basis of a 360-day year and actual days elapsed, excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Revolving Loans, conversion to a Base Rate Loan at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the sum of Adjusted LIBOR plus the Applicable Margin (in the case of Eurocurrency Revolver Loans) or LIBOR Rate plus the Competitive Margin (in the case of Competitive Margin Loans), as the case may be. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise) or, in the case of Eurocurrency Revolving Loans, conversion to a Base Rate Loan.

(c) Competitive Fixed Rate Loans. Each Competitive Fixed Rate Loan shall -----

bear interest (computed on the basis of a 360-day year and actual days elapsed, in each case excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) at a rate per annum equal to the Competitive Fixed Rate applicable to such Loan.

(d) Rate Determinations. The Administrative Agent shall determine each -----

interest rate applicable to the Loans and Reimbursement Obligations hereunder insofar as such interest rate involves a determination of Base Rate, Adjusted LIBOR or LIBOR Rate, or any applicable default rate pursuant to Section 2.8, and such determination shall be conclusive and binding except in the case of the Administrative Agent's manifest error or willful misconduct. The Administrative Agent shall promptly give notice to the Borrower and each Lender of each determination of Adjusted LIBOR, and to the Borrower and each Lender submitting a Competitive Bid of each determination of LIBOR Rate, with respect to each Eurocurrency Loan.

Section 2.8. Default Rate. If any payment of principal on any Loan is not -----

made when due after the expiration of the grace period therefor provided in Section 7.1(a) (whether by acceleration or otherwise), or any Reimbursement Obligation is not paid when due as provided in Section 2.13(c), such Loan or Reimbursement Obligation shall bear interest (computed on the basis of a year of 360, 365 or 366 days, as applicable, and actual days elapsed) after any such grace period expires until such principal then due is paid in full, which the Borrower agrees to pay on demand, at a rate per annum equal to:

(a) for any Base Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due);

(b) for any Eurocurrency Loan (whether a Eurocurrency Revolving Loan or Competitive Margin Loan), the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at a rate per annum equal to the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due);

(c) for any Competitive Fixed Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Competitive Fixed Rate in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at the rate of interest that would otherwise apply to a Eurocurrency Revolving Loan pursuant to paragraph (b) above; and

(d) for any unpaid Reimbursement Obligations, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due).

It is the intention of the Administrative Agent and the Lenders to conform strictly to usury laws applicable to them. Accordingly, if the transactions contemplated hereby or any Loan or other Obligation would be usurious as to any of the Lenders under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement, the Notes or any other Credit Document), then, in that event, notwithstanding anything to the contrary in this Agreement, the Notes or any other Credit Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under laws applicable to such Lender that is contracted for, taken, reserved, charged or received by such Lender under this Agreement, the Notes or any other Credit Document or otherwise shall under no circumstances exceed the Highest Lawful Rate, and any excess shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or, if the principal amount of the Loans and all Reimbursement Obligations shall have been paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Loans is accelerated by reason of an election of the holder or holders thereof resulting from any Event of Default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under laws applicable to such Lender may never include more than the Highest Lawful Rate, and excess interest, if any, provided for in this Agreement, the Notes, any other Credit Document or otherwise shall be automatically canceled by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Loans or to the Reimbursement Obligations (or if the principal amount of the Loans and all Reimbursement Obligations shall have been paid in full, refunded by such Lender to the Borrower). To the extent that the Texas Finance Code, Chapters 302 and 303, are relevant to the Administrative Agent and the Lenders for the purpose of determining the Highest Lawful Rate, the Administrative Agent and the Lenders hereby elect to determine the applicable rate ceiling under such Article by the indicated (weekly) rate ceiling from time to time in effect, subject to their right subsequently to change such method in accordance with applicable law. In the event the

Loans and all Reimbursement Obligations are paid in full by the Borrower prior to the full stated term of the Loans and the interest received from the actual period of the existence of the Loans exceeds the Highest Lawful Rate, the Lenders shall refund to the Borrower the amount of the excess or shall credit the amount of the excess against amounts owing under the Loans and none of the Administrative Agent or the Lenders shall be subject to any of the penalties provided by law for contracting for, taking, reserving, charging or receiving interest in excess of the Highest Lawful Rate. The Texas Finance Code, Chapter 346, which regulates certain revolving credit loan accounts and revolving tri-party accounts, shall not apply to this Agreement or the Loans.

Section 2.9. Repayment of Loans; Evidence of Debt.  
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(a) Repayment of Loans. The Borrower hereby promises to pay (i) to the  
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Administrative Agent, for the account of each Lender, on the Maturity Date the unpaid principal amount of each Revolving Loan then outstanding and (ii) to the Administrative Agent, for the account of each Lender, on the last day of the Interest Period applicable to such Loan, or, if earlier, on the Maturity Date, the unpaid principal amount of each Competitive Loan then outstanding that is owed to such Lender.

(b) Record of Loans by Lenders. Each Lender shall maintain in accordance  
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with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and accrued interest payable and paid to such Lender from time to time hereunder.

(c) Record of Loans by Administrative Agent. The Administrative Agent  
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shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or accrued interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) Evidence of Obligations. The entries made in the accounts maintained  
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pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence  
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of the existence and amounts of the obligations recorded therein; provided that  
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the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Notes. The Revolving Loans outstanding to the Borrower from each  
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Lender shall, at the request of such Lender, be evidenced by promissory notes of the Borrower payable to such Lender in the form of Exhibit 2.9A (each a  
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"Revolving Note"). The Competitive Loans outstanding to the Borrower from any Lender, shall at the request of such Lender, be evidenced by a promissory note of the Borrower payable to such Lender in the form of Exhibit 2.9B (each a  
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"Competitive Note"). The Borrower agrees to execute and deliver to the Administrative Agent, for the benefit of each Lender requesting one or more promissory notes as aforesaid, an original of each such promissory note, appropriately completed, to evidence the respective Loans made by such Lender hereunder, within ten (10) Business Days after the Borrower receives a written request therefor.

(f) Recording of Loans and Payments on Notes. Each holder of a Note shall

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record on its books and records or on a schedule to its appropriate Note (and prior to any transfer of its Notes shall endorse thereon or on schedules forming a part thereof appropriate notations to evidence) the amount of each Loan outstanding from it to the Borrower, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan and, if a Eurocurrency Loan or a Competitive Fixed Rate Loan, the Interest Period and interest rate applicable thereto. Such record, whether shown on the books and records of a holder of a Note or on a schedule to its Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any holder to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans outstanding to it hereunder together with accrued interest thereon. At the request of any holder of a Note and upon such holder tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such holder to replace any outstanding Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such new Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.10. Optional Prepayments. The Borrower shall have the privilege

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of prepaying Base Rate Loans without premium or penalty at any time in whole or at any time and from time to time in part (but, if in part, then in an amount which is equal to or greater than \$1,000,000); provided, however, that the Borrower shall have given notice of such prepayment to the Administrative Agent no later than 12:00 p.m. on the date of such prepayment. The Borrower shall have the privilege of prepaying Adjusted LIBOR Loans (a) without premium or penalty in whole or in part (but, if in part, then in an amount which is equal to or greater than \$5,000,000 and in an integral multiple of \$100,000) only on the last Business Day of an Interest Period for such Loan, and (b) at any other time so long as the breakage fees and funding losses provided for in Section 2.12 are paid; provided, however, that the Borrower shall have given notice of such prepayment to the Administrative Agent no later than 12:00 p.m. at least three (3) Business Days before the last Business Day of such Interest Period or the proposed prepayment date. The Borrower shall not have the right to prepay any Competitive Loan without the prior written consent of the Lender thereof unless the applicable Competitive Bid Request shall have so provided, the Borrower has given timely notice to the Lender of any such prepayment as may be required pursuant to the terms of the Competitive Bid Request, and the Borrower shall have paid to such Lender in connection with any such prepayment all amounts required to be paid in connection with such prepayment pursuant to the terms of the applicable Competitive Bid Request. Any such prepayments shall be made by the payment of the principal amount to be prepaid and accrued and unpaid interest thereon to the date of such prepayment. Unless otherwise specified in writing by the Borrower, optional prepayments shall be applied first, to the Revolving Loans, second, to the Reimbursement Obligations with respect to

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Letters of Credit, and third, to the Competitive Loans.

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Section 2.11. Mandatory Prepayments of Loans. In the event and on each

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occasion that the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations exceeds the Revolving Credit Commitment Amount then in effect, then the Borrower shall promptly prepay Revolving Loans and/or Competitive Loans in an aggregate

amount sufficient to eliminate such excess. Immediately upon determining the need to make any such prepayment, the Borrower shall notify the Administrative Agent of such required prepayment and of the identity of the particular Revolving Loans and/or Competitive Loans being prepaid. If the Administrative Agent shall notify the Borrower that the Administrative Agent has determined that any prepayment is required under this Section 2.11, the Borrower shall make such prepayment no later than the second Business Day following such notice. Any mandatory prepayment of Revolving Loans and/or Competitive Loans pursuant hereto shall not be limited by the notice provision for prepayments set forth in Section 2.10. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and any applicable breakage fees and funding losses pursuant to Section 2.12.

Section 2.12. Breakage Fees. If any Lender incurs any loss, cost or

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expense (excluding loss of anticipated profits and other indirect or consequential damages) by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurocurrency Loan or Competitive Fixed Rate Loan as a result of any of the following events other than any such occurrence as a result of a change of circumstance described in Sections 8.1 or 8.2:

(a) any payment, prepayment or conversion of any such Loan on a date other than the last day of its Interest Period (whether by acceleration, mandatory prepayment or otherwise);

(b) any failure to make a principal payment of any such Loan on the due date therefor; or

(c) any failure by the Borrower to borrow, continue or prepay, or convert to, any such Loan on the date specified in a notice given pursuant to Section 2.3 or 2.4 (other than by reason of a default of such Lender),

then the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower a certificate executed by an officer of such Lender setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) no later than ninety (90) days after the event giving rise to the claim for compensation, and the amounts shown on such certificate shall be prima facie evidence of such Lender's entitlement thereto. Within ten (10) days of receipt of such certificate, the Borrower shall pay directly to such Lender such amount as will compensate such Lender for such loss, cost or expense as provided herein, unless such Lender has failed to timely give notice to the Borrower of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.13. Letters of Credit.

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(a) Letters of Credit. Subject to the terms and conditions hereof, the Issuing Bank agrees to issue, from time to time prior to the Commitment Termination Date, at the request of the Borrower and on behalf of the Lenders and in reliance on their obligations under this Section 2.13, one or more letters of credit (each a "Letter of Credit") for the Borrower's account in a

face amount in each case of at least \$500,000 and in an aggregate undrawn face amount for all Letters of Credit at any time outstanding not to exceed the Revolving Credit Commitment Amount; provided, that the Issuing Bank shall not be obligated to issue a Letter of Credit pursuant to Section 2.13(d) if, after the issuance thereof, (i) the outstanding Revolving Loans, Competitive Loans, and L/C Obligations would thereby exceed the Revolving Credit Commitment Amount then in effect, or (ii) the issuance of such Letter of Credit would violate any legal or regulatory restriction then applicable to the Issuing Bank or any Lender as notified by the Issuing Bank or such Lender to the Administrative Agent before the date of issuance of such Letter of Credit. Letters of Credit and any increases and extensions thereof hereunder shall be issued in face amounts of Dollars.

(b) Issuance Procedure. To request that the Issuing Bank issue a Letter of

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Credit, the Borrower shall deliver to the Issuing Bank and the Administrative Agent (with a duplicate copy to an operations employee of the Issuing Bank as designated by the Issuing Bank from time to time) a duly executed Issuance Request substantially in the form of Exhibit 2.13A (each an "Issuance Request"),

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together with a duly executed application for the relevant Letter of Credit substantially in the form of Exhibit 2.13B (each an "Application"), or such

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other computerized issuance or application procedure, instituted from time to time by the Issuing Bank and the Administrative Agent and agreed to by the Borrower, completed to the reasonable satisfaction of the Issuing Bank and the Administrative Agent, and such other information as the Issuing Bank and the Administrative Agent may reasonably request. In the event of any irreconcilable difference or inconsistency between this Agreement and an Application, the provisions of this Agreement shall govern. Upon receipt of a properly completed and executed Application and any other reasonably requested information at least three (3) Business Days prior to any requested issuance date, the Issuing Bank will process such Application in accordance with its customary procedures and issue the requested Letter of Credit on the requested issuance date. The Borrower may cancel any requested issuance of a Letter of Credit prior to the issuance thereof. The Issuing Bank will notify the Administrative Agent and each Lender of the amount, currency, and expiration date of each Letter of Credit it issues promptly upon issuance thereof. Each Letter of Credit shall have an expiration date no later than four (4) Business Days before the Maturity Date. If the Issuing Bank issues any Letters of Credit with expiration dates that automatically extend unless the Issuing Bank gives notice that the expiration date will not so extend, the Issuing Bank will give such notice of non-renewal before the time necessary to prevent such automatic extension if (and will not give such notice of non-renewal before such time unless) before such required notice date (i) the expiration date of such Letter of Credit if so extended would be later than four (4) Business Days before the Maturity Date, (ii) the Commitment Termination Date shall have occurred, (iii) a Default or an Event of Default exists and the Required Lenders have given the Issuing Bank instructions not to so permit the expiration date of such Letter of Credit to be extended, or (iv) the Issuing Bank is so directed by the Borrower. The Issuing Bank agrees to issue amendments to any Letter of Credit increasing its amount, or extending its expiration date, at the request of the Borrower, subject to the conditions precedent for all Borrowings of Section 4.2 and the other terms and conditions of this Section 2.13.

(c) The Borrower's Reimbursement Obligations.



(i) The Borrower hereby irrevocably and unconditionally agrees to reimburse the Issuing Bank for each payment or disbursement made by the Issuing Bank to settle its obligations under any draft drawn or other payment made under a Letter of Credit (a "Reimbursement Obligation") within two (2) Business Days from when such draft is paid or other payment is made with either funds not borrowed hereunder or with a Borrowing of Revolving Loans subject to Section 2.3 and the other terms and conditions contained in this Agreement. The Reimbursement Obligation shall bear interest (which the Borrower hereby promises to pay) from and after the date such draft is paid or other payment is made until (but excluding the date) the Reimbursement Obligation is paid at the lesser of (x) the Highest Lawful Rate, or (y) the Base Rate, in each case so long as the Reimbursement Obligation shall not be past due, and thereafter at the default rate per annum as set forth in Section 2.8(d), whether or not the Maturity Date shall have occurred. If any such payment or disbursement is reimbursed to the Issuing Bank on the date such payment or disbursement is made by the Issuing Bank, interest shall be paid on the reimbursable amount for one (1) day. The Issuing Bank shall give the Borrower notice of any drawing on a Letter of Credit within one (1) Business Day after such drawing is paid.

(ii) The Borrower agrees for the benefit of the Issuing Bank and each Lender that, notwithstanding any provision of any Application, the obligations of the Borrower under this Section 2.13(c) and each applicable Application shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement and each applicable Application under all circumstances whatsoever (other than the defense of payment in accordance with this Agreement), including, without limitation, the following circumstances (subject in all cases to the defense of payment in accordance with this Agreement):

(1) any lack of validity or enforceability of any of the L/C Documents;

(2) any amendment or waiver of or any consent to depart from all or any of the provisions of any of the L/C Documents;

(3) the existence of any claim, set-off, defense or other right the Borrower may have at any time against a beneficiary of a Letter of Credit (or any person for whom a beneficiary may be acting), the Issuing Bank, any Lender or any other Person, whether in connection with this Agreement, another L/C Document or any unrelated transaction;

(4) any statement or any other document presented under a 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;

(5) payment by the Issuing Bank under a Letter of Credit against presentation to the Issuing Bank of a draft or certificate that does not comply with the terms of the Letter of Credit; or

(6) any other act or omission to act or delay of any kind by the Issuing Bank, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 2.13(c), constitute a legal or equitable discharge of the Borrower's obligations hereunder, under an Issuance Request or under an Application;

provided, however, the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (but excluding consequential damages, which are hereby waived to the extent not prohibited by applicable law) suffered by the Borrower that are caused by the Issuing Bank's gross negligence or willful misconduct.

(d) The Participating Interests. Each Lender severally and not jointly

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agrees to purchase from the Issuing Bank, and the Issuing Bank hereby agrees to sell to each Lender, an undivided percentage participating interest, to the extent of its Percentage, in each Letter of Credit issued by, and Reimbursement Obligation owed to, the Issuing Bank in connection with a Letter of Credit. Upon any failure by the Borrower to pay any Reimbursement Obligation in connection with a Letter of Credit at the time required in Sections 2.13(c) and 2.3(c), or if the Issuing Bank is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment by the Borrower of any Reimbursement Obligation in connection with a Letter of Credit, the Issuing Bank shall promptly give notice of same to each Lender, and the Issuing Bank shall have the right to require each Lender to fund its participation in such Reimbursement Obligation. Each Lender (except the Issuing Bank to the extent it is also a Lender) shall pay to the Issuing Bank an amount equal to such Lender's Percentage of such unpaid or recaptured Reimbursement Obligation not later than the Business Day it receives notice from the Issuing Bank to such effect, if such notice is received before 2:00 p.m., or not later than the following Business Day if such notice is received after such time. If a Lender fails to pay timely such amount to the Issuing Bank, it shall also pay to the Issuing Bank interest on such amount accrued from the date payment of such amount was made by the Issuing Bank to the date of such payment by the Lender at a rate per annum equal to the Base Rate in effect for each such day and only after such payment shall such Lender be entitled to receive its Percentage of each payment received on the relevant Reimbursement Obligation and of interest paid thereon. The several obligations of the Lenders to the Issuing Bank under this Section 2.13(d) shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment any Lender may have or have had against the Borrower, the Issuing Bank, and any other Lender or any other Person whatsoever including, but not limited to, any defense based on the failure of the demand for payment under the Letter of Credit to conform to the terms of such Letter of Credit or the legality, validity, regularity or enforceability of such Letter of Credit and INCLUDING, BUT NOT LIMITED TO, THOSE RESULTING FROM THE ISSUING BANK'S OWN SIMPLE OR CONTRIBUTORY NEGLIGENCE. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any subsequent reduction or termination of any Commitment of a Lender, and each payment by a Lender under this Section 2.13 shall be made without any offset, abatement, withholding or reduction whatsoever.

Section 2.14. Commitment Terminations. The Borrower shall have the right

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at any time and from time to time, upon three (3) Business Days' prior and irrevocable written notice to the Administrative Agent, to terminate or reduce the Commitments without premium or penalty, in whole or in part, any reduction (i) to be in an amount not less than \$5,000,000 as determined by the Borrower and in integral multiples of \$5,000,000, and (ii) to be allocated ratably among the Lenders in proportion to their respective Commitments; provided, that the Revolving Credit Commitment Amount may not be reduced to an amount less than the sum of the aggregate principal amount of outstanding Revolving Loans, Competitive Loans, and L/C Obligations, after giving effect to payments on such proposed termination or reduction date; provided, however, that to the extent

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the Borrower provides to the Administrative Agent cash collateral in an amount sufficient to cover such shortage or back to back letters of credit from a bank(s) or financial institution(s) whose short-term unsecured debt rating is rated A or above from either S&P or Moody's or such other bank(s) or financial institution(s) satisfactory to the Required Lenders in an amount equal to the undrawn face amount of any applicable outstanding Letters of Credit with an expiration date of at least five (5) days after the expiration date of any applicable Letter of Credit and which provide that the Administrative Agent may make a drawing thereunder in the event that it pays a drawing under such Letter of Credit. The Administrative Agent shall give prompt notice to each Lender of any such termination or reduction of the Commitments. Any termination of Commitments pursuant to this Section 2.14 is permanent and may not be reinstated.

Section 2.15. Extension of Commitments.

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(a) The Borrower may, by notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders) given not less than 30 days and not more than 60 days prior to the Commitment Termination Date then in effect, request that the Lenders extend the Commitment Termination Date for an additional period of not more than 364 days as specified in such notice. Any such notice shall specify any fees that the Borrower agrees to pay as consideration for such extension, any changes to the Applicable Facility Fee Rate, Applicable Margin, and/or Applicable Utilization Fee Rate that will apply during the term of such extension and the amendments, if any, to the covenants contained herein or other provisions hereof proposed by the Borrower to be applicable during the term of such extension. Each Lender shall, by notice to the Borrower and the Administrative Agent given not earlier than the 30th day and not later than the 15th day prior to the Commitment Termination Date then in effect, advise the Administrative Agent and the Borrower whether or not it agrees to such extension on the terms set forth in such notice. Any Lender that has not so advised the Administrative Agent by such day shall be deemed to have declined to agree to such extension.

(b) If (and only if) Lenders (including any Lenders becoming parties to this Agreement as contemplated by the last sentence of paragraph (c) below) holding more than 50% of the Commitments in effect prior to such extension shall have agreed to extend the Commitment Termination Date (each such Lender being called an "Extending Lender", and Lenders not having so agreed being called "Non-Extending Lenders"), then, if the Borrower shall so elect in a notice delivered to the Administrative Agent not earlier than the 15th day and not later than the 10th day prior to the Commitment Termination Date then in effect, the Commitment Termination Date shall be extended as to such Extending Lenders for the additional

period and on the terms specified in the Borrower's notice provided for under paragraph (a) and, if such terms vary from those contained in this Agreement, the Borrower and the Extending Lenders shall enter into an amendment to this Agreement to be effective as of the Commitment Termination Date in effect prior to such extension pursuant to which such terms shall be given effect as to the Borrower and the Extending Lenders and, to the extent consistent with Section 10.11, the other Lenders.

(c) If less than all the Lenders consent to any extension request pursuant to paragraph (a), the Administrative Agent shall promptly so notify the Extending Lenders, and each Extending Lender may, in its sole discretion, give written notice to the Administrative Agent not later than 10 days prior to the Commitment Termination Date in effect prior to giving effect to the extension provided for in paragraph (b) (the "Existing Commitment Termination Date") of the amount of the Non-Extending Lenders' Commitments, together with the corresponding amount of such Non-Extending Lenders' outstanding Loans and obligations and interests in respect of outstanding L/C Obligations (such corresponding amount of Loans and obligations and interests in respect of outstanding L/C Obligations being collectively referred to as the "Related Credit Extensions"), it is willing to accept and assume. If such Extending Lenders are willing to accept and assume Commitments and Related Credit Extensions in an aggregate amount that exceeds the amount of the Commitments and Related Credit Extensions of the Non-Extending Lenders, the Non-Extending Lenders' Commitments and Related Credit Extensions shall be allocated among Extending Lenders willing to accept and assume such Commitments and Related Credit Extensions in such amounts as shall be agreed between the Borrower and the Administrative Agent, and such Commitments and Related Credit Extensions shall be assigned, accepted and assumed in accordance with the provisions of Section 10.10. If after giving effect to the assignments described above the full amount of the Commitments and Related Credit Extensions of the Non-Extending Lenders would not be assigned, accepted and assumed as set forth above prior to the Commitment Termination Date, the Borrower may (i) arrange for one or more Extending Lenders or other assignees eligible to become Lenders hereunder (each, an "Extension Assuming Lender"), to accept and assume the unassigned amounts of the Commitments and Related Credit Extensions of the Non-Extending Lenders in accordance with Section 10.10 and become parties hereto with all the rights and obligations of Lenders hereunder, or (ii) subject to the requirements of paragraph (b) above, reduce the aggregate amount of the Commitments to an amount equal to the aggregate amount of Commitments held by all Extending Lenders and Extension Assuming Lenders all as of the Existing Commitment Termination Date.

On the Existing Commitment Termination Date:

(i) the Extending Lenders and Extension Assuming Lenders shall pay to the Non-Extending Lenders the principal amount of any outstanding Loans made by such Non-Extending Lenders, and any outstanding amounts paid by such Non-Extending Lenders pursuant to Section 2.13(d), all as assigned, accepted and assumed in accordance with this paragraph (c), together with any accrued interest thereon as of the Existing Commitment Termination Date;

(ii) any accrued fees and other amounts payable hereunder to any Non-Extending Lender as of the Existing Commitment Termination Date shall be paid to such Non-Extending Lender by the Borrower or by such Extending Lenders and Extension Assuming Lenders, as may be agreed by such parties; and

(iii) with respect to any such Extension Assuming Lender, the applicable processing and recordation fee required under Section 10.10 shall be paid.

The Commitment of any Extension Assuming Lender shall in no event be less than \$5,000,000 (subject to the fourth sentence of Section 10.10(b)) unless the Commitment of a Non-Extending Lender as of the Existing Termination Date is less than \$5,000,000, in which case such Extension Assuming Lender may accept and assume all of such lesser amount. Any such Non-Extending Lender's rights under Sections 2.12, 3.3, 8.3, 10.3, and 10.13, and its obligations under Section 9.6, shall survive such substitution as to matters occurring on or prior to the Existing Commitment Termination Date (and if such Non-Extending Lender shall continue to have Loans outstanding after the Existing Commitment Termination Date, shall continue in effect following the Existing Commitment Termination Date).

At least three Business Days prior to the proposed effective date of any extension of the Commitment Termination Date pursuant to this Section, (A) each Extension Assuming Lender, if any, shall deliver to the Borrower and the Administrative Agent an Assignment Agreement or other agreement in a form approved by the Administrative Agent and the Borrower evidencing such Extension Assuming Lender's Commitment and Related Credit Extensions, duly executed by such Extension Assuming Lender, such Non-Extending Lender a Commitment and Related Credit Extensions of which is being assigned to and accepted and assumed by such Extension Assuming Lender, the Borrower and the Administrative Agent, and (B) each Extending Lender, if any, shall have delivered written confirmation satisfactory to the Borrower and the Administrative Agent as to any increase in the amount of its Commitment and Related Credit Extensions resulting from its acceptance and assumption of all or a portion of the Commitments and Related Credit Extensions of the Non-Extending Lenders. As of and following the effective date of any extension made pursuant to this Section, each Extension Assuming Lender shall be a Lender for all purposes of this Agreement.

(d) The decision to agree or withhold agreement to any requested extension of the Commitment Termination Date hereunder shall be at the sole discretion of each Lender. If the Commitment Termination Date shall have been extended as provided in paragraph (b) above, the Commitment of any Non-Extending Lender shall terminate on the Existing Commitment Termination Date, and the term "Maturity Date", as used herein, shall mean, as to the Related Credit Extensions of such Non-Extending Lender (to the extent not assumed pursuant to paragraph (c)), the Maturity Date in effect prior to giving effect to such extension.

(e) Notwithstanding the foregoing, no extension of the Commitment Termination Date shall become effective under this Section unless (i) the conditions set forth in paragraphs (b) and (c) of Section 4.2 shall be satisfied on the Existing Commitment Termination Date and the Administrative Agent shall have received a certificate to that effect dated such date and executed by the President or a Vice President of the Borrower, and (ii) the Administrative Agent

shall have received (with sufficient copies for each of the Lenders (other than any Non-Extending Lenders)) documents consistent with those delivered under clause (i) of Section 4.1(a) as to the corporate power and authority of the Borrower to borrow hereunder after giving effect to such extension.

ARTICLE 3. FEES AND PAYMENTS.

Section 3.1. Fees.

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(a) Facility Fees. The Borrower agrees to pay to the Administrative Agent

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for the account of each Lender a facility fee, which shall accrue at the Applicable Facility Fee Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Initial Availability Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last Business Day of March, June, September and December of each year, commencing on March 30, 2001, and on the date(s) on which the Commitments shall have terminated and the Lenders shall have no further Revolving Credit Exposures. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Utilization Fees. For any day on which the outstanding principal

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amount of the Loans and L/C Obligations shall be greater than an amount equal to 33% of the total Commitments (and for any day after the termination of all the Commitments on which any Loans or L/C Obligations shall be outstanding if the outstanding principal amount thereof on the date the Commitments terminated shall have been greater than 33% of the total Commitments in effect on such date), the Borrower shall pay to the Administrative Agent for the account of each Lender a utilization fee equal to the Applicable Utilization Fee Rate multiplied by the aggregate amount of such Lender's outstanding Loans and applicable Percentage of L/C Obligations on such day. Accrued and unpaid utilization fees, if any, shall be payable in arrears on the last Business Day of each March, June, September and December and on the date(s) on which the Commitments shall have terminated and there are no Loans or L/C Obligations outstanding. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Letter of Credit Fees. Commencing upon the date of issuance, increase

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or extension of any Letter of Credit and thereafter on the last Business Day of each March, June, September and December, the Borrower shall pay to the Administrative Agent quarterly in advance, for the period until the next Letter of Credit fee payment date, for the ratable account of the Lenders, a non-refundable fee equal to the Applicable Margin multiplied by the outstanding face amount or increase of such Letter of Credit during such upcoming period calculated on the basis of a 360 day year and actual days elapsed and based on the then scheduled expiration date

of the Letter of Credit. In addition, the Borrower shall pay to the Issuing Bank solely for the Issuing Bank's account, in connection with each Letter of Credit, issuance and administrative fees and expenses for Letters of Credit as agreed from time to time between the Issuing Bank and the Borrower.

(d) Administrative Agent Fees. The Borrower shall pay to the

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Administrative Agent and Lead Arranger the fees from time to time agreed to by the Borrower, the Administrative Agent, and Lead Arranger.

(e) Payment of Fees. All fees payable hereunder shall be paid on the dates

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due, in immediately available funds, to the Administrative Agent for distribution, in the case of facility fees, utilization fees, and Letter of Credit fees (other than issuance and administrative fees payable to the Issuing Bank), to the Lenders.

### Section 3.2. Place and Application of Payments.

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(a) All payments of principal of and interest on the Loans, Reimbursement Obligations and all fees and other amounts payable by the Borrower under the Credit Documents shall be made by the Borrower to the Administrative Agent, for the benefit of the Lenders entitled to such payments, in immediately available funds on the due date thereof no later than 2:00 p.m. at the office of the Administrative Agent in Atlanta, Georgia, or such other location as the Administrative Agent may designate in writing to the Borrower. Any payments received by the Administrative Agent from the Borrower after the time specified in the preceding sentence shall be deemed to have been received on the next Business Day. The Administrative Agent will, on the same day each payment is received or deemed to have been received in accordance with this Section 3.2, cause to be distributed like funds to each Lender owed an Obligation for which such payment was received, pro rata based on the respective amounts of such type of Obligation then owing to each Lender.

(b) If any payment received by the Administrative Agent under any Credit Document is insufficient to pay in full all amounts then due and payable to the Administrative Agent and the Lenders under the Credit Documents, such payment shall be distributed by the Administrative Agent and applied by the Administrative Agent and the Lenders in the order set forth in Section 7.7. In calculating the amount of Obligations owing each Lender other than for principal and interest on Loans and Reimbursement Obligations and fees under Section 3.1, the Administrative Agent shall only be required to include such other Obligations that Lenders have certified to the Administrative Agent in writing are due to such Lenders.

### Section 3.3. Withholding Taxes.

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(a) Payments Free of Withholding. Except as otherwise required by law and subject to Section 3.3(b), each payment by the Borrower to any Lender, Issuing Bank or Administrative Agent under this Agreement or any other Credit Document shall be made without withholding for or on account of any present or future taxes imposed by or within the jurisdiction in which the Borrower is incorporated, any jurisdiction from which the Borrower makes any payment, or

(in each case) any political subdivision or taxing authority thereof or therein, excluding, in the case of each Lender, Issuing Bank and the Administrative Agent, the following taxes:

(i) taxes imposed on, based upon, or measured by such Lender's, Issuing Bank's or the Administrative Agent's net income or profits, and branch profits, franchise and similar taxes imposed on it;

(ii) taxes imposed on such Lender, Issuing Bank or the Administrative Agent as a result of a present or former connection between the taxing jurisdiction and such Lender, Issuing Bank or Administrative Agent, or any affiliate thereof, as the case may be, other than a connection resulting solely from the transactions contemplated by this Agreement;

(iii) taxes imposed as a result of the transfer by such Lender, Issuing Bank or Administrative Agent of its interest in this Agreement or any other Credit Document or a designation by such Lender, Issuing Bank or the Administrative Agent (other than pursuant to Section 8.3(c)) of a new Lending Office (other than taxes imposed as a result of any change in treaty, law or regulation after such transfer of such Lender's, Issuing Bank's or the Administrative Agent's interest in this Agreement or any other Credit Document or designation of a new Lending Office);

(iv) taxes imposed by the United States of America (or any political subdivision thereof or tax authority therein) upon a Lender, Issuing Bank or Administrative Agent organized under the laws of a jurisdiction outside of the United States, except to the extent that such tax is imposed as a result of any change in applicable law, regulation or treaty (other than any addition of or change in any "anti-treaty shopping," "limitation of benefits," or similar provision applicable to a treaty) after the date hereof, in the case of each Lender, Issuing Bank or Administrative Agent originally a party hereto or, in the case of any Purchasing Lender (as defined in Section 10.10) or other Issuing Bank or Administrative Agent, after the date on which it becomes a Lender, Issuing Bank, or Administrative Agent, as the case may be; or

(v) taxes which would not have been imposed but for (a) the failure of any Lender, the Issuing Bank, or the Administrative Agent, as the case may be, to provide (I) the applicable forms prescribed by the Internal Revenue Service, as required pursuant to Section 3.3(b), or (II) any other form, certification, documentation or proof which is reasonably requested by the Borrower, or (b) a determination by a taxing authority or a court of competent jurisdiction that a form, certification, documentation or other proof provided by such Lender, Issuing Bank or the Administrative Agent to establish an exemption from such tax, assessment or other governmental charge is false;

(all such present or future taxes, excluding only the taxes described in the preceding clauses (i) through (v), being hereinafter referred to as "Indemnified Taxes"). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received



by each Lender, Issuing Bank and the Administrative Agent is free and clear of such Indemnified Taxes (including Indemnified Taxes on such additional amount) and is equal to the amount that such Lender, Issuing Bank or the Administrative Agent (as the case may be) would have received had withholding of any Indemnified Tax not been made. If the Borrower pays any Indemnified Taxes, or any penalties or interest in connection therewith, it shall deliver official tax receipts evidencing the payment or certified copies thereof, or other evidence of payment if such tax receipts have not yet been received by the Borrower (with such tax receipts to be delivered within fifteen (15) days after being actually received), to the Lender, Issuing Bank or the Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) within fifteen (15) days of such payment. If the Administrative Agent, Issuing Bank or any Lender pays any Indemnified Taxes, or any penalties or interest in connection therewith, the Borrower shall reimburse the Administrative Agent, Issuing Bank or that Lender for the payment on demand in the currency in which such payment was made. Such Lender, Issuing Bank or the Administrative Agent shall make written demand on the Borrower for reimbursement hereunder no later than ninety (90) days after the earlier of (i) the date on which such Lender, Issuing Bank or the Administrative Agent makes payment of the Indemnified Taxes, penalties and interest, and (ii) the date on which the relevant taxing authority or other governmental authority makes written demand upon such Lender, Issuing Bank or the Administrative Agent for payment of the Indemnified Taxes, penalties and interest. Any such demand shall describe in reasonable detail such Indemnified Taxes, penalties or interest, including the amount thereof if then known to such Lender, Issuing Bank, or the Administrative Agent, as the case may be. In the event that such Lender, Issuing Bank or the Administrative Agent fails to give the Borrower timely notice as provided herein, the Borrower shall not have any obligation to pay such claim for reimbursement.

(b) U.S. Withholding Tax Exemptions. Upon the written request of the

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Borrower or the Administrative Agent, each Lender or Issuing Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent, promptly after such request, two duly completed and signed copies of either Form W-8 BEN or any successor form (entitling such Lender or Issuing Bank to a complete exemption from withholding under the Code on all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) or Form W-8 ECI or any successor form (relating to all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents) of the United States Internal Revenue Service, and any other form of the United States Internal Revenue Service reasonably necessary to accomplish exemption from withholding obligations or to facilitate the Administrative Agent's performance under this Agreement. Thereafter and from time to time, each such Lender or Issuing Bank shall submit to the Borrower and the Administrative Agent such additional duly completed and signed copies of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be required under then-current United States law or regulations to avoid United States withholding taxes on payments in respect of all amounts to be received by such Lender or Issuing Bank, including fees, pursuant to the Credit Documents. Upon the request of the Borrower, each Lender or Issuing Bank that is a United States person shall submit to the Borrower a certificate to the effect that it is such a United States person.

(c) Inability of Lender to Submit Forms. If any Lender or Issuing Bank

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determines in good faith, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that (i) it is unable to submit to the Borrower or Administrative Agent any form or certificate that such Lender or Issuing Bank is obligated to submit pursuant to subsection (b) of this Section 3.3, (ii) it is required to withdraw or cancel any such form or certificate previously submitted, or (iii) any such form or certificate otherwise becomes ineffective or inaccurate, such Lender or Issuing Bank shall promptly notify the Borrower and Administrative Agent of such fact, and the Lender or Issuing Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

(d) Refund of Taxes. If any Lender, Issuing Bank or the Administrative

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Agent receives a refund of any Indemnified Tax or any tax referred to in Section 10.3 with respect to which the Borrower has paid any amount pursuant to this Section 3.3 or Section 10.3, such Lender, Issuing Bank or the Administrative Agent shall pay the amount of such refund (including any interest received with respect thereto) to the Borrower within fifteen (15) days after receipt thereof. A Lender, Issuing Bank, or the Administrative Agent shall provide, at the sole cost and expense of the Borrower, such assistance as the Borrower may reasonably request in order to obtain such a refund; provided, however, that neither the Administrative Agent nor any Lender or Issuing Bank shall in any event be required to disclose any information to the Borrower with respect to the overall tax position of the Administrative Agent, Issuing Bank, or such Lender.

ARTICLE 4. CONDITIONS PRECEDENT.

Section 4.1. Initial Borrowing. The obligation of each Lender to advance

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the initial Loans hereunder, and of the Issuing Bank to issue the initial Letter of Credit hereunder, on or after the Initial Availability Date is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received the following all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient number of signed counterparts, where applicable, to provide one for each Lender:

(i) Certificates of Officers. Certificates of the Secretary or an

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Assistant Secretary of the Borrower containing specimen signatures of the persons authorized to execute Credit Documents on the Borrower's behalf or any other documents provided for herein or therein, together with (x) copies of resolutions of the Board of Directors or other appropriate body of the Borrower authorizing the execution and delivery of the Credit Documents, (y) copies of the Borrower's Memorandum and Articles of Association and other publicly filed organizational documents in its jurisdiction of organization and bylaws and other governing documents, and (z) a certificate of incorporation and good standing from the appropriate governing agency of the Borrower's jurisdiction of organization;

(ii) Regulatory Filings and Approvals. Copies of all necessary  
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governmental and third party approvals, registrations, and filings in  
respect of the transactions contemplated by this Agreement;

(iii) Insurance Certificate. An insurance certificate dated not more  
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than ten (10) days prior to the Initial Availability Date from the Borrower  
describing in reasonable detail the insurance maintained by the Borrower  
and its Subsidiaries as required by this Agreement;

(iv) Opinions of Counsel. The opinions of (x) Baker Botts LLP,  
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counsel for the Borrower, in the form of Exhibit 4.1A, (y) William  
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Turcotte, Associate General Counsel of the Borrower, in the form of Exhibit  
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4.1B, and (z) Walkers, Cayman Islands counsel for the Borrower, in the form  
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of Exhibit 4.1C;  
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(v) Closing Certificate. Certificate of the President or a Vice  
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President of the Borrower as to the satisfaction of all conditions set  
forth in this Section 4.1; and

(vi) Transocean/ABN Revolving Credit Facility. Evidence that all  
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commitments of the lenders under the Transocean/ABN Revolving Credit  
Facility are being terminated, and all amounts then outstanding under the  
Transocean/ABN Revolving Credit Facility are being paid in full,  
simultaneously on the Initial Availability Date.

(b) Each of the representations and warranties of the Borrower and its  
Subsidiaries set forth herein and in the other Credit Documents shall be true  
and correct in all material respects as of the time of such Borrowing, except to  
the extent that any such representation or warranty relates solely to an earlier  
date, in which case it shall have been true and correct in all material respects  
as of such earlier date;

(c) No Default or Event of Default shall have occurred and be continuing;

(d) There shall be no pending or, to the knowledge of the Borrower,  
threatened actions, suits or proceedings at law or in equity or by or before any  
governmental authority against or affecting the Borrower or any of its  
Subsidiaries or any of their respective businesses, properties or rights which,  
if adversely determined, could reasonably be expected to result in a Material  
Adverse Effect; and

(e) Payment of all fees and all expenses incurred through the Effective  
Date then due and owing to the Administrative Agent, the Lenders, and the Lead  
Arranger pursuant to this Agreement and as otherwise agreed in writing by the  
Borrower.

Section 4.2. All Borrowings. The obligation of each Lender to make any  
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advance of any Loan, and of the Issuing Bank to issue any Letter of Credit  
hereunder (including any increase in the amount of, or extension of the  
expiration date of, any Letter of Credit) is subject to satisfaction of the  
following conditions precedent (but subject to Sections 2.3(c) and 2.13(c)):

(a) Notices. In the case of any Loan, the Administrative Agent shall have

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received the Borrowing Request required by the first sentence of Section 2.3(a), or the Competitive Bid Request and notice of acceptance thereof pursuant to Section 2.4, as the case may be, and in the case of the issuance, extension or increase of a Letter of Credit, the Issuing Bank and the Administrative Agent shall have received a duly completed Issuance Request and Application for such Letter of Credit, as the case may be, meeting the requirements of Section 2.13(b);

(b) Warranties True and Correct. In the case of any advance, Borrowing, or

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issuance or increase of any Letter of Credit that increases the aggregate amount of Loans and L/C Obligations outstanding after giving effect to such advance, Borrowing or issuance or increase, each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as of the time of such advance, Borrowing, or issuance or increase of any Letter of Credit, except as a result of the transactions expressly permitted hereunder or thereunder and except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default. No Default or Event of Default shall have occurred and be

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continuing or would occur as a result of such Borrowing; and

(d) Regulations U and X. The Borrowing to be made by the Borrower shall

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not result in the Borrower or any Lender or Issuing Bank being in non-compliance with or in violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

Each acceptance by the Borrower of an advance of any Loan or of the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such acceptance, that all conditions precedent to such Borrowing set forth in this Section 4.2 and in Section 4.1 with respect to the initial Borrowings hereunder have (except to the extent waived in accordance with the terms hereof) been satisfied or fulfilled unless the Borrower gives to the Administrative Agent and the Lenders written notice to the contrary, in which case none of the Lenders shall be required to fund such Loans and the Issuing Bank shall not be required to issue, increase the amount of or extend the expiration date of such Letter of Credit, unless the Required Lenders shall have previously waived in writing such non-compliance.

#### ARTICLE 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to each Lender, Issuing Bank and Administrative Agent as follows:

Section 5.1. Corporate Organization. The Borrower and each of its

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material Subsidiaries: (i) is duly organized and existing in good standing under the laws of the jurisdiction of its organization; (ii) has all necessary company power and authority to own the property and assets it uses in its business and otherwise to carry on its present business; and (iii) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or

qualification necessary, except where the failure to be so licensed or qualified or to be in good standing, as the case may be, would not have a Material Adverse Effect.

Section 5.2. Power and Authority; Validity. The Borrower has the

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organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents and has taken all necessary company action to authorize the execution, delivery and performance of such Credit Documents. The Borrower has duly executed and delivered each Credit Document and each such Credit Document constitutes the legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles.

Section 5.3. No Violation. Neither the execution, delivery or performance

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by the Borrower of the Credit Documents nor compliance by it with the terms and provisions thereof, nor the consummation by it of the transactions contemplated herein or therein, will (i) contravene in any material respect any applicable provision of any law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien other than any Permitted Lien upon any of the property or assets of the Borrower or any of its Subsidiaries under, the terms of any material contractual obligation to which the Borrower or any of its Subsidiaries is a party or by which they or any of their properties or assets are bound or to which they may be subject, or (iii) violate or conflict with any provision of the Memorandum and Articles of Association, charter, articles or certificate of incorporation, partnership or limited liability company agreement, by-laws, or other applicable governance documents of the Borrower or any of its Subsidiaries.

Section 5.4. Litigation. There are no actions, suits, proceedings or

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counterclaims (including, without limitation, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that are reasonably likely to have a Material Adverse Effect.

Section 5.5. Use of Proceeds; Margin Regulations.

(a) Use of Proceeds. The proceeds of the Loans and the Letters of Credit

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shall only be used for general corporate purposes of the Borrower and its Subsidiaries.

(b) Margin Stock. Neither the Borrower nor any of its Subsidiaries is

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engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds of the Loans or the Letters of Credit will be used for a purpose which violates Regulations T, U or X of the Board of Governors of the Federal Reserve System. After application of the proceeds of the Loans, the issuance of the Letters of Credit, and any acquisitions permitted hereunder, less than 25% of the assets of each of the Borrower and its Subsidiaries consists of "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System).

Section 5.6. Investment Company Act. Neither the Borrower nor any of its  
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Subsidiaries is an "investment company" or a company "controlled" by an  
"investment company," within the meaning of the Investment Company Act of 1940,  
as amended.

Section 5.7. Public Utility Holding Company Act. Neither the Borrower nor  
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any of its Subsidiaries is a "holding company," or a "subsidiary company" of a  
"holding company," or an "affiliate" of a "holding company" or of a "subsidiary  
company" of a "holding company," within the meaning of the Public Utility  
Holding Company Act of 1935, as amended.

Section 5.8. True and Complete Disclosure. All factual information (taken  
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as a whole) furnished by the Borrower or any of its Subsidiaries in writing to  
the Administrative Agent or any Lender in connection with any Credit Document or  
the Confidential Information Memorandum or any transaction contemplated therein  
did not, as of the date such information was furnished (or, if such information  
expressly related to a specific date, as of such specific date), contain any  
untrue statement of a material fact or omit to state a material fact necessary  
to make the statements therein (taken as a whole), in light of the circumstances  
under which such information was furnished, not misleading, except for such  
statements, if any, as have been updated, corrected, supplemented, superseded or  
modified pursuant to a written correction or supplement furnished to the Lenders  
prior to the date of this Agreement.

Section 5.9. Financial Statements. The financial statements heretofore  
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delivered to the Lenders for the Borrower's fiscal year ending December 31,  
1999, and for the Borrower's fiscal quarter and year-to-date period ending  
September 30, 2000, have been prepared in accordance with GAAP applied on a  
basis consistent, except as otherwise noted therein, with the Borrower's  
financial statements for the previous fiscal year. Such annual and quarterly  
financial statements fairly present on a consolidated basis the financial  
position of the Borrower as of the dates thereof, and the results of operations  
for the periods indicated, subject in the case of interim financial statements,  
to normal year-end audit adjustments and omission of certain footnotes (as  
permitted by the SEC). As of the Effective Date, the Borrower and its  
Subsidiaries, considered as a whole, had no material contingent liabilities or  
material Indebtedness required under GAAP to be disclosed in a consolidated  
balance sheet of the Borrower that were not disclosed in the financial  
statements referred to in this Section 5.9 or in the notes thereto or disclosed  
in writing to the Administrative Agent (with a request to the Administrative  
Agent to distribute such disclosure to the Lenders).

Section 5.10. No Material Adverse Change. There has occurred no event or  
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effect that has had or could reasonably be expected to have a Material Adverse  
Effect.

Section 5.11. Labor Controversies. There are no labor controversies  
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pending or, to the best knowledge of the Borrower, threatened against the  
Borrower or any of its Subsidiaries that could reasonably be expected to have a  
Material Adverse Effect.

Section 5.12. Taxes. The Borrower and its Subsidiaries have filed all  
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United States federal income tax returns, and all other material tax returns  
required to be filed, whether in the United States or in any foreign  
jurisdiction, and have paid all governmental taxes, rates, assessments, fees,  
charges and levies (collectively, "Taxes") shown to be due and payable on

such returns or on any assessments made against Borrower and its Subsidiaries or any of their properties (other than any such assessments, fees, charges or levies that are not more than ninety (90) days past due, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings and for which reserves have been provided in conformity with GAAP, or which the failure to pay could not reasonably be expected to have a Material Adverse Effect).

Section 5.13. ERISA. With respect to each Plan, the Borrower and its

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Subsidiaries have fulfilled their obligations under the minimum funding standards of, and are in compliance in all material respects with, ERISA and with the Code to the extent applicable to it, and have not incurred any liability under Title IV of ERISA to the PBGC other than a liability to the PBGC for premiums under Section 4007 of ERISA, except as described in Schedule 5.13 and in each case with such exceptions as could not reasonably be expected to have a Material Adverse Effect. As of the Effective Date, neither the Borrower nor any of its Subsidiaries has any material contingent liability with respect to any post-retirement benefits under a welfare plan subject to ERISA, other than liability for continuation coverage described in Part 6 of Title I of ERISA and as disclosed in the financial statements of the Borrower for the fiscal quarter ending September 30, 2000, described in Section 5.9, or any other liability that could not reasonably be expected to have a Material Adverse Effect.

Section 5.14. Consents. On the Initial Availability Date, all consents and

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approvals of, and filings and registrations with, and all other actions of, all governmental agencies, authorities or instrumentalities required to have been obtained or made by the Borrower in order to obtain the Loans and Letters of Credit hereunder have been or will have been obtained or made and are or will be in full force and effect.

Section 5.15. Insurance. The Borrower and its material Subsidiaries

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currently maintain in effect, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, which insurance is of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles), and insurance with respect to employers' and public and product liability risks (subject to self-insured retentions and deductibles).

Section 5.16. Intellectual Property. The Borrower and its Subsidiaries own

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or hold valid licenses to use all the patents, trademarks, permits, service marks, and trade names that are necessary to the operation of the business of the Borrower and its Subsidiaries as presently conducted, except where the failure to own, or hold valid licenses to use, such patents, trademarks, permits, service marks, and trade names could not reasonably be expected to have a Material Adverse Effect.

Section 5.17. Ownership of Property. The Borrower and its Subsidiaries

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have good title to or a valid leasehold interest in all of their real property and good title to, or a valid leasehold interest in, all of their other property, subject to no Liens except Permitted Liens, except where the failure to have such title or leasehold interest in such property could not reasonably be expected to have a Material Adverse Effect.

Section 5.18. Compliance with Statutes, Etc. The Borrower and its

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Subsidiaries are in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic and foreign, in respect of the conduct of their businesses and the ownership of their properties, except for such instances of non-compliance as could not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 5.19. Environmental Matters.

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(a) Compliance with Environmental Laws. Except as described in Schedule 5.19, the Borrower and its Subsidiaries are in compliance with all applicable

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Environmental Laws and the requirements of any permits issued under such Environmental Laws, except for such instances of non-compliance as could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, there are no pending, past or threatened Environmental Claims against the Borrower or any of its Subsidiaries on any property owned or operated by the Borrower or any of its Subsidiaries except as described in Schedule 5.19 or except as could not reasonably be expected to have a Material

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Adverse Effect. To the best knowledge of the Borrower, there are no conditions or occurrences on any property owned or operated by the Borrower or any of its Subsidiaries or on any property adjoining or in the vicinity of any such property that could reasonably be expected to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any such property that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(b) Hazardous Materials. To the best of the Borrower's knowledge, (i)

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Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any property owned or operated by the Borrower or any of its Subsidiaries in a manner that has violated or could reasonably be expected to violate any Environmental Law, and (ii) Hazardous Materials have not at any time been released on or from any property owned or operated by the Borrower or any of its Subsidiaries, in the case of both (i) and (ii), with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 5.20. Existing Indebtedness. Schedule 5.20 contains a complete and

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accurate list of all Indebtedness outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries, in each case in a principal amount of \$20,000,000 or more (other than the Obligations hereunder and Indebtedness permitted by Section 6.11(b) through (k)) and permitted by Section 6.11(a), in each case showing the aggregate principal amount thereof, the name of the respective borrower and any other entity which directly or indirectly guaranteed such Indebtedness, and the scheduled payments of such Indebtedness.

Section 5.21. Existing Liens. Schedule 5.21 contains a complete and

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accurate list of all Liens outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries where the Indebtedness or other obligations secured by such Lien is in a principal amount of \$20,000,000 or more (other than the Liens permitted by Section 6.10(b) through (r)), and permitted by Section 6.10(a), in each case showing the name of the Person whose assets are subject to such Lien, the aggregate principal amount of the Indebtedness secured thereby, and a



description of the Agreements or other instruments creating, granting, or otherwise giving rise to such Lien.

ARTICLE 6. COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Note, Commitment, or L/C Obligation is outstanding hereunder, or any other Obligation is due and payable hereunder:

Section 6.1. Corporate Existence. Each of the Borrower and its material

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Subsidiaries will preserve and maintain its organizational existence, except (i) for the dissolution of any material Subsidiaries whose assets are transferred to the Borrower or any of its Subsidiaries, (ii) where the failure to preserve, renew or keep in full force and effect the existence of any Subsidiary could not reasonably be expected to have a Material Adverse Effect, or (iii) as otherwise expressly permitted in this Agreement.

Section 6.2. Maintenance. Each of the Borrower and its material

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Subsidiaries will maintain, preserve and keep its properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition (normal wear and tear excepted) and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such properties and equipment are reasonably preserved and maintained, in each case with such exceptions as could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect; provided, however, that nothing in this Section 6.2 shall prevent the Borrower or any material Subsidiary from discontinuing the operation or maintenance of any such properties or equipment if such discontinuance is, in the judgment of the Borrower or any material Subsidiary, as applicable, desirable in the conduct of their businesses.

Section 6.3. Taxes. Each of the Borrower and its Subsidiaries will duly

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pay and discharge all Taxes upon or against it or its properties before penalties accrue thereon (or, if later, within ninety (90) days of becoming past due), unless and to the extent that (i) the same is being contested in good faith and by appropriate proceedings and reserves have been established in conformity with GAAP, or (ii) the failure to effect such payment or discharge could not reasonably be expected to have a Material Adverse Effect.

Section 6.4. ERISA. Each of the Borrower and its Subsidiaries will timely

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pay and discharge all obligations and liabilities arising under ERISA or otherwise with respect to each Plan of a character which if unpaid or unperformed might result in the imposition of a material Lien against any properties or assets of the Borrower or any material Subsidiary and will promptly notify the Administrative Agent upon an officer of the Borrower becoming aware thereof, of (i) the occurrence of any reportable event (as defined in ERISA) relating to a Plan (other than a multi-employer plan, as defined in ERISA), so long as the event thereunder could reasonably be expected to have a Material Adverse Effect, other than any such event with respect to which the PBGC has waived notice by regulation; (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor; (iii) Borrower's or any of its Subsidiaries' intention to terminate or withdraw from any Plan if such termination or withdrawal would result in liability under Title IV of ERISA, unless such termination or

withdrawal could not reasonably be expected to have a Material Adverse Effect; and (iv) the receipt by the Borrower or its Subsidiaries of notice of the occurrence of any event that could reasonably be expected to result in the incurrence of any liability (other than for benefits), fine or penalty to the Borrower and/or to the Borrower's Subsidiaries, or any plan amendment that could reasonably be expected to increase the contingent liability of the Borrower and its Subsidiaries, taken as a whole, in connection with any post-retirement benefit under a welfare plan (subject to ERISA), unless such event or amendment could not reasonably be expected to have a Material Adverse Effect. The Borrower will also promptly notify the Administrative Agent of (i) any material contributions to any Foreign Plan that have not been made by the required due date for such contribution if such default could reasonably be expected to have a Material Adverse Effect; (ii) any Foreign Plan that is not funded to the extent required by the law of the jurisdiction whose law governs such Foreign Plan based on the actuarial assumptions reasonably used at any time if such underfunding (together with any penalties likely to result) could reasonably be expected to have a Material Adverse Effect, and (iii) any material change anticipated to any Foreign Plan that could reasonably be expected to have a Material Adverse Effect.

Section 6.5. Insurance. Each of the Borrower and its material

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Subsidiaries will maintain or cause to be maintained, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, such insurance to be of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles) and will (subject to self-insured retentions and deductibles) maintain or cause to be maintained insurance with respect to employers' and public and product liability risks.

Section 6.6. Financial Reports and Other Information.

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(a) Periodic Financial Statements and Other Documents. The Borrower, its

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Subsidiaries and any SPVs will maintain a system of accounting in such manner as will enable preparation of financial statements in accordance with GAAP and will furnish to the Lenders and their respective authorized representatives such information about the business and financial condition of the Borrower, its Subsidiaries and any SPVs as any Lender may reasonably request; and, without any request, will furnish to the Administrative Agent:

(i) within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter and the related consolidated statements of income and retained earnings and of cash flows for such fiscal quarter and for the portion of the fiscal year ended with the last day of such fiscal quarter, all of which shall be in reasonable detail or in the form filed with the SEC, and certified by the chief financial officer of the Borrower that they fairly present the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated and that they have been prepared in accordance with GAAP, in each case, subject to normal year-end audit adjustments and the omission of any footnotes as permitted by the SEC (delivery to the Administrative Agent of a copy of the Borrower's Form 10-Q filed with the SEC

(without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(ii) within one hundred twenty (120) days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such fiscal year and setting forth consolidated comparative figures as of the end of and for the preceding fiscal year, audited by an independent nationally-recognized accounting firm and in the form filed with the SEC (delivery to the Administrative Agent of a copy of the Borrower's Form 10-K filed with the SEC (without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(iii) commencing with fiscal year 2001, to the extent actually prepared and approved by the Borrower's board of directors, a projection of Borrower's consolidated balance sheet and consolidated income, retained earnings and cash flows for its current fiscal year showing such projected budget for each fiscal quarter of the Borrower ending during such year; and

(iv) within ten (10) days after the sending or filing thereof, copies of all financial statements, projections, documents and other communications that the Borrower sends to its stockholders generally or files with the SEC or any similar governmental authority (and is publicly available).

The Administrative Agent will forward promptly to the Lenders the information provided by the Borrower pursuant to (i) through (iv) above.

(b) Compliance Certificates. Each financial statement furnished to the Lenders pursuant to subsections (i) and (ii) of Section 6.6(a) shall be (i) accompanied by additional information setting forth calculations excluding the effects of any SPVs and containing such calculations for any SPVs as reasonably requested by the Administrative Agent, and (ii) accompanied by (x) a written certificate signed by the Borrower's chief financial officer (or other financial officer of the Borrower), in his or her capacity as such, to the effect that no Default or Event of Default then exists or, if any such Default or Event of Default exists as of the date of such certificate, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, and (y) a Compliance Certificate in the form of Exhibit 6.6 showing the Borrower's compliance with certain of the covenants set forth herein.

(c) Management Letters. Promptly upon receipt thereof, the Borrower will provide the Administrative Agent with a copy of each report or "management letter" submitted to the Borrower by its independent accountants or auditors in connection with any annual, interim or special audit made by them of the books and records of the Borrower.

(d) Notice of Events Relating to Environmental Laws and Claims. Promptly after any officer of the Borrower obtains knowledge of any of the following, the Borrower will

provide the Administrative Agent with written notice in reasonable detail of any of the following that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect:

(i) any pending or threatened Environmental Claim against the Borrower, any of its Subsidiaries or any SPV or any property owned or operated by the Borrower, any of its Subsidiaries or any SPV;

(ii) any condition or occurrence on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV that results in noncompliance by the Borrower, any of its Subsidiaries or any SPV with any Environmental Law; and

(iii) the taking of any material remedial action in response to the actual or alleged presence of any Hazardous Material on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV other than in the ordinary course of business.

(e) Notices of Default, Litigation, Etc. The Borrower will promptly, and

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in any event within five (5) Days, after an officer of the Borrower has knowledge thereof, give written notice to the Administrative Agent of (who will in turn provide notice to the Lenders of): (i) the occurrence of any Default or Event of Default; (ii) any litigation or governmental proceeding of the type described in Section 5.4; (iii) any circumstance that has had or could reasonably be expected to have a Material Adverse Effect; (iv) the occurrence of any event which has resulted in a breach of, or is likely to result in a breach of, Sections 6.16 or 6.17; and (v) any notice received by it, any Subsidiary or any SPV from the holder(s) of Indebtedness of the Borrower, any Subsidiary or any SPV in an amount which, in the aggregate, exceeds \$30,000,000, where such notice states or claims the existence or occurrence of any default or event of default with respect to such Indebtedness under the terms of any indenture, loan or credit agreement, debenture, note, or other document evidencing or governing such Indebtedness.

Section 6.7. Lender Inspection Rights. Upon reasonable notice from the

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Administrative Agent or any Lender, the Borrower will permit the Administrative Agent or any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) during normal business hours at such entity's sole expense unless a Default or Event of Default shall have occurred and be continuing, in which event at the Borrower's expense, to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books and records, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Administrative Agent and any Lender (and such Persons as the Administrative Agent or such Lender may reasonably designate) the affairs, finances and accounts of the Borrower and its Subsidiaries), all as often, and to such extent, as may be reasonably requested. The chief financial officer of the 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. The Administrative Agent agrees to use reasonable efforts to minimize, to the extent practicable, the number of

separate requests from the Lenders to exercise their rights under this Section 6.7 and/or Section 6.6 and to coordinate the exercise by the Lenders of such rights.

Section 6.8. Conduct of Business. The Borrower and its Subsidiaries will

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at all times remain primarily engaged in (i) the contract drilling business, (ii) the provision of services to the energy industry, (iii) other existing businesses described in the Borrower's current SEC reports and in the Transocean/R&B Falcon Joint Proxy Statement, or (iv) any related businesses (each a "Permitted Business").

Section 6.9. Restrictions on Fundamental Changes. The Borrower shall not

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merge or consolidate with any other Person, or cause or permit any dissolution of the Borrower or liquidation of its assets, or sell, transfer or otherwise dispose of all or substantially all of the Borrower's assets, except that:

(a) The Borrower or any of its Subsidiaries may merge into, or consolidate with, any other Person if upon the consummation of any such merger or consolidation the Borrower or such Subsidiary is the surviving corporation to any such merger or consolidation (or the other Person is, or will thereby become, a Subsidiary of the Borrower); and

(b) The Borrower may sell or transfer all or substantially all of its assets (including stock in its Subsidiaries) to any Person if such Person is a Subsidiary of the Borrower (or a Person who will contemporaneously therewith become a Subsidiary of the Borrower);

provided in the case of any transaction described in the preceding clauses (a) and (b), no Default or Event of Default shall exist immediately prior to, or after giving effect to, such transaction.

Section 6.10. Liens. The Borrower and its Subsidiaries shall not create,

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incur, assume or suffer to exist any Lien of any kind on any property or asset of any kind of the Borrower or any Subsidiary, except the following (collectively, the "Permitted Liens"):

(a) Liens existing on the date hereof (each such Lien, to the extent it secures Indebtedness or other obligations in an aggregate amount of \$20,000,000 or more, being described on Schedule 5.21 attached hereto);

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(b) Liens arising in the ordinary course of business by operation of law, deposits, pledges or other Liens in connection with workers' compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, public or statutory obligations or other similar charges, good faith deposits, pledges or other Liens in connection with (or to obtain letters of credit in connection with) bids, performance, return-of-money or payment bonds, contracts or leases to which the Borrower or its Subsidiaries are parties or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not for Indebtedness for borrowed money and is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(c) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) related to obligations not overdue for more than thirty (30) days if such Liens arise with respect to domestic assets and for more than ninety (90) days if such Liens arise with respect to foreign assets, or, if so overdue, that are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(d) Liens for Taxes not more than ninety (90) days past due or which can thereafter be paid without penalty or which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(e) Liens imposed by ERISA (or comparable foreign laws) which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(f) Liens arising out of judgments or awards against the Borrower or any of its Subsidiaries, or in connection with surety or appeal bonds or the like in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or for which the Borrower or such Subsidiary shall be prosecuting on appeal or proceeding for review, and for which it shall have obtained (within thirty (30) days with respect to a judgment or award rendered in the United States or within sixty (60) days with respect to a judgment or award rendered in a foreign jurisdiction after entry of such judgment or award or expiration of any previous such stay, as applicable) a stay of execution or the like pending such appeal or proceeding for review; provided, that the aggregate amount of uninsured or underinsured liabilities (net of customary deductibles, and including interest, costs, fees and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed \$50,000,000 at any one time outstanding;

(g) Liens on fixed or capital assets and related inventory and intangible assets acquired, constructed, improved, altered or repaired by the Borrower or any Subsidiary; provided that (i) such Liens secure Indebtedness otherwise permitted by this Agreement, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (iv) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary;

(h) Liens securing Interest Rate Protection Agreements or foreign exchange hedging obligations incurred in the ordinary course of business and not for speculative purposes;

(i) Liens on property existing at the time such property is acquired by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition (or on

repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the assets of any Person at the time such Person becomes a Subsidiary of the Borrower and not created in contemplation of such Person becoming a Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto;

(j) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing subsections (a) through (i), provided, however, that the principal amount of Indebtedness secured thereby does not exceed the principal amount secured at the time of such extension, renewal or replacement (other than amounts incurred to pay costs of such extension, renewal or replacement), and that such extension, renewal or replacement is limited to the property already subject to the Lien so extended, renewed or replaced (together with accessions and improvements thereto and replacements thereof);

(k) rights reserved to or vested in any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the property of a Person;

(l) rights reserved to or vested in any municipality or governmental, statutory or public authority to control, regulate or use any property of a Person;

(m) rights of a common owner of any interest in property held by a Person and such common owner as tenants in common or through other common ownership;

(n) encumbrances (other than to secure the payment of Indebtedness), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any property or rights-of-way of a Person for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines, removal of gas, oil, coal, metals, steam, minerals, timber or other natural resources, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities or equipment, or defects, irregularity and deficiencies in title of any property or rights-of-way;

(o) Liens created by or resulting from zoning, planning and environmental laws and ordinances and municipal regulations;

(p) Liens created by or resulting from financing statements filed by lessors of property (but only with respect to the property so leased);

(q) Liens on property securing Non-recourse Debt;

(r) Liens on the stock or assets of SPVs; and

(s) Liens (not otherwise permitted by this Section 6.10) on property securing Indebtedness (or other obligations) not exceeding \$175,000,000 in the aggregate at any time outstanding.

Section 6.11. Indebtedness. The Borrower and its Subsidiaries shall not  
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incur, assume or suffer to exist any Indebtedness, except:

(a) existing Indebtedness outstanding on the Effective Date (such Indebtedness, to the extent the principal amount thereof is \$20,000,000 or more, being described on Schedule 5.20 attached hereto), and any subsequent

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extensions, renewals or refinancings thereof so long as such Indebtedness is not increased in amount (other than amounts incurred to pay costs of such extension, renewal or refinancing), the scheduled maturity date thereof (if prior to the Maturity Date) is not accelerated, the interest rate per annum applicable thereto is not increased, any scheduled amortization of principal thereunder prior to the Maturity Date is not shortened and the payments thereunder are not increased;

(b) Indebtedness under the Credit Documents;

(c) intercompany loans and advances to the Borrower or its Subsidiaries, and intercompany loans and advances from any of such Subsidiaries or SPVs to the Borrower or any other Subsidiaries of the Borrower;

(d) Indebtedness under any Interest Rate Protection Agreements and under foreign exchange futures agreements, arrangements or options designed to protect against fluctuations in currency exchange rates;

(e) Indebtedness of the Borrower that may be incurred, assumed or suffered to exist without violating any section of this Agreement, including, without limitation, Sections 6.16 and 6.17 hereof;

(f) Indebtedness of any Subsidiary of the Borrower (i) under unsecured lines of credit for overdrafts or for working capital purposes in foreign countries with financial institutions, and (ii) arising from the honoring by a bank or other Person of a check, draft or similar instrument inadvertently drawing against insufficient funds, all such Indebtedness not to exceed \$100,000,000 in the aggregate at any time outstanding, provided that amounts under overdraft lines of credit or outstanding as a result of drawings against insufficient funds shall be outstanding for one (1) Business Day before being included in such aggregate amount;

(g) Indebtedness of a Person existing at the time such Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or any Subsidiary of the Borrower and not incurred in contemplation of such transaction;

(h) Indebtedness of the Borrower or any Subsidiary of the Borrower (i) under Performance Guaranties and Performance Letters of Credit, and (ii) with respect to letters of credit issued in the ordinary course of business;



(i) Indebtedness of any Subsidiaries of the Borrower in an aggregate principal amount for all Subsidiaries not to exceed an amount equal to ten percent (10%) of Consolidated Net Assets (the "Subsidiary Debt Basket Amount") in the aggregate at any time outstanding;

(j) other Indebtedness of any Subsidiary of the Borrower so long as such Subsidiary has in force a Subsidiary Guaranty in substantially the form of Exhibit 6.11, provided that such Subsidiary Guaranty shall contain a provision

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that such Subsidiary Guaranty and all obligations thereunder of the Guarantor party thereto shall be terminated upon delivery to the Administrative Agent by the Borrower of a certificate stating that (x) the aggregate principal amount of Indebtedness of all Subsidiaries outstanding pursuant to the preceding clause (i) and this clause (j) is equal to or less than the Subsidiary Debt Basket Amount, and (y) no Default or Event of Default has occurred and is continuing; and

(k) extensions, renewals or replacements of Indebtedness permitted by this Section 6.11 that do not increase the amount of such Indebtedness (other than amounts incurred to pay costs of such extension, renewal or refinancing).

Section 6.12. Use of Property and Facilities; Environmental Laws. The

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Borrower and its Subsidiaries shall comply in all material respects with all Environmental Laws applicable to or affecting the properties or business operations of the Borrower or any Subsidiary of the Borrower, where the failure to comply could reasonably be expected to have a Material Adverse Effect.

Section 6.13. Transactions with Affiliates. Except as otherwise

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specifically permitted herein, the Borrower and its Subsidiaries shall not (except pursuant to contracts outstanding as of (i) with respect to the Borrower, the Effective Date or (ii) with respect to any Subsidiary of the Borrower, the Effective Date or, if later, the date such Subsidiary first became a Subsidiary of the Borrower) enter into or engage in any material transaction or arrangement or series of related transactions or arrangements which in the aggregate would be material with any Controlling Affiliate, including without limitation, the purchase from, sale to or exchange of property with, any merger or consolidation with or into, or the rendering of any service by or for, any Controlling Affiliate, except pursuant to the requirements of the Borrower's or such Subsidiary's business and unless such transaction or arrangement or series of related transactions or arrangements, taken as a whole, are no less favorable to the Borrower or such Subsidiary (other than a wholly owned Subsidiary) than would be obtained in an arms' length transaction with a Person not a Controlling Affiliate.

Section 6.14. Sale and Leaseback Transactions. The Borrower will not, and

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will not permit any of its Subsidiaries to, enter into, assume, or suffer to exist any Sale-Leaseback Transaction, except any such transaction that may be entered into, assumed or suffered to exist without violating any other provision of this Agreement, including without limitation, Sections 6.16 and 6.17.

Section 6.15. Compliance with Laws. Without limiting any of the other

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covenants of the Borrower in this Article 6, the Borrower and its Subsidiaries shall conduct their business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any

governmental or judicial authorities; provided, however, that this Section 6.15 shall not require the Borrower or any Subsidiary of the Borrower to comply with any such law, regulation, ordinance or order if (x) it shall be contesting such law, regulation, ordinance or order in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or (y) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 6.16. Interest Coverage Ratio. The Borrower will not permit the Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3:00 to 1:00.

Section 6.17. Indebtedness to Total Capitalization Ratio. The Borrower will maintain, as of the end of each fiscal quarter of the Borrower, a ratio (expressed as a percentage) of Consolidated Indebtedness to Total Capitalization of no greater than 40%.

#### ARTICLE 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) default by the Borrower in the payment of any principal amount of any Loan or Reimbursement Obligation, any interest thereon or any fees payable hereunder, within two (2) Business Days following the date when due;

(b) default by the Borrower in the observance or performance of any covenant set forth in Sections 6.9, 6.10, 6.16, or 6.17;

(c) default by the Borrower in the observance or performance of any provision hereof or of any other Credit Document not mentioned in clauses (a) or (b) above, which is not remedied within thirty (30) days after notice thereof to the Borrower by the Administrative Agent;

(d) any representation or warranty made or deemed made herein or in any other Credit Document by the Borrower or any Subsidiary proves untrue in any material respect as of the date of the making, or deemed making, thereof;

(e) (x) Indebtedness in the aggregate principal amount of \$50,000,000 of the Borrower and its Subsidiaries ("Material Indebtedness") shall (i) not be paid at maturity (beyond any applicable grace periods), or (ii) be declared to be due and payable or required to be prepaid, redeemed or repurchased prior to its stated maturity, or (y) any default in respect of Material Indebtedness shall occur which permits the holders thereof, or any trustees or agents on their behalf, to accelerate the maturity of such Indebtedness or requires such Indebtedness to be prepaid, redeemed, or repurchased prior to its stated maturity;

(f) the Borrower or any Significant Subsidiary (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code or a comparable action is taken

under any bankruptcy or insolvency law of another country or political subdivision of such country, (ii) generally does not pay, or admits its inability generally to pay, its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, liquidator or similar official for it or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code or any comparable law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of or consents to or acquiesces in any such proceeding filed against it, (vi) makes any board of directors resolution in direct furtherance of any matter described in clauses (i)-(v) above, or (vii) fails to contest in good faith any appointment or proceeding described in this Section 7.1(f);

(g) a custodian, receiver, trustee, liquidator or similar official is appointed for the Borrower or any Significant Subsidiary or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, or a proceeding described in Section 7.1(f)(v) is instituted against the Borrower or any Significant Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed and unstayed for a period of sixty (60) days (or one hundred twenty (120) days in the case of any such event occurring outside the United States of America);

(h) the Borrower or any Subsidiaries of the Borrower fail within thirty (30) days with respect to any judgments or orders that are rendered in the United States or sixty (60) days with respect to any judgments or orders that are rendered in foreign jurisdictions (or such earlier date as any execution on such judgments or orders shall take place) to vacate, pay, bond or otherwise discharge any judgments or orders for the payment of money the uninsured portion of which is in excess of \$50,000,000 in the aggregate and which are not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution;

(i) (x) the Borrower or any Subsidiary of the Borrower fails to pay when due an amount that it is liable to pay to the PBGC or to a Plan under Title IV of ERISA; or a notice of intent to terminate a Plan having Unfunded Vested Liabilities of the Borrower or any of its Subsidiaries in excess of \$30,000,000 (a "Material Plan") is filed under Title IV of ERISA; or the PBGC institutes proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding is instituted by a fiduciary of any Material Plan against any Borrower or any Subsidiary to collect any liability under Section 515 or 4219(c)(5) of ERISA, and in each case such proceeding is not dismissed within thirty (30) days thereafter; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated, and (y) the occurrence of one or more of the matters in the preceding clause (x) could reasonably be expected to have a Material Adverse Effect; or

(j) any Person or group of Persons acting in concert (as such terms are used in Rule 13d-5 under the Securities Exchange Act of 1934, as amended) shall own, directly or indirectly, beneficially or of record, securities of the Borrower (or other securities convertible into such securities) representing fifty percent (50%) or more of the combined voting power of all outstanding securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency.

Section 7.2. Non-Bankruptcy Defaults. When any Event of Default (other

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than those described in subsections (f) or (g) of Section 7.1 with respect to the Borrower) has occurred and is continuing, the Administrative Agent shall, by notice to the Borrower: (a) if so directed by the Required Lenders, terminate the remaining Commitments to the Borrower hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Lenders, declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, shall be and become immediately due and payable together with all other accrued amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind, including, but not limited to, notice of intent to accelerate and notice of acceleration, each of which is expressly waived by the Borrower; and (c) if so directed by the Required Lenders, demand that the Borrower immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under each outstanding Letter of Credit, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Lenders, the Issuing Bank and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Lenders and the Issuing Bank, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Administrative Agent, after giving notice to the Borrower pursuant to this Section 7.2, shall also promptly send a copy of such notice to the other Lenders and the Issuing Bank, but the failure to do so shall not impair or annul the effect of such notice.

Section 7.3. Bankruptcy Defaults. When any Event of Default described in

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subsection (f) or (g) of Section 7.1 has occurred and is continuing with respect to the Borrower, then all outstanding Loans shall immediately become due and payable together with all other accrued amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, each of which is expressly waived by the Borrower; and all obligations of the Lenders and the Issuing Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate and the Borrower shall immediately pay to the Administrative Agent (to be held by the Administrative Agent pursuant to Section 7.4) the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging that the Lenders, the Issuing Bank, and the Administrative Agent would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Lenders, the Issuing Bank, and the Administrative Agent shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any of the Letters of Credit.

Section 7.4. Collateral for Undrawn Letters of Credit.

(a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 7.2 or 7.3, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Administrative Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Administrative Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the "Collateral Account") as security for, and for application to, the reimbursement of any drawing under any Letter of Credit then or thereafter paid by the Issuing Bank, and to the payment of the unpaid balance of any Loans and all other due and unpaid Obligations (collectively, the "Collateralized Obligations"). The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of the Administrative Agent, for the benefit of the Issuing Bank, the Administrative Agent, and the Lenders, as pledgee hereunder. If and when required by the Borrower, the Administrative Agent shall invest and reinvest funds held in the Collateral Account from time to time in Cash Equivalents specified from time to time by the Borrower, provided that the Administrative Agent is irrevocably authorized to sell on market terms any investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to Collateralized Obligations due and owing from the Borrower to the Issuing Bank, the Administrative Agent, or the Lenders. When and if (A) (i) the Borrower shall have made payment of all Collateralized Obligations then due and payable, and (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, or (B) no Default or Event of Default shall be continuing, the Administrative Agent shall repay to the Borrower any remaining amounts and assets held in the Collateral Account, provided that if the Collateral Account is being released pursuant to clause (A) and any Letter of Credit then remains outstanding, the Borrower, prior to or contemporaneously with such release, shall make arrangements with respect to such outstanding Letters of Credit in the manner described in the first sentence of Section 2.14. In addition, if the aggregate amount on deposit with the Collateral Agent exceeds the Collateralized Obligations then existing, then the Administrative Agent shall release and deliver such excess amount upon the written request of the Borrower.

Section 7.5. Notice of Default. The Administrative Agent shall give  
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notice to the Borrower under Section 7.2 promptly upon being requested to do so by the Required Lenders and shall thereupon notify all the Lenders thereof.

Section 7.6. Expenses. The Borrower agrees to pay to the Administrative  
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Agent, the Issuing Bank, and each Lender all reasonable out-of-pocket expenses incurred or paid by the Administrative Agent, the Issuing Bank, or such Lender, including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default hereunder or in connection with the enforcement of any of the Credit Documents.

Section 7.7. Distribution and Application of Proceeds. After the

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occurrence of and during the continuance of an Event of Default, any payment to the Administrative Agent, the Issuing Bank, or any Lender hereunder or from the proceeds of the Collateral Account or otherwise shall be paid to the Administrative Agent to be distributed and applied as follows (unless otherwise agreed by the Borrower, the Administrative Agent, the Issuing Bank, and all Lenders):

(a) First, to the payment of any and all reasonable out-of-pocket costs and expenses of the Administrative Agent, including without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Administrative Agent, the Issuing Bank, or the Lenders under this Agreement or any other Credit Document;

(b) Second, to the payment of any and all reasonable out-of-pocket costs and expenses of the Issuing Bank and the Lenders, including, without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Lenders or the Issuing Bank under this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such costs and expenses unpaid to each Lender or the Issuing Bank bears to the aggregate amount of the costs and expenses unpaid to all Lenders and the Issuing Bank collectively, until all such fees, costs and expenses have been paid in full;

(c) Third, to the payment of any due and unpaid fees to the Administrative Agent or any Lender or Issuing Bank as provided by this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such fees due and unpaid to the Administrative Agent and each Lender and Issuing Bank bears to the aggregate amount of the fees due and unpaid to the Administrative Agent and all Lenders and Issuing Bank collectively, until all such fees have been paid in full;

(d) Fourth, to the payment of accrued and unpaid interest on the Loans or the Reimbursement Obligations to the date of such application, pro rata in the proportion in which the amount of such interest, accrued and unpaid to each Lender or the Issuing Bank bears to the aggregate amount of such interest accrued and unpaid to all Lenders and the Issuing Bank collectively, until all such accrued and unpaid interest has been paid in full;

(e) Fifth, to the payment of the outstanding due and payable principal amount of each of the Loans and the amount of the outstanding Reimbursement Obligations (reserving cash collateral for all undrawn face amounts of any outstanding Letters of Credit (if Section 7.4(a) has not been complied with)), pro rata in the proportion in which the outstanding principal amount of such Loans and the amount of such outstanding Reimbursement Obligations owing to each Lender and Issuing Bank, together (if Section 7.4(a) has not been complied with) with the undrawn face amounts of such outstanding Letters of Credit, bears to the aggregate amount of all outstanding Loans, outstanding Reimbursement Obligations and (if Section 7.4(a) has not been complied with) the undrawn face amounts of all outstanding Letters of Credit. In the event that

any such Letters of Credit, or any portions thereof, expire without being drawn, any cash collateral therefor shall be distributed by the Administrative Agent until the principal amount of all Loans and Reimbursement Obligations shall have been paid in full;

(f) Sixth, to the payment of any other outstanding Obligations then due and payable, pro rata in the proportion in which the outstanding Obligations owing to each Lender, Issuing Bank and Administrative Agent bears to the aggregate amount of all such Obligations until all such Obligations have been paid in full; and

(g) Seventh, to the Borrower or as the Borrower may direct.

#### ARTICLE 8. CHANGE IN CIRCUMSTANCES.

##### Section 8.1. Change of Law. -----

(a) Notwithstanding any other provisions of this Agreement or any Note, if at any time any change, after the date hereof (or, if later, after the date the Administrative Agent or any Issuing Bank or Lender becomes the Administrative Agent or an Issuing Bank or Lender), in applicable law or regulation or in the interpretation thereof makes it unlawful for any Lender to make or maintain Eurocurrency Loans, or the Issuing Bank to issue any Letter of Credit, such Lender or Issuing Bank, as the case may be, shall promptly give written notice thereof and of the basis therefor in reasonable detail to the Borrower, and such Lender's or Issuing Bank's obligations to fund affected Eurocurrency Loans or make, continue or convert such Loans under this Agreement, or to issue any such Letters of Credit, as the case may be, shall thereupon be suspended until it is no longer unlawful for such Lender to make or maintain such Loans or issue such Letters of Credit.

(b) Upon the giving of the notice to Borrower referred to in subsection (a) above in respect of any such Loan, (i) any outstanding such Loan of such Lender shall be automatically converted to a Base Rate Loan in Dollars on the last day of the Interest Period then applicable thereto or on such earlier date as required by law, and (ii) such Lender shall make or continue its portion of any requested Borrowing of such Loan as a Base Rate Loan in Dollars, which Base Rate Loan shall, for all other purposes, be considered part of such Borrowing.

(c) Any Lender or Issuing Bank that has given any notice pursuant to Section 8.1(a) shall, upon determining that it would no longer be unlawful for it to make such Loans or issue such Letters of Credit, give prompt written notice thereof to the Borrower and the Administrative Agent, and upon giving such notice, its obligation to make, allow conversions into and maintain such Loans or issue such Letters of Credit shall be reinstated.

##### Section 8.2. Unavailability of Deposits or Inability to Ascertain LIBOR -----

Rate. If on or before the first day of any Interest Period for any Borrowing of  
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Eurocurrency Loans the Administrative Agent determines in good faith (after consultation with the other Lenders) that, due to changes in circumstances since the date hereof, adequate and fair means do not exist for determining the LIBOR Rate or such rate will not accurately reflect the cost to the Required

Lenders of funding Eurocurrency Loans for such Interest Period, the Administrative Agent shall give written notice (in reasonable detail) of such determination and of the basis therefor to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower and Lenders that the circumstances giving rise to such suspension no longer exist (which the Administrative Agent shall do promptly after they do not exist), (i) the obligations of the Lenders to make, continue or convert Loans as or into such Eurocurrency Loans, or to convert Base Rate Loans into such Eurocurrency Loans, shall be suspended and (ii) each Eurocurrency Loan will automatically on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan in Dollars.

Section 8.3. Increased Cost and Reduced Return.  
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(a) If, on or after the date hereof, the adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or Issuing Bank (or its Lending Office), with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency exercising control over banks or financial institutions generally issued after the date hereof (or, if later, after the date the Administrative Agent, Issuing Bank, or Lender becomes the Administrative Agent, Issuing Bank, or Lender):

(i) subjects any Lender or Issuing Bank (or its Lending Office) to any tax, duty or other charge related to any Eurocurrency Loan, Competitive Fixed Rate Loan, Reimbursement Obligation, or its obligation to advance or maintain Eurocurrency Loans, Competitive Fixed Rate Loans, or issue any Letter of Credit, or shall change the basis of taxation of payments to any Lender or Issuing Bank (or its Lending Office) of the principal of or interest on its Eurocurrency Loans, Competitive Fixed Rate Loans, Letters of Credit or Reimbursement Obligation or any participations in any thereof, or any other amounts due under this Agreement related to its Eurocurrency Loans, Competitive Fixed Rate Loans, Letters of Credit, Reimbursement Obligations or participations therein, or its obligation to make Eurocurrency Loans and Competitive Fixed Rate Loans, issue Letters of Credit, or acquire participations therein (except for changes with respect to taxes that are not Indemnified Taxes pursuant to Section 3.3); or

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding for any Eurocurrency Loan any such requirement included in an applicable Statutory Reserve Rate) against assets of, deposits with or for the account of, or credit extended by, any Lender or Issuing Bank (or its Lending Office) or imposes on any Lender or Issuing Bank (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans, Letters of Credit, any Reimbursement Obligations owed to it, or its participation in any thereof, or its obligation to advance or maintain Eurocurrency Loans, issue Letters of Credit or participate in any thereof;



and the result of any of the foregoing is to increase the cost to such Lender or Issuing Bank (or its Lending Office) of advancing or maintaining any Eurocurrency Loan or Competitive Fixed Rate Loan, issuing or maintaining a Letter of Credit or participating therein, or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank (or its Lending Office) in connection therewith under this Agreement or its Note, by an amount deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall be obligated to pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing Bank for such increased cost or reduction.

(b) If, after the date hereof, the Administrative Agent or any Lender or Issuing Bank shall have reasonably determined that the adoption after the date hereof of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital adequacy rules heretofore adopted and issued by any governmental authority), or any change after the date hereof in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Administrative Agent or any Lender or Issuing Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital, or on the capital of any corporation controlling such Lender or Issuing Bank, as a consequence of its obligations hereunder to a level below that which such Lender or Issuing Bank could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or Issuing Bank's or its controlling corporation's policies with respect to capital adequacy in effect immediately before such adoption, change or compliance) by an amount reasonably deemed by such Lender or Issuing Bank to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after its receipt of a certificate from such Lender or Issuing Bank (with a copy to the Administrative Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall pay to such Lender or Issuing Bank such additional amount or amounts as will compensate such Lender or Issuing Bank for such reduction or the Borrower may prepay all Eurocurrency Loans of such Lender or obtain the cancellation of all such Letters of Credit.

(c) The Administrative Agent and each Lender and Issuing Bank that determines to seek compensation or additional interest under this Section 8.3 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle the Administrative Agent or such Lender or Issuing Bank to such compensation no later than ninety (90) days after the Administrative Agent or such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event the Borrower shall not have any obligation to pay any amount with respect to claims

accruing prior to the ninetieth day preceding such written demand. The Administrative Agent and each Lender and Issuing Bank shall use reasonable efforts to avoid the need for, or reduce the amount of, such compensation, additional interest, and any payment under Section 3.3, including, without limitation, the designation of a different Lending Office, if such action or designation will not, in the sole judgment of the Administrative Agent or such Lender or Issuing Bank made in good faith, be otherwise disadvantageous to it; provided that the foregoing shall not in any way affect the rights of any Lender or Issuing Bank or the obligations of the Borrower under this Section 8.3, and provided further that no Lender or Issuing Bank shall be obligated to make its Eurocurrency Loans or Competitive Fixed Rate Loans hereunder or fund any amount due in respect of a Letter of Credit at any office located in the United States of America. A certificate of the Administrative Agent or any Lender or Issuing Bank, as applicable, claiming compensation or additional interest under this Section 8.3, and setting forth the additional amount or amounts to be paid to it hereunder and accompanied by a statement prepared by the Administrative Agent or such Lender or Issuing Bank, as applicable, describing in reasonable detail the calculations thereof shall be prima facie evidence of the correctness thereof. In determining such amount, such Lender or Issuing Bank may use any reasonable averaging and attribution methods.

Section 8.4. Lending Offices. The Administrative Agent and each Lender

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and Issuing Bank may, at its option, elect to make or maintain its Loans and issue its Letters of Credit hereunder at the Lending Office for each type of Loan or Letter of Credit available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent, provided that, except in the case of any such transfer to another of its branches, offices or affiliates made at the request of the Borrower, the Borrower shall not be responsible for the costs arising under Section 3.3 or 8.3 resulting from any such transfer to the extent not otherwise applicable to such Lender or Issuing Bank prior to such transfer.

Section 8.5. Discretion of Lender as to Manner of Funding. Subject to

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the other provisions of this Agreement, each Lender and Issuing Bank shall be entitled to fund and maintain its funding of all or any part of its Loans and Letters of Credit in any manner it sees fit.

Section 8.6. Substitution of Lender or Issuing Bank. If (a) any Lender or

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Issuing Bank has demanded compensation or additional interest or given notice of its intention to demand compensation or additional interest under Section 8.3, (b) the Borrower is required to pay any additional amount to any Lender or Issuing Bank under Section 2.12, (c) any Lender or Issuing Bank is unable to submit any form or certificate required under Section 3.3(b) or withdraws or cancels any previously submitted form with no substitution therefor, (d) any Lender or Issuing Bank gives notice of any change in law or regulations, or in the interpretation thereof, pursuant to Section 8.1, (e) any Lender or Issuing Bank has been declared insolvent or a receiver or conservator has been appointed for a material portion of its assets, business or properties or (f) any Lender or Issuing Bank shall seek to avoid its obligation to make or maintain Loans or issue Letters of Credit hereunder for any reason, including, without limitation, reliance upon 12 U.S.C. (S) 1821(e) or (n) (1) (B), (g) any taxes referred to in Section 3.3 have been levied or imposed (or the Borrower determines in good faith that there is a substantial likelihood that such taxes will be levied or imposed) so as to require withholding or deductions by the Borrower or payment by the

Borrower of additional amounts to any Lender or Issuing Bank, or other reimbursement or indemnification of any Lender or Issuing Bank, as a result thereof, (h) any Lender shall decline to consent to a modification or waiver of the terms of this Agreement or any other Credit Documents requested by the Borrower, or (i) the Issuing Bank gives notice pursuant to Section 2.13(a)(ii) that the issuance of the Letter of Credit would violate any legal or regulatory restriction then applicable to such Issuing Bank, then and in such event, upon request from the Borrower delivered to such Lender or Issuing Bank, and the Administrative Agent, such Lender shall assign, in accordance with the provisions of Section 10.10 and an appropriately completed Assignment Agreement, all of its rights and obligations under the Credit Documents to another Lender or a commercial banking institution selected by the Borrower and (in the case of a commercial banking institution) reasonably satisfactory to the Administrative Agent, in consideration for the payments set forth in such Assignment Agreement and payment by the Borrower to such Lender of all other amounts which such Lender may be owed pursuant to this Agreement, including, without limitation, Sections 2.12, 3.3, 8.3 and 10.13.

ARTICLE 9. THE AGENTS.

Section 9.1. Appointment and Authorization of Administrative Agent,

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Syndication Agent, Documentation Agent and Senior Managing Agent. Each Lender  
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hereby appoints STB as the Administrative Agent, ABN AMRO Bank, N.V. as the Syndication Agent, Bank of America, N.A. as the Documentation Agent, and Wells Fargo Bank Texas, National Association as Senior Managing Agent, under the Credit Documents and hereby authorizes the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent to take such action as Administrative Agent, Syndication Agent, Documentation Agent and Senior Managing Agent on each of its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent, respectively, by the terms thereof, together with such powers as are reasonably incidental thereto.

Section 9.2. Rights and Powers. The Administrative Agent, the Syndication  
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Agent, the Documentation Agent and the Senior Managing Agent shall have the same rights and powers under the Credit Documents as any other Lender and may exercise or refrain from exercising such rights and power as though it were not an Administrative Agent, a Syndication Agent, a Documentation Agent or a Senior Managing Agent, and the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent and their respective Controlling Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any of its Subsidiaries or Controlling Affiliates as if it were not an Administrative Agent, a Syndication Agent, a Documentation Agent or a Senior Managing Agent under the Credit Documents. The term Lender as used in all Credit Documents, unless the context otherwise clearly requires, includes the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent in their respective individual capacities as a Lender.

Section 9.3. Action by Administrative Agent, Syndication Agent,

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Documentation Agent and Senior Managing Agent. The obligations of the  
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Administrative Agent, the

Syndication Agent, the Documentation Agent and the Senior Managing Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action concerning any Default or Event of Default, except as expressly provided in Sections 7.2 and 7.4. Unless and until the Required Lenders (or, if required by Section 10.11, all of the Lenders) give such direction the Administrative Agent may, except as otherwise expressly provided herein or therein, take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders. In no event, however, shall the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and each of the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expenses, and liabilities it may incur in taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default, other than non-payment of any scheduled principal or interest payment due hereunder, exists unless notified in writing to the contrary by a Lender or the Borrower. In all cases in which the Credit Documents do not require the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent to take specific action, the Administrative Agent, each of the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Required Lenders, or of any other group of Lenders called for under specific provisions of the Credit Documents, shall be binding on all the Lenders and holders of Notes.

Section 9.4. Consultation with Experts. Each of the Administrative Agent,  
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the Syndication Agent, the Documentation Agent and the Senior Managing Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 9.5. Indemnification Provisions; Credit Decision. Neither the  
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Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent nor any of their directors, officers, agents, or employees shall be liable for any action taken or not taken by them in connection with the Credit Documents (i) with the consent or at the request of the Required Lenders (or, if required by Section 10.11, all of the Lenders), or (ii) in the absence of their own gross negligence or willful misconduct. Neither the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Borrowing; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Article 4, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness, genuineness, enforceability, value, worth or collectability hereof or of any other

Credit Document or of any other documents or writings furnished in connection with any Credit Document; and the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent make no representation of any kind or character with respect to any such matters mentioned in this sentence. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may execute any of their duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent and the Documentation Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by any of them under the Credit Documents. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with such Administrative Agent signed by such owner in form satisfactory to such Administrative Agent. Each Lender acknowledges that it has independently, and without reliance on the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent or any other Lender, obtained such information and made such investigations and inquiries regarding the Borrower and its Subsidiaries as it deems appropriate, and based upon such information, investigations and inquiries, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Lender to keep itself informed about the creditworthiness and business, properties, assets, liabilities, condition (financial or otherwise) and prospects of the Borrower and its Subsidiaries, and the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall have no liability whatsoever to any Lender for such matters. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent shall have no duty to disclose to the Lenders information that is not required by any Credit Document to be furnished by the Borrower or any Subsidiaries to such Agent at such time, but is voluntarily furnished to such Agent (either in their respective capacity as Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent or in their individual capacity).

Section 9.6. Indemnity. The Lenders shall ratably, in accordance with

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their Percentages, indemnify and hold the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section 9.6 shall survive termination of this Agreement.

Section 9.7. Resignation of Agents and Successor Agents. The

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Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may resign at any time and shall resign upon any removal thereof as a Lender pursuant to the terms of this Agreement upon at least thirty (30) days' prior written notice to the Lenders and the Borrower. Any resignation of the Administrative Agent shall not be effective until a replacement therefor is appointed pursuant to the terms hereof. Upon any such resignation of the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent, the Required Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) shall have the right to appoint a successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be. If no successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's, Syndication Agent's, Senior Managing Agent's or Documentation Agent's giving of notice of resignation, then the retiring Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, may, on behalf of the Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) appoint a successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, which shall be any Lender hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance of its appointment as the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent hereunder, such successor Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, under the Credit Documents, and the retiring Administrative Agent, Syndication Agent, Documentation Agent or the Senior Managing Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's, Syndication Agent's, Documentation Agent's or Senior Managing Agent's resignation hereunder as Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be, the provisions of this Article 9 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent, Syndication Agent, Documentation Agent or Senior Managing Agent, as the case may be.

ARTICLE 10. MISCELLANEOUS.

Section 10.1. No Waiver. No delay or failure on the part of the

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Administrative Agent or any Lender or Issuing Bank, or on the part of the holder or holders of any Notes, in the exercise of any power, right or remedy under any Credit Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power, right or remedy. To the fullest extent permitted by applicable law, the powers, rights and remedies under the Credit Documents of the Administrative Agent, the Lenders, the Issuing Bank and the holder or holders of any Notes are

cumulative to, and not exclusive of, any powers, rights or remedies any of them would otherwise have.

Section 10.2. Non-Business Day. Subject to Section 2.5, if any payment of  
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principal or interest on any portion of any Loan, any Reimbursement Obligation, or any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such portion of any Loan, any Reimbursement Obligation, or other Obligation bears for the period prior to maturity shall continue to accrue in the manner set forth herein on such Obligation from the stated due date thereof to the next succeeding Business Day, on which the same shall instead be payable.

Section 10.3. Documentary Taxes. The Borrower agrees that it will pay any  
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documentary, stamp or similar taxes payable with respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed irrespective of when such assessment is made, other than any such taxes imposed as a result of any transfer of an interest in a Credit Document. Each Lender and Issuing Bank that determines to seek compensation under this Section 10.3 shall give written notice to the Borrower and, in the case of a Lender or Issuing Bank other than the Administrative Agent, the Administrative Agent of the circumstances that entitle such Lender or Issuing Bank to such compensation no later than ninety (90) days after such Lender or Issuing Bank receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event, the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the 90th day preceding such written demand.

Section 10.4. Survival of Representations. All representations and  
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warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as the Borrower has any Obligation hereunder or any Commitment hereunder is in effect.

Section 10.5. Survival of Indemnities. All indemnities and all provisions  
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relative to reimbursement to the Lenders and Issuing Bank of amounts sufficient to protect the yield of the Lenders and Issuing Bank with respect to the Loans and the L/C Obligations, including, but not limited to, Section 2.12, Section 3.3, Section 7.6, Section 8.3, Section 10.3, and Section 10.13 hereof, shall, subject to Section 8.3(c), survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations and, with respect to any Lender or Issuing Bank, any replacement by the Borrower of such Lender pursuant to the terms hereof, in each case for a period of one (1) year.

Section 10.6. Setoff. In addition to any rights now or hereafter granted  
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under applicable law and not by way of limitation of any such rights, upon the occurrence of, and throughout the continuance of, any Event of Default, each Lender and Issuing Bank and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but

not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time owing by that Lender or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the due and unpaid obligations and liabilities of the Borrower to that Lender or Issuing Bank or that subsequent holder under the Credit Documents, irrespective of whether or not that Lender or Issuing Bank or that subsequent holder shall have made any demand hereunder. Each Lender or Issuing Bank shall promptly give notice to the Borrower of any action taken by it under this Section 10.6, provided that any failure of such Lender or Issuing Bank to give such notice to the Borrower shall not affect the validity of such setoff. Each Lender and Issuing Bank agrees with each other Lender and Issuing Bank a party hereto that if such Lender or Issuing Bank receives and retains any payment, whether by setoff or application of deposit balances or otherwise, in respect of the Loans or L/C Obligations in excess of its ratable share of payments on all such Obligations then owed to the Lenders and Issuing Bank hereunder, then such Lender or Issuing Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans and L/C Obligations and participations therein held by each such other Lender as shall be necessary to cause such Lender or Issuing Bank to share such excess payment ratably with all the other Lenders; provided, however, that if any such purchase is made by any Lender or Issuing Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender or Issuing Bank, the related purchases from the other Lenders or Issuing Bank shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 10.7. Notices. Except as otherwise specified herein, all notices

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under the Credit Documents shall be in writing (including cable, telecopy or telex) and shall be given to a party hereunder at its address, telecopier number or telex number set forth below or such other address, telecopier number or telex number as such party may hereafter specify by notice to the Administrative Agent and the Borrower, given by courier, by United States certified or registered mail, by telegram or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Lenders, the Administrative Agent and the Issuing Bank shall be addressed to their respective addresses, telecopier or telex number, or telephone numbers set forth on the signature pages hereof, and to the Borrower to:

Transocean Sedco Forex Inc.  
4 Greenway Plaza  
Houston, Texas 77046  
Attention: Brian C. Voegele  
Telephone No.: (713) 232-7587  
Fax No.: (713) 232-7033

With a copy to:

Baker Botts LLP  
One Shell Plaza  
Houston, Texas 77002-4995  
Attention: Stephen Krebs  
Telephone No. (713) 229-1467



Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10 and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, or (iv) if given by any other means, when delivered at the addresses specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10; provided that any notice given pursuant to Article 2 shall be effective only upon receipt and, provided further, that any notice that but for this proviso would be effective after the close of business on a Business Day or on a day that is not a Business Day shall be effective at the opening of business on the next Business Day.

Section 10.8. Counterparts. This Agreement may be executed in any number  
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of counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same Agreement.

Section 10.9. Successors and Assigns. This Agreement shall be binding upon  
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the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their respective successors and assigns, and shall inure to the benefit of the Borrower, each of the Lenders, the Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their respective successors and assigns, including any subsequent holder of any Note; provided, however, the Borrower may not assign any of its rights or obligations under this Agreement or any other Credit Document without the written consent of all Lenders, the Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent, and the Administrative Agent, the Syndication Agent, the Documentation Agent and the Senior Managing Agent may not assign any of their respective rights or obligations under this Agreement or any Credit Document except in accordance with Article 9 and no Lender or Issuing Bank may assign any of its rights or obligations under this Agreement or any other Credit Document except in accordance with Section 10.10. Any Lender or Issuing Bank may at any time pledge or assign all or any portion of its rights under this Agreement and the Notes issued to it (i) to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Lender, or (ii) in the case of any Lender that is a fund comprised in whole or in part of commercial loans, to a trustee for such fund in support of such Lender's obligations to such trustee; provided that no such pledge or assignment shall release a Lender or Issuing Bank from any of its obligations hereunder or substitute any such Federal Reserve Bank or such trustee for such Lender as a party hereto and the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely with such Lender or Issuing Bank in connection with the rights and obligations of such Lender and Issuing Bank under this Agreement.

Section 10.10. Sales and Transfers of Borrowing and Notes; Participations

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in Borrowings and Notes.  
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(a) Any Lender may, upon written notice to the Borrower, at any time sell to one or more commercial banking or other financial or lending institutions ("Participants") participating interests in any Commitment of such Lender and Related Credit Extensions of such Lender hereunder, provided that no Lender may sell any participating interests in any such Commitment or such Related Credit Extensions hereunder without also selling to such Participant the appropriate pro rata share of all such Lender's Commitment and Related Credit Extensions hereunder (but excluding interests in respect of Competitive Loans), and provided further that no Lender shall transfer, grant or assign any participation under which the Participant shall have rights to vote upon or to consent to any matter to be decided by the Lenders or the Required Lenders hereunder or under any other Credit Document or to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) increase the amount of such Lender's Commitment and such increase would affect such Participant, (ii) reduce the principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such reduction would affect such Participant, (iii) postpone any date fixed for any scheduled payment of principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such postponement would affect such Participant, or (iv) release any collateral security for any Obligation, except as otherwise specifically provided in any Credit Document. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and such Lender shall retain the sole right to enforce the obligations of the Borrower under any Credit Document. The Borrower agrees that if amounts outstanding under this Agreement and the Notes shall have been declared or shall have become due and payable in accordance with Section 7.2 or 7.3 upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 10.6. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.12, 3.3 and 8.3 with respect to its participation in the Commitments and the Borrowings outstanding from time to time, provided that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred if no participation had been transferred and provided, further, that Sections 8.3(c) and 8.6 shall apply to the transferor Lender with respect to any claim by any Participant pursuant to Section 2.12, 3.3 or 8.3 as fully as if such claim was made by such Lender. Anything herein to the contrary notwithstanding, the Borrower shall not, at any time, be obligated to pay to any Lender any sum in excess of the sum the Borrower would

have been obligated to pay to such Lender hereunder if such Lender had not sold any participation in its rights and obligations under this Agreement or any other Credit Document.

(b) Any Lender may at any time sell to (i) any of such Lender's affiliates or to any other Lender or any affiliate thereof that is a commercial banking or other financial or lending institution not subject to Regulation T of the Board of Governors of the Federal Reserve System and, (ii) with the prior written consent of the Administrative Agent and the Borrower (which shall not be unreasonably withheld or delayed), to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System (any of (i) or (ii), a "Purchasing Lender"), all or any part of its rights and obligations under this Agreement and the other Credit Documents, pursuant to an Assignment Agreement in the form attached as Exhibit 10.10, executed by such Purchasing Lender and such

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transferor Lender (and, in the case of a Purchasing Lender which is not then a Lender or an affiliate thereof, by the Borrower and the Administrative Agent) and delivered to the Administrative Agent; provided that each such sale to a Purchasing Lender shall be in an amount of \$5,000,000 (calculated as hereinafter set forth) or more, or if in a lesser amount or if as a result of such sale the sum of the unfunded Commitment of such Lender plus the aggregate principal amount of such Lender's Loans and participations in Letters of Credits would be less than an amount of \$5,000,000 (calculated as hereinafter set forth), such sale shall be of all of such Lender's rights and obligations under this Agreement and all of the other Credit Documents payable to it to one Purchasing Lender. Notwithstanding the requirement of the Borrower's consent set forth above, but subject to all of the other terms and conditions of this Section 10.10(b), any Lender may sell to one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System, all or any part of their rights and obligations under this Agreement and the other Credit Documents with only the consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) if an Event of Default shall have occurred and be continuing. No Lender may sell or assign any portion of its Commitment and Related Credit Extensions (excluding Competitive Loans) to a Purchasing Lender without also selling to such Purchasing Lender (i) the appropriate pro rata share of all such Lender's Commitment and Related Credit Extensions hereunder (but excluding interests in respect of Competitive Loans), and (ii) a pro rata amount of such Lender's loans (excluding loans made by such Lender on a competitive bid basis pursuant to the Five-Year Credit Agreement), borrowings, promissory notes, commitment, and any obligations and interests in respect of letter of credit obligations under the Five-Year Credit Agreement (but excluding interests in respect of loans made by such Lender on a competitive bid basis thereunder); provided, however, that no such sale or assignment shall be required in respect of any interests under the Five-Year Credit Agreement where the Lender is effecting such sale or assignment under this Agreement as a Non-Extending Lender pursuant to Section 2.15(c). For purposes of calculating the satisfaction of the \$5,000,000 minimum amount requirement set forth in the first sentence of this Section 10.10(b) and in Section 2.15(c), such amount shall be the sum of the total amount so sold and assigned to the Purchasing Lender pursuant to this Agreement and the total amount so sold and assigned to the Purchasing Lender pursuant to the Five-Year Credit Agreement in accordance with the immediately preceding sentence. Upon such execution, delivery and acceptance, from and after the effective date of the transfer determined pursuant to such Assignment Agreement, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and

obligations of a Lender hereunder with a Commitment as set forth herein and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitments and Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the Notes and the other Credit Documents. On or prior to the effective date of the transfer determined pursuant to such Assignment Agreement, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for any surrendered Note, a new Note as appropriate to the order of such Purchasing Lender in an amount equal to the Commitments assumed by it pursuant to such Assignment Agreement, and, if the transferor Lender has retained a Commitment or Borrowing hereunder, a new Note to the order of the transferor Lender in an amount equal to the Commitments or Borrowings retained by it hereunder. Such new Notes shall be dated the Initial Availability Date and shall otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrower marked "cancelled."

(c) Upon its receipt of an Assignment Agreement executed by a transferor Lender, a Purchasing Lender and the Administrative Agent (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, by the Borrower), together with payment by the transferor Lender to the Administrative Agent hereunder of a registration and processing fee of \$1,000 (unless the Borrower is replacing such Lender pursuant to the terms hereof, in which event such fee shall be paid by the Borrower), the Administrative Agent shall (i) promptly accept such Assignment Agreement, and (ii) on the effective date of the transfer determined pursuant thereto give notice of such acceptance and recordation to the Lenders and the Borrower. The Borrower shall not be responsible for such registration and processing fee or any costs or expenses incurred by any Lender, any Purchasing Lender or the Administrative Agent in connection with such assignment except as provided above.

(d) If, pursuant to this Section 10.10 any interest in this Agreement or any Loan or Note is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States of America or any State thereof, the transferor Lender shall cause such transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Administrative Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Administrative Agent, the Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the Loans or the L/C Obligations, (ii) to furnish to the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) two duly completed and signed copies of either U.S. Internal Revenue Service Form W-8 BEN or U.S. Internal Revenue Service Form W-8 ECI or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities (wherein such transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Administrative Agent

and the Borrower) to provide the transferor Lender (and, in the case of any Purchasing Lender, the Administrative Agent and the Borrower) new forms as contemplated by Section 3.3(b) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(e) Notwithstanding any other provisions of this Section 10.10, no transfer or assignment of the interests of any Lender hereunder or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans, the Notes or any other Obligations under the securities laws of any jurisdiction.

Section 10.11. Amendments, Waivers and Consents. Any provision of the

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Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders, and (c) if the rights or duties of the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent are affected thereby, the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent, as the case may be, provided that:

(i) no amendment or waiver shall (A) increase the Revolving Credit Commitment Amount without the consent of all Lenders or increase any Commitment of any Lender without the consent of such Lender, or (B) postpone the Maturity Date without the consent of all Lenders, or reduce the amount of or postpone the date for any scheduled payment of any principal of or interest (including, without limitation, any reduction in the rate of interest unless such reduction is otherwise provided herein) on any Loan or Reimbursement Obligation or of any fee payable hereunder, without the consent of each Lender owed any such Obligation, or (C) release any Collateral for any Collateralized Obligations (other than as provided in accordance with Section 7.4) without the consent of all Lenders; and

(ii) no amendment or waiver shall, unless signed by each Lender, change the provisions of this Section 10.11 or the definition of Required Lenders or the number of Lenders required to take any action under any other provision of the Credit Documents.

Section 10.12. Headings. Section headings used in this Agreement are for

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reference only and shall not affect the construction of this Agreement.

Section 10.13. Legal Fees, Other Costs and Indemnification. The Borrower,

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upon demand by the Administrative Agent, agrees to pay the reasonable fees and disbursements of legal counsel to the Administrative Agent in connection with the preparation and execution of the Credit Documents (which shall be in an amount agreed in writing by the Borrower), and any amendment, waiver or consent related thereto, whether or not the transactions contemplated therein are consummated. The Borrower further agrees to indemnify each Lender, Issuing Bank, the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent, and their respective directors, officers, employees and attorneys (collectively,

the "Indemnified Parties"), against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable attorneys' fees and other reasonable expenses of litigation or preparation therefor, whether or not such Indemnified Party is a party thereto) which any of them may pay or incur as a result of (a) any action, suit or proceeding by any third party or governmental authority against such Indemnified Party and relating to any Credit Document, the Loans, any Letter of Credit, or the application or proposed application by any of the Borrower of the proceeds of any Loan or use of any Letter of Credit, REGARDLESS OF WHETHER SUCH CLAIMS OR ACTIONS ARE FOUNDED IN WHOLE OR IN PART UPON THE ALLEGED SIMPLE OR CONTRIBUTORY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES AND/OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR ATTORNEYS, (b) any investigation of any third party or any governmental authority involving any Lender (as a lender hereunder), Issuing Bank, or the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent (in such capacity hereunder) and related to any use made or proposed to be made by the Borrower of the proceeds of any Loan, or use of any Letter of Credit or any transaction financed or to be financed in whole or in part, directly or indirectly with the proceeds of any Loan or Letter of Credit, and (c) any investigation of any third party or any governmental authority, litigation or proceeding involving any Lender (as a lender hereunder) or the Administrative Agent, the Syndication Agent, the Documentation Agent or the Senior Managing Agent (in such capacity hereunder) and related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the presence of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law) with respect to the Borrower, regardless of whether caused by, or within the control of, the Borrower; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any of the foregoing arising out of such Indemnified Party's gross negligence or willful misconduct, as determined pursuant to a final nonappealable judgment of a court of competent jurisdiction or as expressly agreed in writing by such Indemnified Party. The Borrower, upon demand by the Administrative Agent, the Syndication Agent, the Documentation Agent, the Senior Managing Agent or a Lender or Issuing Bank at any time, shall reimburse such Agent or such Lender or Issuing Bank for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing, except if the same is excluded from indemnification pursuant to the provisions of the preceding sentence. Each Indemnified Party agrees to contest any indemnified claim if requested by the Borrower, in a manner reasonably directed by the Borrower, with counsel selected by the Indemnified Party and approved by the Borrower, which approval shall not be unreasonably withheld or delayed. Any Indemnified Party that proposes to settle or compromise any such indemnified claim shall give the Borrower written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain the Borrower's prior written consent thereto, which consent shall not be unreasonably withheld or delayed; provided that the Indemnified Party shall not be restricted from settling or compromising any such claim if the Indemnified Party waives its right to indemnity from the Borrower in respect of such claim.

Section 10.14. Governing Law; Submission to Jurisdiction; Waiver of Jury

Trial.  
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(A) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS, AND THE RIGHTS AND DUTIES OF THE PARTIES THERETO, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

(B) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE DOCUMENTATION AGENT, THE SENIOR MANAGING AGENT, THE SYNDICATION AGENT, THE LENDERS, THE ISSUING BANK, OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE BORROWER HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, 111 8TH AVENUE, NEW YORK, NEW YORK 10011, AS THE DESIGNEE, APPOINTEE AND AGENT OF THE BORROWER TO RECEIVE, FOR AND ON BEHALF OF THE BORROWER, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT HERETO. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS, BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS.

(C) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(D) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.7. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15. Confidentiality. Each of the Agents, Issuing Bank and

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Lenders agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to their respective affiliates and to prospective Purchasing Lenders and Participants and their respective directors, officers, employees and agents, including accountants, legal counsel and other advisors who have reason to use such Information in connection with the evaluation of the transactions contemplated by this Agreement (subject to similar confidentiality provisions as provided herein) solely for purposes of evaluating such Information, (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable law or regulation or by any subpoena or similar legal process, (iv) in connection with the exercise of any remedies hereunder or any proceedings relating to this Agreement or the other Credit Documents, (v) with the consent of the Borrower, or (vi) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.15, or (y) becomes available on a non-confidential basis from a source other than the Borrower or its affiliates or the Lenders or their respective affiliates. For purposes hereof, "Information" means all information received by the Lenders from the Borrower relating to the Borrower or its business, other than any such information that is available to the Lenders on a non-confidential basis prior to disclosure by the Borrower. The Lenders shall be considered to have complied with their respective obligations if they have exercised the same degree of care to maintain the confidentiality of such Information as they would accord their own confidential information.

Section 10.16. Effectiveness. This Agreement shall become effective on the

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date (the "Effective Date") on which the Borrower, the Administrative Agent, and each Lender have signed and delivered to the Administrative Agent a counterparty signature page hereto or, in the case of a Lender, the Administrative Agent has received a facsimile notice that such a counterpart has been signed and mailed to the Administrative Agent.

Section 10.17. Severability. Any provision of this Agreement that is

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prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any



such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.18. Currency Conversion. All payments of Obligations under this

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Agreement, the Notes or any other Credit Document shall be made in Dollars. If any payment of any Obligation, whether through payment by the Borrower or the proceeds of any collateral, shall be made in a currency other than Dollars, such amount shall be converted into Dollars at the current market rate for the purchase of Dollars with the currency in which such obligation was paid, as quoted by the Lender who is the Administrative Agent in accordance with the methods customarily used by such Lender for such purposes as of the time of such determination. The parties hereto hereby agree, to the fullest extent that they may effectively do so under applicable law, that (i) if for the purposes of obtaining any judgment or award it becomes necessary to convert from any currency other than Dollars into Dollars any amount in connection with the Obligations, then the conversion shall be made as provided above on the Business Day before the day on which the judgment or award is given, (ii) in the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment or award is given and the date of payment, the Borrower will pay to the Administrative Agent, for the benefit of the Lenders, such additional amounts (if any) as may be necessary, and the Administrative Agent, on behalf of the Lenders, will pay to the Borrower such excess amounts (if any) as result from such change in the rate of exchange, to assure that the amount paid on such date is the amount in such other currency, which when converted at the rate of exchange described herein on the date of payment, is the amount then due in Dollars, and (iii) any amount due from the Borrower under this Section 10.18 shall be due as a separate debt and shall not be affected by judgment or award being obtained for any other sum due.

Section 10.19. Change in Accounting Principles, Fiscal Year or Tax Laws. If

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(i) any change in accounting principles from those used in the preparation of the financial statements of the Borrower referred to in Section 5.9 is hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change materially affects the calculation of any component of any financial covenant, standard or term found in this Agreement, or (ii) there is a material change in federal or foreign tax laws which materially affects any of the Borrower and its Subsidiaries' ability to comply with the financial covenants, standards or terms found in this Agreement, the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 10.11, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Borrower's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made. Unless and until such provisions have been so amended, the provisions of this Agreement shall govern.

Section 10.20. Final Agreement. The Credit Documents constitute the entire

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understanding among the Credit Parties, the Lenders, the Issuing Bank, and the Administrative Agent and supersede all earlier or contemporaneous agreements, whether written or oral, concerning the subject matter of the Credit Documents. THIS WRITTEN AGREEMENT TOGETHER WITH THE OTHER CREDIT DOCUMENTS REPRESENTS THE FINAL

AGREEMENT BETWEEN 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 BETWEEN THE PARTIES.

Section 10.21. Officer's Certificates. It is not intended that any  
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certificate of any officer of the Borrower delivered to the Administrative Agent or any Lender pursuant to this Agreement shall give rise to any personal liability on the part of such officer.

Section 10.22. Effect of Inclusion of Exceptions. It is not intended that  
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the specification of any exception to any covenant herein shall imply that the excepted matter would, but for such exception, be prohibited or required.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWER:  
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TRANSOCEAN SEDCO FOREX INC.,  
a Cayman Islands company

By: \_\_\_\_\_  
Name:  
Title:

Attest: \_\_\_\_\_  
Name:  
Title:

SUNTRUST BANK,  
As Administrative Agent, Issuing Bank,  
and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$21,484,375

PERCENTAGE: 0.0859375%

Address for Notices:

- - - - -

SunTrust Bank  
SunTrust Plaza  
303 Peachtree Street, N.E., 3rd Floor  
Atlanta, GA 30308  
Attn: Mr. John Fields  
Telephone No.: 404/724-3667  
Telecopy No.: 404/827-6270

Lending Office:

- - - - -

SunTrust Bank  
SunTrust Plaza  
303 Peachtree Street, N.E., 3rd Floor  
Atlanta, GA 30308  
Attn: Mr. John Fields  
Telephone No.: 404/724-3667  
Telecopy No.: 404/827-6270

Payment Instructions:

- - - - -

Bank Name: SunTrust Bank  
ABA Number: 061 000 104  
City, State: Atlanta, Georgia  
Account Number: 908 8000 112  
Attention: Pat Etheridge 404/588-8358  
Reference: Transocean Sedco Forex Inc.

ABN AMRO BANK, N.V.,  
As Syndication Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$19,921,875  
PERCENTAGE: 0.0796875%

Address for Notices:  
-----

ABN AMRO Bank, N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Dina Tucci-Albro  
Telephone No.: 312/992-5120  
Telecopy No.: 312/992-5111

with a copy to:

ABN AMRO Bank, N.V.  
Three Riverway, Suite 1700  
Houston, TX 77056  
Attn: Deanna Breland  
Telephone No.: 713/964-3326  
Telecopy No.: 713/964-5801

Lending Office:  
-----

ABN AMRO Bank, N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Loan Administration  
Telephone No.: 312/992-5150  
Telecopy No.: 312/992-5155

ABN AMRO BANK, N.V., (Continued)  
As Syndication Agent and a Lender

Letter of Credit:

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ABN AMRO Bank N.V.  
200 West Monroe Street, Suite 1100  
Chicago, IL 60608-5002

Payment Instructions:

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Bank Name: ABN AMRO Bank, N.V.  
ABA Number: 026009580  
City, State: New York, NY  
Account Name: F/O ABN AMRO Bank, N.V.  
Chicago Branch CPU  
Account Number: 650-001-178941  
Attention:  
Reference: CPU 00193232 - Transocean Sedco

Letters of Credit:

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Bank Name: ABN AMRO Bank, N.V.  
ABA Number: 026009580  
City, State: New York, NY  
Account Name: F/O ABN AMRO Bank, N.V.  
Chicago Trade Services CPU  
Account Number: 653-001 1738 41  
Attention:  
Reference: Transocean Sedco

BANK OF AMERICA, N.A.,  
As Documentation Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$19,921,875

PERCENTAGE: 0.0796875%

Address for Notices:  
- - - - -

Bank of America, N.A.  
333 Clay Street, Suite 4550  
Houston, TX 77002  
Attn: Patrick Delaney, Managing Director  
Telephone No.: 713/651-4929  
Telecopy No.: 713/651-4808

Lending Office:  
- - - - -

Bank of America, N.A.  
901 Main Street  
Dallas, TX 75202  
Attn: Ramon Garcia  
Customer Service Representative  
Telephone No.: 214/209-2119  
Telecopy No.: 214/290-9462

with a copy to:

Bank of America, N.A.  
333 Clay Street, Suite 4550  
Houston, TX 77002  
Attn: Thelma Johnson  
Telephone No.: 713/651-4864  
Telecopy No.: 713/651-4808

BANK OF AMERICA, N.A., (continued)  
As Documentation Agent and a Lender

Payment Instructions:  
- - - - -

Bank Name: Bank of America, N.A.  
ABA Number: #111000012  
City, State:  
Account Number: 1292000883  
Attention: Corporate Loan Funds  
Reference: Transocean Sedco Forex Inc.



WELLS FARGO BANK TEXAS,  
NATIONAL ASSOCIATION,  
As Senior Managing Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$19,921,875

PERCENTAGE: 0.0796875%

Address for Notices:

- - - - -

Wells Fargo Bank Texas, National Association  
1000 Louisiana  
3rd Floor, Energy Department  
Houston, TX 77002  
Attn: Spencer Smith, Vice President  
Telephone No.: 713/319-1362  
Telecopy No.: 713/739-1087

Lending Office:

- - - - -

Wells Fargo Bank Texas, National Association  
1740 Broadway  
Denver, CO 80274  
Attn: Tanya Ivie, Production Manager  
Telephone No.: 303/863-6102  
Telecopy No.: 303/863-2729

Payment Instructions:

- - - - -

Bank Name: Wells Fargo Bank  
ABA Number: 121-000-248  
City, State: San Francisco, CA  
Account Number: 2712501201  
Attention: Syndicated Loans  
Reference: Transocean Sedco Forex

NATIONAL WESTMINSTER BANK PLC,  
NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

NATIONAL WESTMINSTER BANK PLC,  
NASSAU BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
- - - - -

National Westminster Bank Plc  
600 Travis Street, Suite 6070  
Houston, TX 77002  
Attn: Scott Barton  
Senior Vice President  
Telephone No.: 713/221-2436  
Telecopy No.: 713/221-2430

National Westminster Bank Plc  
600 Travis Street, Suite 6070  
Houston, TX 77002  
Attn: John Preece  
Assistant Vice President  
Telephone No.: 713/221-2429  
Telecopy No.: 713/221-2430

NATIONAL WESTMINSTER BANK PLC,  
NEW YORK BRANCH, (Continued)

NATIONAL WESTMINSTER BANK PLC,  
NASSAU BRANCH,

Administrative Contacts - Borrowings, Payments, Etc.  
-----

National Westminster Bank Plc  
65 East 55/th/ Street, 24/th/ Floor  
New York, NY 10022  
Attn: Sheila Shaw/Juanita Baird  
Telephone No.: 212/401-1406/1420  
Telecopy No.: 212/401-1494

Domestic Lending Office:  
-----

National Westminster Bank Plc  
65 East 55/th/ Street, 24/th/ Floor  
New York, NY 10022

Eurodollar Lending Office:  
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65 East 55/th/ Street, 24/th/ Floor  
New York, NY 10022

Payment Instructions:  
-----

Bank Name: Chase Manhattan Bank, New York  
ABA Number: 2712507201  
City, State: New York, NY  
Account Name: NatWest Plc, New York FX  
Account Number: 0011012440  
Attention: Commercial Loans  
Reference: Transocean Sedco Forex Inc.

THE BANK OF TOKYO-MITSUBISHI, LTD.  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

The Bank of Tokyo-Mitsubishi, Ltd.  
1100 Louisiana Street  
Suite 2800  
Houston, TX 77002  
Attn: Iris Munoz, Senior Associate  
Telephone No.: 713/655-3814  
Telecopy No.: 713/655-3855

Lending Office:  
-----

The Bank of Tokyo-Mitsubishi, Ltd.  
1100 Louisiana Street  
Suite 2800  
Houston, TX 77002  
Attn: Nadra Breir  
Telephone No.: 713/655-3847  
Telecopy No.: 713/658-0116

Payment Instructions:  
-----

Bank Name: The Bank of Tokyo-Mitsubishi, Ltd. - New York  
ABA Number: 026009632  
City, State: New York, New York  
Account Name: The Bank of Tokyo-Mitsubishi, Ltd. - Houston Agency  
Account Number: 30001710  
Attention: Nadra Breir  
Reference: Transocean Sedco Forex

THE FUJI BANK, LIMITED,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

The Fuji Bank, Limited  
Two World Trade Center  
New York, NY 10048  
Attn: Tina Catapano  
Telephone No.: 212/898-2099  
Telecopy No.: 212/488-8216

Lending Office:  
-----

The Fuji Bank, Limited  
1221 McKinney Street  
Suite 4100  
Houston, TX 77010  
Attn: Mark Polasek  
Telephone No.: 713/650-7863  
Telecopy No.: 713/759-0717

Payment Instructions:  
-----

Bank Name: The Fuji Bank, Limited  
ABA Number: 026009700  
City, State:  
Account Number: 515011  
Attention: US Corporate  
Reference: Transocean Sedco Forex Inc.

BANK ONE, NA  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

Bank One, NA  
910 Travis  
6th Floor  
Houston, TX 77002  
Attn: Dorothy Meachum  
Telephone No.: 713/751-3735  
Telecopy No.: 713/751-3760

Borrowings, Payments, Interest, Etc.  
-----

Bank One, NA  
1 Bank One Plaza  
0634, 1FNP, 10  
Chicago, IL 60670  
Attn: Bill Laird  
Telephone No.: 312/732-5635  
Telecopy No.: 312/732-4840

Domestic Lending Office:  
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Bank One, NA  
1 Bank One Plaza  
0634, 1FNP, 10  
Chicago, IL 60670

BANK ONE, NA (Continued)  
As a Lender

Eurodollar Lending Office:  
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Bank One, NA  
1 Bank One Plaza  
IL 1 0634  
Chicago, IL 60670

Payment Instructions:  
-----

Bank Name:	Bank One, Chicago
ABA Number:	071000013
City, State:	Chicago, IL
Account Number:	481152860000
Account Name:	LSII Incoming Clearing A/c
Attention:	Bill Laird
Reference:	Transocean Sedco Forex Inc.

THE BANK OF NEW YORK  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

The Bank of New York  
One Wall Street, 19th Floor  
New York, NY 10286  
Attn: Theresa M. Burke  
Oil & Gas Division  
Telephone No.: 212/635-7532  
Telecopy No.: 212/635-7923

Domestic Borrowings:  
-----

The Bank of New York  
101 Barclay Street  
New York, NY 10286  
Attn: Bill Barbiero  
Commercial Loan Servicing  
Department  
Telephone No.:  
Telecopy No.:

Payment Instructions:  
-----

Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Comm. Loan Servicing Dept.  
Account Number: 111 556  
Attention: Bill Barbiero  
Reference: Transocean Sedco Forex Inc.

Eurodollar Lending Office:  
-----

The Bank of New York  
101 Barclay Street  
New York, NY 10286  
Attn: Bill Barbiero  
Commercial Loan Servicing  
Department  
Telephone No.:  
Telecopy No.:

Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Comm. Loan Servicing Dept.  
Account Number: 111 556  
Attention: Bill Barbiero  
Reference: Transocean Sedco Forex Inc.



THE BANK OF NEW YORK (Continued)  
As a Lender

Letters of Credit:

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The Bank of New York  
101 Barclay Street  
New York, NY 10286  
Attn: Venus McGregor  
Trade Services Department  
Telephone No.:  
Telecopy No.:

Payment Instructions:

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Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Trade Services Department  
Account Number: GLA #111115  
Attention: Venus McGregor  
Reference: Transocean Sedco Forex Inc.

Domestic Borrowings:

-----

The Bank of New York  
101 Barclays Street  
New York, NY 10286  
Attn: Bill Barbiero  
Commercial Loan Servicing  
Department  
Telephone No.:  
Telecopy No.:

Payment Instructions:

-----

Bank Name: The Bank of New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Comm. Loan Servicing Dept.  
Account Number: 111 556  
Attention: Bill Barbiero  
Reference: Transocean Sedco Forex Inc.

CITIBANK, N.A.,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

Citibank, N.A.  
399 Park Avenue  
New York, NY 10043  
Attn: Mark S. Johnson  
Vice President  
Telephone No.: 212/559-4721  
Telecopy No.: 212/793-3588

Lending Office:  
-----

Citibank, N.A.  
Two Penns Way  
Suite 200  
New Castle, DE 19720  
Attn: Sean Portrait  
Telephone No.: 302/894-6083  
Telecopy No.: 302/894-6120

Payment Instructions:  
-----

Bank Name: Citibank, N.A.  
ABA Number: 021000089  
City, State: New Castle, DE  
Account Name: Shipping Concentration  
Account Number: 4054-8046  
Attention: Sean Portrait  
Reference: Transocean Sedco Forex Inc.

CREDIT LYONNAIS NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
-----

Credit Lyonnais  
1000 Louisiana  
Suite 5360  
Houston, TX 77002  
Attn: Page Dillehunt  
Telephone No.: 713/753-8713  
Telecopy No.: 713/751-0307

Credit Lyonnais  
1301 Avenue of the Americas  
New York, NY 10019  
Attn: Bindu Menon  
Telephone No.: 212/761-7633  
Telecopy No.: 917/849-5440

Domestic and Eurodollar Lending Office:  
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Credit Lyonnais New York Branch  
1301 Avenue of the Americas  
New York, NY 10019

CREDIT LYONNAIS NEW YORK BRANCH,  
As a Lender (Continued)

Payment Instructions:

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Bank Name: Credit Lyonnais New York  
ABA Number: 026008073  
City, State: New York, NY  
Account Number: 01-88179-3701-00-179  
Attention:  
Reference: Transocean Sedco Forex Inc.

DEN NORSKE BANK ASA,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$16,406,250

PERCENTAGE: 0.0656250%

Address for Notices:  
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Den norske Bank ASA  
200 Park Avenue, 31/st/ Floor  
New York, NY 10166  
Attn: Barbara Gronquist  
Senior Vice President  
Telephone No.: 212/681-3859  
Telecopy No.: 212/681-3900

Lending Office:  
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Den norske Bank ASA  
299 Park Avenue  
New York, NY 10166  
Attn: Bill Trivedi  
Credit Manager  
Telephone No.: 212/681-3824  
Telecopy No.: 212/681-3900

Payment Instructions:  
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Bank Name: Bank of New York  
ABA Number: 021 000 018  
City, State: New York, NY  
Account Name: Den Norske Bank - New York / SWIFT:DNBAUS33  
Account Number: Transocean - A/C# 10768999  
Attention: Anny Peralta  
Reference: Transocean Sedco Forex Inc.

CREDIT SUISSE FIRST BOSTON,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$7,812,500  
PERCENTAGE: 0.0312500%

Address for Notices:  
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Credit Suisse First Boston  
11 Madison Avenue  
New York, NY 10010  
Attn: James Moran  
Director  
Telephone No.: 212/325-9176  
Telecopy No.: 212/325-8615

Lending Office:  
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Credit Suisse First Boston  
5 World Trade Center  
New York, NY 10048  
Attn: Jenaro Sarasola  
Telephone No.: 212/322-1384  
Telecopy No.: 212/335-0593

Payment Instructions:  
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Bank Name: Bank of New York  
ABA Number: 021 000 018  
City, State: New York, NY  
Account Name: CSFBNY Loan Clearing  
Account Number: 8900329262  
Attention: \_\_\_\_\_  
Reference: Transocean Sedco Forex Inc.

THE BANK OF NOVA SCOTIA,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$7,812,500  
PERCENTAGE: 0.0312500%

Address for Notices:  
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The Bank of Nova Scotia  
Houston Representative Office  
1100 Louisiana, Suite 3000  
Houston, TX 77002  
Attn: Jean Paul Purdy  
Telephone No.: 713/759-3433  
Telecopy No.: 713/752-2425

The Bank of Nova Scotia  
Houston Representative Office  
1100 Louisiana, Suite 3000  
Houston, TX 77002  
Attn: Julie Hellman  
Telephone No.: 713/759-3442  
Telecopy No.: 713/752-2425

Lending Office:  
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PRIMARY  
The Bank of Nova Scotia  
Atlanta Agency  
Suite 2700, 600 Peachtree St. NE  
Atlanta, GA 30308  
Attn: Donna Gardner  
Telephone No.: 404/877-1552  
Telecopy No.: 404/888-8998

SECONDARY  
The Bank of Nova Scotia  
Atlanta Agency  
Suite 2700, 600 Peachtree St. NE  
Atlanta, GA 30308  
Attn: Michelle Wingard  
Telephone No.: 404/877-1562  
Telecopy No.: 404/888-8998

THE BANK OF NOVA SCOTIA, (Continued)  
As a Lender

Domestic and Eurodollar Lending Office:  
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The Bank of Nova Scotia  
Atlanta Agency  
Suite 2700, 600 Peachtree Street, N.E.  
Atlanta, GA 30308

Payment Instructions:  
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Bank Name:	The Bank of Nova Scotia, New York Agency
ABA Number:	026002532
City, State:	New York, NY
Account Name:	BNS Atlanta Agency
Account Number:	#0606634
Reference:	Transocean Sedco Forex Inc.



CHRISTIANIA BANK OG KREDITKASSE  
ASA, NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$7,812,500

PERCENTAGE: 0.0312500%

Address for Notices:  
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Christiania Bank og Kreditkasse  
ASA, New York Branch  
11 West 42/nd/ Street  
New York, NY 10036  
Attn: Martin Lunder  
Senior Vice President  
Telephone No.: 212/827-4828  
Telecopy No.: 212/827-4888

Lending Office:  
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Christiania Bank og Kreditkasse  
ASA, New York Branch  
11 West 42/nd/ Street  
New York, NY 10036  
Attn: Jacqueline Ng  
Assistant Treasurer  
Telephone No.: 212/827-4897  
Telecopy No.: 212/827-4888

Payment Instructions:  
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Bank Name: Bank of New York, New York  
ABA Number: 021000018  
City, State: New York, NY  
Account Name: Christiania Bank, New York  
Account Number: #8026120277  
Attention: Loan Administration  
Reference: Transocean Sedco Forex Inc.

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$4,687,500  
PERCENTAGE: 0.0187500%

Address for Notices:  
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Australia and New Zealand Banking  
Group Limited  
1177 6/th/ Avenue  
New York, NY 10036  
Attn: David Giacalone  
Vice President  
Telephone No.: 212/801-9814  
Telecopy No.: 212/556-4814

Lending Office:  
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Australia and New Zealand Banking  
Group Limited  
1177 6/th/ Avenue  
New York, NY 10036  
Attn: Tessie Amante  
Supervisor  
Telephone No.: 212/801-9744  
Telecopy No.: 212/801-9859

Payment Instructions:  
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Bank Name: Chase Manhattan Bank  
ABA Number: 021-000-021  
City, State: New York, NY  
Account Name: Australia and New Zealand Bank, New York  
Account Number: 400-928884  
Reference: Transocean Sedco Forex Inc. Revolvers

WESTDEUTSCHE LANDESBANK  
GIROZENTRALE, NEW YORK BRANCH,  
As a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$9,375,000

PERCENTAGE: 0.0375000%

Address for Notices:  
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Westdeutsche Landesbank Girozentrale,  
New York Branch  
1211 Avenue of the Americas  
New York, NY 10036  
Attn: Richard Newman  
Director, Corporate Finance  
Telephone No.: 212/963-5203  
Telecopy No.: 212/963-5308

Lending Office:  
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Westdeutsche Landesbank Girozentrale,  
New York Branch  
1211 Avenue of the Americas  
New York, NY 10036  
Attn: Thomas Lee  
Manager  
Telephone No.: 212/852-0204  
Telecopy No.: 212/852-6148

Payment Instructions:  
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Bank Name: The Chase Manhattan Bank, N.A.  
ABA Number: 021-000-021  
City, State: New York, NY  
Account Name: Westdeutsche Landesbank Girozentrale, New York Branch  
Account Number: 9201060663  
Attention: Grace Curran  
Reference: Transocean Sedco Forex Inc. Revolvers

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364-DAY BRIDGE CREDIT AGREEMENT

Dated as of

March 5, 2001

Among

TRANSOCEAN SEDCO FOREX INC.,

THE LENDERS PARTIES HERETO,

SUNTRUST BANK,  
as Syndication Agent,

ABN AMRO BANK, N.V.,  
as Administrative Agent,

WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION,  
as Documentation Agent,

And

BANK OF AMERICA, N.A.,  
as Senior Managing Agent

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ABN AMRO BANK, N.V. and  
GOLDMAN SACHS CREDIT PARTNERS L.P.,  
as Joint Lead Arrangers and  
Joint Book Runners

364-DAY BRIDGE CREDIT AGREEMENT

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THIS 364-DAY BRIDGE CREDIT AGREEMENT (the "Agreement"), dated as of March 5, 2001, among TRANSOCEAN SEDCO FOREX INC. (the "Borrower"), a Cayman Islands company, the lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), SUNTRUST BANK, a Georgia banking corporation ("STB"), as syndication agent for the Lenders (in such capacity, the "Syndication Agent"), ABN AMRO BANK, N.V., as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION, as documentation agent for the Lenders (in such capacity, the "Documentation Agent"), BANK OF AMERICA, N.A., as senior managing agent for the Lenders (in such capacity, the "Senior Managing Agent"), and GOLDMAN SACHS CREDIT PARTNERS L.P. and ABN AMRO BANK, N.V., as joint lead arrangers and joint book runners for the credit facility described herein (in such capacities, the "Joint Lead Arrangers" and "Joint Book Runners").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in its favor a 364-day bridge revolving credit facility in the aggregate principal amount of U.S. \$1,200,000,000, pursuant to which facility loans would be made to the Borrower;

WHEREAS, the Lenders are willing to make such revolving credit facility available to the Borrower on the terms and subject to the conditions and requirements hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1. definitions; interpretation.

Section 1.1. Definitions. Unless otherwise defined herein, the following terms shall have the following meanings, which meanings shall be equally applicable to both the singular and plural forms of such terms:

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Loans for any Interest Period, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR Rate for such Interest Period}}{1.00 - \text{Statutory Reserve Rate}}$$

"Administrative Agent" means ABN AMRO Bank, N.V., acting in its capacity as administrative agent for the Lenders, and any successor Administrative Agent appointed hereunder pursuant to Section 9.7; provided, however, that no such Administrative Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Agreement" means this 364-Day Bridge Credit Agreement, including all Exhibits and Schedules attached hereto, in each case as the same may be amended, restated and supplemented from time to time.

"Applicable Facility Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Syndication Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating during the period indicated:

Debt Rating -----	Percentage Applicable During First Six Months Following Effective Date -----	Percentage Applicable After the First Six Months Following Effective Date -----
A+/A1 or above	0.060%	0.110%
A/A2	0.070%	0.120%
A-/A3	0.080%	0.130%
BBB+/Baa1	0.100%	0.150%
BBB/Baa2	0.125%	0.175%
BBB-/Baa3 or below	0.175%	0.225%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Facility Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Facility Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Facility Fee Rate. The Borrower shall give written notice to the Syndication Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Facility Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Facility Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Facility Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Facility Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Margin" means, for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings

generally, such other ratings agency agreed to by the Borrower and the Syndication Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
A+/A1 or above	0.190%
A/A2	0.230%
A-/A3	0.320%
BBB+/Baa1	0.475%
BBB/Baa2	0.600%
BBB-/Baa3 or below	0.725%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Margin, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Margin, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Margin. The Borrower shall give written notice to the Syndication Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Margin shall be effective on the date of the relevant change. Notwithstanding the foregoing, if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Margin shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Margin in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Margin in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Applicable Utilization Fee Rate" means for any day, at such times as a debt rating (either express or implied) by S&P or Moody's (or in the event that both cease the issuance of debt ratings generally, such other ratings agency agreed to by the Borrower and the Syndication Agent) is in effect on the Borrower's non-credit enhanced senior unsecured long-term debt, the percentage per annum set forth opposite such debt rating:

Debt Rating -----	Percentage -----
A+/A1 or above	0.075%
A/A2	0.100%
A-/A3	0.100%
BBB+/Baa1	0.125%
BBB/Baa2	0.125%
BBB-/Baa3 or below	0.150%

If the ratings issued by S&P and Moody's differ (i) by one rating, the higher rating shall apply to determine the Applicable Utilization Fee Rate, (ii) by two ratings, the rating which falls between them shall apply to determine the Applicable Utilization Fee Rate, or (iii) by more than two ratings, the rating immediately above the lower of the two ratings shall apply to determine the Applicable Utilization Fee Rate. The Borrower shall give written notice to the Syndication Agent of any changes to such ratings, within three (3) Business Days thereof, and any change to the Applicable Utilization Fee Rate shall be effective on the date of the relevant change. Notwithstanding the foregoing, if the Borrower shall at any time fail to have in effect such a debt rating on the Borrower's non-credit enhanced senior unsecured long-term debt, the Borrower shall seek and obtain (if not already in effect), within thirty (30) days after such debt rating first ceases to be in effect, a corporate credit rating or a bank loan rating from Moody's or S&P, or both, and the Applicable Utilization Fee Rate shall thereafter be based on such ratings in the same manner as provided herein with respect to the Borrower's senior unsecured long-term debt rating (with the Applicable Utilization Fee Rate in effect prior to the issuance of such corporate credit rating or bank loan rating being the same as the Applicable Utilization Fee Rate in effect at the time the senior unsecured long-term debt rating ceases to be in effect).

"Assignment Agreement" means an agreement in substantially the form of Exhibit 10.10 whereby a Lender conveys part or all of its Commitment and Loans

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to another Person that is, or thereupon becomes, a Lender, or increases its Commitments and outstanding Loans pursuant to Section 10.10.

"Base Rate" means for any day the greater of:

(i) the fluctuating commercial loan rate announced by the Syndication Agent from time to time at its Atlanta, Georgia office (or other corresponding office, in the case of any successor Syndication Agent) as its prime rate or base rate for U.S. Dollar loans in the United States of America in effect on such day (which base rate may not be the lowest rate charged by such Lender on loans to any of its customers), with any change in the Base Rate resulting from a change in such announced rate to be effective on the date of the relevant change; and



(ii) the sum of (x) the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) 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 next Business Day, provided that (A) if such day is not a Business Day, the rate on such transactions on the immediately preceding Business Day as so published on the next Business Day shall apply, and (B) if no such rate is published on such next Business Day, the rate for such day shall be the average of the offered rates quoted to the Syndication Agent by two (2) federal funds brokers of recognized standing on such day for such transactions as selected by the Syndication Agent, plus (y) a percentage per annum equal to one-half of one percent ( 1/2%) per annum.

"Base Rate Loan" means a Loan bearing interest prior to maturity at the rate specified in Section 2.6(a).

"Borrower" means Transocean Sedco Forex Inc., a company organized under the laws of the Cayman Islands, and its successors.

"Borrowing" means any extension of credit of the same Type made by the Lenders on the same date by way of Loans having a single Interest Period, including any Borrowing advanced, continued or converted. A Borrowing is "advanced" on the day the Lenders advance funds comprising such Borrowing to the Borrower, is "continued" on the date a new Interest Period commences for such Borrowing, and is "converted" when such Borrowing is changed from one Type of Loan to the other, all as requested by the Borrower pursuant to Section 2.3.

"Business Day" means any day other than a Saturday or Sunday on which banks are not authorized or required to close in Atlanta, Georgia or New York, New York and, if the applicable Business Day relates to the advance or continuation of, conversion into, or payment on a Eurocurrency Borrowing, on which banks are dealing in Dollar deposits in the interbank eurodollar market in London, England.

"Capitalized Lease Obligations" means, for any Person, the aggregate amount of such Person's liabilities under all leases of real or personal property (or any interest therein) which is required to be capitalized on the balance sheet of such Person as determined in accordance with GAAP.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means, relative to any Lender, such Lender's obligations to make Loans pursuant to Section 2.1, initially in the amount and percentage set forth opposite its signature hereto or pursuant to Section 10.10, as such obligations may be reduced or increased from time to time as expressly provided pursuant to this Agreement.

"Commitment Termination Date" means the earliest of (i) March 1, 2002, (ii) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.12, and (iii) the occurrence of any Event of Default described in Section 7.1(f) or (g) with respect to the Borrower or the occurrence and continuance of any other Event of Default and either (x) the

declaration of the Loans to be due and payable pursuant to Section 7.2, or (y) in the absence of such declaration, the giving of written notice by the Syndication Agent, acting at the direction of the Required Lenders, to the Borrower pursuant to Section 7.2 that the Commitments have been terminated.

"Compliance Certificate" means a certificate in the form of Exhibit 6.6.  
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"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated October 2000, as the same may be amended, restated and supplemented from time to time and distributed to the Lenders prior to the Effective Date.

"Consolidated EBITDA" means, for any period, for the Borrower and its Subsidiaries, the sum of (a) net income or net loss (before discontinued operations and income or loss resulting from extraordinary items), plus (b) the sum of (i) Consolidated Interest Expense, (ii) income tax expense, (iii) depreciation expense, (iv) amortization expense, and (v) other non-cash charges, all determined in accordance with GAAP on a consolidated basis for the Borrower and its Subsidiaries (excluding, in the case of the foregoing clauses (a) and (b), any net income or net loss and expenses and charges of any SPVs or other Persons that are not Subsidiaries), plus (c) dividends or distributions received during such period by the Borrower and its Subsidiaries from SPVs and any other Persons that are not Subsidiaries. For purposes of the foregoing, Consolidated EBITDA for the Borrower and its Subsidiaries shall not include any such amounts attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such amounts relate to any period prior to the acquisition thereof.

"Consolidated Indebtedness" means all Indebtedness of the Borrower and its Subsidiaries that would be reflected on a consolidated balance sheet of such Persons prepared in accordance with GAAP.

"Consolidated Indebtedness to Total Capitalization Ratio" means, at any time, the ratio of Consolidated Indebtedness at such time to Total Capitalization at such time.

"Consolidated Interest Expense" means, for any period, total interest expense of the Borrower and its Subsidiaries on a consolidated basis for such period, in connection with Indebtedness, all as determined in accordance with GAAP, but excluding capitalized interest expense and interest expense attributable to expected federal income tax settlements. For purposes of the foregoing, Consolidated Interest Expense for the Borrower and its Subsidiaries shall not include any such interest expense attributable to any Subsidiary or business acquired during such period by the Borrower or any Subsidiary to the extent such interest expense relates to any period prior to the acquisition thereof.

"Consolidated Net Assets" means, as of any date of determination, an amount equal to the aggregate book value of the assets of the Borrower, its Subsidiaries and, to the extent of the equity interest of the Borrower and its Subsidiaries therein, SPVs at such time, minus the current liabilities of the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, consolidated shareholders equity of the Borrower and its Subsidiaries determined in accordance with GAAP (but excluding the effect on shareholders equity of cumulative foreign exchange translation adjustments). For purposes of this definition, SPVs shall be accounted for pursuant to the equity method of accounting.

"Controlling Affiliate" means for the Borrower, (i) any other Person that directly or indirectly through one or more intermediaries controls, or is under common control with, the Borrower (other than Persons controlled by the Borrower), and (ii) any other Person owning beneficially or controlling ten percent (10%) or more of the equity interests in the Borrower. As used in this definition, "control" means the power, directly or indirectly, to direct or cause the direction of management or policies of a Person (through ownership of voting securities or other equity interests, by contract or otherwise).

"Credit Documents" means this Agreement, the Notes, and any Subsidiary Guaranties in effect from time to time.

"Debt Issuance" means any Indebtedness of the Borrower or any of its Subsidiaries for borrowed money issued or incurred after the Effective Date, other than Indebtedness permitted under Sections 6.11(b), (c), (d), (f) and (h) of this Agreement, or any commercial paper issued by the Borrower or direct borrowings by the Borrower under commercial paper back-up or liquidity facilities or other short-term instruments in lieu of commercial paper issuances (or any refunding or refinancing thereof), or Indebtedness resulting from draws under letters of credit issued for its account or the account of any of its Subsidiaries.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Documentation Agent" shall mean Wells Fargo Bank Texas, National Association, in its capacity as documentation agent for the Lenders, and any successor Documentation Agent appointed pursuant to Section 9.7; provided, however, that no such Documentation Agent shall have any duties, responsibilities, or obligations hereunder in such capacity.

"Dollar" and "U.S. Dollar" and the sign "\$" mean lawful money of the United States of America.

"Effective Date" means the date this Agreement shall become effective as defined in Section 10.16.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating to any Environmental Law ("Claims") or any permit issued under any Environmental Law, including, without limitation, (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery,

compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to the environment.

"Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial or administrative order, consent, decree or judgment, relating to the environment.

"Equity Issuance" means the issuance or sale after the Effective Date by the Borrower or any of its Subsidiaries of any shares of any class of stock, options, warrants, or other equity interests, other than (a) present and future shares of stock, options, or warrants issued to employees, directors, or consultants of the Borrower or any of its Subsidiaries under any stock option plan or other benefit or compensation plans or arrangements of the Borrower or any of its Subsidiaries, (b) stock issued upon the exercise of any such warrants, options, conversion rights and other rights of the Borrower or any of its Subsidiaries, (c) shares of any class of stock, warrants, or other equity interests issued by any Subsidiary of the Borrower solely to the Borrower or any of its Subsidiaries, (d) the common stock of R&B Falcon issued pursuant to the initial public offering of R&B Falcon, (e) common stock of the Borrower issued solely for use as consideration to effect acquisitions permitted under this Agreement and (f) any option, warrant, conversion or exchange or other right to any capital stock or right to acquire such capital stock of the Borrower or any of its Subsidiaries outstanding on the date hereof or issued pursuant to a plan existing on the date hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Eurocurrency Loan" means a Loan bearing interest before maturity at the rate specified in Section 2.6(b).

"Event of Default" means any of the events or circumstances specified in Section 7.1.

"Foreign Plan" means any pension, profit sharing, deferred compensation, or other employee benefit plan, program or arrangement maintained by any foreign Subsidiary of the Borrower which, under applicable local law, is required to be funded through a trust or other funding vehicle, but shall not include any benefit provided by a foreign government or its agencies.

"GAAP" means generally accepted accounting principles from time to time in effect as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements, opinions and pronouncements by such other entity as may be approved by a significant segment of the U.S. accounting profession.

"Governmental Authority" means the government of the United States of America, any other nation or 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.

"Guarantor" means any Subsidiary of the Borrower required to execute and deliver a Subsidiary Guaranty hereunder pursuant to Section 6.11, in each case unless and until the relevant Subsidiary Guaranty is released pursuant to Section 6.11.

"Guaranty" by any Person means all contractual obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business) of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or to purchase any property or assets constituting security therefor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness, in each case primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iii) to lease property, or to purchase securities or other property or services, of the primary obligor, primarily for the purpose of assuring the owner of such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness; or (iv) otherwise to assure the owner of such Indebtedness of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any Indebtedness shall be deemed to be equal to the amount that would apply if such Indebtedness was the direct obligation of such Person rather than the primary obligor or, if less, the maximum aggregate potential liability of such Person under the terms of the Guaranty.

"Hazardous Material" shall have the meaning assigned to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Acts of 1986, and shall also include petroleum, including crude oil or any fraction thereof, or any other substance defined as "hazardous" or "toxic" or words with similar meaning and effect under any Environmental Law applicable to the Borrower or any of its Subsidiaries.

"Highest Lawful Rate" means the maximum nonusurious interest rate, if any, that any time or from time to time may be contracted for, taken, reserved, charged or received on any Loans, under laws applicable to any of the Lenders which are presently in effect or, to the extent allowed by applicable law, under such laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. Determination of the rate of interest for the purpose of determining whether any Loans are usurious under all applicable laws shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the period of the full stated term of the Loans, all interest at any time contracted for, taken, reserved, charged or received from the Borrower in connection with the Loans.

"Indebtedness" means, for any Person, the following obligations of such Person, without duplication: (i) obligations of such Person for borrowed money; (ii) obligations of such Person representing the deferred purchase price of property or services other than accounts payable and accrued liabilities arising in the ordinary course of business and other than amounts which are being contested in good faith and for which reserves in conformity with GAAP have been provided; (iii) obligations of such Person evidenced by bonds, notes, bankers acceptances, debentures or other similar instruments of such Person, or obligations of such Person arising, whether absolute or contingent, out of letters of credit issued for such Person's account or pursuant to such Person's application securing Indebtedness; (iv) obligations of other Persons, whether or not assumed, secured by Liens (other than Permitted Liens) upon property or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, but only to the extent of such property's fair market value; (v) Capitalized Lease Obligations of such Person; (vi) obligations under Interest Rate Protection Agreements, and (vii) obligations of such Person pursuant to a Guaranty of any of the foregoing obligations of another Person; provided, however, Indebtedness shall exclude Non-recourse Debt. For purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture to the extent such Indebtedness is recourse to such Person.

"Interest Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (i) Consolidated EBITDA for the four fiscal quarter period then ended, minus all cash dividends paid to shareholders of the Borrower, or to holders of preferred shares or other preferred equity interests issued by any Subsidiaries of the Borrower where such holders are Persons other than the Borrower or any of its Subsidiaries, during such four fiscal quarter period, and all cash income taxes paid during such four fiscal quarter period, to (ii) Consolidated Interest Expense for the four fiscal quarter period then ended.

"Interest Payment Date" means (a) with respect to any Base Rate Loan, the last day of each March, June, September and December, and (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means the period commencing on the date of a Eurocurrency Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interest Rate Protection Agreement" shall mean any interest rate swap, interest rate cap, interest rate collar, or other interest rate hedging agreement or arrangement designed to protect against fluctuations in interest rates.

"Joint Book Runners" shall mean Goldman Sachs Credit Partners L.P. and ABN AMRO Bank, N.V., in their capacities as joint book runners for the credit facility provided in this Agreement, and any successor Joint Book Runner appointed pursuant to Section 9.7; provided,

however, that the Joint Book Runners shall have no duties, responsibilities, or obligations hereunder in such capacity.

"Joint Lead Arrangers" shall mean Goldman Sachs Credit Partners L.P. and ABN AMRO Bank, N.V., in their capacities as joint lead arrangers for the credit facility provided in this Agreement, and any successor Joint Lead Arranger appointed pursuant to Section 9.7; provided, however, that the Joint Lead Arrangers shall have no duties, responsibilities, or obligations hereunder in such capacity.

"Lender" is defined in the preamble.

"Lending Office" means the branch, office or affiliate of a Lender specified on the appropriate signature page hereof, or designated pursuant to Sections 8.4 or 10.10, as the office through which it will make its Loans hereunder for each type of Loan available hereunder.

"LIBOR Rate" means, relative to any Interest Period for each Eurocurrency Borrowing, the rate per annum quoted at or about 11:00 a.m. (London, England time) two Business Days before the commencement of such Interest Period on that page of the Reuters, Telerate or Bloomburys reporting service (as then being used by the Syndication Agent to obtain such interest rate quotes) that displays British Bankers' Association interest settlement rates for deposits in Dollars, or if such page or such service shall cease to be available, such other page or other service (as the case may be) for the purpose of displaying British Bankers' Association interest settlement rates as reasonably determined by the Syndication Agent upon advising the Borrower as to the use of any such other service. If for any reason any such settlement interest rate for such Interest Period is not available to the Syndication Agent through any such interest rate reporting service, then the "LIBOR Rate" with respect to such Eurocurrency Borrowing will be the rate at which the Syndication Agent is offered deposits in Dollars of \$5,000,000 for a period approximately equal to such Interest Period in the London interbank market at 10:00 a.m. two Business Days before the commencement of such Interest Period.

"Lien" means any interest in any property or asset in favor of a Person other than the owner of such property or asset and securing an obligation owed to, or a claim by, such Person, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes.

"Loan" has the meaning set forth in Section 2.1, which Loan may be outstanding either as (i) a Base Rate Loan, or (ii) a Eurocurrency Loan, as the case may be. "Loans" means two or more of any such Loans.

"Material Adverse Effect" means a material adverse effect on (i) the business, assets, operations or condition of the Borrower and its Subsidiaries taken as a whole, or (ii) the Borrower's ability to perform any of its payment obligations under the Agreement or the Notes.

"Maturity Date" means the earlier of (i) March 1, 2002, and (ii) the date on which the Loans have become due and payable pursuant to Section 7.2 or 7.3.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Net Cash Proceeds" means (a) with respect to any Significant Sale, cash (freely convertible into Dollars) (including any cash received by way of deferred payment pursuant to a promissory note or otherwise, or upon liquidation or conversion of any cash equivalents, but only as and when received) received in connection with and as consideration therefor, by the Borrower or any of its Subsidiaries from such Significant Sale, after (i) deduction of Taxes paid or payable in connection with such transaction, (ii) payment of all reasonable and customary brokerage commissions and all other fees and expenses related to such Significant Sale (including, without limitation, reasonable attorneys' fees and closing costs incurred in connection with such Significant Sale), (iii) deduction of amounts established by the Borrower or any of its Subsidiaries as a reserve for liabilities retained by the Borrower or any of its Subsidiaries after such Significant Sale, which liabilities are associated with the asset or assets being sold or otherwise retained in connection with such transaction, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations or other retained liabilities or obligations associated with such Significant Sale, and (iv) deduction for the amount of any Indebtedness (other than the Obligations) secured by the respective asset or assets being sold or which is required to be repaid as a result of such Significant Sale or Permitted Asset Swap; (b) with respect to any Debt Issuance, cash (freely convertible into Dollars) (including any cash received by way of deferred payment pursuant to a promissory note or otherwise, or upon liquidation or conversion of any cash equivalents, but only as and when received) received, on or after the date of such Indebtedness, by the Borrower or any of its Subsidiaries from the incurrence of such Indebtedness after (i) payment of all reasonable attorneys' fees and reasonable and customary underwriting commissions, closing costs, and other expenses associated with such incurrence of Indebtedness, (ii) deduction of all deposits, escrow amounts, or other reserves required to be maintained by the Borrower or any of its Subsidiaries in connection with such Indebtedness, and (iii) deductions for the amount of any other Indebtedness (other than the Obligations) that is required to be repaid concurrently with or otherwise as a result of the incurrence of such Indebtedness; and (c) with respect to any Equity Issuance, cash (freely convertible into Dollars) (including any cash received by way of deferred payment pursuant to a promissory note or otherwise, or upon liquidation or conversion of any cash equivalents, but only as and when received) received, on or after the date of such Equity Issuance, by the Borrower or any Subsidiary from such Equity Issuance, net of reasonable and customary transaction costs and expenses and taxes and charges.

"Non-recourse Debt" means with respect to any Person (i) obligations of such Person against which the obligee has no recourse to such Person except as to certain named or described present or future assets or interests of such Person, and (ii) the obligations of SPVs to the extent the obligee thereof has no recourse to the Borrower or any of its Subsidiaries, except as to certain specified present or future assets or interests of SPVs.

"Note" means any of the promissory notes of the Borrower defined in Section 2.8(e).



"Obligations" means all obligations of the Borrower to pay fees, costs and expenses hereunder, to pay principal or interest on Loans and to pay any other obligations to the Syndication Agent or any Lender arising under any Credit Document.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Percentage" means, for each Lender, the percentage of the Commitments represented by such Lender's Commitment; provided, that, if the Commitments are terminated, each Lender's Percentage shall be calculated based on its Commitment in effect immediately before such termination, subject to any assignments by such Lender of Obligations pursuant to Section 10.10.

"Performance Guaranties" means all Guaranties of the Borrower or any of its Subsidiaries delivered in connection with the construction financing of drill ships, offshore mobile drilling units or offshore drilling rigs for which firm drilling contracts have been obtained by the Borrower, any of its Subsidiaries or a SPV.

"Performance Letters of Credit" means all letters of credit for the account of the Borrower, any Subsidiary or a SPV issued as support for Non-recourse Debt or a Performance Guaranty.

"Permitted Asset Swap" means a substantially contemporaneous purchase or sale or exchange of property (other than cash or cash equivalents) owned by a Person that is not an Affiliate of the Borrower for property owned by the Borrower or any of its Subsidiaries.

"Permitted Business" has the meaning ascribed to such term in Section 6.8.

"Permitted Liens" means the Liens permitted as described in Section 6.10.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by the Borrower or any of its Subsidiaries, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any of its Subsidiaries is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made or had an obligation to make contributions.

"R&B Falcon" means R&B Falcon Corporation, a Delaware corporation.

"R&B Falcon Merger" means the stock-for-stock merger of TSF Delaware Inc., a wholly owned indirect Subsidiary of the Borrower, with and into R&B Falcon, with R&B Falcon thereby becoming a wholly owned indirect Subsidiary of the Borrower.

"R&B Falcon Merger Agreement" means the Agreement and Plan of Merger dated as of August 19, 2000, among the Borrower, Transocean Holdings, Inc., TSF Delaware Inc., and R&B Falcon, as the same may be amended, restated or supplemented from time to time.

"Required Lenders" means, at any time, Lenders having Revolving Credit Obligations and unused Commitments representing more than 50% of the sum of the total Revolving Credit Obligations and unused Commitments at such time.

"Revolving Credit" means the credit facility for making Loans described in Section 2.1.

"Revolving Credit Commitment Amount" means an amount equal to \$1,200,000,000, as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"Revolving Credit Obligations" means the sum of the principal amount of all Loans outstanding.

"Sale-Leaseback Transaction" means any arrangement whereby the Borrower or a Subsidiary shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

"Senior Managing Agent" means Bank of America, N.A., in its capacity as senior managing agent for the Lenders, and any successor Senior Managing Agent appointed pursuant to Section 9.7; provided, however, that the Senior Managing Agent shall have no duties, responsibilities, or obligations hereunder in such capacity.

"S&P" means Standard & Poor's Ratings Group or any successor thereto.

"SPV" means any Person that is designated by the Borrower as a SPV, provided that the Borrower shall not designate as a SPV any Subsidiary that owns, directly or indirectly, any other Subsidiary that has total assets (including assets of any Subsidiaries of such other Subsidiary, but excluding any assets that would be eliminated in consolidation with the Borrower and its Subsidiaries) which equates to at least five percent (5%) of the Borrower's Total Assets, or that had net income (including net income of any Subsidiaries of such other Subsidiary, all before discontinued operations and income or loss resulting from extraordinary items, all determined in accordance with GAAP, but excluding revenues and expenses that would be eliminated in consolidation with the Borrower and its Subsidiaries) during the most recently completed fiscal year of the Borrower in excess of the greater of (i) \$1,000,000, and (ii) fifteen percent (15%) of the net income (before discontinued operations and income or loss resulting from extraordinary items) for the Borrower and its Subsidiaries, all as determined on a consolidated basis in accordance with GAAP during such fiscal year of the Borrower. The Borrower may elect to treat any Subsidiary as a SPV (provided such Subsidiary would otherwise qualify as such), and may rescind any such prior election, by giving written notice thereof to the Syndication Agent specifying the name of such Subsidiary or SPV, as the case may be, and the effective date of such election, which shall be a date within sixty (60) days after the date such notice is given. The election to treat a particular Person as a SPV may only be made once.

"Significant Sale" means any sale, lease, transfer, or other disposition of any property (tangible or intangible, including, without limitation, stock or equity interests in the Borrower's Subsidiaries or any other Persons) of the Borrower or any of its Subsidiaries, other than (a) sales of inventory or services in the ordinary course of business; (b) the sale, discount, or transfer of delinquent accounts receivable in the ordinary course of business for purposes of collection; (c) sales of immaterial assets for consideration not less than the fair market value thereof; (d) dispositions of assets that are obsolete or no longer useful in the business of the Borrower or any of its Subsidiaries; (e) sales, leases, or other disposition among the Borrower and its Subsidiaries; (f) disposition of assets pursuant to Permitted Asset Swaps or permitted by Section 6.14; (g) sales and other dispositions of marketable securities; and (h) charters of drilling rigs and other equipment in the ordinary course of business of the Borrower and its Subsidiaries; provided, however, that the issuance, sale or other disposition of any common stock of R&B Falcon, whether effected by R&B Falcon or by the Borrower or any of its Subsidiaries, shall be deemed to be a Significant Sale for all purposes of this Agreement.

"Significant Subsidiary" has the meaning ascribed to it under Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended.

"Statutory Reserve Rate" means, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number 1 and the denominator of which is the number 1 minus the aggregate of the maximum reserve, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D of the Board of Governors of the Federal Reserve System. Eurocurrency Loans shall be deemed to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, for any Person, any other Person (other than, except in the context of Section 6.6(a), a SPV) of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the board of directors of such corporation, any managers of such limited liability company or similar governing body (irrespective of whether or not at the time stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency), is at the time directly or indirectly owned by such former Person or by one or more of its Subsidiaries.

"Subsidiary Debt Basket Amount" has the meaning ascribed to such term in Section 6.11(i).

"Subsidiary Guaranty" means any Guaranty of any Subsidiary delivered pursuant to Section 6.11(j).

"Syndication Agent" shall mean SunTrust Bank, acting in its capacity as syndication agent for the Lenders, and any successor Syndication Agent appointed hereunder pursuant to Section 9.7.

"Taxes" has the meaning set forth in Section 5.12.

"Total Assets" means, as of any date of determination, the aggregate book value of the assets of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP as of such date.

"Total Capitalization" means, as of any date of determination, the sum of Consolidated Indebtedness plus Consolidated Net Worth as of such date.

"Transocean R&B Falcon Joint Proxy Statement" means the joint proxy statement/prospectus of the Borrower and R&B Falcon dated November 3, 2000, as the same may be amended or supplemented from time to time.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to Adjusted LIBOR or the Base Rate.

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Borrower or any of its Subsidiaries to the PBGC or such Plan.

Section 1.2. Time of Day. Unless otherwise expressly provided, all  
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references to time of day in this Agreement and the other Credit Documents shall be references to New York, New York time.

Section 1.3. Accounting Terms; GAAP. Except as otherwise expressly  
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provided herein, and subject to the provisions of Section 10.19, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

## ARTICLE 2. THE CREDIT FACILITIES.

Section 2.1. Commitments for Loans. Subject to the terms and conditions  
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hereof, each Lender severally and not jointly agrees to make one or more loans (each a "Loan") to the Borrower from time to time before the Commitment Termination Date on a revolving basis in an aggregate amount not to exceed at any time outstanding an amount equal to its Commitment, subject to any reductions thereof pursuant to the terms of this Agreement; provided, however, that no Lender shall be permitted or required to make any Loan if, after giving effect thereto, (i)

the aggregate principal amount of the Loans of all Lenders would thereby exceed the Revolving Credit Commitment Amount then in effect; or (ii) the Revolving Credit Obligations of such Lender would thereby exceed its Commitment then in effect. Each Borrowing shall be made ratably from the Lenders in proportion to their respective Percentages. Loans may be repaid, in whole or in part, and all or any portion of the principal amount thereof reborrowed, before the Commitment Termination Date, subject to the terms and conditions hereof. Funding of all Loans shall be in Dollars.

Section 2.2. Types of Loans and Minimum Borrowing Amounts. Borrowings

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may be outstanding as either Base Rate Loans or Eurocurrency Loans, as selected by the Borrower pursuant to Section 2.3. Each Borrowing of Base Rate Loans shall be in an amount of not less than \$1,000,000 and each Borrowing of Eurocurrency Loans shall be in an amount of not less than \$5,000,000 and in an integral multiple of \$100,000.

Section 2.3. Manner of Borrowings.

(a) Notice to Syndication Agent. The Borrower shall give notice to the

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Syndication Agent by no later than 12:00 p.m. (i) at least three (3) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Loans, and (ii) on the date the Borrower requests the Lenders to advance a Borrowing of Base Rate Loans, in each case pursuant to a duly executed borrowing request substantially in the form of Exhibit 2.3 (each a

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"Borrowing Request"). The Loans included in each Borrowing shall bear interest initially at the type of rate specified in the Borrowing Request with respect to such Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to the minimum amount requirement in Section 2.2 for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Loans, the Borrower may continue part or all of such Borrowing as Eurocurrency Loans for an Interest Period specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans on the last day of the Interest Period applicable thereto, or the Borrower may earlier convert part or all of such Borrowing into Base Rate Loans so long as it pays the breakage fees and funding losses provided in Section 2.11; and (ii) if such Borrowing is of Base Rate Loans, the Borrower may convert all or part of such Borrowing into Eurocurrency Loans for an Interest Period specified by the Borrower on any Business Day, in each case pursuant to notices of continuation or conversion as set forth below. The Borrower may select multiple Interest Periods for the Eurocurrency Loans constituting any particular Borrowing, provided that at no time shall the number of different Interest Periods for outstanding Eurocurrency Loans exceed twenty (20) (it being understood for such purposes that (x) Interest Periods of the same duration, but commencing on different dates, shall be counted as different Interest Periods, and (y) all Interest Periods commencing on the same date and of the same duration and currency shall be counted as one Interest Period regardless of the number of Borrowings or Loans involved. Notices of the continuation of Eurocurrency Loans for an additional Interest Period or of the conversion of part or all of Eurocurrency Loans into Base Rate Loans or of Base Rate Loans into Eurocurrency Loans must be given by no later than 12:00 p.m. at least three (3) Business Days before the date of the requested continuation or conversion. The Borrower shall give such notices concerning the advance, continuation, or conversion of a Borrowing by telephone or facsimile (which notice shall be irrevocable once given and, if by telephone, shall be promptly

confirmed in writing) pursuant to a Borrowing Request which shall specify the date of the requested advance, continuation or conversion (which shall be a Business Day), the amount of the requested Borrowing, whether such Borrowing is to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Loans, the Interest Period applicable thereto. The Borrower agrees that the Syndication Agent may rely on any such telephonic or facsimile notice given by any Person it in good faith believes is an authorized representative of the Borrower without the necessity of independent investigation and that, if any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Syndication Agent has acted in reliance thereon.

(b) Notice to the Lenders. The Syndication Agent shall give prompt

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telephonic, telex or facsimile notice to each Lender of any notice received pursuant to Section 2.3(a) relating to a Borrowing. The Syndication Agent shall give notice to the Borrower and each Lender by like means of the interest rate applicable to each Borrowing of Eurocurrency Loans (but, if such notice is given by telephone, the Syndication Agent shall confirm such rate in writing) promptly after the Syndication Agent has made such determination.

(c) Borrower's Failure to Notify. If the Borrower fails to give notice

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pursuant to Section 2.3(a) of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Loans, and has not notified the Syndication Agent by 12:00 p.m. at least three (3) Business Days before the last day of the Interest Period for any Borrowing of Eurocurrency Loans that it intends to repay such Borrowing, the Borrower shall be deemed to have requested the continuation of such Borrowing as a Eurocurrency Loan with an Interest Period of one (1) month. Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan, and (ii) the obligation of the Lenders to make, continue or convert Loans into Eurocurrency Loans shall be suspended.

(d) Conversion. If the Borrower shall elect to convert any particular

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Borrowing from one Type of Loan to the other only in part, then, from and after the date on which such conversion shall be effective, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence) be deemed to instead constitute two Borrowings (each originally advanced on the same date as such particular Borrowing), one comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Loans in an aggregate principal amount equal to the portion of such Borrowing so elected by the Borrower to be comprised of Eurocurrency Loans and the second comprised of (subject to subsequent conversion in accordance with this Agreement) Base Rate Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to be comprised of Base Rate Loans. If the Borrower shall elect to have multiple Interest Periods apply to any particular Borrowing comprised of Eurocurrency Loans, then, from and after the date such multiple Interest Periods commence, such particular Borrowing shall, for all purposes of this Agreement (including, without limitation, for purposes of subsequent application of this sentence), be deemed to constitute a number of separate Borrowings (each originally advanced on the same date as such particular Borrowing) equal to the number of, and corresponding to, the different Interest Periods so selected, each such deemed

separate Borrowing corresponding to a particular selected Interest Period comprised of (subject to subsequent conversion in accordance with this Agreement) Eurocurrency Loans in an aggregate principal amount equal to the portion of such particular Borrowing so elected by the Borrower to have such Interest Period. This Section 2.3(d) shall be applied appropriately in the event that the Borrower shall make the elections described in the two preceding sentences at the same time with respect to the same particular Borrowing.

Section 2.4. Interest Periods. As provided in Section 2.3, at the time

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of each request for a Borrowing of Eurocurrency Loans, or for the continuation or conversion of any Borrowing of Eurocurrency Loans, the Borrower shall select an Interest Period(s) applicable to such Loans from among the available options subject to the limitations in Section 2.3; provided, however, that:

(i) the Borrower may not select an Interest Period for a Borrowing of Loans that extends beyond the Maturity Date;

(ii) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall either be (i) extended to the next succeeding Business Day, or (ii) in the case of Eurocurrency Loans only, reduced to the immediately preceding Business Day if the next succeeding Business Day is in the next calendar month; and

(iii) for purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no such numerically corresponding day in the month in which an Interest Period is to end or if an Interest Period begins on the last Business Day of a calendar month, then in the case of Eurocurrency Loans only, such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.5. Funding of Loans.

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(a) Disbursement of Loans. Not later than 12:00 p.m. with respect to

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Borrowings of Eurocurrency Loans, and 2:00 p.m. with respect to Base Rate Loans, on the date of any requested advance of a new Borrowing, each Lender, subject to all other provisions hereof, shall make available its Loan comprising its portion of such Borrowing in funds immediately available in Atlanta, Georgia for the benefit of the Syndication Agent and according to the payment instructions of the Syndication Agent. The Syndication Agent shall make the proceeds of each such Borrowing available in immediately available funds to the Borrower (or as directed in writing by the Borrower) on such date. In the event that any Lender does not make such amounts available to the Syndication Agent by the time prescribed above, but such amount is received later that day, such amount may be credited to the Borrower in the manner described in the preceding sentence on the next Business Day (with interest on such amount to begin accruing hereunder on such next Business Day) provided that acceptance by the Borrower of any such late amount shall not be deemed a waiver by the Borrower of any rights it may have against such Lender. No Lender shall be responsible to the Borrower for any failure by another Lender to

fund its portion of a Borrowing, and no such failure by a Lender shall relieve any other Lender from its obligation, if any, to fund its portion of a Borrowing.

(b) Syndication Agent Reliance on Lender Funding. Unless the Syndication

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Agent shall have been notified by a Lender before the date on which such Lender is scheduled to make payment to the Syndication Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Syndication Agent may assume that such Lender has made such payment when due and in reliance upon such assumption may (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Syndication Agent, such Lender shall, on demand, pay to the Syndication Agent the amount made available to the Borrower attributable to such Lender together with interest thereon for each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Syndication Agent at a rate per annum equal to the Syndication Agent's cost of funds for such amount. If such amount is not received from such Lender by the Syndication Agent immediately upon demand, the Borrower will, on demand, repay to the Syndication Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but the Borrower will in no event be liable to pay any amounts otherwise due pursuant to Section 2.11 in respect of such repayment. Nothing in this subsection shall be deemed to relieve any Lender from any obligation to fund any Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Section 2.6. Applicable Interest Rates.

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(a) Base Rate Loans. Each Base Rate Loan shall bear interest (computed

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on the basis of a 365-day year or 366-day year, as the case may be, and actual days elapsed excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a Eurocurrency Revolving Loan, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the Base Rate from time to time in effect. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise).

(b) Eurocurrency Loans. Each Eurocurrency Loan shall bear interest

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(computed on the basis of a 360-day year and actual days elapsed, excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a Base Rate Loan, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the sum of Adjusted LIBOR plus the Applicable Margin. The Borrower agrees to pay such interest on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise) or conversion to a Base Rate Loan.

(c) Rate Determinations. The Syndication Agent shall determine each

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interest rate applicable to the Loans hereunder insofar as such interest rate involves a determination of Base Rate, Adjusted LIBOR, or any applicable default rate pursuant to Section 2.7, and such determination shall be conclusive and binding except in the case of the Syndication Agent's



manifest error or willful misconduct. The Syndication Agent shall promptly give notice to the Borrower and each Lender of each determination of Adjusted LIBOR with respect to each Eurocurrency Loan.

Section 2.7. Default Rate. If any payment of principal on any Loan is

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not made when due after the expiration of the grace period therefor provided in Section 7.1(a) (whether by acceleration or otherwise), such Loan shall bear interest (computed on the basis of a year of 360, 365 or 366 days, as applicable, and actual days elapsed) after any such grace period expires until such principal then due is paid in full, which the Borrower agrees to pay on demand, at a rate per annum equal to:

(a) for any Base Rate Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due); and

(b) for any Eurocurrency Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at a rate per annum equal to the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at the time such payment was due).

It is the intention of the Syndication Agent and the Lenders to conform strictly to usury laws applicable to them. Accordingly, if the transactions contemplated hereby or any Loan or other Obligation would be usurious as to any of the Lenders under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement, the Notes or any other Credit Document), then, in that event, notwithstanding anything to the contrary in this Agreement, the Notes or any other Credit Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under laws applicable to such Lender that is contracted for, taken, reserved, charged or received by such Lender under this Agreement, the Notes or any other Credit Document or otherwise shall under no circumstances exceed the Highest Lawful Rate, and any excess shall be credited by such Lender on the principal amount of the Loans (or, if the principal amount of the Loans shall have been paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Loans is accelerated by reason of an election of the holder or holders thereof resulting from any Event of Default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under laws applicable to such Lender may never include more than the Highest Lawful Rate, and excess interest, if any, provided for in this Agreement, the Notes, any other Credit Document or otherwise shall be automatically canceled by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Loans (or if the principal amount of the Loans shall have been paid in full, refunded by such Lender to the Borrower). To the extent that the Texas Finance Code, Chapters 302 and 303, are relevant to the Syndication Agent and the Lenders for the purpose of determining the Highest Lawful Rate, the Syndication Agent and the Lenders hereby elect to determine the applicable rate ceiling under such Article by the indicated (weekly) rate ceiling from time to time in effect,

subject to their right subsequently to change such method in accordance with applicable law. In the event the Loans are paid in full by the Borrower prior to the full stated term of the Loans and the interest received from the actual period of the existence of the Loans exceeds the Highest Lawful Rate, the Lenders shall refund to the Borrower the amount of the excess or shall credit the amount of the excess against amounts owing under the Loans and none of the Syndication Agent or the Lenders shall be subject to any of the penalties provided by law for contracting for, taking, reserving, charging or receiving interest in excess of the Highest Lawful Rate. The Texas Finance Code, Chapter 346, which regulates certain revolving credit loan accounts and revolving tri-party accounts, shall not apply to this Agreement or the Loans.

Section 2.8. Repayment of Loans; Evidence of Debt.  
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(a) Repayment of Loans. The Borrower hereby promises to pay to the  
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Syndication Agent, for the account of each Lender, on the Maturity Date the unpaid principal amount of each Loan then outstanding.

(b) Record of Loans by Lenders. Each Lender shall maintain in  
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accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and accrued interest payable and paid to such Lender from time to time hereunder.

(c) Record of Loans by Syndication Agent. The Syndication Agent shall  
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maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or accrued interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Syndication Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) Evidence of Obligations. The entries made in the accounts maintained  
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pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence  
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of the existence and amounts of the obligations recorded therein; provided that  
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the failure of any Lender or the Syndication Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Notes. The Loans outstanding to the Borrower from each Lender shall,  
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at the request of such Lender, be evidenced by promissory notes of the Borrower payable to such Lender in the form of Exhibit 2.8E (each a "Note"). The Borrower  
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agrees to execute and deliver to the Syndication Agent, for the benefit of each Lender requesting a promissory note as aforesaid, an original of such promissory note, appropriately completed, to evidence the respective Loans made by such Lender hereunder, within ten (10) Business Days after the Borrower receives a written request therefor.

(f) Recording of Loans and Payments on Notes. Each holder of a Note shall  
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record on its books and records or on a schedule to its Note (and prior to any transfer of its Note shall endorse thereon or on schedules forming a part thereof appropriate notations to evidence) the amount of each Loan outstanding from it to the Borrower, all payments of principal and interest

and the principal balance from time to time outstanding thereon, the Type of such Loan and, if a Eurocurrency Loan, the Interest Period and interest rate applicable thereto. Such record, whether shown on the books and records of a holder of a Note or on a schedule to its Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any holder to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans outstanding to it hereunder together with accrued interest thereon. At the request of any holder of a Note and upon such holder tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such holder to replace any outstanding Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such new Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.9. Optional Prepayments. The Borrower shall have the privilege

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of prepaying Base Rate Loans without premium or penalty at any time in whole or at any time and from time to time in part (but, if in part, then in an amount which is equal to or greater than \$1,000,000); provided, however, that the Borrower shall have given notice of such prepayment to the Syndication Agent no later than 12:00 p.m. on the date of such prepayment. The Borrower shall have the privilege of prepaying Eurocurrency Loans (a) without premium or penalty in whole or in part (but, if in part, then in an amount which is equal to or greater than \$5,000,000 and in an integral multiple of \$100,000) only on the last Business Day of an Interest Period for such Loan, and (b) at any other time so long as the breakage fees and funding losses provided for in Section 2.11 are paid; provided, however, that the Borrower shall have given notice of such prepayment to the Syndication Agent no later than 12:00 p.m. at least three (3) Business Days before the last Business Day of such Interest Period or the proposed prepayment date. Any such prepayments shall be made by the payment of the principal amount to be prepaid and accrued and unpaid interest thereon to the date of such prepayment.

Section 2.10. Mandatory Prepayments of Loans.

(a) Excess Over Revolving Credit Commitment Amount. In the event and on

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each occasion that the aggregate principal amount of outstanding Loans exceeds the Revolving Credit Commitment Amount then in effect, then the Borrower shall promptly prepay Loans in an aggregate amount sufficient to eliminate such excess. Immediately upon determining the need to make any such prepayment, the Borrower shall notify the Syndication Agent of such required prepayment and of the identity of the particular Loans being prepaid. If the Syndication Agent shall notify the Borrower that the Syndication Agent has determined that any prepayment is required under this Section 2.10(a), the Borrower shall make such prepayment no later than the second Business Day following such notice. Any mandatory prepayment of Loans pursuant hereto shall not be limited by the notice provision for prepayments set forth in Section 2.9. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and any applicable breakage fees and funding losses pursuant to Section 2.11.

(b) Mandatory Prepayments from Net Cash Proceeds. Until such time as the

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Obligations have been repaid in full and the Commitments terminated in full, the Obligations shall be permanently prepaid (and the Commitments permanently reduced to the extent required in Section 2.12(b)) in the amounts and upon the occurrence of any of the following events:

(i) Within 10 Business Days after any Debt Issuance or Equity Issuance by the Borrower or any of its Subsidiaries with respect to which the Net Cash Proceeds received by the Borrower and/or its Subsidiaries for such issuance (or when aggregated with the Net Cash Proceeds from all other such issuances occurring since the Effective Date) exceed \$500,000,000, the principal amount outstanding under the Obligations shall be permanently prepaid by an amount equal to 100% of the Net Cash Proceeds realized by the Borrower and/or such Subsidiaries from such Debt Issuance(s) and/or Equity Issuance(s) in excess of \$500,000,000.

(ii) Within 10 Business Days after any Significant Sale with respect to which the Net Cash Proceeds received by the Borrower or any Subsidiary for such Significant Sale (or when aggregated with the Net Cash Proceeds from all other such Significant Sales occurring since the Effective Date) exceed \$2,000,000,000, the principal amount outstanding of the Obligations shall be permanently prepaid by an amount equal to 100% of the Net Cash Proceeds realized by the Borrower and/or such Subsidiaries from such Significant Sale(s) in excess of \$2,000,000,000.

(iii) The Borrower shall provide three (3) Business Days' prior written notice to the Syndication Agent of any prepayment of the Obligations to be made pursuant to this Section 2.10(b).

Section 2.11. Breakage Fees. If any Lender incurs any loss, cost or expense

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(excluding loss of anticipated profits and other indirect or consequential damages) by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurocurrency Loan as a result of any of the following events other than any such occurrence as a result of a change of circumstance described in Sections 8.1 or 8.2:

(a) any payment, prepayment or conversion of any such Loan on a date other than the last day of its Interest Period (whether by acceleration, mandatory prepayment or otherwise);

(b) any failure to make a principal payment of any such Loan on the due date therefor; or

(c) any failure by the Borrower to borrow, continue or prepay, or convert to, any such Loan on the date specified in a notice given pursuant to Section 2.3 (other than by reason of a default of such Lender),

then the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower a certificate executed by an officer of such Lender setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) no later than ninety (90) days after the event giving rise to the claim for compensation, and the amounts shown on such certificate shall be prima

facie evidence of such Lender's entitlement thereto. Within ten (10) days of receipt of such certificate, the Borrower shall pay directly to such Lender such amount as will compensate such Lender for such loss, cost or expense as provided herein, unless such Lender has failed to timely give notice to the Borrower of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.12. Commitment Terminations.  
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(a) Optional Terminations. The Borrower shall have the right at any time  
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and from time to time, upon three (3) Business Days' prior and irrevocable written notice to the Syndication Agent, to terminate or reduce the Commitments without premium or penalty, in whole or in part, any reduction (i) to be in an amount not less than \$5,000,000 as determined by the Borrower and in integral multiples of \$5,000,000, and (ii) to be allocated ratably among the Lenders in proportion to their respective Commitments; provided, that the Revolving Credit Commitment Amount may not be reduced to an amount less than the sum of the aggregate principal amount of outstanding Loans, after giving effect to payments on such proposed termination or reduction date. The Syndication Agent shall give prompt notice to each Lender of any such termination or reduction of the Commitments. Any termination of Commitments pursuant to this Section 2.12(a) is permanent and may not be reinstated.

(b) Mandatory Reductions. In the event and on each occasion that a  
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mandatory prepayment of Loans would be required to be made pursuant to the terms of Section 2.10(b) (whether or not any Loans are actually outstanding hereunder at such time), then the Revolving Credit Commitment Amount shall be automatically reduced by an amount equal to such mandatory prepayment amount (whether or not any such prepayment is actually made), which reduction shall be allocated ratably among the Lenders in proportion to their respective Commitments. The Borrower shall give the Syndication Agent not less than three (3) Business Days' prior written notice of any Significant Sale, Debt Issuance or Equity Issuance that will result in any reduction in Commitments pursuant to this Section 2.12(b). The Syndication Agent shall give prompt written notice to each Lender of any such reduction of the Commitments. Any reduction of Commitments pursuant to this Section 2.12(b) is permanent and may not be reinstated.

ARTICLE 3. FEES AND PAYMENTS.

Section 3.1. Fees.  
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(a) Facility Fees. The Borrower agrees to pay to the Syndication Agent  
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for the account of each Lender a facility fee, which shall accrue at the Applicable Facility Fee Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Obligations after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Obligations from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Obligations. Accrued facility fees shall be payable in arrears on the last

Business Day of March, June, September and December of each year, commencing on March 30, 2001, and on the date(s) on which the Commitments shall have terminated and the Lenders shall have no further Revolving Credit Obligations. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Utilization Fees. For any day on which the outstanding principal

amount of the Loans shall be greater than an amount equal to 33% of the total Commitments (and for any day after the termination of all the Commitments on which any Loans shall be outstanding if the outstanding principal amount thereof on the date the Commitments terminated shall have been greater than 33% of the total Commitments in effect on such date), the Borrower shall pay to the Syndication Agent for the account of each Lender a utilization fee equal to the Applicable Utilization Fee Rate multiplied by the aggregate amount of such Lender's outstanding Loans on such day. Accrued and unpaid utilization fees, if any, shall be payable in arrears on the last Business Day of each March, June, September and December and on the date(s) on which the Commitments shall have terminated and there are no Loans outstanding. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Payment of Fees. All fees payable hereunder shall be paid on the dates

due, in immediately available funds, to the Syndication Agent for distribution, in the case of facility fees and utilization fees, to the Lenders.

### Section 3.2. Place and Application of Payments.

(a) All payments of principal of and interest on the Loans and all fees and other amounts payable by the Borrower under the Credit Documents shall be made by the Borrower to the Syndication Agent, for the benefit of the Lenders entitled to such payments, in immediately available funds on the due date thereof no later than 2:00 p.m. at the office of the Syndication Agent in Atlanta, Georgia, or such other location as the Syndication Agent may designate in writing to the Borrower. Any payments received by the Syndication Agent from the Borrower after the time specified in the preceding sentence shall be deemed to have been received on the next Business Day. The Syndication Agent will, on the same day each payment is received or deemed to have been received in accordance with this Section 3.2, cause to be distributed like funds to each Lender owed an Obligation for which such payment was received, pro rata based on the respective amounts of such type of Obligation then owing to each Lender.

(b) If any payment received by the Syndication Agent under any Credit Document is insufficient to pay in full all amounts then due and payable to the Syndication Agent and the Lenders under the Credit Documents, such payment shall be distributed by the Syndication Agent and applied by the Syndication Agent and the Lenders in the order set forth in Section 7.6. In calculating the amount of Obligations owing each Lender other than for principal and interest on Loans and fees under Section 3.1, the Syndication Agent shall only be required to include such other Obligations that Lenders have certified to the Syndication Agent in writing are due to such Lenders.

Section 3.3. Withholding Taxes.  
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(a) Payments Free of Withholding. Except as otherwise required by law and  
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subject to Section 3.3(b), each payment by the Borrower to any Lender or the Syndication Agent under this Agreement or any other Credit Document shall be made without withholding for or on account of any present or future taxes imposed by or within the jurisdiction in which the Borrower is incorporated, any jurisdiction from which the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein, excluding, in the case of each Lender and the Syndication Agent, the following taxes:

(i) taxes imposed on, based upon, or measured by such Lender's or the Syndication Agent's net income or profits, and branch profits, franchise and similar taxes imposed on it;

(ii) taxes imposed on such Lender or the Syndication Agent as a result of a present or former connection between the taxing jurisdiction and such Lender or Syndication Agent, or any affiliate thereof, as the case may be, other than a connection resulting solely from the transactions contemplated by this Agreement;

(iii) taxes imposed as a result of the transfer by such Lender or Syndication Agent of its interest in this Agreement or any other Credit Document or a designation by such Lender or the Syndication Agent (other than pursuant to Section 8.3(c)) of a new Lending Office (other than taxes imposed as a result of any change in treaty, law or regulation after such transfer of such Lender's or the Syndication Agent's interest in this Agreement or any other Credit Document or designation of a new Lending Office);

(iv) taxes imposed by the United States of America (or any political subdivision thereof or tax authority therein) upon a Lender or the Syndication Agent organized under the laws of a jurisdiction outside of the United States, except to the extent that such tax is imposed as a result of any change in applicable law, regulation or treaty (other than any addition of or change in any "anti-treaty shopping," "limitation of benefits," or similar provision applicable to a treaty) after the date hereof, in the case of each Lender or the Syndication Agent originally a party hereto or, in the case of any Purchasing Lender (as defined in Section 10.10) or the Syndication Agent, after the date on which it becomes a Lender or the Syndication Agent, as the case may be; or

(v) taxes which would not have been imposed but for (a) the failure of any Lender or the Syndication Agent, as the case may be, to provide (I) the applicable forms prescribed by the Internal Revenue Service, as required pursuant to Section 3.3(b), or (II) any other form, certification, documentation or proof which is reasonably requested by the Borrower, or (b) a determination by a taxing authority or a court of competent jurisdiction that a form, certification, documentation or other proof provided by such Lender or the Syndication Agent to establish an exemption from such tax, assessment or other governmental charge is false;

(all such present or future taxes, excluding only the taxes described in the preceding clauses (i)

through (v), being hereinafter referred to as "Indemnified Taxes"). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Lender and the Syndication Agent is free and clear of such Indemnified Taxes (including Indemnified Taxes on such additional amount) and is equal to the amount that such Lender or the Syndication Agent (as the case may be) would have received had withholding of any Indemnified Tax not been made. If the Borrower pays any Indemnified Taxes, or any penalties or interest in connection therewith, it shall deliver official tax receipts evidencing the payment or certified copies thereof, or other evidence of payment if such tax receipts have not yet been received by the Borrower (with such tax receipts to be delivered within fifteen (15) days after being actually received), to the Lender or the Syndication Agent on whose account such withholding was made (with a copy to the Syndication Agent if not the recipient of the original) within fifteen (15) days of such payment. If the Syndication Agent or any Lender pays any Indemnified Taxes, or any penalties or interest in connection therewith, the Borrower shall reimburse the Syndication Agent or that Lender for the payment on demand in the currency in which such payment was made. Such Lender or the Syndication Agent shall make written demand on the Borrower for reimbursement hereunder no later than ninety (90) days after the earlier of (i) the date on which such Lender or the Syndication Agent makes payment of the Indemnified Taxes, penalties and interest, and (ii) the date on which the relevant taxing authority or other governmental authority makes written demand upon such Lender or the Syndication Agent for payment of the Indemnified Taxes, penalties and interest. Any such demand shall describe in reasonable detail such Indemnified Taxes, penalties or interest, including the amount thereof if then known to such Lender or the Syndication Agent, as the case may be. In the event that such Lender or the Syndication Agent fails to give the Borrower timely notice as provided herein, the Borrower shall not have any obligation to pay such claim for reimbursement.

(b) U.S. Withholding Tax Exemptions. Upon the written request of the

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Borrower or the Syndication Agent, each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Syndication Agent, promptly after such request, two duly completed and signed copies of either Form W-8 BEN or any successor form (entitling such Lender to a complete exemption from withholding under the Code on all amounts to be received by such Lender, including fees, pursuant to the Credit Documents) or Form W-8 ECI or any successor form (relating to all amounts to be received by such Lender, including fees, pursuant to the Credit Documents) of the United States Internal Revenue Service, and any other form of the United States Internal Revenue Service reasonably necessary to accomplish exemption from withholding obligations or to facilitate the Syndication Agent's performance under this Agreement. Thereafter and from time to time, each such Lender shall submit to the Borrower and the Syndication Agent such additional duly completed and signed copies of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be required under then-current United States law or regulations to avoid United States withholding taxes on payments in respect of all amounts to be received by such Lender, including fees, pursuant to the Credit Documents. Upon the request of the Borrower, each Lender that is a United States person shall submit to the Borrower a certificate to the effect that it is such a United States person.



(c) Inability of Lender to Submit Forms. If any Lender determines in good

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faith, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that (i) it is unable to submit to the Borrower or the Syndication Agent any form or certificate that such Lender is obligated to submit pursuant to subsection (b) of this Section 3.3, (ii) it is required to withdraw or cancel any such form or certificate previously submitted, or (iii) any such form or certificate otherwise becomes ineffective or inaccurate, such Lender shall promptly notify the Borrower and the Syndication Agent of such fact, and the Lender shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

(d) Refund of Taxes. If any Lender or the Syndication Agent receives a

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refund of any Indemnified Tax or any tax referred to in Section 10.3 with respect to which the Borrower has paid any amount pursuant to this Section 3.3 or Section 10.3, such Lender or the Syndication Agent shall pay the amount of such refund (including any interest received with respect thereto) to the Borrower within fifteen (15) days after receipt thereof. A Lender or the Syndication Agent shall provide, at the sole cost and expense of the Borrower, such assistance as the Borrower may reasonably request in order to obtain such a refund; provided, however, that neither the Syndication Agent nor any Lender shall in any event be required to disclose any information to the Borrower with respect to the overall tax position of the Syndication Agent or such Lender.

#### ARTICLE 4. CONDITIONS PRECEDENT.

Section 4.1. Initial Borrowing. The obligation of each Lender to advance

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the initial Loans hereunder on or after the Effective Date is subject to satisfaction of the following conditions precedent:

(a) The Syndication Agent shall have received the following all in form and substance reasonably satisfactory to the Syndication Agent and in sufficient number of signed counterparts, where applicable, to provide one for each Lender:

(i) Certificates of Officers. Certificates of the Secretary or an

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Assistant Secretary of the Borrower containing specimen signatures of the persons authorized to execute Credit Documents on the Borrower's behalf or any other documents provided for herein or therein, together with (x) copies of resolutions of the Board of Directors or other appropriate body of the Borrower authorizing the execution and delivery of the Credit Documents, (y) copies of the Borrower's Memorandum and Articles of Association and other publicly filed organizational documents in its jurisdiction of organization and bylaws and other governing documents, and (z) a certificate of incorporation and good standing from the appropriate governing agency of the Borrower's jurisdiction of organization;

(ii) Regulatory Filings and Approvals. Copies of all necessary

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governmental and third party approvals, registrations, and filings in respect of the transactions contemplated by this Agreement;

(iii) Insurance Certificate. An insurance certificate dated not more than ten (10) days prior to the Effective Date from the Borrower describing in reasonable detail the insurance maintained by the Borrower and its Subsidiaries as required by this Agreement;

(iv) Opinions of Counsel. The opinions of (x) Baker Botts LLP, counsel for the Borrower, in the form of Exhibit 4.1A, (y) William Turcotte, Associate General Counsel of the Borrower, in the form of Exhibit 4.1B, and (z) Walkers, Cayman Islands counsel for the Borrower, in the form of Exhibit 4.1C; and

(v) Closing Certificate. Certificate of the President or a Vice President of the Borrower as to the satisfaction of all conditions set forth in this Section 4.1, including without limitation, consummation of the R&B Falcon Merger on substantially the terms as set forth in the R&B Falcon Merger Agreement and in the Transocean R&B Falcon Joint Proxy Statement.

(b) Each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as of the time of such Borrowing, except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default or Event of Default shall have occurred and be continuing;

(d) There shall be no pending or, to the knowledge of the Borrower, threatened actions, suits or proceedings at law or in equity or by or before any governmental authority against or affecting the Borrower or any of its Subsidiaries or any of their respective businesses, properties or rights which, if adversely determined, could reasonably be expected to result in a Material Adverse Effect; and

(e) Payment of all fees and all expenses incurred through the Effective Date then due and owing to the Syndication Agent, the Lenders, and the Arrangers pursuant to this Agreement and as otherwise agreed in writing by the Borrower.

Section 4.2. All Borrowings. The obligation of each Lender to make any advance of any Loan is subject to satisfaction of the following conditions precedent (but subject to Sections 2.3(c)):

(a) Notices. The Syndication Agent shall have received the Borrowing Request required by the first sentence of Section 2.3(a);

(b) Warranties True and Correct. In the case of any advance or Borrowing that increases the aggregate principal amount of Loans outstanding after giving effect to such advance or Borrowing, each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the other Credit Documents shall be true and correct in all material respects as of the time of such advance or Borrowing, except as a result of the

transactions expressly permitted hereunder or thereunder and except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default. No Default or Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing; and

(d) Regulations U and X. The Borrowing to be made by the Borrower shall not result in the Borrower or any Lender being in non-compliance with or in violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

Each acceptance by the Borrower of an advance of any Loan shall be deemed to be a representation and warranty by the Borrower on the date of such acceptance, that all conditions precedent to such Borrowing set forth in this Section 4.2 and in Section 4.1 with respect to the initial Borrowings hereunder have (except to the extent waived in accordance with the terms hereof) been satisfied or fulfilled unless the Borrower gives to the Syndication Agent and the Lenders written notice to the contrary, in which case none of the Lenders shall be required to fund such Loans unless the Required Lenders shall have previously waived in writing such non-compliance.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to each Lender and the Syndication Agent as follows:

Section 5.1. Corporate Organization. The Borrower and each of its material

Subsidiaries: (i) is duly organized and existing in good standing under the laws of the jurisdiction of its organization; (ii) has all necessary company power and authority to own the property and assets it uses in its business and otherwise to carry on its present business; and (iii) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified or to be in good standing, as the case may be, would not have a Material Adverse Effect.

Section 5.2. Power and Authority; Validity. The Borrower has the

organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents and has taken all necessary company action to authorize the execution, delivery and performance of such Credit Documents. The Borrower has duly executed and delivered each Credit Document and each such Credit Document constitutes the legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles.

Section 5.3. No Violation. Neither the execution, delivery or performance

by the Borrower of the Credit Documents nor compliance by it with the terms and provisions thereof, nor the consummation by it of the transactions contemplated herein or therein, will (i) contravene

in any material respect any applicable provision of any law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien other than any Permitted Lien upon any of the property or assets of the Borrower or any of its Subsidiaries under, the terms of any material contractual obligation to which the Borrower or any of its Subsidiaries is a party or by which they or any of their properties or assets are bound or to which they may be subject, or (iii) violate or conflict with any provision of the Memorandum and Articles of Association, charter, articles or certificate of incorporation, partnership or limited liability company agreement, by-laws, or other applicable governance documents of the Borrower or any of its Subsidiaries.

Section 5.4. Litigation. There are no actions, suits, proceedings or

counterclaims (including, without limitation, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that are reasonably likely to have a Material Adverse Effect.

Section 5.5. Use of Proceeds; Margin Regulations.

(a) Use of Proceeds. The proceeds of the Loans shall be used to refinance

certain Indebtedness of R&B Falcon and its Subsidiaries after consummation of the R&B Falcon Merger, either directly or through repayment of commercial paper issued by the Borrower to refinance such Indebtedness, together with costs related to such refinancing.

(b) Margin Stock. Neither the Borrower nor any of its Subsidiaries is

engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds of the Loans or the Letters of Credit will be used for a purpose which violates Regulations T, U or X of the Board of Governors of the Federal Reserve System. After application of the proceeds of the Loans, the issuance of the Letters of Credit, and any acquisitions permitted hereunder, less than 25% of the assets of each of the Borrower and its Subsidiaries consists of "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System).

Section 5.6. Investment Company Act. Neither the Borrower nor any of its

Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 5.7. Public Utility Holding Company Act. Neither the Borrower nor

any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.8. True and Complete Disclosure. All factual information (taken

as a whole) furnished by the Borrower or any of its Subsidiaries in writing to the Syndication Agent or any Lender in connection with any Credit Document or the Confidential Information Memorandum or any transaction contemplated therein did not, as of the date such information was furnished

(or, if such information expressly related to a specific date, as of such specific date, or, in the case of the Confidential Information Memorandum, as of October 31, 2000), contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein (taken as a whole), in light of the circumstances under which such information was furnished, not misleading, except for such statements, if any, as have been updated, corrected, supplemented, superseded or modified pursuant to a written correction or supplement furnished to the Lenders prior to the date of this Agreement.

Section 5.9. Financial Statements.  
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(a) Borrower Financial Statements. The financial statements heretofore  
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delivered to the Lenders for the Borrower's fiscal year ending December 31, 1999, and for the Borrower's fiscal quarter and year-to-date period ending September 30, 2000, have been prepared in accordance with GAAP applied on a basis consistent, except as otherwise noted therein, with the Borrower's financial statements for the previous fiscal year. Such annual and quarterly financial statements fairly present on a consolidated basis the financial position of the Borrower as of the dates thereof, and the results of operations for the periods indicated, subject in the case of interim financial statements, to normal year-end audit adjustments and omission of certain footnotes (as permitted by the SEC). As of the Effective Date, the Borrower and its Subsidiaries, considered as a whole, had no material contingent liabilities or material Indebtedness required under GAAP to be disclosed in a consolidated balance sheet of the Borrower that were not disclosed in the financial statements referred to in this Section 5.9 or in the notes thereto or disclosed in writing to the Syndication Agent (with a request to the Syndication Agent to distribute such disclosure to the Lenders).

(b) R&B Falcon Financial Statements. The Borrower has heretofore  
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delivered to the Lenders audited financial statements for R&B Falcon and its Subsidiaries as of the dates and for the periods ended December 31, 1999, and unaudited financial statements for R&B Falcon and its Subsidiaries as of and for the nine month period ended September 30, 2000 (the "R&B Falcon Financial Statements"). To the best of the Borrower's knowledge and belief, the R&B Falcon Financial Statements (i) have been prepared in accordance with GAAP consistently applied throughout the periods presented, and (ii) fairly present in all material respects the combined assets, liabilities, financial position, results of operations and cash flows of R&B Falcon and its Subsidiaries as of the dates and for the periods indicated, subject in the case of interim financial statements to normal year-end audit adjustments and omission of certain footnotes (as permitted by the Securities and Exchange Commission).

Section 5.10. No Material Adverse Change. There has occurred no event or  
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effect that has had or could reasonably be expected to have a Material Adverse Effect.

Section 5.11. Labor Controversies. There are no labor controversies  
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pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

Section 5.12. Taxes. The Borrower and its Subsidiaries have filed all  
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United States federal income tax returns, and all other material tax returns required to be filed, whether in the

United States or in any foreign jurisdiction, and have paid all governmental taxes, rates, assessments, fees, charges and levies (collectively, "Taxes") shown to be due and payable on such returns or on any assessments made against Borrower and its Subsidiaries or any of their properties (other than any such assessments, fees, charges or levies that are not more than ninety (90) days past due, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings and for which reserves have been provided in conformity with GAAP, or which the failure to pay could not reasonably be expected to have a Material Adverse Effect).

Section 5.13. ERISA. With respect to each Plan, the Borrower and its

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Subsidiaries have fulfilled their obligations under the minimum funding standards of, and are in compliance in all material respects with, ERISA and with the Code to the extent applicable to it, and have not incurred any liability under Title IV of ERISA to the PBGC other than a liability to the PBGC for premiums under Section 4007 of ERISA, except as described in Schedule 5.13

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and in each case with such exceptions as could not reasonably be expected to have a Material Adverse Effect. As of the Effective Date, neither the Borrower nor any of its Subsidiaries has any material contingent liability with respect to any post-retirement benefits under a welfare plan subject to ERISA, other than liability for continuation coverage described in Part 6 of Title I of ERISA and as disclosed in the financial statements of the Borrower for the fiscal quarter ending September 30, 2000, described in Section 5.9, or any other liability that could not reasonably be expected to have a Material Adverse Effect.

Section 5.14. Consents. On the Effective Date, all consents and approvals

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of, and filings and registrations with, and all other actions of, all governmental agencies, authorities or instrumentalities required to have been obtained or made by the Borrower in order to obtain the Loans hereunder have been or will have been obtained or made and are or will be in full force and effect.

Section 5.15. Insurance. The Borrower and its material Subsidiaries

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currently maintain in effect, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, which insurance is of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles), and insurance with respect to employers' and public and product liability risks (subject to self-insured retentions and deductibles).

Section 5.16. Intellectual Property. The Borrower and its Subsidiaries own

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or hold valid licenses to use all the patents, trademarks, permits, service marks, and trade names that are necessary to the operation of the business of the Borrower and its Subsidiaries as presently conducted, except where the failure to own, or hold valid licenses to use, such patents, trademarks, permits, service marks, and trade names could not reasonably be expected to have a Material Adverse Effect.

Section 5.17. Ownership of Property. The Borrower and its Subsidiaries

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have good title to or a valid leasehold interest in all of their real property and good title to, or a valid leasehold interest in, all of their other property, subject to no Liens except Permitted Liens, except where

the failure to have such title or leasehold interest in such property could not reasonably be expected to have a Material Adverse Effect.

Section 5.18. Compliance with Statutes, Etc. The Borrower and its

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Subsidiaries are in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic and foreign, in respect of the conduct of their businesses and the ownership of their properties, except for such instances of non-compliance as could not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

Section 5.19. Environmental Matters.

(a) Compliance with Environmental Laws. Except as described in Schedule

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5.19, the Borrower and its Subsidiaries are in compliance with all applicable

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Environmental Laws and the requirements of any permits issued under such Environmental Laws, except for such instances of non-compliance as could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, there are no pending, past or threatened Environmental Claims against the Borrower or any of its Subsidiaries on any property owned or operated by the Borrower or any of its Subsidiaries except as described in Schedule 5.19 or except as could not reasonably be expected to have a Material

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Adverse Effect. To the best knowledge of the Borrower, there are no conditions or occurrences on any property owned or operated by the Borrower or any of its Subsidiaries or on any property adjoining or in the vicinity of any such property that could reasonably be expected to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any such property that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(b) Hazardous Materials. To the best of the Borrower's knowledge, (i)

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Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any property owned or operated by the Borrower or any of its Subsidiaries in a manner that has violated or could reasonably be expected to violate any Environmental Law, and (ii) Hazardous Materials have not at any time been released on or from any property owned or operated by the Borrower or any of its Subsidiaries, in the case of both (i) and (ii), with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 5.20. Existing Indebtedness. Schedule 5.20 contains a complete

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and accurate list of all Indebtedness outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries, in each case in a principal amount of \$20,000,000 or more (other than the Obligations hereunder and Indebtedness permitted by Section 6.11(b) through (k)) and permitted by Section 6.11(a), in each case showing the aggregate principal amount thereof, the name of the respective borrower and any other entity which directly or indirectly guaranteed such Indebtedness, and the scheduled payments of such Indebtedness.

Section 5.21. Existing Liens. Schedule 5.21 contains a complete and

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accurate list of all Liens outstanding as of the Effective Date, with respect to the Borrower and its Subsidiaries, in each case where the Indebtedness or other obligations secured by such Lien is in a principal amount of \$20,000,000 or more (other than the Liens permitted by Section 6.10(b) through (r)),

and permitted by Section 6.10(a), in each case showing the name of the Person whose assets are subject to such Lien, the aggregate principal amount of the Indebtedness secured thereby, and a description of the Agreements or other instruments creating, granting, or otherwise giving rise to such Lien.

ARTICLE 6. COVENANTS.

The Borrower covenants and agrees that, so long as any Loan, Note or Commitment is outstanding hereunder, or any other Obligation is due and payable hereunder:

Section 6.1. Corporate Existence. Each of the Borrower and its material

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Subsidiaries will preserve and maintain its organizational existence, except (i) for the dissolution of any material Subsidiaries whose assets are transferred to the Borrower or any of its Subsidiaries, (ii) where the failure to preserve, renew or keep in full force and effect the existence of any Subsidiary could not reasonably be expected to have a Material Adverse Effect, or (iii) as otherwise expressly permitted in this Agreement.

Section 6.2. Maintenance. Each of the Borrower and its material

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Subsidiaries will maintain, preserve and keep its properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition (normal wear and tear excepted) and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such properties and equipment are reasonably preserved and maintained, in each case with such exceptions as could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect; provided, however, that nothing in this Section 6.2 shall prevent the Borrower or any material Subsidiary from discontinuing the operation or maintenance of any such properties or equipment if such discontinuance is, in the judgment of the Borrower or any material Subsidiary, as applicable, desirable in the conduct of their businesses.

Section 6.3. Taxes. Each of the Borrower and its Subsidiaries will duly

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pay and discharge all Taxes upon or against it or its properties before penalties accrue thereon (or, if later, within ninety (90) days of becoming past due), unless and to the extent that (i) the same is being contested in good faith and by appropriate proceedings and reserves have been established in conformity with GAAP, or (ii) the failure to effect such payment or discharge could not reasonably be expected to have a Material Adverse Effect.

Section 6.4. ERISA. Each of the Borrower and its Subsidiaries will timely

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pay and discharge all obligations and liabilities arising under ERISA or otherwise with respect to each Plan of a character which if unpaid or unperformed might result in the imposition of a material Lien against any properties or assets of the Borrower or any material Subsidiary and will promptly notify the Syndication Agent upon an officer of the Borrower becoming aware thereof, of (i) the occurrence of any reportable event (as defined in ERISA) relating to a Plan (other than a multi-employer plan, as defined in ERISA), so long as the event thereunder could reasonably be expected to have a Material Adverse Effect, other than any such event with respect to which the PBGC has waived notice by regulation; (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor; (iii) Borrower's or any of its



Subsidiaries' intention to terminate or withdraw from any Plan if such termination or withdrawal would result in liability under Title IV of ERISA, unless such termination or withdrawal could not reasonably be expected to have a Material Adverse Effect; and (iv) the receipt by the Borrower or its Subsidiaries of notice of the occurrence of any event that could reasonably be expected to result in the incurrence of any liability (other than for benefits), fine or penalty to the Borrower and/or to the Borrower's Subsidiaries, or any plan amendment that could reasonably be expected to increase the contingent liability of the Borrower and its Subsidiaries, taken as a whole, in connection with any post-retirement benefit under a welfare plan (subject to ERISA), unless such event or amendment could not reasonably be expected to have a Material Adverse Effect. The Borrower will also promptly notify the Syndication Agent of (i) any material contributions to any Foreign Plan that have not been made by the required due date for such contribution if such default could reasonably be expected to have a Material Adverse Effect; (ii) any Foreign Plan that is not funded to the extent required by the law of the jurisdiction whose law governs such Foreign Plan based on the actuarial assumptions reasonably used at any time if such underfunding (together with any penalties likely to result) could reasonably be expected to have a Material Adverse Effect, and (iii) any material change anticipated to any Foreign Plan that could reasonably be expected to have a Material Adverse Effect.

Section 6.5. Insurance. Each of the Borrower and its material Subsidiaries  
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will maintain or cause to be maintained, with responsible insurance companies, insurance against any loss or damage to all insurable property and assets owned by it, such insurance to be of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles) and will (subject to self-insured retentions and deductibles) maintain or cause to be maintained insurance with respect to employers' and public and product liability risks.

Section 6.6. Financial Reports and Other Information.  
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(a) Periodic Financial Statements and Other Documents. The Borrower, its  
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Subsidiaries and any SPVs will maintain a system of accounting in such manner as will enable preparation of financial statements in accordance with GAAP and will furnish to the Lenders and their respective authorized representatives such information about the business and financial condition of the Borrower, its Subsidiaries and any SPVs as any Lender may reasonably request; and, without any request, will furnish to the Syndication Agent:

(i) within sixty (60) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter and the related consolidated statements of income and retained earnings and of cash flows for such fiscal quarter and for the portion of the fiscal year ended with the last day of such fiscal quarter, all of which shall be in reasonable detail or in the form filed with the SEC, and certified by the chief financial officer of the Borrower that they fairly present the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated and that they have been prepared in accordance with GAAP, in each case, subject to normal year-end audit adjustments and the omission of any footnotes as permitted by the SEC (delivery to

the Syndication Agent of a copy of the Borrower's Form 10-Q filed with the SEC (without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(ii) within one hundred twenty (120) days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such fiscal year and setting forth consolidated comparative figures as of the end of and for the preceding fiscal year, audited by an independent nationally-recognized accounting firm and in the form filed with the SEC (delivery to the Syndication Agent of a copy of the Borrower's Form 10-K filed with the SEC (without exhibits) in any event will satisfy the requirements of this subsection subject to Section 6.6(b));

(iii) commencing with fiscal year 2001, to the extent actually prepared and approved by the Borrower's board of directors, a projection of Borrower's consolidated balance sheet and consolidated income, retained earnings and cash flows for its current fiscal year showing such projected budget for each fiscal quarter of the Borrower ending during such year; and

(iv) within ten (10) days after the sending or filing thereof, copies of all financial statements, projections, documents and other communications that the Borrower sends to its stockholders generally or files with the SEC or any similar governmental authority (and is publicly available).

The Syndication Agent will forward promptly to the Lenders the information provided by the Borrower pursuant to (i) through (iv) above.

(b) Compliance Certificates. Each financial statement furnished to the

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Lenders pursuant to subsections (i) and (ii) of Section 6.6(a) shall be (i) accompanied by additional information setting forth calculations excluding the effects of any SPVs and containing such calculations for any SPVs as reasonably requested by the Syndication Agent, and (ii) accompanied by (x) a written certificate signed by the Borrower's chief financial officer (or other financial officer of the Borrower), in his or her capacity as such, to the effect that no Default or Event of Default then exists or, if any such Default or Event of Default exists as of the date of such certificate, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, and (y) a Compliance Certificate in the form of Exhibit 6.6 showing the Borrower's compliance with certain of the covenants set  
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forth herein.

(c) Management Letters. Promptly upon receipt thereof, the Borrower will

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provide the Syndication Agent with a copy of each report or "management letter" submitted to the Borrower by its independent accountants or auditors in connection with any annual, interim or special audit made by them of the books and records of the Borrower.

(d) Notice of Events Relating to Environmental Laws and Claims. Promptly  
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after any officer of the Borrower obtains knowledge of any of the following, the Borrower will provide the Syndication Agent with written notice in reasonable detail of any of the following that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect:

(i) any pending or threatened Environmental Claim against the Borrower, any of its Subsidiaries or any SPV or any property owned or operated by the Borrower, any of its Subsidiaries or any SPV;

(ii) any condition or occurrence on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV that results in noncompliance by the Borrower, any of its Subsidiaries or any SPV with any Environmental Law; and

(iii) the taking of any material remedial action in response to the actual or alleged presence of any Hazardous Material on any property owned or operated by the Borrower, any of its Subsidiaries or any SPV other than in the ordinary course of business.

(e) Notices of Default, Litigation, Etc. The Borrower will promptly, and  
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in any event within five (5) Days, after an officer of the Borrower has knowledge thereof, give written notice to the Syndication Agent of (who will in turn provide notice to the Lenders of): (i) the occurrence of any Default or Event of Default; (ii) any litigation or governmental proceeding of the type described in Section 5.4; (iii) any circumstance that has had or could reasonably be expected to have a Material Adverse Effect; (iv) the occurrence of any event which has resulted in a breach of, or is likely to result in a breach of, Sections 6.16 or 6.17; and (v) any notice received by it, any Subsidiary or any SPV from the holder(s) of Indebtedness of the Borrower, any Subsidiary or any SPV in an amount which, in the aggregate, exceeds \$30,000,000, where such notice states or claims the existence or occurrence of any default or event of default with respect to such Indebtedness under the terms of any indenture, loan or credit agreement, debenture, note, or other document evidencing or governing such Indebtedness.

Section 6.7. Lender Inspection Rights. Upon reasonable notice from the  
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Syndication Agent or any Lender, the Borrower will permit the Syndication Agent or any Lender (and such Persons as the Syndication Agent or such Lender may reasonably designate) during normal business hours at such entity's sole expense unless a Default or Event of Default shall have occurred and be continuing, in which event at the Borrower's expense, to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books and records, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Syndication Agent and any Lender (and such Persons as the Syndication Agent or such Lender may reasonably designate) the affairs, finances and accounts of the Borrower and its Subsidiaries), all as often, and to such extent, as may be reasonably requested. The chief financial officer of the Borrower and/or his or her designee shall be afforded the opportunity to be present at any meeting of the Syndication Agent or the Lenders and such accountants. The Syndication Agent agrees to use

reasonable efforts to minimize, to the extent practicable, the number of separate requests from the Lenders to exercise their rights under this Section 6.7 and/or Section 6.6 and to coordinate the exercise by the Lenders of such rights.

Section 6.8. Conduct of Business. The Borrower and its Subsidiaries will

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at all times remain primarily engaged in (i) the contract drilling business, (ii) the provision of services to the energy industry, (iii) other existing businesses described in the Borrower's current SEC reports and in the Transocean/R&B Falcon Joint Proxy Statement, or (iv) any related businesses (each a "Permitted Business").

Section 6.9. Restrictions on Fundamental Changes. The Borrower shall not

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merge or consolidate with any other Person, or cause or permit any dissolution of the Borrower or liquidation of its assets, or sell, transfer or otherwise dispose of all or substantially all of the Borrower's assets, except that:

(a) The Borrower or any of its Subsidiaries may merge into, or consolidate with, any other Person if upon the consummation of any such merger or consolidation the Borrower or such Subsidiary is the surviving corporation to any such merger or consolidation (or the other Person is, or will thereby become, a Subsidiary of the Borrower); and

(b) The Borrower may sell or transfer all or substantially all of its assets (including stock in its Subsidiaries) to any Person if such Person is a Subsidiary of the Borrower (or a Person who will contemporaneously therewith become a Subsidiary of the Borrower);

provided in the case of any transaction described in the preceding clauses (a) and (b), no Default or Event of Default shall exist immediately prior to, or after giving effect to, such transaction.

Section 6.10. Liens. The Borrower and its Subsidiaries shall not create,

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incur, assume or suffer to exist any Lien of any kind on any property or asset of any kind of the Borrower or any Subsidiary, except the following (collectively, the "Permitted Liens"):

(a) Liens existing on the date hereof (each such Lien, to the extent it secures Indebtedness or other obligations in an aggregate amount of \$20,000,000 or more, being described on Schedule 5.21 attached hereto);

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(b) Liens arising in the ordinary course of business by operation of law, deposits, pledges or other Liens in connection with workers' compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, public or statutory obligations or other similar charges, good faith deposits, pledges or other Liens in connection with (or to obtain letters of credit in connection with) bids, performance, return-of-money or payment bonds, contracts or leases to which the Borrower or its Subsidiaries are parties or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not for Indebtedness for borrowed money and is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(c) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) related to obligations not overdue for more than thirty (30) days if such Liens arise with respect to domestic assets and for more than ninety (90) days if such Liens arise with respect to foreign assets, or, if so overdue, that are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(d) Liens for Taxes not more than ninety (90) days past due or which can thereafter be paid without penalty or which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(e) Liens imposed by ERISA (or comparable foreign laws) which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or if such Liens otherwise could not reasonably be expected to have a Material Adverse Effect;

(f) Liens arising out of judgments or awards against the Borrower or any of its Subsidiaries, or in connection with surety or appeal bonds or the like in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or for which the Borrower or such Subsidiary shall be prosecuting on appeal or proceeding for review, and for which it shall have obtained (within thirty (30) days with respect to a judgment or award rendered in the United States or within sixty (60) days with respect to a judgment or award rendered in a foreign jurisdiction after entry of such judgment or award or expiration of any previous such stay, as applicable) a stay of execution or the like pending such appeal or proceeding for review; provided, that the aggregate amount of uninsured or underinsured liabilities (net of customary deductibles, and including interest, costs, fees and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed \$50,000,000 at any one time outstanding;

(g) Liens on fixed or capital assets and related inventory and intangible assets acquired, constructed, improved, altered or repaired by the Borrower or any Subsidiary; provided that (i) such Liens secure Indebtedness otherwise permitted by this Agreement, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 365 days after such acquisition or the later of the completion of such construction, improvement, alteration or repair or the date of commercial operation of the assets constructed, improved, altered or repaired, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, improving, altering or repairing such fixed or capital assets, as the case may be, and (iv) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary;

(h) Liens securing Interest Rate Protection Agreements or foreign exchange hedging obligations incurred in the ordinary course of business and not for speculative purposes;

(i) Liens on property existing at the time such property is acquired by the Borrower or any Subsidiary of the Borrower and not created in contemplation of such acquisition (or on

repairs, renewals, replacements, additions, accessions and betterments thereto), and Liens on the assets of any Person at the time such Person becomes a Subsidiary of the Borrower and not created in contemplation of such Person becoming a Subsidiary of the Borrower (or on repairs, renewals, replacements, additions, accessions and betterments thereto;

(j) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing subsections (a) through (i), provided, however, that the principal amount of Indebtedness secured thereby does not exceed the principal amount secured at the time of such extension, renewal or replacement (other than amounts incurred to pay costs of such extension, renewal or replacement), and that such extension, renewal or replacement is limited to the property already subject to the Lien so extended, renewed or replaced (together with accessions and improvements thereto and replacements thereof);

(k) rights reserved to or vested in any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the property of a Person;

(l) rights reserved to or vested in any municipality or governmental, statutory or public authority to control, regulate or use any property of a Person;

(m) rights of a common owner of any interest in property held by a Person and such common owner as tenants in common or through other common ownership;

(n) encumbrances (other than to secure the payment of Indebtedness), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any property or rights-of-way of a Person for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines, removal of gas, oil, coal, metals, steam, minerals, timber or other natural resources, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities or equipment, or defects, irregularity and deficiencies in title of any property or rights-of-way;

(o) Liens created by or resulting from zoning, planning and environmental laws and ordinances and municipal regulations;

(p) Liens created by or resulting from financing statements filed by lessors of property (but only with respect to the property so leased);

(q) Liens on property securing Non-recourse Debt;

(r) Liens on the stock or assets of SPVs; and

(s) Liens (not otherwise permitted by this Section 6.10) on property securing Indebtedness (or other obligations) not exceeding \$175,000,000 in the aggregate at any time outstanding.

Section 6.11. Indebtedness. The Borrower and its Subsidiaries shall not  
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incur, assume or suffer to exist any Indebtedness, except:

(a) existing Indebtedness outstanding on the Effective Date (such Indebtedness, to the extent the principal amount thereof is \$20,000,000 or more, being described on Schedule 5.20 attached hereto), and any subsequent

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extensions, renewals or refinancings thereof so long as such Indebtedness is not increased in amount (other than amounts incurred to pay costs of such extension, renewal or refinancing), the scheduled maturity date thereof (if prior to the Maturity Date) is not accelerated, the interest rate per annum applicable thereto is not increased, any scheduled amortization of principal thereunder prior to the Maturity Date is not shortened and the payments thereunder are not increased;

(b) Indebtedness under the Credit Documents;

(c) intercompany loans and advances to the Borrower or its Subsidiaries, and intercompany loans and advances from any of such Subsidiaries or SPVs to the Borrower or any other Subsidiaries of the Borrower;

(d) Indebtedness under any Interest Rate Protection Agreements and under foreign exchange futures agreements, arrangements or options designed to protect against fluctuations in currency exchange rates;

(e) Indebtedness of the Borrower that may be incurred, assumed or suffered to exist without violating any section of this Agreement, including, without limitation, Sections 6.16 and 6.17 hereof;

(f) Indebtedness of any Subsidiary of the Borrower (i) under unsecured lines of credit for overdrafts or for working capital purposes in foreign countries with financial institutions, and (ii) arising from the honoring by a bank or other Person of a check, draft or similar instrument inadvertently drawing against insufficient funds, all such Indebtedness not to exceed \$100,000,000 in the aggregate at any time outstanding, provided that amounts under overdraft lines of credit or outstanding as a result of drawings against insufficient funds shall be outstanding for one (1) Business Day before being included in such aggregate amount;

(g) Indebtedness of a Person existing at the time such Person becomes a Subsidiary of the Borrower or is merged with or into the Borrower or any Subsidiary of the Borrower and not incurred in contemplation of such transaction;

(h) Indebtedness of the Borrower or any Subsidiary of the Borrower (i) under Performance Guaranties and Performance Letters of Credit, and (ii) with respect to letters of credit issued in the ordinary course of business;

(i) Indebtedness of any Subsidiaries of the Borrower in an aggregate principal amount for all Subsidiaries not to exceed an amount equal to ten percent (10%) of Consolidated Net Assets (the "Subsidiary Debt Basket Amount") in the aggregate at any time outstanding;

(j) other Indebtedness of any Subsidiary of the Borrower so long as such Subsidiary has in force a Subsidiary Guaranty in substantially the form of Exhibit 6.11, provided that such Subsidiary Guaranty shall contain a provision

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that such Subsidiary Guaranty and all obligations thereunder of the Guarantor party thereto shall be terminated upon delivery to the Syndication Agent by the Borrower of a certificate stating that (x) the aggregate principal amount of Indebtedness of all Subsidiaries outstanding pursuant to the preceding clause (i) and this clause (j) is equal to or less than the Subsidiary Debt Basket Amount, and (y) no Default or Event of Default has occurred and is continuing; and

(k) extensions, renewals or replacements of Indebtedness permitted by this Section 6.11 that do not increase the amount of such Indebtedness (other than amounts incurred to pay costs of such extension, renewal or refinancing).

Section 6.12. Use of Property and Facilities; Environmental Laws. The  
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Borrower and its Subsidiaries shall comply in all material respects with all Environmental Laws applicable to or affecting the properties or business operations of the Borrower or any Subsidiary of the Borrower, where the failure to comply could reasonably be expected to have a Material Adverse Effect.

Section 6.13. Transactions with Affiliates. Except as otherwise  
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specifically permitted herein, the Borrower and its Subsidiaries shall not (except pursuant to contracts outstanding as of (i) with respect to the Borrower, the Effective Date or (ii) with respect to any Subsidiary of the Borrower, the Effective Date or, if later, the date such Subsidiary first became a Subsidiary of the Borrower) enter into or engage in any material transaction or arrangement or series of related transactions or arrangements which in the aggregate would be material with any Controlling Affiliate, including without limitation, the purchase from, sale to or exchange of property with, any merger or consolidation with or into, or the rendering of any service by or for, any Controlling Affiliate, except pursuant to the requirements of the Borrower's or such Subsidiary's business and unless such transaction or arrangement or series of related transactions or arrangements, taken as a whole, are no less favorable to the Borrower or such Subsidiary (other than a wholly owned Subsidiary) than would be obtained in an arms' length transaction with a Person not a Controlling Affiliate.

Section 6.14. Sale and Leaseback Transactions. The Borrower will not, and  
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will not permit any of its Subsidiaries to, enter into, assume, or suffer to exist any Sale-Leaseback Transaction, except any such transaction that may be entered into, assumed or suffered to exist without violating any other provision of this Agreement, including without limitation, Sections 6.16 and 6.17.

Section 6.15. Compliance with Laws. Without limiting any of the other  
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covenants of the Borrower in this Article 6, the Borrower and its Subsidiaries shall conduct their business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any



governmental or judicial authorities; provided, however, that this Section 6.15 shall not require the Borrower or any Subsidiary of the Borrower to comply with any such law, regulation, ordinance or order if (x) it shall be contesting such law, regulation, ordinance or order in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor, or (y) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

Section 6.16. Interest Coverage Ratio. The Borrower will not permit the Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3:00 to 1:00.

Section 6.17. Consolidated Indebtedness to Total Capitalization Ratio. The Borrower will maintain, as of the end of each fiscal quarter of the Borrower, a ratio (expressed as a percentage) of Consolidated Indebtedness to Total Capitalization of no greater than 40%.

#### ARTICLE 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) default by the Borrower in the payment of any principal amount of any Loan, any interest thereon or any fees payable hereunder, within two (2) Business Days following the date when due;

(b) default by the Borrower in the observance or performance of any covenant set forth in Sections 6.9, 6.10, 6.16, or 6.17;

(c) default by the Borrower in the observance or performance of any provision hereof or of any other Credit Document not mentioned in clauses (a) or (b) above, which is not remedied within thirty (30) days after notice thereof to the Borrower by the Syndication Agent;

(d) any representation or warranty made or deemed made herein or in any other Credit Document by the Borrower or any Subsidiary proves untrue in any material respect as of the date of the making, or deemed making, thereof;

(e) (x) Indebtedness in the aggregate principal amount of \$50,000,000 of the Borrower and its Subsidiaries ("Material Indebtedness") shall (i) not be paid at maturity (beyond any applicable grace periods), or (ii) be declared to be due and payable or required to be prepaid, redeemed or repurchased prior to its stated maturity, or (y) any default in respect of Material Indebtedness shall occur which permits the holders thereof, or any trustees or agents on their behalf, to accelerate the maturity of such Indebtedness or requires such Indebtedness to be prepaid, redeemed, or repurchased prior to its stated maturity;

(f) the Borrower or any Significant Subsidiary (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code or a comparable action is taken under any bankruptcy or insolvency law of another country or political subdivision of such

country, (ii) generally does not pay, or admits its inability generally to pay, its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, liquidator or similar official for it or its substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code or any comparable law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of or consents to or acquiesces in any such proceeding filed against it, (vi) makes any board of directors resolution in direct furtherance of any matter described in clauses (i)-(v) above, or (vii) fails to contest in good faith any appointment or proceeding described in this Section 7.1(f);

(g) a custodian, receiver, trustee, liquidator or similar official is appointed for the Borrower or any Significant Subsidiary or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, or a proceeding described in Section 7.1(f)(v) is instituted against the Borrower or any Significant Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed and unstayed for a period of sixty (60) days (or one hundred twenty (120) days in the case of any such event occurring outside the United States of America);

(h) the Borrower or any Subsidiaries of the Borrower fail within thirty (30) days with respect to any judgments or orders that are rendered in the United States or sixty (60) days with respect to any judgments or orders that are rendered in foreign jurisdictions (or such earlier date as any execution on such judgments or orders shall take place) to vacate, pay, bond or otherwise discharge any judgments or orders for the payment of money the uninsured portion of which is in excess of \$50,000,000 in the aggregate and which are not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution;

(i) (x) the Borrower or any Subsidiary of the Borrower fails to pay when due an amount that it is liable to pay to the PBGC or to a Plan under Title IV of ERISA; or a notice of intent to terminate a Plan having Unfunded Vested Liabilities of the Borrower or any of its Subsidiaries in excess of \$30,000,000 (a "Material Plan") is filed under Title IV of ERISA; or the PBGC institutes proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding is instituted by a fiduciary of any Material Plan against any Borrower or any Subsidiary to collect any liability under Section 515 or 4219(c)(5) of ERISA, and in each case such proceeding is not dismissed within thirty (30) days thereafter; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated, and (y) the occurrence of one or more of the matters in the preceding clause (x) could reasonably be expected to have a Material Adverse Effect; or

(j) any Person or group of Persons acting in concert (as such terms are used in Rule 13d-5 under the Securities Exchange Act of 1934, as amended) shall own, directly or indirectly,

beneficially or of record, securities of the Borrower (or other securities convertible into such securities) representing fifty percent (50%) or more of the combined voting power of all outstanding securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency.

Section 7.2. Non-Bankruptcy Defaults. When any Event of Default (other  
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than those described in subsections (f) or (g) of Section 7.1 with respect to the Borrower) has occurred and is continuing, the Syndication Agent shall, by notice to the Borrower: (a) if so directed by the Required Lenders, terminate the remaining Commitments to the Borrower hereunder on the date stated in such notice (which may be the date thereof); and (b) if so directed by the Required Lenders, declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, shall be and become immediately due and payable together with all other accrued amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind, including, but not limited to, notice of intent to accelerate and notice of acceleration, each of which is expressly waived by the Borrower. The Syndication Agent, after giving notice to the Borrower pursuant to this Section 7.2, shall also promptly send a copy of such notice to the other Lenders, but the failure to do so shall not impair or annul the effect of such notice.

Section 7.3. Bankruptcy Defaults. When any Event of Default described in  
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subsection (f) or (g) of Section 7.1 has occurred and is continuing with respect to the Borrower, then all outstanding Loans shall immediately become due and payable together with all other accrued amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, each of which is expressly waived by the Borrower; and all obligations of the Lenders to extend further credit pursuant to any of the terms hereof shall immediately terminate.

Section 7.4. Notice of Default. The Syndication Agent shall give notice  
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to the Borrower under Section 7.2 promptly upon being requested to do so by the Required Lenders and shall thereupon notify all the Lenders thereof.

Section 7.5. Expenses. The Borrower agrees to pay to the Syndication  
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Agent and each Lender all reasonable out-of-pocket expenses incurred or paid by the Syndication Agent or such Lender, including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default hereunder or in connection with the enforcement of any of the Credit Documents.

Section 7.6. Distribution and Application of Proceeds. After the  
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occurrence of and during the continuance of an Event of Default, any payment to the Syndication Agent or any Lender hereunder shall be paid to the Syndication Agent to be distributed and applied as follows (unless otherwise agreed by the Borrower, the Syndication Agent and all Lenders):

(a) First, to the payment of any and all reasonable out-of-pocket costs and expenses of the Syndication Agent, including without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of

any rights of the Syndication Agent or the Lenders under this Agreement or any other Credit Document;

(b) Second, to the payment of any and all reasonable out-of-pocket costs and expenses of the Lenders, including, without limitation, reasonable attorneys' fees and out-of-pocket costs and expenses, as provided by this Agreement or by any other Credit Document, incurred in connection with the collection of such payment or in respect of the enforcement of any rights of the Lenders under this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such costs and expenses unpaid to each Lender bears to the aggregate amount of the costs and expenses unpaid to all Lenders collectively, until all such fees, costs and expenses have been paid in full;

(c) Third, to the payment of any due and unpaid fees to the Syndication Agent or any Lender as provided by this Agreement or any other Credit Document, pro rata in the proportion in which the amount of such fees due and unpaid to the Syndication Agent and each Lender bears to the aggregate amount of the fees due and unpaid to the Syndication Agent and all Lenders collectively, until all such fees have been paid in full;

(d) Fourth, to the payment of accrued and unpaid interest on the Loans to the date of such application, pro rata in the proportion in which the amount of such interest, accrued and unpaid to each Lender bears to the aggregate amount of such interest accrued and unpaid to all Lenders collectively, until all such accrued and unpaid interest has been paid in full;

(e) Fifth, to the payment of the outstanding due and payable principal amount of each of the Loans pro rata in the proportion in which the outstanding principal amount of such Loans owing to each Lender bears to the aggregate amount of all outstanding Loans;

(f) Sixth, to the payment of any other outstanding Obligations then due and payable, pro rata in the proportion in which the outstanding Obligations owing to each Lender and Syndication Agent bears to the aggregate amount of all such Obligations until all such Obligations have been paid in full; and

(g) Seventh, to the Borrower or as the Borrower may direct.

#### ARTICLE 8. CHANGE IN CIRCUMSTANCES.

##### Section 8.1. Change of Law.

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(a) Notwithstanding any other provisions of this Agreement or any Note, if at any time any change, after the date hereof (or, if later, after the date the Syndication Agent or any Lender becomes the Syndication Agent or a Lender), in applicable law or regulation or in the interpretation thereof makes it unlawful for any Lender to make or maintain Eurocurrency Loans, such Lender shall promptly give written notice thereof and of the basis therefor in reasonable detail to the Borrower, and such Lender's obligations to fund affected Eurocurrency Loans or

make, continue or convert such Loans under this Agreement shall thereupon be suspended until it is no longer unlawful for such Lender to make or maintain such Loans.

(b) Upon the giving of the notice to Borrower referred to in subsection (a) above in respect of any such Loan, (i) any outstanding such Loan of such Lender shall be automatically converted to a Base Rate Loan in Dollars on the last day of the Interest Period then applicable thereto or on such earlier date as required by law, and (ii) such Lender shall make or continue its portion of any requested Borrowing of such Loan as a Base Rate Loan in Dollars, which Base Rate Loan shall, for all other purposes, be considered part of such Borrowing.

(c) Any Lender that has given any notice pursuant to Section 8.1(a) shall, upon determining that it would no longer be unlawful for it to make such Loans, give prompt written notice thereof to the Borrower and the Syndication Agent, and upon giving such notice, its obligation to make, allow conversions into and maintain such Loans shall be reinstated.

Section 8.2. Unavailability of Deposits or Inability to Ascertain LIBOR  
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Rate. If on or before the first day of any Interest Period for any Borrowing of  
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Eurocurrency Loans the Syndication Agent determines in good faith (after consultation with the other Lenders) that, due to changes in circumstances since the date hereof, adequate and fair means do not exist for determining the LIBOR Rate or such rate will not accurately reflect the cost to the Required Lenders of funding Eurocurrency Loans for such Interest Period, the Syndication Agent shall give written notice (in reasonable detail) of such determination and of the basis therefor to the Borrower and the Lenders, whereupon until the Syndication Agent notifies the Borrower and Lenders that the circumstances giving rise to such suspension no longer exist (which the Syndication Agent shall do promptly after they do not exist), (i) the obligations of the Lenders to make, continue or convert Loans as or into such Eurocurrency Loans, or to convert Base Rate Loans into such Eurocurrency Loans, shall be suspended and (ii) each Eurocurrency Loan will automatically on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan in Dollars.

Section 8.3. Increased Cost and Reduced Return.  
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(a) If, on or after the date hereof, the adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Lending Office), with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency exercising control over banks or financial institutions generally issued after the date hereof (or, if later, after the date the Syndication Agent or Lender becomes the Syndication Agent or Lender):

(i) subjects any Lender (or its Lending Office) to any tax, duty or other charge related to any Eurocurrency Loan or its obligation to advance or maintain Eurocurrency Loans or shall change the basis of taxation of payments to any Lender (or its Lending Office) of the principal of or interest on its Eurocurrency Loans or any participations in any thereof, or any other amounts due under this Agreement related to

its Eurocurrency Loans or its obligation to make Eurocurrency Loans or acquire participations therein (except for changes with respect to taxes that are not Indemnified Taxes pursuant to Section 3.3); or

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding for any Eurocurrency Loan any such requirement included in an applicable Statutory Reserve Rate) against assets of, deposits with or for the account of, or credit extended by, any Lender (or its Lending Office) or imposes on any Lender (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans or its participation in any thereof, or its obligation to advance or maintain Eurocurrency Loans or participate in any thereof;

and the result of any of the foregoing is to increase the cost to such Lender (or its Lending Office) of advancing or maintaining any Eurocurrency Loan or participating therein, or to reduce the amount of any sum received or receivable by such Lender (or its Lending Office) in connection therewith under this Agreement or its Note, by an amount deemed by such Lender to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after receipt of a certificate from such Lender (with a copy to the Syndication Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction.

(b) If, after the date hereof, the Syndication Agent or any Lender shall have reasonably determined that the adoption after the date hereof of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital adequacy rules heretofore adopted and issued by any governmental authority), or any change after the date hereof in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Syndication Agent or any Lender (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital, or on the capital of any corporation controlling such Lender, as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or its controlling corporation's policies with respect to capital adequacy in effect immediately before such adoption, change or compliance) by an amount reasonably deemed by such Lender to be material, then, subject to Section 8.3(c), from time to time, within thirty (30) days after its receipt of a certificate from such Lender (with a copy to the Syndication Agent) pursuant to subsection (c) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall pay to such Lender such additional amount or amounts as will

compensate such Lender for such reduction or the Borrower may prepay all Eurocurrency Loans of such Lender.

(c) The Syndication Agent and each Lender that determines to seek compensation or additional interest under this Section 8.3 shall give written notice to the Borrower and, in the case of a Lender other than the Syndication Agent, the Syndication Agent of the circumstances that entitle the Syndication Agent or such Lender to such compensation no later than ninety (90) days after the Syndication Agent or such Lender receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the ninetieth day preceding such written demand. The Syndication Agent and each Lender shall use reasonable efforts to avoid the need for, or reduce the amount of, such compensation, additional interest, and any payment under Section 3.3, including, without limitation, the designation of a different Lending Office, if such action or designation will not, in the sole judgment of the Syndication Agent or such Lender made in good faith, be otherwise disadvantageous to it; provided that the foregoing shall not in any way affect the rights of any Lender or the obligations of the Borrower under this Section 8.3, and provided further that no Lender shall be obligated to make its Eurocurrency Loans hereunder at any office located in the United States of America. A certificate of the Syndication Agent or any Lender, as applicable, claiming compensation or additional interest under this Section 8.3, and setting forth the additional amount or amounts to be paid to it hereunder and accompanied by a statement prepared by the Syndication Agent or such Lender, as applicable, describing in reasonable detail the calculations thereof shall be prima facie evidence of the correctness thereof. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 8.4. Lending Offices. The Syndication Agent and each Lender may,

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at its option, elect to make or maintain its Loans hereunder at the Lending Office for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Syndication Agent, provided that, except in the case of any such transfer to another of its branches, offices or affiliates made at the request of the Borrower, the Borrower shall not be responsible for the costs arising under Section 3.3 or 8.3 resulting from any such transfer to the extent not otherwise applicable to such Lender prior to such transfer.

Section 8.5. Discretion of Lender as to Manner of Funding. Subject to the

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other provisions of this Agreement, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit.

Section 8.6. Substitution of Lender. If (a) any Lender has demanded

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compensation or additional interest or given notice of its intention to demand compensation or additional interest under Section 8.3, (b) the Borrower is required to pay any additional amount to any Lender under Section 2.11, (c) any Lender is unable to submit any form or certificate required under Section 3.3(b) or withdraws or cancels any previously submitted form with no substitution therefor, (d) any Lender gives notice of any change in law or regulations, or in the interpretation thereof, pursuant to Section 8.1, (e) any Lender has been declared insolvent or a receiver or conservator has been appointed for a material portion of its assets, business or properties or (f) any Lender

shall seek to avoid its obligation to make or maintain Loans hereunder for any reason, including, without limitation, reliance upon 12 U.S.C. (S) 1821(e) or (n) (1) (B), (g) any taxes referred to in Section 3.3 have been levied or imposed (or the Borrower determines in good faith that there is a substantial likelihood that such taxes will be levied or imposed) so as to require withholding or deductions by the Borrower or payment by the Borrower of additional amounts to any Lender, or other reimbursement or indemnification of any Lender, as a result thereof, or (h) any Lender shall decline to consent to a modification or waiver of the terms of this Agreement or any other Credit Documents requested by the Borrower, then and in such event, upon request from the Borrower delivered to such Lender and the Syndication Agent, such Lender shall assign, in accordance with the provisions of Section 10.10 and an appropriately completed Assignment Agreement, all of its rights and obligations under the Credit Documents to another Lender or a commercial banking institution selected by the Borrower and (in the case of a commercial banking institution) reasonably satisfactory to the Syndication Agent, in consideration for the payments set forth in such Assignment Agreement and payment by the Borrower to such Lender of all other amounts which such Lender may be owed pursuant to this Agreement, including, without limitation, Sections 2.11, 3.3, 8.3 and 10.13.

ARTICLE 9. THE AGENTS, ARRANGERS AND BOOK RUNNERS.

Section 9.1. Appointment and Authorization of Syndication Agent,

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Administrative Agent, Documentation Agent, Senior Managing Agent, Joint Lead

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Arrangers, and Joint Book Runners. Each Lender hereby appoints STB as the

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Syndication Agent, ABN AMRO Bank, N.V. as the Administrative Agent, Wells Fargo Bank Texas, National Association, as the Documentation Agent, Bank of America, N.A., as Senior Managing Agent, and Goldman Sachs Credit Partners L.P. and ABN AMRO Bank, N.V., as the Joint Lead Arrangers and Joint Book Runners, under the Credit Documents and hereby authorizes the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and Joint Lead Arrangers and Joint Book Runners to take such action as Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, and Joint Lead Arrangers and Joint Book Runners on each of its behalf and to exercise such powers under the Credit Documents as are delegated to the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and Joint Lead Arrangers and Joint Book Runners, respectively, by the terms thereof, together with such powers as are reasonably incidental thereto.

Section 9.2. Rights and Powers. The Syndication Agent, the Administrative

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Agent, the Documentation Agent, the Senior Managing Agent, and Joint Lead Arrangers and Joint Book Runners shall have the same rights and powers under the Credit Documents as any other Lender and may exercise or refrain from exercising such rights and power as though it were not a Syndication Agent, an Administrative Agent, a Documentation Agent, a Senior Managing Agent, or a Joint Lead Arranger or Joint Book Runner, and the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and Joint Lead Arrangers and Joint Book Runners and their respective Controlling Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any of its Subsidiaries or Controlling Affiliates as if it were not a Syndication Agent, an Administrative Agent, a Documentation Agent, a Senior Managing Agent, or a Joint Lead Arranger or Joint



Book Runner, under the Credit Documents. The term Lender as used in all Credit Documents, unless the context otherwise clearly requires, includes the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and Joint Lead Arrangers and Joint Book Runners in their respective individual capacities as a Lender.

Section 9.3. Action by Syndication Agent, Administrative Agent,  
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Documentation Agent, Senior Managing Agent, Joint Lead Arrangers and Joint Book  
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Runners. The obligations of the Syndication Agent, the Administrative Agent, the  
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Documentation Agent, the Senior Managing Agent, and Joint Lead Arrangers and Joint Book Runners under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Syndication Agent shall not be required to take any action concerning any Default or Event of Default, except as expressly provided in Sections 7.2. Unless and until the Required Lenders (or, if required by Section 10.11, all of the Lenders) give such direction the Syndication Agent may, except as otherwise expressly provided herein or therein, take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders. In no event, however, shall the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, or any Joint Lead Arranger or Joint Book Runner be required to take any action in violation of applicable law or of any provision of any Credit Document, and each of the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and the Joint Lead Arrangers and Joint Book Runners shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expenses, and liabilities it may incur in taking or continuing to take any such action. The Syndication Agent shall be entitled to assume that no Default or Event of Default, other than non-payment of any scheduled principal or interest payment due hereunder, exists unless notified in writing to the contrary by a Lender or the Borrower. In all cases in which the Credit Documents do not require the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, or any Joint Lead Arranger or Joint Book Runner to take specific action, the Syndication Agent, each of the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and the Joint Lead Arrangers and Joint Book Runners shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Required Lenders, or of any other group of Lenders called for under specific provisions of the Credit Documents, shall be binding on all the Lenders and holders of Notes.

Section 9.4. Consultation with Experts. Each of the Syndication Agent,  
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the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and the Joint Lead Arrangers and Joint Book Runners may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 9.5. Indemnification Provisions; Credit Decision. Neither the  
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Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, the Joint Book Runners, nor any of their directors, officers, agents, or employees shall be liable for any action taken or not taken by them in connection with the Credit

Documents (i) with the consent or at the request of the Required Lenders (or, if required by Section 10.11, all of the Lenders), or (ii) in the absence of their own gross negligence or willful misconduct. Neither the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, the Joint Book Runners, nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Borrowing; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Article 4, except receipt of items required to be delivered to the Syndication Agent; or (iv) the validity, effectiveness, genuineness, enforceability, value, worth or collectability hereof or of any other Credit Document or of any other documents or writings furnished in connection with any Credit Document; and the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and the Joint Lead Arrangers and Joint Book Runners make no representation of any kind or character with respect to any such matters mentioned in this sentence. The Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, and the Joint Lead Arrangers and Joint Book Runners may execute any of their duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers and the Joint Book Runners shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Syndication Agent and the Documentation Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by any of them under the Credit Documents. The Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers and the Joint Book Runners may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with such Syndication Agent signed by such owner in form satisfactory to such Syndication Agent. Each Lender acknowledges that it has independently, and without reliance on the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, any Joint Lead Arranger or Joint Book Runner, or any other Lender, obtained such information and made such investigations and inquiries regarding the Borrower and its Subsidiaries as it deems appropriate, and based upon such information, investigations and inquiries, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Lender to keep itself informed about the creditworthiness and business, properties, assets, liabilities, condition (financial or otherwise) and prospects of the Borrower and its Subsidiaries, and the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers and the Joint Book Runners shall have no liability whatsoever to any Lender for such matters. The Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers and the Joint Book Runners shall have no duty to disclose to the Lenders information that is not required by any Credit Document to be furnished by the Borrower or any Subsidiaries to such Person at such time, but is

voluntarily furnished to such Person (either in their respective capacities as Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers or the Joint Book Runners, or in their individual capacities).

Section 9.6. Indemnity. The Lenders shall ratably, in accordance with

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their Percentages, indemnify and hold the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers and the Joint Book Runners, and their directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section 9.6 shall survive termination of this Agreement.

Section 9.7. Resignation of Agents, Arrangers, Book Runners and

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Successors. The Syndication Agent, the Administrative Agent, the Documentation

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Agent, the Senior Managing Agent, the Joint Lead Arrangers and the Joint Book Runners may resign at any time and shall resign upon any removal thereof as a Lender pursuant to the terms of this Agreement upon at least thirty (30) days' prior written notice to the Lenders and the Borrower. Any resignation of the Syndication Agent shall not be effective until a replacement therefor is appointed pursuant to the terms hereof. Upon any such resignation of the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, the Required Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) shall have the right to appoint a successor Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be. If no successor Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be, shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Syndication Agent's, Administrative Agent's, Senior Managing Agent's, Documentation Agent's, or Joint Lead Arranger's or Joint Book Runner's giving of notice of resignation, then the retiring Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be, may, on behalf of the Lenders and, so long as no Event of Default shall then exist, with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed) appoint a successor Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be, which shall be any Lender hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance of its appointment as the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner hereunder, such successor Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be, shall thereupon succeed to and become vested with all the rights and duties of the retiring Syndication Agent, Administrative Agent, Documentation Agent, Senior

Managing Agent, or Joint Lead Arranger or Joint Book Runner hereunder, such successor Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be, shall thereupon succeed to and become vested with all the rights and duties of the retiring Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be, under the Credit Documents, and the retiring Syndication Agent, Administrative Agent, Documentation Agent, the Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner shall be discharged from its duties and obligations thereunder. After any retiring Syndication Agent's, Administrative Agent's, Documentation Agent's, Senior Managing Agent's, or Joint Lead Arranger's or Joint Book Runner's resignation hereunder as Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be, the provisions of this Article 9 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Syndication Agent, Administrative Agent, Documentation Agent, Senior Managing Agent, or Joint Lead Arranger or Joint Book Runner, as the case may be.

ARTICLE 10. MISCELLANEOUS.

Section 10.1. No Waiver. No delay or failure on the part of the

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Syndication Agent or any Lender, or on the part of the holder or holders of any Notes, in the exercise of any power, right or remedy under any Credit Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power, right or remedy. To the fullest extent permitted by applicable law, the powers, rights and remedies under the Credit Documents of the Syndication Agent, the Lenders, and the holder or holders of any Notes are cumulative to, and not exclusive of, any powers, rights or remedies any of them would otherwise have.

Section 10.2. Non-Business Day. Subject to Section 2.4, if any payment of

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principal or interest on any portion of any Loan or any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such portion of any Loan or other Obligation bears for the period prior to maturity shall continue to accrue in the manner set forth herein on such Obligation from the stated due date thereof to the next succeeding Business Day, on which the same shall instead be payable.

Section 10.3. Documentary Taxes. The Borrower agrees that it will pay any

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documentary, stamp or similar taxes payable with respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed irrespective of when such assessment is made, other than any such taxes imposed as a result of any transfer of an interest in a Credit Document. Each Lender that determines to seek compensation under this Section 10.3 shall give written notice to the Borrower and, in the case of a Lender other than the Syndication Agent, the Syndication Agent of the circumstances that entitle such Lender to such compensation no later than ninety (90) days after such Lender receives actual notice or obtains actual knowledge of the law, rule, order or interpretation or occurrence of another event giving rise to a claim hereunder. In any event, the Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the 90th day preceding such written demand.

Section 10.4. Survival of Representations. All representations and

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warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with

respect to the date as of which they were made as long as the Borrower has any Obligation hereunder or any Commitment hereunder is in effect.

Section 10.5. Survival of Indemnities. All indemnities and all provisions

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relative to reimbursement to the Lenders of amounts sufficient to protect the yield of the Lenders with respect to the Loans, including, but not limited to, Section 2.11, Section 3.3, Section 7.5, Section 8.3, Section 10.3, and Section 10.13 hereof, shall, subject to Section 8.3(c), survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations and, with respect to any Lender, any replacement by the Borrower of such Lender pursuant to the terms hereof, in each case for a period of one (1) year.

Section 10.6. Setoff. In addition to any rights now or hereafter granted

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under applicable law and not by way of limitation of any such rights, upon the occurrence of, and throughout the continuance of, any Event of Default, each Lender and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time owing by that Lender or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the due and unpaid obligations and liabilities of the Borrower to that Lender or that subsequent holder under the Credit Documents, irrespective of whether or not that Lender or that subsequent holder shall have made any demand hereunder. Each Lender shall promptly give notice to the Borrower of any action taken by it under this Section 10.6, provided that any failure of such Lender to give such notice to the Borrower shall not affect the validity of such setoff. Each Lender agrees with each other Lender a party hereto that if such Lender receives and retains any payment, whether by setoff or application of deposit balances or otherwise, in respect of the Loans in excess of its ratable share of payments on all such Obligations then owed to the Lenders hereunder, then such Lender shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans and participations therein held by each such other Lender as shall be necessary to cause such Lender to share such excess payment ratably with all the other Lenders; provided, however, that if any such purchase is made by any Lender, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender, the related purchases from the other Lenders shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest.

Section 10.7. Notices. Except as otherwise specified herein, all notices

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under the Credit Documents shall be in writing (including cable, telecopy or telex) and shall be given to a party hereunder at its address, telecopier number or telex number set forth below or such other address, telecopier number or telex number as such party may hereafter specify by notice to the Syndication Agent and the Borrower, given by courier, by United States certified or registered mail, by telegram or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Lenders and the Syndication Agent shall be addressed to their respective addresses, telecopier or telex number, or telephone numbers set forth on the signature pages hereof, and to the Borrower to:

Transocean Sedco Forex Inc.  
4 Greenway Plaza  
Houston, Texas 77046  
Attention: Brian C. Voegele  
Telephone No.: (713) 232-7587  
Fax No.: (713) 232-7033

With a copy to:

Baker Botts LLP  
One Shell Plaza  
Houston, Texas 77002-4995  
Attention: Stephen Krebs  
Telephone No. (713) 229-1467  
Fax No.: (713) 229-1522

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10 and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, or (iv) if given by any other means, when delivered at the addresses specified in this Section 10.7, on the signature pages hereof or pursuant to Section 10.10; provided that any notice given pursuant to Article 2 shall be effective only upon receipt and, provided further, that any notice that but for this proviso would be effective after the close of business on a Business Day or on a day that is not a Business Day shall be effective at the opening of business on the next Business Day.

Section 10.8. Counterparts. This Agreement may be executed in any number of  
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counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original, but all such counterparts taken together shall constitute one and the same Agreement.

Section 10.9. Successors and Assigns. This Agreement shall be binding upon  
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the Borrower, each of the Lenders, the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, and the Joint Book Runners, and their respective successors and assigns, and shall inure to the benefit of the Borrower, each of the Lenders, the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, and the Joint Book Runners, and their respective successors and assigns, including any subsequent holder of any Note; provided, however, (i) the Borrower may not assign any of its rights or obligations under this Agreement or any other Credit Document without the written consent of all Lenders, the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, and the Joint Book Runners, (ii) the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead

Arrangers, and the Joint Book Runners may not assign any of their respective rights or obligations under this Agreement or any Credit Document except in accordance with Article 9, and (iii) no Lender or may assign any of its rights or obligations under this Agreement or any other Credit Document except in accordance with Section 10.10. Any Lender may at any time pledge or assign all or any portion of its rights under this Agreement and the Notes issued to it (i) to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Lender, or (ii) in the case of any Lender that is a fund comprised in whole or in part of commercial loans, to a trustee for such fund in support of such Lender's obligations to such trustee; provided that no such pledge or assignment shall release a Lender from any of its obligations hereunder or substitute any such Federal Reserve Bank or such trustee for such Lender as a party hereto and the Borrower, the Syndication Agent and the other Lenders shall continue to deal solely with such Lender in connection with the rights and obligations of such Lender under this Agreement.

Section 10.10. Sales and Transfers of Borrowing and Notes; Participations

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in Borrowings and Notes.  
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(a) Any Lender may, upon written notice to the Borrower, at any time sell to one or more commercial banking or other financial or lending institutions ("Participants") participating interests in any Commitment and Loans of such Lender hereunder, provided that no Lender may sell any participating interests in any such Commitment or such Loans hereunder without also selling to such Participant the appropriate pro rata share of all such Lender's Commitment and Loans hereunder, and provided further that no Lender shall transfer, grant or assign any participation under which the Participant shall have rights to vote upon or to consent to any matter to be decided by the Lenders or the Required Lenders hereunder or under any other Credit Document or to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) increase the amount of such Lender's Commitment and such increase would affect such Participant, (ii) reduce the principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such reduction would affect such Participant, (iii) postpone any date fixed for any scheduled payment of principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such postponement would affect such Participant, or (iv) release any collateral security for any Obligation, except as otherwise specifically provided in any Credit Document. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, the Borrower and the Syndication Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and such Lender shall retain the sole right to enforce the obligations of the Borrower under any Credit Document. The Borrower agrees that if amounts outstanding under this Agreement and the Notes shall have been declared or shall have become due and payable in accordance with Section 7.2 or 7.3 upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that

such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 10.6. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.11, 3.3 and 8.3 with respect to its participation in the Commitments and the Borrowings outstanding from time to time, provided that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred if no participation had been transferred and provided, further, that Sections 8.3(c) and 8.6 shall apply to the transferor Lender with respect to any claim by any Participant pursuant to Section 2.11, 3.3 or 8.3 as fully as if such claim was made by such Lender. Anything herein to the contrary notwithstanding, the Borrower shall not, at any time, be obligated to pay to any Lender any sum in excess of the sum the Borrower would have been obligated to pay to such Lender hereunder if such Lender had not sold any participation in its rights and obligations under this Agreement or any other Credit Document.

(b) Any Lender may at any time sell to (i) any of such Lender's affiliates or to any other Lender or any affiliate thereof that is a commercial banking or other financial or lending institution not subject to Regulation T of the Board of Governors of the Federal Reserve System and, (ii) upon written notice to the Syndication Agent and the Borrower, one or more commercial banking or other financial or lending institutions not subject to Regulation T of the Board of Governors of the Federal Reserve System (any of (i) or (ii), a "Purchasing Lender"), all or any part of its rights and obligations under this Agreement and the other Credit Documents, pursuant to an Assignment Agreement in the form attached as Exhibit 10.10, executed by such Purchasing Lender and such

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transferor Lender and delivered to the Syndication Agent; provided that each such sale to a Purchasing Lender shall be in an amount of \$1,000,000 (calculated as hereinafter set forth) or more, or if in a lesser amount or if as a result of such sale the sum of the unfunded Commitment of such Lender plus the aggregate principal amount of such Lender's Loans would be less than an amount of \$1,000,000 (calculated as hereinafter set forth), such sale shall be of all of such Lender's rights and obligations under this Agreement and all of the other Credit Documents payable to it to one Purchasing Lender. No Lender may sell or assign any portion of its Commitment and Loans to a Purchasing Lender without also selling to such Purchasing Lender the appropriate pro rata share of all such Lender's Commitment and Loans hereunder. Upon such execution and delivery, from and after the effective date of the transfer determined pursuant to such Assignment Agreement, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder with a Commitment as set forth herein and (y) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitments and Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the Notes and the other Credit Documents. On or prior to the effective date of the transfer determined pursuant to such Assignment Agreement, the Borrower, at its own expense, shall execute and deliver to the Syndication Agent in exchange for any surrendered Note, a new Note as appropriate to the order



of such Purchasing Lender in an amount equal to the Commitments assumed by it pursuant to such Assignment Agreement, and, if the transferor Lender has retained a Commitment or Borrowing hereunder, a new Note to the order of the transferor Lender in an amount equal to the Commitments or Borrowings retained by it hereunder. Such new Notes shall be dated the Effective Date and shall otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Syndication Agent to the Borrower marked "cancelled."

(c) Upon its receipt of an Assignment Agreement executed by a transferor Lender and a Purchasing Lender, together with payment by the transferor Lender to the Syndication Agent hereunder of a registration and processing fee of \$1,000 (unless the Borrower is replacing such Lender pursuant to the terms hereof, in which event such fee shall be paid by the Borrower), the Syndication Agent shall promptly on the effective date of the transfer determined pursuant thereto give notice of recordation to the Lenders and the Borrower. The Borrower shall not be responsible for such registration and processing fee or any costs or expenses incurred by any Lender, any Purchasing Lender or the Syndication Agent in connection with such assignment except as provided above.

(d) If, pursuant to this Section 10.10 any interest in this Agreement or any Loan or Note is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States of America or any State thereof, the transferor Lender shall cause such transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Syndication Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Syndication Agent, the Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the Loans, (ii) to furnish to the transferor Lender (and, in the case of any Purchasing Lender, the Syndication Agent and the Borrower) two duly completed and signed copies of either U.S. Internal Revenue Service Form W-8 BEN or U.S. Internal Revenue Service Form W-8 ECI or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities (wherein such transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Syndication Agent and the Borrower) to provide the transferor Lender (and, in the case of any Purchasing Lender, the Syndication Agent and the Borrower) new forms as contemplated by Section 3.3(b) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(e) Notwithstanding any other provisions of this Section 10.10, no transfer or assignment of the interests of any Lender hereunder or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans, the Notes or any other Obligations under the securities laws of any jurisdiction.

Section 10.11. Amendments, Waivers and Consents. Any provision of the

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Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders, and (c) if the rights or duties of the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers or the Joint Book Runners are affected thereby, the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers or the Joint Book Runners, as the case may be, provided that:

(i) no amendment or waiver shall (A) increase the Revolving Credit Commitment Amount without the consent of all Lenders or increase any Commitment of any Lender without the consent of such Lender, or (B) postpone the Maturity Date without the consent of all Lenders, or reduce the amount of or postpone the date for any scheduled payment of any principal of or interest (including, without limitation, any reduction in the rate of interest unless such reduction is otherwise provided herein) on any Loan or of any fee payable hereunder, without the consent of each Lender owed any such Obligation; and

(ii) no amendment or waiver shall, unless signed by each Lender, change the provisions of this Section 10.11 or the definition of Required Lenders or the number of Lenders required to take any action under any other provision of the Credit Documents.

Section 10.12. Headings. Section headings used in this Agreement are for

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reference only and shall not affect the construction of this Agreement.

Section 10.13. Legal Fees, Other Costs and Indemnification. The Borrower,

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upon demand by the Syndication Agent, agrees to pay the reasonable fees and disbursements of legal counsel to the Syndication Agent in connection with the preparation and execution of the Credit Documents (which shall be in an amount agreed in writing by the Borrower), and any amendment, waiver or consent related thereto, whether or not the transactions contemplated therein are consummated. The Borrower further agrees to indemnify each Lender, the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, and the Joint Book Runners, and their respective directors, officers, employees and attorneys (collectively, the "Indemnified Parties"), against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable attorneys' fees and other reasonable expenses of litigation or preparation therefor, whether or not such Indemnified Party is a party thereto) which any of them may pay or incur as a result of (a) any action, suit or proceeding by any third party or governmental authority against such Indemnified Party and relating to any Credit Document, the Loans, or the application or proposed application by any of the Borrower of the proceeds of any Loan, REGARDLESS OF WHETHER SUCH CLAIMS OR ACTIONS ARE FOUNDED IN WHOLE OR IN PART UPON THE ALLEGED SIMPLE OR CONTRIBUTORY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES AND/OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR ATTORNEYS, (b) any investigation of any third party or any governmental authority involving any Lender (as a lender hereunder), or the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, or the Joint Book Runners (in such capacity hereunder) and related to any use made

or proposed to be made by the Borrower of the proceeds of any Loan or any transaction financed or to be financed in whole or in part, directly or indirectly with the proceeds of any Loan, and (c) any investigation of any third party or any governmental authority, litigation or proceeding involving any Lender (as a lender hereunder) or the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, or the Joint Book Runners (in such capacity hereunder) and related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the presence of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law) with respect to the Borrower, regardless of whether caused by, or within the control of, the Borrower; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any of the foregoing arising out of such Indemnified Party's gross negligence or willful misconduct, as determined pursuant to a final nonappealable judgment of a court of competent jurisdiction or as expressly agreed in writing by such Indemnified Party. The Borrower, upon demand by the Syndication Agent, the Administrative Agent, the Documentation Agent, the Senior Managing Agent, the Joint Lead Arrangers, or the Joint Book Runners, or a Lender at any time, shall reimburse such Agent or such Lender for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing, except if the same is excluded from indemnification pursuant to the provisions of the preceding sentence. Each Indemnified Party agrees to contest any indemnified claim if requested by the Borrower, in a manner reasonably directed by the Borrower, with counsel selected by the Indemnified Party and approved by the Borrower, which approval shall not be unreasonably withheld or delayed. Any Indemnified Party that proposes to settle or compromise any such indemnified claim shall give the Borrower written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain the Borrower's prior written consent thereto, which consent shall not be unreasonably withheld or delayed; provided that the Indemnified Party shall not be restricted from settling or compromising any such claim if the Indemnified Party waives its right to indemnity from the Borrower in respect of such claim.

Section 10.14. Governing Law; Submission to Jurisdiction; Waiver of Jury

Trial.  
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(A) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS, AND THE RIGHTS AND DUTIES OF THE PARTIES THERETO, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

(B) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE SYNDICATION AGENT, THE DOCUMENTATION AGENT, THE SENIOR MANAGING AGENT, THE ADMINISTRATIVE AGENT, THE JOINT LEAD ARRANGERS, THE JOINT BOOK RUNNERS, THE LENDERS, OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW

YORK SITTING IN THE BOROUGH OF MANHATTAN OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE BORROWER HEREBY IRREVOCABLY DESIGNATES CT CORPORATION SYSTEM, 111 8TH AVENUE, NEW YORK, NEW YORK 10011, AS THE DESIGNEE, APPOINTEE AND AGENT OF THE BORROWER TO RECEIVE, FOR AND ON BEHALF OF THE BORROWER, SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT HERETO. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS, BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS.

(C) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(D) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.7. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY

PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.15. Confidentiality. Each of the Agents, the Joint Lead

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Arrangers, the Joint Book Runners, and Lenders agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to their respective affiliates and to prospective Purchasing Lenders and Participants and their respective directors, officers, employees and agents, including accountants, legal counsel and other advisors who have reason to use such Information in connection with the evaluation of the transactions contemplated by this Agreement (subject to similar confidentiality provisions as provided herein) solely for purposes of evaluating such Information, (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable law or regulation or by any subpoena or similar legal process, (iv) in connection with the exercise of any remedies hereunder or any proceedings relating to this Agreement or the other Credit Documents, (v) with the consent of the Borrower, or (vi) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.15, or (y) becomes available on a non-confidential basis from a source other than the Borrower or its affiliates or the Lenders or their respective affiliates. For purposes hereof, "Information" means all information received by the Lenders, the Agents, the Joint Lead Arrangers and the Joint Book Runners from the Borrower relating to the Borrower or its business, other than any such information that is available to such Persons on a non-confidential basis prior to disclosure by the Borrower. The Lenders shall be considered to have complied with their respective obligations if they have exercised the same degree of care to maintain the confidentiality of such Information as they would accord their own confidential information.

Section 10.16. Effectiveness. This Agreement shall become effective on the

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date (the "Effective Date") on which all parties to this Agreement have signed and delivered to the Syndication Agent a counterpart signature page hereto or, in the case of a Lender, the Syndication Agent has received a facsimile notice that such a counterpart has been signed and mailed to the Syndication Agent.

Section 10.17. Severability. Any provision of this Agreement that is

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prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.18. Currency Conversion. All payments of Obligations under this

-----  
Agreement, the Notes or any other Credit Document shall be made in Dollars. If any payment of any Obligation, whether through payment by the Borrower or the proceeds of any collateral, shall be made in a currency other than Dollars, such amount shall be converted into Dollars at the current market rate for the purchase of Dollars with the currency in which such obligation was paid, as quoted by the Lender who is the Syndication Agent in accordance with the methods customarily used by such Lender for such purposes as of the time of such determination. The parties hereto hereby agree, to the fullest extent that they may effectively do so under applicable law, that (i) if for the purposes of obtaining any judgment or award it becomes necessary to convert from any currency other than Dollars into Dollars any amount in connection with the Obligations, then the

conversion shall be made as provided above on the Business Day before the day on which the judgment or award is given, (ii) in the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment or award is given and the date of payment, the Borrower will pay to the Syndication Agent, for the benefit of the Lenders, such additional amounts (if any) as may be necessary, and the Syndication Agent, on behalf of the Lenders, will pay to the Borrower such excess amounts (if any) as result from such change in the rate of exchange, to assure that the amount paid on such date is the amount in such other currency, which when converted at the rate of exchange described herein on the date of payment, is the amount then due in Dollars, and (iii) any amount due from the Borrower under this Section 10.18 shall be due as a separate debt and shall not be affected by judgment or award being obtained for any other sum due.

Section 10.19. Change in Accounting Principles, Fiscal Year or Tax Laws.  
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If (i) any change in accounting principles from those used in the preparation of the financial statements of the Borrower referred to in Section 5.9 is hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change materially affects the calculation of any component of any financial covenant, standard or term found in this Agreement, or (ii) there is a material change in federal or foreign tax laws which materially affects any of the Borrower and its Subsidiaries' ability to comply with the financial covenants, standards or terms found in this Agreement, the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 10.11, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Borrower's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made. Unless and until such provisions have been so amended, the provisions of this Agreement shall govern.

Section 10.20. Final Agreement. The Credit Documents constitute the entire  
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understanding among the parties to this Agreement and supersede all earlier or contemporaneous agreements, whether written or oral, concerning the subject matter of the Credit Documents. THIS WRITTEN AGREEMENT TOGETHER WITH THE OTHER CREDIT DOCUMENTS REPRESENTS THE FINAL AGREEMENT BETWEEN 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 BETWEEN THE PARTIES.

Section 10.21. Officer's Certificates. It is not intended that any  
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certificate of any officer of the Borrower delivered to the Syndication Agent or any Lender pursuant to this Agreement shall give rise to any personal liability on the part of such officer.

Section 10.22. Effect of Inclusion of Exceptions. It is not intended that  
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the specification of any exception to any covenant herein shall imply that the excepted matter would, but for such exception, be prohibited or required.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWER:  
-----

TRANSOCEAN SEDCO FOREX INC.,  
a Cayman Islands company

By: \_\_\_\_\_  
Name:  
Title:

Attest: \_\_\_\_\_  
Name:  
Title:

SUNTRUST BANK,  
As Syndication Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$250,000,000  
PERCENTAGE: 20.83333333%

Address for Notices:  
-----

SunTrust Bank  
SunTrust Plaza  
303 Peachtree Street, N.E., 3rd Floor  
Atlanta, GA 30308  
Attn: Mr. John Fields  
Telephone No.: 404/724-3667  
Telecopy No.: 404/827-6270

Lending Office:  
-----

SunTrust Bank  
SunTrust Plaza  
303 Peachtree Street, N.E., 3rd Floor  
Atlanta, GA 30308  
Attn: Mr. John Fields  
Telephone No.: 404/724-3667  
Telecopy No.: 404/827-6270

Payment Instructions:  
-----

Bank Name: SunTrust Bank  
ABA Number: 061 000 104  
City, State: Atlanta, Georgia  
Account Number: 908 8000 112  
Attention: Pat Etheridge 404/588-8358  
Reference: Transocean Sedco Forex Inc.



ABN AMRO BANK, N.V.,  
As Administrative Agent, Joint Lead  
Arranger, Joint Book Runner, and a Lender

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$200,000,000

PERCENTAGE: 16.66666667%

Address for Notices:

- - - - -

ABN AMRO Bank, N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Dina Tucci-Albro  
Telephone No.: 312/992-5120  
Telecopy No.: 312/992-5111

with a copy to:

ABN AMRO Bank, N.V.  
Three Riverway, Suite 1700  
Houston, TX 77056  
Attn: Stuart Murray  
Telephone No.: 713/964-3358  
Telecopy No.: 713/964-5801

ABN AMRO BANK, N.V., (continued)  
As Administrative Agent, Joint Lead Arranger,  
Joint Book Runner, and a Lender

Lending Office:

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ABN AMRO Bank, N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, IL 60604-1003  
Attn: Loan Administration  
Telephone No.: 312/992-5150  
Telecopy No.: 312/992-5155

Payment Instructions:

-----

Bank Name: ABN AMRO Bank, N.V.  
ABA Number: 026009580  
City, State: New York, NY  
Account Name: F/O ABN AMRO Bank, N.V.  
Chicago Branch CPU  
Account Number: 650-001-178941  
Attention:  
Reference: CPU 00193232 - Transocean Sedco

Letters of Credit:

-----

Bank Name: ABN AMRO Bank, N.V.  
ABA Number: 026009580  
City, State: New York, NY  
Account Name: F/O ABN AMRO Bank, N.V.  
Chicago Trade Services CPU  
Account Number: 653-001 1738 41  
Attention:  
Reference: Transocean Sedco

GOLDMAN SACHS CREDIT PARTNERS  
L.P., as Joint Lead Arranger, Joint Book  
Runner, and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$500,000,000

PERCENTAGE: 41.66666667%

Address for Notices:  
- - - - -

Goldman Sachs Credit Partners L.P.  
85 Broad Street - 6/th/ Floor  
New York, New York 10004  
Attn: Sandra Stulberger  
Telephone No.: 212/902-5977  
Telecopy No.: 212/357-4597

with a copy to:

Goldman Sachs Credit Partners L.P.  
c/o Goldman, Sachs & Co.  
85 Broad Street - 6/th/ Floor  
New York, New York 10004  
Attn: Barbara Aaron/Sally Wenden  
Telephone No.: 212/357-3111/9735  
Telecopy No.: 212/428-1242

Lending Office:  
- - - - -

Goldman Sachs Credit Partners L.P.  
85 Broad Street - 6/th/ Floor  
New York, New York 10004  
Attn: Sandra Stulberger  
Telephone No.: 212/902-5977  
Telecopy No.: 212/357-4597

GOLDMAN SACHS CREDIT (continued)  
PARTNERS L.P., as Joint Lead Arranger,  
Joint Book Runner, and a Lender

Payment Instructions:  
- - - - -

Bank Name: Citibank, N.A.  
ABA Number: 021000089  
City, State: New York, New York  
Account Number: 40717188  
Attention: Bank Loan Operations - Sandra Stulberger  
Reference: Transocean Sedco Forex Bridge Facility

BANK OF AMERICA, N.A.,  
As Senior Managing Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$125,000,000  
PERCENTAGE: 10.41666667%

Address for Notices:  
- - - - -

Bank of America, N.A.  
333 Clay Street, Suite 4550  
Houston, TX 77002  
Attn: Patrick Delaney, Managing Director  
Telephone No.: 713/651-4929  
Telecopy No.: 713/651-4808

Lending Office:  
- - - - -

Bank of America, N.A.  
901 Main Street  
Dallas, TX 75202  
Attn: Ramon Garcia  
Customer Service Representative  
Telephone No.: 214/209-2119  
Telecopy No.: 214/290-9462

with a copy to:

Bank of America, N.A.  
333 Clay Street, Suite 4550  
Houston, TX 77002  
Attn: Thelma Johnson  
Telephone No.: 713/651-4864  
Telecopy No.: 713/651-4808

BANK OF AMERICA, N.A., (continued)  
As Senior Managing Agent and a Lender

Payment Instructions:  
- - - - -

Bank Name: Bank of America, N.A.  
ABA Number: #111000012  
City, State:  
Account Number: 1292000883  
Attention: Corporate Loan Funds  
Reference: Transocean Sedco Forex Inc.

WELLS FARGO BANK TEXAS,  
NATIONAL ASSOCIATION,  
As Documentation Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

COMMITMENT AMOUNT: \$125,000,000

PERCENTAGE: 10.41666667%

Address for Notices:

- - - - -

Wells Fargo Bank Texas, National Association  
1000 Louisiana  
3rd Floor, Energy Department  
Houston, TX 77002  
Attn: Spencer Smith, Vice President  
Telephone No.: 713/319-1362  
Telecopy No.: 713/739-1087

Lending Office:

- - - - -

Wells Fargo Bank Texas, National Association  
1740 Broadway  
Denver, CO 80274  
Attn: Tanya Ivie, Production Manager  
Telephone No.: 303/863-6102  
Telecopy No.: 303/863-2729

Payment Instructions:

- - - - -

Bank Name: Wells Fargo Bank  
ABA Number: 121-000-248  
City, State: Denver, Colorado  
Account Number: 2969507201  
Attention: Denver WLS  
Reference: Transocean Sedco Forex

NOTE AGREEMENT

Dated as of January 30, 2001

Among

Delta Towing, LLC

as the Borrower,

R&B Falcon Drilling USA, Inc.

as RBF Noteholder

and

Beta Marine Services, L.L.C.

as Beta Noteholder



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Schedule 6.1(c):	Excepted Matters

## NOTE AGREEMENT

Note Agreement, dated as of January 30, 2001, is among R&B Falcon Drilling USA, Inc., a Delaware corporation (the "RBF Noteholder"), Beta Marine Services, L.L.C., a Louisiana limited liability company (the "Beta Noteholder," and together with the RBF Noteholder and their successors and permitted assigns, the "Noteholders," and individually, a "Noteholder"), and Delta Towing, LLC, a Delaware limited liability company (the "Borrower").

The parties hereto agree as follows:

### ARTICLE I DEFINITIONS

Section 1.1. Definitions. The following terms used herein have the meanings set forth, or referred to, below:

"Accounting Determination" is defined in Section 1.02.

"Acquisition Expenditures" is defined in the LLC Agreement.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. For purposes of this definition, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or general partnership or managing member interests, by contract or otherwise. Without limiting the generality of the foregoing, a Person shall be deemed to control any other Person in which it owns, directly or indirectly, a majority of the ownership interests.

Without limiting the generality of the foregoing, each entity described on Schedule 1.1 shall be deemed to be an Affiliate of Beta Noteholder and the Borrower under this Agreement, even though Beta or the Borrower may not directly or indirectly through one or more intermediaries control, and may not be controlled by or under common control with, such entity, as long as the members of the Chouest family own directly or indirectly at least 50% in the aggregate of the ownership interests of such entity.

"Affiliate Transaction" is defined in the LLC Agreement.

"Annual Budget" is defined in Section 9.2(c)(ii).

"Arm's Length Transaction" is defined in the LLC Agreement.

"Asset Sale" has the meaning assigned to such term in the LLC Agreement other than a Casualty Event.

"Assumed Liabilities" has the meaning assigned to such term in the General Assignment and Assumption Agreement.

"Audited Financial Statements" is defined in Section 9.2(c)(i).

"Borrower" is defined in the preamble hereof.

"Borrower Independent Auditors" is defined in Section 9.1.

"Borrower Optional Termination" is defined in Section 2.4(f).

"Business Day" means any day that is not a Saturday, Sunday or a holiday on which national banks in Houston, Texas are closed for business.

"Capital Expenditures" is defined in the LLC Agreement.

"Capital Stock" or "ownership interests" in any Person means any and all shares, interests, participations or other equivalents in the equity interest (however designated) in such Person and any rights (other than debt securities convertible into an equity interest, unless and until so converted), warrants or options to acquire an equity interest in such Person.

"Casualty Event" means any of the following events: (a) an event resulting in destruction of or damage to any Property; (b) an event that results in an insurance settlement on the basis of an actual or a constructive loss of any Property; (c) theft, illegal confiscation or disappearance of any Property; or (d) condemnation or other taking of title of any Property by a Governmental Authority or the requisition or taking of use of any Property by a Governmental Authority.

"Casualty Proceeds" means all compensation, damages and other payments, including, without limitation, any insurance proceeds from insurance required to be provided hereunder or from any other Person pursuant to any charter or other contract for the use of a Vessel or other Property of the Borrower or any Subsidiary, if any, received by the Borrower, the Noteholders, or the Trustee jointly or severally, from any Governmental Authority or other Person with respect to or in connection with a Casualty Event.

"Classified Vessels" is defined in Section 7.1(y).

"Closing Date" is defined in the Master Formation Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all property and assets of the Borrower whether now owned or hereafter acquired.

"Collateral Trust Agreement" means the Collateral Trust Agreement dated as of January 31, 2001 among the Trustee, the Noteholders, the Borrower and the Company.

"Company" means Delta Towing Holdings, LLC, a Delaware limited liability company.

"Condition Subsequent" means the execution and delivery of the Parent Guarantee and the Parent Pledge Agreement by the Company.

"Contribution Agreement" means the Contribution Agreement dated as of January 31, 2001 between the RBF Noteholder and the Company, as amended, restated or supplemented from time to time.

"Co-Sale Right Holder" is defined in Section 11.8(d)(i).

"Credit Documents" means this Agreement, the Notes and the Security Documents.

"Default" means any Event of Default or any event or condition that with the lapse of time or giving of notice, or both, would constitute an Event of Default.

"Distributions" is defined in Section 8.1.

"Distribution Calculation Statement" is defined in the LLC Agreement.

"Documented Vessels" means (i) all Vessels described on Schedule 2.1(c) of the General Assignment and Assumption Agreement, except those Vessels designated thereon as not being documented Vessels, and (ii) all other documented Vessels hereafter owned by Borrower or its Subsidiaries.

"Dollar" or "\$" mean lawful currency of the United States of America.

"EBITDA" means for the Borrower and its Subsidiaries for any period:

- (a) consolidated net income of the Borrower and its Subsidiaries; plus
- (b) to the extent deducted in computing such net income, the sum of (i) Interest Expense, (ii) income tax expense, (iii) depreciation, depletion and amortization expense, (iv) non-cash charges resulting from the cumulative effect of changes in accounting principles and (v) any other non-cash charges or losses; minus
- (c) to the extent added in computing such net income, (i) any Interest Income, (ii) non-cash gains resulting from the cumulative effect of changes in accounting principles and (iii) any other non-cash gains;

all as determined on a consolidated basis in accordance with GAAP. For purposes of this definition, depreciation, depletion and amortization expense will include any gains (deductions from depreciation, depletion and amortization) or losses (additions to depreciation, depletion and amortization) on asset retirements and excess purchase price amortization adjustments. For the avoidance of doubt, EBITDA shall not include any revenues or expenses constituting Member-Indemnified Expenditures.

"Effective Date" is defined in Section 5.1.

"Election Period" is defined in Section 11.8(c)(i).

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating to any Environmental Law or any permit issued under any Environmental Law ("Claims"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to the environment.

"Environmental Law" means any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial, administrative or arbitral order, consent, decree or judgment, relating to the environment.

"Event of Default" is defined in Section 10.1.

"Excess Cash Flow" means, for each Fiscal Quarter, without duplication:

- (a) EBITDA for such Fiscal Quarter, excluding any gain or loss resulting from any Asset Sale during such Fiscal Quarter; minus
- (b) Capital Expenditures of the Borrower in cash and Acquisition Expenditures of the Borrower in cash during such Fiscal Quarter, provided that such expenditures are either within the limitations set forth in Section 8.08 of the LLC Agreement or have been approved by the Required Noteholders; minus
- (c) Interest Expense paid in cash during such Fiscal Quarter; minus
- (d) principal prepayments paid in cash on the Notes pursuant to Section 2.4(g) between the Payment Date occurring during such Fiscal Quarter and the next succeeding Payment Date.

provided, however, that in the event that Working Capital as of the last day of such Fiscal Quarter is less than \$11.5 million, "Excess Cash Flow" shall be reduced by the difference between Working Capital as of the last day of such Fiscal Quarter and \$11.5 million.

Excess Cash Flow for each Fiscal Quarter shall be as reflected in the financial statements delivered pursuant to Section 9.2(b)(ii), unless, not later than twelve (12) months after the delivery to the Noteholder of the examination report described in Section 9.2(d) for the Fiscal Year in which such Fiscal Quarter occurs, the Required Noteholders or the Borrower's independent accountants determine that Excess Cash Flow as so reported is incorrectly computed and notify the Borrower in writing of the amount that such Excess Cash Flow should be increased ("Note Payment Increase Amount") or decreased ("Note Payment Decrease Amount") to correct the computation of Excess Cash Flow.

"Fiscal Quarter" means the three-month ended March 31, June 30, September 30 and December 31 of each Fiscal Year.

"Fiscal Year" means the 12-month (or shorter) period ending on the last day of December of each year.

"Fixed Rate" means an interest rate equal to 8% per annum.

"Fleet Mortgage" means the First Preferred Fleet Mortgage dated as of January 31, 2001, made by the Borrower to the Trustee covering all Documented Vessels.

"GAAP" means United States generally accepted accounting principles, from time to time in effect applied on a consistent basis.

"General Assignment and Assumption Agreement" means the General Assignment and Assumption Agreement dated as of January 30, 2001 between RBF Noteholder and the Borrower.

"Governmental Authority" means any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person or in any manner, providing for the payment of any Indebtedness or other obligation of any other Person or otherwise protecting the holder of such Indebtedness or other obligation against loss (whether arising by virtue of partnership arrangements, by obtaining letters of credit, by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise), provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. For the purpose of all computations made under this Agreement, the amount of a Guarantee in respect of any obligation shall be deemed to be equal to the amount that would apply if such obligation were the direct obligation of such Person rather than the primary obligor or, if less, the maximum aggregate potential liability of such Person under the terms of such Guarantee.

"Hazardous Material" has the meaning assigned to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Acts of 1986, and shall also include oil, gas and other liquid or gaseous hydrocarbons or any other substance defined as "hazardous" or "toxic" or words with similar meaning and effect under any Environmental Law applicable to the Borrower.

"Highest Lawful Rate" means as to any Noteholder, the maximum nonusurious rate of interest that, under applicable law, may be contracted for, taken, reserved, charged or received by such Noteholder in respect of the Notes or under the Credit Documents at any time or from time to time. If the maximum rate of interest which, under applicable law, any of the Noteholders is permitted to charge the Borrower in respect of the Notes shall change after the date hereof, to the

extent permitted by applicable law, the Highest Lawful Rate applicable to such Notes shall be automatically increased or decreased, as the case may be, as of the effective time of such change without notice to the Borrower or any other Person.

"Indebtedness" of any person means, without duplication, (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind; (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments; (c) all obligations of such person upon which interest charges are customarily paid; (d) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person; (e) all obligations of such person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable, trade advertising and accrued obligations); (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed; (g) all Guarantees by such person of Indebtedness of others; (h) all Capital Lease obligations of such person; (i) all obligations of such person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements; (j) all obligations of such person as an account party in respect of letters of credit and bankers' acceptances; and (k) equity issued by such person that is redeemable before the scheduled maturity of the Tier 1 Notes. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness expressly limits the liability of such person in respect thereof.

"Indemnified Parties" is defined in Section 4.1

"Indemnified Taxes" is defined in Section 4.6.

"Interest Expense" means, for any period, the aggregate of all expenditures incurred by the Borrower and its Subsidiaries during such period that, in accordance with GAAP, are or should be included in "interest expense" in the consolidated statement of income of the Borrower and its Subsidiaries.

"Interest Income" means, for any period, the aggregate of all receipts by the Borrower and its Subsidiaries during such period that, in accordance with GAAP, are or should be included in "interest income" in the consolidated statement of income of the Borrower and its Subsidiaries.

"Investment" is defined in Section 7.1(r).

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"LLC Agreement" means the Limited Liability Company Agreement of Delta Towing Holdings L.L.C. dated as of January 31, 2001, between the Noteholders.



"Louisiana Collateral Documents" means the Collateral Mortgage Note dated January 30, 2001, in the principal amount of \$147,000,000.00, payable to Bearer; the Collateral Mortgage dated January 30, 2001 made by the Borrower in favor of the Trustee, and the Collateral Trust Agreement dated January 30, 2001 made by the Borrower in favor of the Trustee and any other documents relating to the Collateral in favor of the Trustee relating to the Obligations.

"Marine Business" has the meaning assigned to such term in the Master Formation Agreement.

"Maritime Law" means any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial, administrative or arbitral order, consent, decree or judgement, relating to the marine activities or trade.

"Master Formation Agreement" means the Master Formation Agreement dated as of January 30, 2001 by and between Gary Chouest, Laney Chouest, Dino Chouest, the Beta Noteholder and the RBF Noteholder.

"Material Adverse Effect" means an effect that results in a material adverse (a) change, since the date of this Agreement, in (i) the business, properties, assets or financial condition of the Borrower or the prospects of the Obligors, or (ii) the ability of the Obligors to perform their obligations under any Operative Document to which such Obligor is a party, or (b) change in the rights and remedies of the Noteholders or the Trustee under the Credit Documents.

"Member - Indemnified Expenditures" is defined in the LLC Agreement.

"Membership Interest" is defined in the LLC Agreement.

"Note" means any of the Tier 1 Notes, the Tier 2 Note and the Tier 3 Note, as the same may be amended, renewed, extended, replaced, rearranged or otherwise modified from time to time.

"Noteholder" has the meaning assigned to such term in the preamble.

"Note Payment Decrease Amount" is defined in the definition of Excess Cash Flow.

"Note Payment Increase Amount" is defined in the definition of Excess Cash Flow.

"Obligors" means collectively the Borrower and the Company.

"Obligations" means all obligations of the Obligors to pay principal and interest on the Notes, fees, costs and expenses, and all other amounts owing under any Credit Document and to perform all other obligations of the Obligors under any Credit Document.

"Offer Notice" has the meaning assigned to such terms in Section 11.8(c)(i).

"Operative Documents" means the Master Formation Agreement, the General Assignment and Assumption Agreement, the Contribution Agreement, the LLC Agreement, the other Transaction Documents and the Credit Documents.

"Parent Guarantee" means the Parent Guarantee dated as of January 31, 2001 made by the Company in favor of the Trustee and the Noteholders in the form of Exhibit 1.01A attached hereto.

"Parent Pledge Agreement" means the Parent Pledge Agreement dated as of January 31, 2001 made by the Company in favor of the Trustee in the form of Exhibit 1.01B attached hereto.

"Participants" is defined in Section 11.8.

"Payment Date" means each April 30, July 30, October 30 and January 30 after the Closing Date.

"Payment Office" means the office of the Noteholder or its designee specified on the appropriate signature page hereto, or designated pursuant to Section 4.4, as the office to which the Borrower shall make payments on the Notes held by that Noteholder.

"Permitted Beta Noteholder Transferee" means a transferee of all or any portion of Beta Noteholder's Note or a transferor's membership interest in Beta Noteholder; provided that the Transfer to such transferee either (1) occurs by reason of or incident to the death or divorce of the transferor; provided that the transferee is a member of the transferor's immediate family or a trust, corporation, limited liability company or partnership controlled by such transferor or members of such transferor's immediate family or (2) is made to the Chouests or to any of the transferor's (or, in the case of a Transfer of Beta Noteholder's Note, the Chouests') lineal ascendants or descendants; provided that the transferee does not Transfer such interest except to the original transferor or to any of such transferor's lineal ascendants or descendants; provided that at all times prior to his death, Gary Chouest retains direct or indirect (including by reason of his percentage ownership in Beta Noteholder) ownership of at least a 11.25% interest in the Notes issued to Beta Noteholder following such Transfer.

"Permitted Indebtedness" is defined in Section 7.1(p).

"Permitted Liens" is defined in Section 7.1(o).

"Person" or "person" means any natural person, trust, estate, unincorporated organization, firm, corporation, association, partnership, joint venture, joint stock company, limited liability company or Governmental Authority, whether acting in an individual, fiduciary or other capacity.

"Property" means, with respect to any Person, any interest of such Person in any kind of asset, whether real, personal or mixed, or tangible or intangible, including, without limitation, Capital Stock in any other Person.

"Required Noteholders" means the Noteholders constituting holders of Notes representing more than fifty percent (50%) of the aggregate principal amount outstanding under all the Notes.

"Revolving Credit Facility" means the revolving line of credit contemplated by the Master Formation Agreement or any other working capital facility obtained by the Borrower in an amount and having terms and conditions acceptable to the Required Noteholders, as the same may be amended, supplemented, renewed, extended, replaced, restated, rearranged or otherwise modified from time to time.

"Security Agreement" means the Security Agreement, dated as of January 31, 2001, between the Borrower and the Trustee in the form attached hereto as Exhibit 1.01C.

"Security Documents" means the Fleet Mortgage, the Security Agreement, the Parent Pledge Agreement, the Parent Guarantee, the Collateral Trust Agreement, the Louisiana Collateral Documents and all other security agreements, mortgages and other agreements or instruments delivered by the Borrower or any other Person providing any credit or other support or granting a Lien on any of such Person's property to any Noteholder or the Trustee for the benefit of the Noteholders to secure all or any part of the Obligations, as any of the same may be amended, renewed, restated, extended, supplemented, rearranged or otherwise modified from time to time.

"Selling Noteholder" is defined in Section 11.8(c)(i).

"Senior Officer" means the president, any vice president or the chief financial officer of the Borrower.

"Subsidiary" or "subsidiary" means, with respect to any person (herein referred to as the "parent"), any corporation, partnership, limited liability company, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partner interests are, at the time any determination is being made, owned, controlled or held, or (b) that is, at the time any determination is made, otherwise controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"T2 Prior Interest Amount" is defined in Section 2.3(c).

"T3 Prior Interest Amount" is defined in Section 2.3(d).

"Taxes" or "taxes" means any and all national, federal, state, provincial or local income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, assets, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on, minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Tier 1 Amortization Default" means the failure to pay the principal of the Tier 1 Notes as required in the proviso to the first sentence of Section 2.4(a).

"Tier 1 Maturity Date" means January 30, 2024.

"Tier 1 Note" is defined in Section 2.6.

"Tier 2 Note" is defined in Section 2.6.

"Tier 3 Note" is defined in Section 2.6.

"Tier 1 Noteholder" means a Noteholder holding a Tier 1 Note.

"Tier 2 Noteholder" means a Noteholder holding a Tier 2 Note.

"Tier 3 Noteholder" means a Noteholder holding a Tier 3 Note.

"Tier 1 Repayment Date" means the date that all principal of and the accrued interest on the Tier 1 Notes are paid in full.

"Tier 2 Repayment Date" means the date that all principal of and the accrued interest on the Tier 2 Notes are paid in full.

"Tier 2 & 3 Extended Termination Date" is defined in Section 10.5.

"Tier 2 & 3 Termination Date" means the tenth anniversary date after the Closing Date, unless on or before such date:

- (a) any Noteholder has delivered to the Borrower a notice stating that a Note Payment Increase Amount is owing;
- (b) an Event of Default under Section 10.1(f) or (g) has occurred and such Event of Default is continuing;
- (c) any Noteholder has delivered to the Borrower a notice stating that an Event of Default has occurred, other than pursuant to Section 10.1(f) or (g), and such Event of Default is continuing;  
or
- (d) any Noteholder has delivered to the Borrower a notice stating that an Event of Default exists as a result of the failure to cure an Extended Cure Default within the time provided therefor.

In any such event, the Tier 2 & 3 Termination Date shall occur only after all Obligations that are or have become due and payable, whether by acceleration or otherwise, on or prior to the applicable Tier 2 & 3 Extended Termination Date shall have been paid in full.

"Total Loss" means any actual or constructive total loss of a Vessel as determined by the Required Noteholders.

"Transfer" or "transfer" means a sale, transfer, conveyance, assignment or other disposition (or a series of related dispositions), including, without limitation, any transfer pursuant to an option to purchase, any sale or assignment (with or without recourse) of any accounts receivable and any sale and leaseback of assets, but excluding any involuntary transfer by operation of law and any transfers of an asset pursuant to any casualty or theft with respect to such asset.

"Transaction Documents" has the meaning set forth in the Master Formation Agreement but also includes any other documents entered into in connection therewith.

"Transocean" means Transocean Sedco Forex Inc., a Cayman Islands company.

"Trustee" means The Bank of New York acting in its capacity as trustee for the Noteholders under the Collateral Trust Agreement and the Security Documents and any successor trustee appointed under the Collateral Trust Agreement.

"USA" or "US" means the United States of America (including all states and political subdivisions thereof).

"Unaudited Financial Statements" is defined in Section 9.2(a).

"Vessels" means the offshore tugs, inland tugs, crewboats and service barges described on Schedule 2.1(c) of the General Assignment and Assumption Agreement and any other vessels hereafter owned by the Borrower or its Subsidiaries from time to time.

"Wholly Owned Subsidiary" means, for any Person, any Subsidiary of which such Person owns, directly or indirectly, 100% of the Capital Stock.

"Working Capital" means as of any date as determined in accordance with GAAP (i) the consolidated current assets of the Borrower and its Subsidiaries, minus (ii) the consolidated current liabilities of the Borrower and its Subsidiaries, (other than the current maturities of the Notes).

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Unless otherwise indicated, references to a contract or other agreement shall include references to such contracts and agreements as affected by amendments, restatements, supplements and other modifications thereto made in accordance with the terms of the Credit Documents and references to statutes, regulations and other laws are to statutes, regulations and laws as amended or modified.

## ARTICLE II EXTENSIONS OF CREDIT AND REPAYMENTS

Section 2.1. The Purchase of the Notes. Subject to terms and conditions of this Agreement, the Noteholders shall severally purchase Notes from the Borrower to evidence extensions of credit to the Borrower in the aggregate principal amount not to exceed \$147,000,000. The Notes purchased by the RBF Noteholder shall be in the aggregate principal amount of \$144,000,000 and shall evidence the Borrower's payment obligation for the purchase

price of the Marine Business in accordance with, and subject to the terms and conditions of, the Master Formation Agreement. The Note purchased by the Beta Noteholder shall be in the principal face amount of \$3,000,000 and the proceeds from that purchase shall be used by the Borrower for working capital purposes.

Section 2.2. Type of Notes. Notes shall be divided into three types, as follows:

- (a) Tier 1 Notes.
  - (i) The \$3,000,000 Note of the Beta Noteholder shall be a Tier 1 Note; and
  - (ii) The first \$80,000,000 of the credit extended by the RBF Noteholder shall be evidenced by a Tier 1 Note;
- (b) Tier 2 Note. The next \$20,000,000 of the credit extended by RBF Noteholder shall be evidenced by a Tier 2 Note; and
- (c) Tier 3 Note. The next and remaining amount of credit extended by RBF Noteholder (i.e., \$44,000,000) shall be evidenced by a Tier 3 Note.

Section 2.3. Interest.

- (a) Interest will accrue on the principal outstanding under the Notes from time to time at the Fixed Rate from the Closing Date to the date of payment thereof and shall be compounded as described in Section 2.3(b)-(d).
- (b) The interest accrued on the principal of the Tier 1 Notes shall be compounded annually on each anniversary of the Closing Date.
- (c) The interest accrued on the principal of, and accrued interest on, the Tier 2 Note shall not be compounded until the Tier 1 Repayment Date. Interest on the Tier 2 Note that accrues before the Tier 1 Repayment Date is referred to as the "T2 Prior Interest Amount". Thereafter, the interest accrued on the Tier 2 Note and the T2 Prior Interest Amount on and after the Tier 1 Repayment Date shall be compounded on each subsequent anniversary of the Closing Date.
- (d) The interest accrued on the principal of, and accrued interest on, the Tier 3 Note shall not be compounded until the Tier 2 Repayment Date. Interest on the Tier 3 Note that accrues before the Tier 2 Repayment Date is referred to as the "T3 Prior Interest Amount". Thereafter, the interest accrued on the Tier 3 Note and the T3 Prior Interest Amount on and after the Tier 2 Repayment Date shall be compounded on each subsequent anniversary of the Closing Date.

Section 2.4. Payment of Principal and Interest; Maturity.

- (a) Tier 1 Notes. Subject to the Noteholders' right to accelerate the Notes in accordance with Sections 10.2 and 10.3, the Borrower shall pay to the Tier 1 Noteholders on each Payment Date, for application toward payment of the principal of and accrued and unpaid interest on the Tier 1 Notes as hereinafter provided, an amount equal to (i) until the Tier 2 & 3 Termination Date, 100%, and (ii) thereafter 50%, of the Excess Cash Flow for the preceding Fiscal Quarter until the Tier 1 Repayment Date, provided, however, that, in any event, the Borrower shall repay at least (1) 10% of the aggregate principal amount of the Tier 1 Notes no later than the third anniversary of the Closing Date, (2) 30% of the aggregate principal amount of the Tier 1 Notes no later than the fifth anniversary of the Closing Date and (3) 75% of the aggregate principal amount of the Tier 1 Notes no later than the seventh anniversary of the Closing Date. Each such payment shall be applied first to interest accrued and unpaid on the Tier 1 Notes for any previous Fiscal Quarters, and then to the unpaid principal of the Tier 1 Notes. On each Payment Date, the Borrower shall also pay to the Tier 1 Noteholders accrued interest on the Tier 1 Notes for the preceding Fiscal Quarter. Notwithstanding anything to the contrary contained herein or in the Credit Documents, all principal and accrued and unpaid interest on, the Tier 1 Notes shall be due and payable on the Tier 1 Maturity Date, unless earlier accelerated in accordance with Sections 10.2 and 10.3.
- (b) Tier 2 Note. Subject to the Noteholders' right to accelerate the Notes in accordance with Sections 10.2 and 10.3, the Borrower shall pay to the Tier 2 Noteholders on each Payment Date on and after the Tier 1 Repayment Date to the Tier 2 Repayment Date, for application toward payment of the principal of and accrued and unpaid interest on the Tier 2 Note as hereinafter provided, an amount equal to 75% of the Excess Cash Flow for the preceding Fiscal Quarter. Each such payment shall be applied first to the unpaid T2 Prior Interest Amount and then to the unpaid principal of the Tier 2 Note. On each Payment Date, the Borrower shall also pay to the Tier 2 Noteholder, accrued and unpaid interest on the principal of the Tier 2 Note for the preceding Fiscal Quarter.

In the event that all principal of and accrued interest on the Tier 2 Note and the unpaid T2 Prior Interest Amount are not repaid on or before the later of the Tier 2 & 3 Termination Date and, if applicable, the Tier 2 & 3 Extended Termination Date, the Tier 2 Noteholders shall waive and lose their right to receive any repayment of the remaining principal of and interest on the Tier 2 Note and the unpaid T2 Prior Interest Amount other than payment of any remaining unpaid principal and interest on the Tier 2 Note payable in connection with the period ending on the Tier 2 & 3 Termination Date.

- (c) Tier 3 Note. Subject to the Noteholders' right to accelerate the Notes in accordance with Sections 10.2 and 10.3, the Borrower shall pay to the Tier 3 Noteholders on each Payment Date on and after the Tier 2 Repayment Date until the Tier 2 & 3 Repayment Date, for application toward payment of the principal of and accrued and unpaid interest on the Tier 3 Note as hereinafter provided, an amount equal to 50% of the Excess Cash Flow for the preceding Fiscal Quarter. Each such payment shall be applied first to the unpaid T3 Prior Interest Amount and then to the unpaid principal of the Tier 3 Note. On each Payment Date, the Borrower shall also pay to the Tier 3 Noteholder, accrued and unpaid interest on the principal of the Tier 3 Note for the preceding Fiscal Quarter.

In the event that all principal and accrued interest on the Tier 3 Note and the unpaid T3 Prior Interest Amounts are not repaid on or before the later of the Tier 2 & 3 Termination Date and, if applicable, the Tier 2 & 3 Extended Termination Date, the Tier 3 Noteholders shall waive and lose their right to receive any repayment of the remaining principal and interest of the Tier 3 Note and the unpaid T3 Prior Interest Amount other than payment of any remaining unpaid principal and interest on the Tier 3 Note payable in connection with the period ending on the Tier 2 & 3 Termination Date.

- (d) Casualty Event. All Casualty Proceeds shall be paid directly to the Trustee to be held and applied by the Trustee as provided in Section 4.05 of the Collateral Trust Agreement. To the extent the Borrower or any Subsidiary or Affiliate of the Borrower receives any Casualty Proceeds, within one (i) Business Day after such receipt, the Borrower shall deposit, or cause to be deposited, the same with the Trustee. All Casualty Proceeds that are not paid to the Borrower to repair, restore or replace the affected Property (or in reimbursement therefor) pursuant to Section 4.05 of the Collateral Trust Agreement shall, unless the Required Noteholders otherwise agree in writing, be used by the Borrower or the Trustee, as the case may be, to prepay the Obligations to the extent of such proceeds, such prepayment to be applied as follows:

- (i) first, to any unpaid fees, expenses or amounts other than principal or interest comprising the Obligations;
- (ii) second, to accrued and unpaid interest on the Tier 1 Notes during such Fiscal Quarter;
- (iii) third, to the accrued and unpaid interest on the Tier 1 Notes for any previous Fiscal Quarter;
- (iv) fourth, to the unpaid principal of the Tier 1 Notes;



- (v) fifth, to the accrued and unpaid interest on the Tier 2 Note during such current Fiscal Quarter;
- (vi) sixth, to the accrued and unpaid interest on the Tier 2 Note for any previous Fiscal Quarter;
- (vii) seventh, to the unpaid T2 Prior Interest Amount;
- (viii) eighth, to the unpaid principal of the Tier 2 Note;
- (ix) ninth, to the accrued and unpaid interest on the Tier 3 Note during such current Fiscal Quarter;
- (x) tenth, to the accrued and unpaid interest on the Tier 3 Note for any previous Fiscal Quarter;
- (xi) eleventh, to the unpaid T3 Prior Interest Amount;
- (xii) twelfth, to the unpaid principal of the Tier 3 Note; and
- (xiii) any excess Proceeds remaining after such application, shall be paid to the Borrower or to such other person as may be directed by a court of competent jurisdiction.

The Borrower shall forthwith upon receipt turn any proceeds received at any time by the Borrower, over to the Noteholders for application as set forth above.

- (e) Asset Sales. The cash proceeds of any Asset Sale (net of direct costs of such Asset Sale) shall be deposited with the Trustee within one (i) Business Day after receipt thereof by the Borrower or any Subsidiary or Affiliate of the Borrower and held by the Trustee in accordance with Section 4.04 of the Collateral Trust Agreement. On the 91st day after the receipt of such proceeds, the Trustee shall apply the same toward payment of the Obligations as though such proceeds were Casualty Proceeds being so applied to the Obligations under Section 2.4(d), unless upon request by the Borrower the Required Noteholders agree in writing, in their sole discretion, to another use of those proceeds by the Borrower. Notwithstanding the foregoing, cash proceeds of any Asset Sale that are received or held by the Trustee at a time when an Event of Default exists shall be applied by the Trustee toward payment of the Obligations as aforesaid absent contrary instructions from the Required Noteholders.
- (f) Borrower's Optional Termination. The Borrower may for any reason at any time elect to terminate the arrangements provided in this Agreement (a "Borrower's Optional Termination"). The Borrower shall give the Noteholders at least three (3) Business Days' written notice of the date on which it intends to effect a Borrower's Optional Termination. Such

election shall be irrevocable and upon the date specified therein all Obligations shall be due and payable. On the date so specified, the Borrower shall prepay all Obligations.

- (g) Optional Payments. The Borrower may prepay the Notes without premium or penalty at any time in whole or at any time and from time to time in part, so long as the Borrower shall have given notice of such prepayment to the Noteholders no later than 12:00 noon (Houston time) three (3) Business Days before the date of such prepayment. Such notice shall be irrevocable and the amount of any prepayment specified in such notice shall be due and payable on the date so specified and shall be applied to the Obligations as though the amounts were Casualty Proceeds required to be prepaid under Section 2.4(d).
- (h) Note Payment Increase/Decrease Amount. The Borrower shall pay any Note Payment Increase Amount, within 10 days after receipt of any notice that a Note Payment Increase Amount is due and owing. The Noteholders shall pay to the Borrowers severally in accordance with their respective pro rata shares of any Note Payment Decrease Amount, any Note Payment Decrease Amount within 10 days after their receipt of any notice that a Note Payment Decrease Amount is due and owing.
- (i) Pro Rata. All payments of principal and interest on the Notes shall be paid to the Noteholders that are holders of the applicable Notes, pro rata in accordance with the principal amount of such type of Note held by each such Noteholder.

Section 2.5. Applicable Interest Rates. (a) Each Note shall bear interest (computed on the basis of a 365- or 366-day year and actual days elapsed) on the unpaid principal amount thereof from the date that the Note was purchased hereunder until maturity (whether by acceleration or otherwise), at a rate per annum equal to the Fixed Rate.

- (b) If any payment of any Obligations is not made when due (whether by acceleration or otherwise), such amount shall bear interest (computed on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed) until such principal then due is paid in full, payable on demand, at a rate per annum equal to the sum of two percent (2%) per annum plus the Fixed Rate.

(c) Accrued interest on the Obligations shall be paid pursuant to Section 2.4.

Section 2.6. The Notes. The Notes shall be payable to the order of the applicable Noteholder and be in the form of Exhibits 2.6A, 2.6B and 2.6C (the "Tier 1 Notes," the "Tier 2 Note" and the "Tier 3 Note", respectively). Each Noteholder shall record on its books and records or on a schedule to its Notes the initial amount of the principal owing thereunder and all payments of principal and interest received by such Noteholder allocable to such Note. Such records, whether shown on the books and records of the Noteholders or on a schedule to the

Notes, shall be conclusive evidence as to all such matters absent manifest error; provided, however, that the failure of any Noteholder to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all principal outstanding under the Notes, together with accrued interest thereon. The Borrower agrees to execute and deliver to the Noteholders appropriate additional Notes as may be necessary in connection with any assignments pursuant to Section 11.8.

ARTICLE III  
CREDIT DOCUMENTS AND COLLATERAL

Section 3.1. Credit Documents and Further Assurances. The Borrower shall perform its obligations under the Credit Documents. At any time or from time to time upon the request of any Noteholder, the Borrower shall execute and deliver (or cause to be executed and delivered) such further documents and do such other acts and things as any Noteholder or the Trustee may reasonably request in order to effect fully the transactions contemplated by the Credit Documents. Without limiting the generality of the foregoing, the Borrower shall execute and deliver any documents, including amendments to, or replacements of, the Credit Documents and take such other action as may be necessary or as the Noteholder shall have reasonably requested to perfect the first priority liens in the Collateral in favor of the Trustee and/or the Noteholders to secure the Obligations.

Section 3.2. Supplements to Fleet Mortgage. The Borrower shall, from time to time, execute and deliver any and all supplements to the Fleet Mortgage and other documents, to make subject to the first priority Lien of the Fleet Mortgage and other Security Documents any Documented Vessels of Borrower within 10 days after the Borrower acquires any Documented Vessels that are not so mortgaged.

ARTICLE IV  
INDEMNIFICATION

Section 4.1. Legal Fees, Other Costs and Indemnification. The Borrower, upon demand by the appropriate Person, agrees to pay the out-of-pocket costs and expenses (a) of the Noteholders and the Trustee, including, without limitation, the fees and disbursements of legal counsel to the Noteholders and the Trustee, in connection with any amendment, waiver or consent related thereto, whether or not the transactions contemplated therein are consummated, and (b) of the Trustee and the Noteholders in connection with advising the Trustee and the Noteholders of their rights and responsibilities under the Credit Documents during any Default or Event of Default or in connection with the enforcement by the Noteholders and the Trustee of any of the Credit Documents against the Borrower. The Borrower further agrees to indemnify the Noteholders, the Trustee and their respective directors, officers, employees and attorneys (in each case in their capacities as such) (collectively, the "Indemnified Parties"), against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable attorneys' fees and other reasonable expenses of litigation or preparation therefor, whether or not such Indemnified Party is a party thereto which any of them may pay or incur arising out of or relating to (i) any action, suit or proceeding by any Governmental Authority or any other Person against the Indemnified Party and relating to any applicable law, (ii) any action, suit or proceeding by any Person not a party to this Agreement (a "third party") or

Governmental Authority against such Indemnified Party and relating to the execution, delivery or performance (or non-performance) of any Credit Document by the Borrower, the extensions of credit evidenced by the Notes or the application or proposed application by the Borrower of the proceeds of any Note, REGARDLESS OF WHETHER SUCH CLAIMS OR ACTIONS ARE FOUNDED IN WHOLE OR IN PART UPON STRICT LIABILITY OR THE ALLEGED SIMPLE OR CONTRIBUTORY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES AND/OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR ATTORNEYS, (iii) any investigation of any third party or any Governmental Authority involving the Noteholders or the Trustee (in such capacity hereunder) and related to any use made or proposed to be made by the Borrower of the proceeds of the credit extended hereunder, or any transaction financed or to be financed in whole or in part, directly or indirectly with the proceeds of any credit extended hereunder, and (iv) any investigation of any third party or any Governmental Authority, litigation or proceeding involving the Noteholders or the Trustee and related to any environmental cleanup, audit or compliance with respect to the Borrower or its properties, or any other matter relating to any Environmental Law or the presence of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law) with respect to the Borrower or its properties or operations, regardless of whether caused by, or within the control of, the Borrower; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any of the foregoing arising out of such Indemnified Party's gross negligence, or willful misconduct. The Borrower, upon demand by any Noteholder or the Trustee at any time, shall reimburse the applicable Indemnified Party for any legal or other expenses incurred in connection with investigating or defending against any of the foregoing. The Noteholders and the Borrower agree that any payments by the Borrower under this Section 4.1 are not duplicative of recoveries to be made by the Noteholders under the other Operative Documents.

Section 4.2. Intentionally Omitted.

Section 4.3. Increased Cost and Reduced Return.

- (a) If, on or after the date hereof, the adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency:
- (i) subjects any Noteholder (or its Payment Office) to any tax, duty or other expense related to any Note, or shall change the basis of taxation of payments to any Noteholder (or its Payment Office) of the principal of or interest on its Notes, or any other amounts due under this Agreement; or
  - (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement or imposes on any Noteholder (or its Payment Office) or on the interbank market any other condition affecting the principal amount of the Notes held by it, or its participation in any thereof;

and the result of any of the foregoing is to increase the cost to such Noteholder (or its Payment Office) of maintaining any Note or participating therein, or to reduce the amount of any sum received or receivable by such Noteholder (or its Payment Office) in connection therewith under this Agreement, by an amount deemed by such Noteholder to be material, then from time to time, within thirty (30) days after receipt of a certificate from such Noteholder pursuant to subsection (b) below setting forth in reasonable detail such determination and the basis thereof, the Borrower shall be obligated to pay to such Noteholder such additional amount or amounts as will compensate such Noteholder for such future increased cost or reduction.

- (b) If any Noteholder seeks compensation under this Section 4.3, such Noteholder shall give written notice to the Borrower of the circumstances that entitle such Noteholder to such compensation. A certificate of any Noteholder claiming compensation under this Section 4.3 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Person may use any reasonable averaging and attribution methods.

Section 4.4. Payment Office. Any Noteholder may, at its option, elect to change its Payment Office from time to time and designate another in a written notice to the Borrower.

Section 4.5. Discretion of Noteholder. Subject to the other provisions of this Agreement, any Noteholder shall be entitled to purchase and maintain its Notes in any manner it sees fit.

Section 4.6. Withholding Taxes; Payments Free of Withholding. Except as otherwise required by law, each payment by the Borrower to the Noteholders under this Agreement or any other Credit Document shall be made without withholding for or on account of any present or future taxes imposed by or within the jurisdiction in which the Borrower is domiciled, any jurisdiction from which the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein, excluding taxes, assessments or other governmental charges:

- (i) Imposed on, based upon, or measured by its income, and branch profits, franchise and similar taxes imposed on it, by any jurisdiction in which such Noteholder is organized or maintains its principal place of business or Payment Office or which subjects such Noteholder to tax by reason of a connection between the taxing jurisdiction and such Noteholder (other than a connection resulting from the transactions contemplated by this Agreement);
- (ii) Imposed as a result of a connection between the taxing jurisdiction and such Noteholder, other than a connection resulting from the transactions contemplated by this Agreement;
- (iii) Imposed as a result of the transfer by such Noteholder of its interest in this Agreement or any other Credit Document or a designation by the Noteholder of a new Payment Office;

- (iv) Which would not have been imposed but for (A) the failure of such Noteholder to provide an Internal Revenue Service Form W-8BEN or W-8ECI, as the case may be, or any substitute or successor form prescribed by the Internal Revenue Service, or any other certification, documentation or proof which is reasonably requested by the Borrower, or (B) a determination by a taxing authority or a court of competent jurisdiction that a certification, documentation or other proof provided by such Noteholder to establish an exemption from such tax, assessment or other governmental charge is false;

(all such non-excluded taxes, assessments or other governmental charges and liabilities being herein referred to as "Indemnified Taxes"). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate Governmental Authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by the Noteholders is free and clear of such Indemnified Taxes (including Indemnified Taxes on such additional amount) and is equal to the amount that the Noteholders would have received had such withholding not been made. If any Noteholder pays any amount in respect of any Indemnified Taxes, penalties or interest, the Borrower shall reimburse such Noteholder for such payment on demand in the currency in which such payment was made. If the Borrower pays any Indemnified Taxes, or penalties or interest in connection therewith, it shall deliver official tax receipts evidencing the payment or certified copies thereof, or other satisfactory evidence of payment if such tax receipts have not yet been received by the Borrower (with such tax receipts to be promptly delivered when actually received), to the Noteholder on whose account such withholding was made within fifteen (15) days of such payment. The Borrower shall pay the Noteholders any indemnification or compensation hereunder no later than thirty (30) days after the date on which such Noteholder makes written demand upon the Borrower therefor.

#### ARTICLE V CONDITIONS PRECEDENT

Section 5.1. Conditions to Effectiveness and RBF Noteholder Purchase. This Agreement shall become effective and RBF Noteholder shall purchase its Notes on the first date (the "Effective Date") all conditions in this Section 5.1 are satisfied.

- (a) On or before such date, the Borrower shall deliver to the Noteholders the following documents in form and substance acceptable to the Noteholders:
  - (i) A certificate of the Secretary or Assistant Secretary of each Obligor certifying (A) the resolutions of such Obligor's board of managers or other governing body approving each Operative Document to which it is a party, (B) the name, signature, and authority of each officer who executes on such Obligor's behalf any Operative Document (on which certificate the Noteholders may conclusively rely until a revised certificate is received), (C) such Obligor's certificate of formation and limited liability

company agreement certified by the appropriate authority in its jurisdiction of formation, and (D) good standing certificates issued by the appropriate authority of each jurisdiction where such Obligor has material operations as and to the extent agreed with the Noteholders;

- (ii) The Security Documents (other than the Parent Guarantee and the Parent Pledge Agreement);
- (iii) All instruments and other documents required, or deemed desirable by the Noteholders, to perfect the Noteholders' or the Trustee's first priority security interest in the Collateral in all appropriate jurisdictions as collateral security for the Obligations;
- (iv) Executed copies of all (A) documents evidencing any necessary corporate and limited liability company action, consents and government authorizations taken or obtained by the Obligors or their members in connection with the Operative Documents and (B) Operative Documents;
- (v) [Intentionally Omitted]
- (vi) Such other approvals, opinions or documents as the Noteholder may request;
- (vii) The sale of the Marine Business to the Borrower shall have occurred on terms contemplated by the Operative Documents;
- (viii) The Noteholders shall have received evidence satisfactory to the Noteholders that the Fleet Mortgage, bills of sale and other documentation respecting the Documented Vessels was sent for filing for recordation in the Coast Guard's National Vessel Documentation Center in compliance with Maritime Law; and
- (ix) No default or event of default (in each case, as defined in each Operative Document) under any Operative Document by any Obligor or any other Person has occurred, the Obligors have no notice that (A) any Obligor or any of their Affiliates or any other Person has reason to, could or intends to take or has taken any steps to cancel or terminate any Operative Document, and (B) the Operative Documents are not otherwise in full force and effect; and the Obligors are not otherwise aware that any default or event of default (as defined in each Operative Document) under the Operative Documents has occurred and is continuing (regardless of the giving of any notice or the expiration of any applicable grace period).

- (b) The Borrower shall have furnished to the Noteholders a certificate executed on behalf of the Borrower by a Senior Officer, which indicates that it is made in favor of and for the benefit of the Trustee and the Noteholders certifying, representing and warranting that all conditions to the Effective Date have occurred.
- (c) No Default or Event of Default shall then exist or shall occur as a result of the purchase of the Notes hereunder; and
- (d) The representations and warranties of the Borrower in Section 6.1 are true and correct on the Effective Date and after giving effect to the purchase of the Notes by the Noteholders.

Section 5.2. Conditions to Beta Noteholder Purchase. The conditions to the obligation of the Beta Noteholder to purchase its Tier 1 Note are:

- (a) the occurrence of the Effective Date; and
- (b) the purchase by the RBF Noteholder of the Notes to be held by it, and upon the satisfaction of such conditions, the Beta Noteholder shall purchase its Tier 1 Note from the Borrower.

#### ARTICLE VI REPRESENTATIONS AND WARRANTIES

Section 6.1. Representations and Warranties. The Borrower represents and warrants to the Noteholder that each of the following statements is true and correct in all material respects:

- (a) Existence and Qualification. The Borrower (i) is a duly organized and existing limited liability company in good standing under the laws of the State of Delaware; (ii) has all necessary limited liability company power to own and operate the Vessels and to carry on the Marine Business contemplated in connection therewith; and (iii) is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary.
- (b) Limited Liability Company Power and Authority; Validity. The Borrower has the limited liability company power and authority to execute, deliver and carry out the terms and provisions of the Operative Documents to which it is a party and to consummate the transactions contemplated hereby and has taken all necessary limited liability company and member action to authorize the execution, delivery and performance of such Operative Documents and to consummate the transactions contemplated hereby. The Borrower has duly executed and delivered each Operative Document to which it is a party and each such Operative Document constitutes the legal, valid and binding obligation of such Person



enforceable against it in accordance with its terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles.

- (c) No Violation. Neither the execution, delivery or performance by each Obligor of the Operative Documents to which it is a party nor compliance by it with the terms and provisions thereof, nor the consummation by it of the transactions contemplated herein or therein, will (i) contravene in any material respect any applicable provision of any law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court or governmental instrumentality, including, without limitation, the Maritime Law of the USA, with respect to the location of the Vessels or any other applicable jurisdiction, except as described on Schedule 6.1(c) (the "Excepted Matters"), (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien other than any Permitted Lien upon any of the property or assets of the Borrower under, the terms of any legal or contractual obligation to which the Borrower is a party or by which it or any of their properties or assets is bound or to which any of them may be subject, or (iii) violate or conflict with any provision of the organizational documents of the Borrower.
- (d) Litigation. There are no actions, suits, proceedings or counterclaims (including, without limitation, arbitration, derivative or injunctive actions) pending or, to the knowledge of the Borrower, threatened against the Obligors or their Affiliates that are reasonably likely to have a Material Adverse Effect.
- (e) Use of Proceeds; Margin Regulations.
  - (i) The proceeds of the Notes shall be used only as described in Section 2.1.
  - (ii) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds of any Note will be used for a purpose which violates Regulation U or X of the Board of Governors of the Federal Reserve System. After application of the proceeds of the Notes, none of the assets of the Borrower consists of "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System).
- (f) Investment Company Act. The Borrower is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

- (g) Public Utility Holding Company Act. The Borrower is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.
- (h) No Material Adverse Change. There has occurred no event or effect, other than any event specifically permitted, contemplated or provided for under any Operative Document, that has had or is reasonably likely to have a Material Adverse Effect.
- (i) Consents. Except for the Excepted Matters, at the time of consummation thereof, all consents and approvals of, and filings and registrations with, and all other actions of, all Governmental Authorities, authorities or instrumentalities required to have been obtained or made by the Obligors and their Affiliates prior to such time in order to consummate the purchase of the Notes hereunder, and to execute, deliver and perform the Operative Documents, have been or will have been obtained or made and are or will be in full force and effect.
- (j) Compliance with Statutes, Etc. Except for the Excepted Matters, the Obligors and their Affiliates are in compliance with all applicable Maritime Law and other statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities, domestic and foreign, including, without limitation, all applicable laws with respect to the location of the Vessels, in respect of the conduct of their business as currently conducted by the ownership and operation of their properties as currently operated by it, except for such instances of non-compliance as are not reasonably likely to, individually or in the aggregate, have a Material Adverse Effect, and has all necessary permits and licenses, and other necessary authorizations, with respect thereto with such exceptions (if any) as are not reasonably likely to, individually or in the aggregate, have a Material Adverse Effect.

ARTICLE VII  
COVENANTS

Section 7.1. Covenants of the Borrower. The Borrower hereby covenants and agrees that until the Obligations have been paid in full:

- (a) Operative Documents. The Borrower acknowledges that it is fully aware of and will fully comply with and perform its obligations under the Operative Documents.
- (b) Limited Liability Company Existence. The Borrower will preserve and maintain its limited liability company existence. The Borrower shall not make or permit to exist any Investment or enter into or permit to exist any

partnerships, joint ventures or any other business combinations, mergers or consolidations involving itself or any subsidiary.

- (c) Maintenance of Property and Operations. The Borrower shall obtain and maintain all material permits, licenses, consents, approvals and other authorizations, including those required under all applicable laws, from all Governmental Authorities necessary to be obtained by it in connection with the operation and maintenance of the Vessels and the Marine Business.

The Borrower will maintain and operate the Vessels in a good operating condition (ordinary wear and tear excepted), in compliance with all applicable contracts and other agreements, laws and regulations and in accordance with manufacturer's warranties and recommended maintenance procedures, insurance policies and industry practices.

The Borrower shall, at its own expense, insofar as is practicable, perform all ordinary maintenance on the Vessels and make all proper renewals and replacements necessitated by wear, tear and normal depreciation. Unless a Casualty Event results in a total loss, actual or constructive, as constructive total loss is defined in the relevant policy or policies of hull insurance, the Borrower shall, in a workmanlike manner, diligently commence and pursue the repair, restoration or replacement of any Property damaged as a result of a Casualty Event such that the damaged Property is restored to at least its value and operating condition immediately prior to the subject Casualty Event, or is replaced with comparable or better Property, unless the subject Property, at the time of such Casualty Event, was no longer used or useful to its Marine Business; provided, however, that in the event the Borrower does not receive the Casualty Proceeds in accordance with Section 4.05(c) of the Collateral Trust Agreement, the Borrower shall not be obligated to make such repair or restoration.

- (d) Taxes. The Borrower will and shall cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to duly pay and discharge all Taxes upon or against it or its properties before penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and reserves have been established in conformity with GAAP and for which the non-payment thereof is not expected to result in a Material Adverse Effect.
- (e) Burdensome Restrictions. Promptly upon any Senior Officer becoming aware thereof, the Borrower shall give to the Noteholders written notice of (i) the adoption of any new requirement of law which is reasonably likely to have a Material Adverse Effect, and (ii) the existence or occurrence of any strike, slow down or work stoppage which is reasonably likely to have a Material Adverse Effect.

- (f) Insurance. The Borrower shall maintain (and shall cause each of its Subsidiaries to maintain), or cause to be maintained, at its own expense, with reputable insurance companies or mutual associations (clubs) reasonably acceptable to the Required Noteholders, at a minimum, the following types of insurance in at least the following amounts and other insurances in such other amounts and having such other terms as the Required Noteholders may require from time to time:
- (i) Worker's compensation and employer's liability insurance to the extent required by applicable law. Such policy to contain coverages for risks arising from Maritime Law and the Jones Act and similar laws with a limit no less than US \$5,000,000 (including excess liability) combined single limit per occurrence.
  - (ii) Comprehensive general liability or commercial general liability (or equivalent coverage (including excess liability)) insurance including contractual liability, pollution and suitably endorsed to cover maritime operations with minimum limits of \$5,000,000 per occurrence for deaths or injuries and property damage arising out of one accident).
  - (iii) All Vessels owned, chartered or operated in performance of any operations of the Borrower, shall be covered with (A) P&I Insurance (on SP23 Form or equivalent) including crew, in the amount that would be obtained by reasonably prudent operators of businesses similar to the Marine Business, but in no event less than \$5,000,000 (including excess liability), and (B) hull insurance (on a current American Institute or equivalent hull form), including wreck removal coverage (legal, contractual and voluntary) and full collision coverage (floating and stationary) (x) against the risks of fire, explosion and marine perils (including without limitation a collision or Four-Fourths Running Down Clause and Inchmaree Clause in favor of the Trustee), (y) against pollution liability risks under policies of insurance issued in accordance with the Oil Pollution Act of 1990, and (z) against all other risks insured under the form of policy known as "American Institute Hull Form" or equivalent. The hull policy with respect to the Vessels shall have a minimum value of not less than the appraised value of such Vessels or, if there shall not be an appraised value for a Vessel, a value agreed to between the Required Noteholders and the Borrower; provided, however, that for at least the first five (5) months after the Closing Date the value shall not be less than the current insured value under the policies in effect as of the Closing Date.
  - (iv) If any Vessel shall at any time be located in war-endangered waters or in other waters which may under the hull policy be

considered excluded by any "free of capture and seizure" clause, the Borrower shall give prompt prior written notice thereof to the Noteholders, and at the request of the Required Noteholder shall insure (through a separate policy or by endorsement to the applicable hull policy) such Vessel against war and political risks in the amount required to be maintained under the hull policy with respect thereto.

- (v) The Borrower may exclude from the Hull and P. & I. insurance any breach of warranty coverage, and may eliminate from the Hull and P. & I. insurance any risks ordinarily covered thereunder, provided that it insures such risks under a separate or different form of policy.
- (vi) Where the valuation of the Vessels in any policy of insurance required hereunder may be pertinent, such valuation shall not exceed the amount insured thereby, and policy franchises or deductible averages shall not exceed the sum of \$50,000.00 as to each loss covered by hull insurance and \$50,000.00 as to each loss covered by P. & I. insurance. Excess liability, increased value, disbursements and other forms of total loss insurance, in such amounts as marine underwriters may allow, may be carried as part of the total amount of the hull insurance required hereunder.
- (vii) The Borrower shall select its own insurance brokers (unless such brokers be unsatisfactory to the Required Noteholders) and all such insurance shall be effected by the Borrower through such brokers on policy forms acceptable to, and in companies in good standing and satisfactory to, the Required Noteholders.
- (viii) Except for such deductibles permitted by Section 7.1(f)(vi), the Borrower shall not self-insure any of such risks. The Borrower's hull policies (including any war and political risk coverage) and its liability policies shall each name the Noteholders and the Trustee as a named assured and the Trustee as sole loss payee. Each of such policies shall be written by reputable insurers and be reasonably acceptable to the Required Noteholders and shall provide that neither the Trustee nor any Noteholder shall have any responsibility for payment of premium and that it shall not terminate without at least thirty (30) days' (or such fewer days, if any, in the case of cancellation pursuant to any war and related risk termination clauses contained in such policies) advance written notice to the Trustee and the Noteholders.
- (ix) All insurances and the policies evidencing the same shall by their terms be taken out in the joint names of the Borrower and the Trustee and shall by their terms be payable to the Trustee. Such

amounts shall be applied as described in Section 2.4(d) hereof. The Borrower pays the amount of the deductible.

- (x) The Borrower warrants that it will maintain all such insurance unimpaired by any act, and that it will not be guilty of or permit any act of omission or commission which will in any way invalidate, void or suspend any insurance herein provided to be maintained. Each policy of insurance required to be maintained by the Borrower hereunder shall be endorsed with the undertaking of the insurance company or underwriters issuing such policy to the effect that such policy shall not lapse, expire, terminate or be canceled for any reason whatsoever, or be modified in any material respect, without at least thirty (30) days prior written notice to the Trustee and the Noteholders. The Borrower shall, within a reasonable period of time, pay for any loss of or damage to a Vessel by any cause whatsoever, and shall discharge or obtain the release of any third party claims whatsoever not covered by insurance or for which no reimbursement or incomplete reimbursement is secured from the insurance. Such policies shall not provide for or purport to provide for any recourse against the Trustee of the Noteholders for payment of club calls, assessments or advances.
- (g) Insurance Certificate. On or before May 1 in each year, commencing May 1, 2002, a certificate of insurance signed by an independent marine insurance broker retained by the Borrower and acceptable to the Required Noteholders (i) listing the policies of insurance outstanding and in force on such date in respect of the Vessels and the Borrower and its Subsidiaries as of such date, the names of the companies issuing such insurance, the amounts and expiration dates of such insurance and the risks covered thereby, and (ii) stating that attached to such certificate are true, correct and complete copies of all policies of insurance referred to therein or of certificates of the issuers of such policies or their agents evidencing the existence of such policies, and that such insurance complies with the requirements contained in Section 7.1(f) of this Agreement. If such certificate does not reflect coverage that is required by the Credit Documents, any failure by the Trustee or any Noteholder to object thereto shall in no event constitute a waiver of the requirements of this Agreement or the Credit Documents. Within three Business Days of the Closing Date, the Borrower shall deliver to the RBF Noteholder an insurance certificate on behalf of the Borrower dated no later than ten (10) days following the Closing Date from the Borrower describing in reasonable detail the insurance maintained by the Borrower as required by the Operative Documents.
- (h) Other Information. Promptly, and in any event within five Business Days, after the Borrower obtains knowledge of any of the following, the

Borrower will provide the Noteholders with written notice in reasonable detail of:

- (i) Any pending or threatened material Environmental Claim against the Borrower or any property owned or operated by the Borrower;
  - (ii) Any condition or occurrence on any property owned or operated by the Borrower that results in material noncompliance by the Borrower with any Environmental Law;
  - (iii) The taking of any material remedial action in response to the actual or alleged presence of any Hazardous Material on any property owned or operated by the Borrower other than in the ordinary course of business;
  - (iv) The occurrence of any Default or Event of Default;
  - (v) Any litigation or governmental proceeding affecting the Borrower or its Affiliates that might reasonably be expected to result in a Material Adverse Effect;
  - (vi) Any circumstance that has had or reasonably threatens a Material Adverse Effect, including, without limitation, the revocation, change, modification or reconsideration of any license, consent or approval which has had or reasonably threatens a Material Adverse Effect;
  - (vii) Any investigation of the Borrower or its operations for a violation of any applicable law or any material contract, agreement, license or permit;
  - (viii) Promptly after the filing or receiving thereof, copies of all material reports and notices with respect to the Vessels which the Borrower or any Subsidiary files with the United States Coast Guard or the United States Maritime Administration or which the Borrower or any Subsidiary receives from either of the foregoing entities; and
  - (ix) With reasonable promptness, such other information as any Noteholder or the Trustee on behalf of the Noteholders may reasonably request.
- (i) Noteholder Inspection Rights. Upon reasonable notice from any Noteholder, the Borrower will permit such Noteholder (and such Persons as such Noteholder may reasonably designate) during normal business hours at such entity's sole expense unless a Default or Event of Default shall have occurred and be continuing, in which event at the Borrower's expense, to visit and inspect any of the properties of the Borrower, to examine all of its books and records, to make copies and extracts

therefrom, verify the computation of any Excess Cash Flow, and to discuss its affairs, finances and accounts with its officers and independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Noteholders (and such Persons as such Noteholder may reasonably designate) the affairs, finances and accounts of the Borrower), all as often, and to such extent, as may be reasonably requested.

- (j) Conduct of Business. The Borrower shall not and shall not permit any Subsidiary to directly or indirectly engage in any line of business other than (i) the Marine Business as in effect on the Effective Date or (ii) any other line of business that is approved in writing by the Required Noteholders.
- (k) Other Agreements. The Borrower shall not enter into any agreement (other than the Operative Documents) expressly and directly prohibiting the creation or assumption of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired, or prohibiting or restricting the ability of the Borrower from amending or otherwise modifying any Operative Document.
- (l) Change of Flag. Without the consent of the Required Noteholders, the Borrower shall not, and shall not permit any Subsidiary to, change the registry and flag of any Vessel or any of its Subsidiaries to any jurisdiction other than the United States of America.
- (m) Restrictions on Charterers of Vessels. The Borrower shall not, and shall not permit any Subsidiary to, bareboat or demise charter any Vessel for operation in the coastwise trade to any Person that is not a citizen of the United States within the meaning of Section 2 of the Shipping Act of 1916, as amended, for the purpose of operating in the coastwise trade of the United States. The Borrower shall remain a citizen within the meaning of Section 2 of the Shipping Act of 1916, as amended, for the purposes of operating the Vessels in coastwise trade of the United States.
- (n) Restrictions on Fundamental Changes and Issuance of Additional Equity. The Borrower shall not, nor permit any Subsidiary to, reorganize, merge or consolidate with any Person (other than a Wholly Owned Subsidiary) or become a party to any merger or consolidation with, or purchase or otherwise acquire all or substantially all of the assets or any of the stock of, any other Person (other than a Wholly Owned Subsidiary), or sell or transfer all or substantially all of its or any Subsidiary's assets or any of its stock. The Borrower shall not issue any additional equity or options, warrants or other rights to acquire any of the Borrower's Capital Stock to any Person other than to the Noteholders.



- (o) Liens. The Borrower shall not create, incur, assume or suffer to exist any Lien of any kind on any Property of the Borrower, except the following (collectively, the "Permitted Liens"):
- (i) Intentionally Omitted.
  - (ii) Liens arising in the ordinary course of business of the Borrower and its Subsidiaries by operation of law, deposits, pledges or other Liens in connection with workers' compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, public or statutory obligations or other similar charges, pledges or other Liens in connection with (or to obtain letters of credit in connection with) bids, performance, return-of-money or payment bonds, contracts or leases to which the Borrower is a party or other deposits required to be made in the ordinary course of business; provided, that in each case the obligation secured is not for Indebtedness for borrowed money and is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;
  - (iii) For Property other than the Vessels, mechanics', worker's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) related to obligations not overdue for more than thirty (30) days, or, if so overdue, that are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor; provided in each case, that such Lien or claim is not prior to or on a parity with or which might impair the Lien of the applicable Security Document and which does not involve any risk of seizure or sale of any such Property;
  - (iv) Liens for Taxes which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;
  - (v) Liens arising out of judgments or awards against the Borrower or in connection with surety or appeal bonds or the like in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or for which the Borrower shall be prosecuting an appeal or proceeding for review, and for which it shall have obtained (within thirty (30) days with respect to a judgment or award rendered in the United States a stay of execution or the like pending such appeal or proceeding for review; provided, that the aggregate amount of uninsured or underinsured liabilities (including interest,

costs, fees and penalties, if any) of the Borrower secured by such Liens shall not exceed \$100,000 at any one time outstanding;

- (vi) Rights reserved to or vested in any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license or permit, or by any provision of law, to terminate such right, power, franchise, grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the property of a Person; and
- (vii) Liens created by the Operative Documents.
- (viii) With respect to the Vessels, Liens (a) for crew's wages (1) for fifteen (15) days after the termination of a voyage, or (2) which shall then be contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by GAAP shall have been made therefor, (b) for general average (1) which are unclaimed, (2) for fifteen (15) days after having been claimed, (3) which are covered by insurance, or (4) which shall then be contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by GAAP shall have been made therefor, (c) for salvage, whether voluntary or contract, (1) which are unclaimed, (2) for fifteen (15) days after having been claimed, (3) which are covered by insurance, or (4) which shall then be contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by GAAP shall have been made therefor, (d) otherwise incident to the then current operations of the Vessels, for the wages that are not past due of a stevedore when employed directly by Borrower, or the operator, master or agent of any Vessel, and (e) for repairs or with respect to any changes made in any Vessel (1) which are unclaimed, (2) for fifteen (15) days after having been claimed, (3) which are covered by insurance, or (4) which shall then be contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by GAAP shall have been made therefor; provided in each case, that such Lien or claim does not involve any risk of seizure or sale of any Vessel.
- (ix) Liens in existence on the Closing Date.
- (p) Indebtedness. The Borrower shall not, and shall not permit any Subsidiary to, incur, assume or suffer to exist any Indebtedness, except the following (collectively, the "Permitted Indebtedness"):
  - (i) Indebtedness to the Noteholders under the Credit Documents;

- (ii) Revolving Credit Facility or letter of credit facility in an aggregate principal amount not to exceed \$4,000,000 at any time outstanding; and
- (iii) Other unsecured Indebtedness permitted in writing by the Required Noteholders.
- (q) Use of Property and Facilities; Environmental Laws. The Borrower shall and shall cause each of its Subsidiaries to, comply in all material respects with all Environmental Laws applicable to or affecting the properties or business operations of the Borrower or any of its Subsidiaries, where the failure to comply is reasonably likely to have a Material Adverse Effect.
- (r) Advances, Investments and Loans; No Subsidiaries. The Borrower shall not and shall not permit any of its Subsidiaries to, lend money or make advances to any Person, guarantee any obligations of any Person or purchase or acquire any stock, indebtedness, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person (any of the foregoing, an "Investment") except those permitted in the Company Investment Guideline stipulated in Schedule 8.10 of the LLC Agreement and the Borrower will not acquire or permit to exist any Subsidiary without the consent of the Required Noteholders.
- (s) Modifications of Organizational Documents and Operative Documents.
  - (i) The Borrower shall not amend, modify or change in any way adverse to the interests of the Noteholders, its limited liability company certificate, organizational agreement or other corporate governance documents.
  - (ii) The Borrower shall not, after the date hereof, enter into, or amend or modify, any Operative Document to which it is a party without the prior written consent of the Required Noteholders.
- (t) Transfers of Assets. The Borrower shall not permit any transfer of an asset except:
  - (i) the retirement or replacement in the ordinary course of business of equipment (other than Vessels) that is worn out, obsolete or no longer useful in the Borrower's business if the proceeds thereof are applied to replace such asset or to repay the Notes;
  - (ii) any Investment permitted by Section 7.1(r);
  - (iii) the Liens permitted by Section 7.1(o);
  - (iv) any Asset Sale for cash where the consideration involved is equal to or less than \$2 million or any series of Asset Sales within a

Fiscal Year where the aggregate consideration involved is equal to or less than \$2 million, in either case, including contingent liabilities only to the extent required to be reflected on the balance sheet of the Company in accordance with GAAP; and

- (v) Payments on Indebtedness permitted to be incurred or exist under this Agreement and other payments made in the ordinary course of business and otherwise in compliance with the terms of the Credit Documents.
- (u) Capital Expenditures. The Borrower shall not make any or incur liability for any Capital Expenditures (excluding Member-Indemnified Expenditures) and Acquisition Expenditures that exceed \$4 million in the aggregate for each Fiscal Year or \$150,000 per individual expenditure or group of related expenditures.
- (v) Transactions with Affiliates. Except as permitted pursuant to Section 8.09 of the LLC Agreement or otherwise specifically permitted herein, the Borrower shall not enter into or engage in any transaction or arrangement or series of related transactions or arrangements, including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate; provided that each such permitted transaction shall be an Arm's Length Transaction.
- (w) Operating Lease. The Borrower shall not enter into any operating lease if the aggregate amount payable in any 12-month period on all operating leases exceeds \$100,000.
- (x) Compliance with Laws. Without limiting any of the other covenants of the Borrower in this Article VII, the Borrower shall conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any Governmental Authorities; provided, however, that this Section 7.1(x) shall not require the Borrower to comply with any such law, regulation, ordinance or order if the failure to comply therewith is not reasonably likely to have a Material Adverse Effect.
- (y) Classification of Vessels. The Borrower shall, and shall cause each of its Subsidiaries to, maintain each Vessel that is acquired on the Effective Date that is so classified and each other Vessel that it elects thereafter to have classified such that at all times each such Vessel ("Classified Vessels") shall remain in class with the American Bureau of Shipping or a similar classification society, to the extent such Vessel as a result of its operations is required to be in class. Each Classified Vessel shall be in compliance with the requirements of the American Bureau of Shipping or any other similar classification society, for the highest classification for vessels of like age and type at all times and upon request of the Required Noteholders, the Borrower shall promptly provide to the Noteholders a

copy of a certificate duly issued by the American Bureau of Shipping or other classification society, to the effect that the Classified Vessels have been given the highest classification and rating for vessels of the same age and type free of all recommendations and notations of such classification society affecting class.

- (z) Separate Legal Existence of the Borrower and its Subsidiaries. The Borrower will and will cause its Subsidiaries to maintain their respective financial and other records and books of account separate from those of any other Person, and will maintain and cause its Subsidiaries to maintain their respective assets in a manner that facilitates their identification and segregation from those of any other Person. The Borrower will observe and will cause its Subsidiaries to observe all requisite corporate formalities in their respective business affairs, and will not commingle or permit any Subsidiary to commingle their respective funds or other assets with those of any other Person or maintain joint bank accounts with any other Person.
- (aa) Non Discrimination or Adverse Transaction. The Borrower shall not, and shall not permit any Subsidiary to, enter into any contract, agreement or other arrangement with another Person that is less favorable to the Borrower and its Subsidiaries than an Arm's Length Transaction.
- (bb) No Management or Other Fees. The Borrower shall not pay any management or similar fees to any Person other than under the Administrative Support Services Agreement.

#### ARTICLE VIII LIMITATION ON DIVIDENDS

Section 8.1. Distributions. The Borrower shall not, and shall not permit any Subsidiary, to (i) declare or pay any dividend on, or make any distribution in respect of, or purchase, redeem, retire or otherwise acquire for value any equity interest of the Borrower or any Affiliate of the Borrower, or warrants, rights or options to acquire such equity interest, other than (x) dividends payable solely in such equity interests (other than preferred or other redeemable stock), or in warrants, rights or options to acquire such equity interests and (y) dividends or distributions by a Subsidiary to the Borrower or to a Wholly Owned Subsidiary of Borrower; (ii) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, scheduled sinking fund payment or other stated maturity, Indebtedness of the Borrower or any Subsidiary which is subordinated in right of payment to the Notes (collectively, "Distributions"), except Distributions in cash made after the earlier to occur of (x) the Tier 1 Repayment Date and (y) the Tier 2 & 3 Termination Date, if at the time such Distributions are paid and after giving effect thereto:

- (i) no Default or Event of Default shall have occurred and be continuing;

- (ii) such Distribution shall be made within 15 days after the most recent Payment Date; and
- (iii) the aggregate amount of Distributions in any Fiscal Quarter shall not exceed, while the (x) Tier 2 Note is outstanding, 25% of the Excess Cash Flow for the preceding Fiscal Quarter, and (y) Tier 3 Note is outstanding, 50% of the Excess Cash Flow for the preceding Fiscal Quarter.

ARTICLE IX  
BOOKS AND RECORDS

Section 9.1. Books and Records; Examination. The Borrower shall keep or cause to be kept such books of account and records with respect to the Borrower's business in order to be able to prepare financial statements in accordance with GAAP. Each Noteholder and its duly authorized representatives shall have the right at any time to examine, or to appoint independent certified public accountants to examine, but in any event during normal business hours and without unreasonably interfering with the operation of Borrower's business, the books, records and accounts of the Borrower and its Subsidiaries, their operations and all other matters that such Noteholder may wish to examine, including, without limitation, all documentation relating to actual or proposed transactions with the Borrower, the Company or any Affiliate thereof. The Borrower's books of account shall be kept using the method of accounting determined by the Borrower and acceptable to the Required Noteholders. The Borrower's independent auditors (the "Borrower Independent Auditors") shall be an independent public accounting firm selected by the Borrower and approved by the Required Noteholders, and shall initially be Ernst & Young. The Borrower shall not replace or appoint the Borrower Independent Auditors without written approval of the Required Noteholders.

Section 9.2. Financial Statements and Reports.

- (a) Unaudited Monthly Financial Statements. (i) The Borrower shall prepare and send to each Noteholder (at the same time) promptly, but in no event later than noon on the 15th Business Day after the last day of each month, unaudited financial statements with respect to the Borrower and its Subsidiaries: a balance sheet, a statement of operations, a statement of cash flows and a statement of changes in members' capital (collectively, "Unaudited Financial Statements") as at the end of and for such month;
- (ii) The Borrower shall prepare and send to each Noteholder promptly, but in no event later than noon on the 20th Business Day after the last day of each month, an unaudited financial summary booklet containing a breakdown of such operating and financial information of the Borrower and its subsidiaries as at the end of and for such month as any Noteholder shall reasonably request including a variance analysis with commentary as compared with the Annual Budget; provided, however, that each Noteholder shall be provided with the same information at the same time as each other Noteholder.

(b) Annual Budget and Unaudited Quarterly Financial Statements and Forecasts. The Borrower shall prepare and send to each Noteholder (at the same time) promptly, but in no event later than the 30th day after the last day of each Fiscal Quarter, (i) Unaudited Financial Statements as at the end of and for such Fiscal Quarter, (ii) an unaudited statement of the Excess Cash Flow for such Fiscal Quarter and (iii) a twelve month operating budget forecast covering those items set forth in the Annual Budget which shall consist of projections of those financial statements included in the Audited Financial Statements and major projects, setting forth material assumptions and containing reasonable detail.

(c) Audited Annual Financial Statements. (i) Within 75 days after the end of each Fiscal Year, the Borrower shall cause (A) an examination to be made, at the expense of the Borrower, by the Borrower Independent Auditors, covering (1) the assets, liabilities and capital of the Borrower and its subsidiaries, and the Borrower's and its subsidiaries' operations during such Fiscal Year, (2) an examination of the Distributions Calculation Statement for such Fiscal Year, and (3) all other matters customarily included in such examinations and (B) to be delivered to each Noteholder (at the same time) a copy of the report of such examination, stating that such examination has been performed in accordance with generally accepted auditing standards, together with the following financial statements with respect to the Borrower and its subsidiaries certified by such accountants as having been prepared in accordance with GAAP: a balance sheet, a statement of operations, a statement of cash flows and a statement of changes in members' capital at the end of and for such Fiscal Year (collectively, the "Audited Financial Statements").

(ii) Within 30 days after the Closing Date for Fiscal Year 2001, and promptly, but in any event within 30 days after the end of each Fiscal Year thereafter, the Borrower shall deliver to the Noteholders a projection of the Borrower's consolidated balance sheet and consolidated income, capital and cash flows for that Fiscal Year showing such projected budget for each Fiscal Quarter of the Borrower and its Subsidiaries ending during such year (the "Annual Budget"), as approved by the board of managers, setting forth material assumptions and containing reasonable detail.

(d) Schedule of Repayment and Distribution. (i) Preliminary Annual Repayment and Distribution Schedule. The Borrower shall prepare and send to each Noteholder (at the same time) promptly, but in no event later than the 75th day after the last day of each Fiscal Year, a schedule showing the respective repayment and/or distribution schedule of the Notes based on the Borrower's estimated Excess Cash Flow for such Fiscal Year.

(ii) Examination. Within 15 days after the date the Borrower determines its net taxable income and Excess Cash Flow with respect to any Fiscal Year, but in no event later than three months after the end of such Fiscal Year, the Borrower shall cause (A) an examination to be made, at the expense of the Borrower, by the Borrower Independent Auditors, covering the determination of the Borrower's taxable income and Excess Cash Flow with respect to such Fiscal Year and (B) to be delivered to each Noteholder (at the same time) a copy of the report of such examination, stating that such examination has been performed in accordance with generally accepting auditing standards.

(e) Each of the statements and reports delivered pursuant to this Section 9.2 (a) - (c) shall present in comparative form figures for the corresponding period, if any, of the preceding Fiscal Year, all in reasonable detail and satisfactory in form and substance to the Noteholders. Together with the delivery of such financial statements, the Borrower shall deliver a certificate of the chief financial officer of the Borrower stating that the chief financial officer has examined such statements and that such statements fairly present (i) the financial condition, results of operations, changes in members' capital and cash flows of the Borrower and its Subsidiaries in accordance with GAAP and (ii) the Excess Cash Flow for the applicable Fiscal Quarter and whether during such period a Default or Event of Default exists, and if such exists, specifying the nature thereof and what actions the Borrower intends to take with respect thereto; and

(f) The Borrower shall prepare and send to each Noteholder (at the same time) promptly such other financial information as a Noteholder shall from time to time reasonably request.

Section 9.3. Notice of Affiliate Transactions; Annual List. (a) The Borrower shall notify each Noteholder of any Affiliate Transaction that the Borrower or any of its Subsidiaries is considering entering into or renewing or extending the term thereof (whether pursuant to contractual provisions thereof or otherwise), which notice shall be given, to the extent reasonably possible, sufficiently in advance of the time that the Borrower intends to enter into, renew or extend the term of such Affiliate Transaction so as to provide the Noteholders with a reasonable opportunity to examine the documentation related to such Affiliate Transaction.

(b) Within 60 days after the end of each Fiscal Year, the Borrower shall prepare and distribute to each Noteholder a list setting forth a description of each Affiliate Transaction entered into by the Borrower or any of its Subsidiaries during such Fiscal Year and identifying all of the parties to such Affiliate Transactions; provided, however, that if two or more Affiliate Transactions either (i) constitute a series of related transactions or agreements or (ii) are substantially the same type of transaction or agreement, the Borrower need not separately describe each such Affiliate Transaction but instead can describe such related or similar Affiliate Transactions as a group.

#### ARTICLE X EVENTS OF DEFAULT

Section 10.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

- (a) Default by the Borrower in the payment when due of the principal of any Note, other than principal that is paid when due as a Note Increase Payment Amount so long as the initial calculation by the Borrower resulting in the adjustment giving rise to the Note Increase Payment Amount was made in good faith;



- (b) Default by the Borrower in the payment when due of any interest on the Notes or any fee, expense or other amount payable hereunder and such failure continues for two (2) Business Days thereafter;
- (c) Default by (i) the Borrower in the observance or performance of the covenants set forth in Section 7.1(c), (d) and (y) of this Agreement and such failure continues for 15 days or (ii) any Obligor in the observance or performance of any other covenant set forth in this Agreement or other Operative Documents; provided, however, that if any such Default relates to a covenant relating to the Borrower's ability to engage in the coastwise trade of the United States, such Default shall not constitute an Event of Default until such time as any Governmental Authority shall take any action that impedes the Borrower's ability to engage in the coastwise trade of the United States;
- (d) Any representation or warranty made herein or in any other Operative Document by the Borrower or the Company proves untrue in any material respect as of the date of the making thereof; provided, however, that if any such Default relates to a representation or warranty relating to the Borrower's ability to engage in the coastwise trade of the United States, such Default shall not constitute an Event of Default until such time as any Governmental Authority shall take any action that impedes the Borrower's ability to engage in the coastwise trade of the United States;
- (e) Default occurs in the payment when due of principal or interest in respect of (i) the Revolving Credit Facility or (ii) Indebtedness in the aggregate principal amount of \$250,000 which is then in default, of the Company, the Borrower or any of their respective Subsidiaries after any applicable grace period therefor, or any other event occurs which would permit the lenders under (i) the Revolving Credit Facility or (ii) the holder or beneficiary of any other such Indebtedness, or a trustee therefor, to cause the acceleration of the maturity of any such Indebtedness or any mandatory unscheduled prepayment, purchase, or other early funding thereof;
- (f) The Company, the Borrower or any of their respective Subsidiaries (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code or a comparable action is taken under any bankruptcy or insolvency law of another country or political subdivision of such country, (ii) generally does not pay, or admits its inability generally to pay, its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, liquidator or similar official for it or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy

Code or any comparable law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of or consents to or acquiesces in any such proceeding filed against it, (vi) takes any corporate action in direct furtherance of any matter described in clauses (i)-(v) above, or (vii) fails to contest in good faith any appointment or proceeding described in this Section 10.1(f);

- (g) A custodian, receiver, trustee, liquidator or similar official is appointed for the Company, the Borrower or any of their respective Subsidiaries or any substantial part of its property under the Bankruptcy Code or under the bankruptcy or insolvency laws of another country or a political subdivision of such country, or a proceeding described in Section 10.1(f)(v) is instituted against the Company, the Borrower or any of their respective Subsidiaries, and such appointment continues undischarged or such proceeding continues undismissed and unstayed for a period of sixty (60) days;
- (h) The Company, the Borrower or any of their respective Subsidiaries fails within thirty (30) days with respect to a judgment or an order (or such earlier date as any execution on such judgment or order shall take place) to vacate, pay, bond or otherwise discharge any judgment or order for the payment of money the uninsured portion of which is in excess of \$250,000 with respect to the Company, the Borrower or such Subsidiary and which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution;
- (i) The Company, the Borrower or any Person authorized to act on behalf of the Company, the Borrower or any of its Subsidiaries challenges the validity of any Operative Document or the Company, the Borrower's obligations thereunder in any material respect, or any Operative Document ceases, other than in accordance with its terms, to be valid and binding or ceases, in any material respect, other than in accordance with its terms, to give to the Trustee and the Noteholders the Liens, rights, and powers purported to be granted in their favor thereby;
- (j) The Company shall fail to directly own at least one hundred percent (100%) of the Membership Interests of the Borrower; or Gary Chouest fails at all times before his death to own directly or indirectly 11.25% of the Membership Interests in the Company;
- (k) Any default (as defined in the applicable contract) or event of default (as defined in the applicable contract) by Company, the Borrower, the Beta Noteholder under any of the Operative Documents shall occur and shall be continuing or any of such contracts shall be cancelled, terminated or

performance of any material party suspended as a result of such default or event of default;

- (l) Any Governmental Authority shall take any action that impedes the Borrower's ability to engage in the coastwise trade of the United States;
- (m) Any Condition Subsequent shall not be fully satisfied on or before the date on which the Beta Noteholder purchases its Tier 1 Note; or
- (n) Upon filing the Fleet Mortgage for recordation pursuant to Section 5.1(a)(viii), the Coast Guard's National Vessel Documentation Center is unable to provide satisfactory evidence to the Required Noteholders that the Borrower owns the Vessels covered thereby free and clear of all recorded liens other than the Fleet Mortgage.

Section 10.2. Non-Bankruptcy Defaults. When any Event of Default (other than those described in Section 10.1(f) or (g) with respect to the Borrower) has occurred and is continuing, the Required Noteholders may, without notice to the Borrower declare the outstanding principal of and the accrued and unpaid interest on the Notes and all other Obligations to be forthwith due and payable and thereupon all outstanding amounts under the Notes, including both principal of and interest thereon, shall be and become immediately due and payable together with all other Obligations without further demand, presentment, protest or notice of any kind, including, but not limited to, notice of intent to accelerate and notice of acceleration, each of which is expressly waived by the Borrower.

Section 10.3. Bankruptcy Defaults. When any Event of Default described in Section 10.1(f) or (g) has occurred and is continuing with respect to the Borrower, then all outstanding principal of and accrued and unpaid interest under the Notes shall immediately become due and payable together with all other Obligations, without presentment, demand, protest or notice of any kind, each of which is expressly waived by the Borrower.

Section 10.4. Remedies Upon an Event of Default. (a) If an Event of Default has occurred and is continuing, the Trustee may, and, the Trustee, if directed in writing by the Required Noteholders, shall, exercise any of the rights or remedies granted to it under the Collateral Trust Agreement or any of the other Operative Documents, in addition to any rights or remedies of such parties set forth in this Agreement.

- (b) If an Event of Default has occurred and is continuing, then the Trustee and the Required Noteholders may, and the Trustee, if directed in writing by the Required Noteholders, shall, take all steps necessary or advisable to protect and enforce its rights hereunder, whether by action, suit or proceeding at law or in equity, for the specific performance of any covenant, condition or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as such party shall deem necessary or advisable.

- (c) If any Obligor shall fail to make any payment or perform any act required to be made or performed under any Operative Document, the Trustee and the Required Noteholders, without waiving any default or releasing any Obligor from any obligation, may (but shall be under no obligation to unless directed in writing by the Required Noteholders) make such payment and perform such act for the account and at the expense of such Obligor, and may enter upon any of the Properties for such purpose and take all such action thereon as, at the Trustee's or the Required Noteholders' sole discretion, may be necessary or appropriate therefor. All sums so paid by the Trustee and the Required Noteholders and all costs and expenses (including reasonable attorneys' fees and expenses so incurred, together with interest thereon to the extent permitted by law) shall be paid by the applicable Obligor to the Trustee and the Required Noteholders on demand.

Notwithstanding Sections 10.2 through 10.4, unless the Trustee or the Required Noteholders shall have notified the Borrower in writing within 30 days of the occurrence of any Tier 1 Amortization Default and thereafter commenced the exercise of their rights and remedies in respect of such Tier 1 Amortization Default within six months of its occurrence, and no other Default or Event of Default shall have occurred and be continuing, then such Tier 1 Amortization Default shall be deemed waived upon the expiration of such six month period. Any such deemed waiver shall not affect the rights and remedies of the Noteholders or the Trustee with respect to any other Default or Event of Default, including any other Tier 1 Amortization Default.

Section 10.5. Default Prior to 10-Year Anniversary. Notwithstanding anything set forth in Section 10.1 to the contrary, upon the occurrence of any event (an "Extended Cure Default") described in Section 10.1(c), (d) or (k) (with respect to (k), other than any such event that has resulted in any such contract being canceled or terminated) during the last six months of the tenth year following the Closing Date, such event shall not be considered an Event of Default unless the Required Noteholders have given notice of any such Default and it is not cured within thirty (30) days after that notice. If the notice of an Extended Cure Default is given to the Borrower less than thirty (30) days prior to the Tier 2 & 3 Termination Date, the Tier 2 & 3 Termination Date will be extended by that number of days necessary to enable the Borrower to have a full 30-day period in which to cure the subject Extended Cure Default. The date to which the Tier 2 & 3 Termination Date is extended is the "Tier 2 & 3 Extended Termination Date."

#### ARTICLE XI MISCELLANEOUS

Section 11.1. Termination and Survival of Obligations. This Agreement shall terminate when the principal amount of and all accrued interest on the Notes and all other Obligations shall have been indefeasibly paid or performed in full or otherwise discharged in accordance with the terms hereof; provided, however, the rights and remedies of the Noteholders and the Trustee under Articles III and IV shall survive such termination.

Section 11.2. Notices. Unless otherwise specified, all notices and other communications hereunder shall be in writing (including by telecopier or other facsimile communication), given

to the appropriate Person at its address or telecopy number set forth on the signature pages hereof or at such other address or telecopy number as such Person may specify, and effective when received at the address specified by such Person. Each party hereto, however, authorizes the Noteholders and Trustee to act on telephone notices from any person the Noteholders in good faith believe to be acting on behalf of the relevant party and, at the Noteholder's option, to tape record any such telephone conversation. Borrower agrees to deliver promptly to the Noteholders a confirmation of each telephone notice given or received by such party (signed by an authorized officer of such party). The Noteholders' and Trustee's records of all such conversations shall be deemed correct absent manifest error and, if the confirmation of a conversation differs in any material respect from the action taken by the Noteholders, the records of the Noteholder shall govern absent manifest error.

Section 11.3. Payments and Computations. Notwithstanding anything herein to the contrary, any amounts to be paid or transferred by the Borrower to, or for the benefit of, the Noteholders or any other Person shall be paid or transferred to the Noteholders (for the benefit of the Noteholders or any other Person). All amounts to be paid or deposited hereunder shall be paid or transferred on the day when due in immediately available Dollars (and, if due from the Borrower, by 11:00 a.m. (Houston time), with amounts received after such time being deemed paid on the Business Day following such receipt). The Borrower shall, to the extent permitted by law, pay to the Noteholders upon demand, for the account of the applicable Person, interest on all amounts not paid or transferred by the Borrower when due hereunder at a rate equal to the Fixed Rate plus 2% per annum, calculated from the date any such amount became due until the date paid in full. Any payment or other transfer of funds scheduled to be made on a day that is not a Business Day shall be made on the next Business Day, and any interest rate accruing on such amount to be paid or transferred shall continue to accrue to such next Business Day.

Section 11.4. Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, but for the ratable benefit of Noteholders, upon the occurrence of, and throughout the continuance of, any Event of Default involving a failure to pay interest or principal when due and upon expiration of any applicable grace period, each Noteholder, but for the ratable benefit of Noteholders is hereby authorized by the Borrower at any time or from time to time, to the extent permitted by law, without notice to the Borrower or any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness, payables, charter payment, contract or other obligation at any time owing by such Noteholder or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the due and unpaid obligations and liabilities of the Borrower to the Noteholders or that subsequent holder under the Credit Documents, irrespective of whether or not that Noteholder or that subsequent holder shall have made any demand hereunder.

Section 11.5. Amendments, Waivers and Consents. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed (and/or consented to) by (a) the Borrower, and (b) the Required Noteholders; provided that any increase or reduction in the interest rate on the Notes and acceleration of the Tier 2 & 3 Termination Date, a deferral of the payment dates set forth in the proviso to Section

2.4(a), or any increase or reduction in the portion of Excess Cash Flow to be allocated to the Notes shall require the approval of all Noteholders. Any consent to be delivered by the Noteholders under the Credit Documents shall not be effective unless contained in a writing signed by the Required Noteholder, or if, described in the foregoing proviso, all Noteholders.

Section 11.6. Waivers. No failure or delay of the Noteholders or the Trustee in exercising any power, right, privilege or remedy hereunder shall operate as a waiver thereof, nor (to the fullest extent permitted by applicable law) shall any single or partial exercise of any such power, right, privilege or remedy preclude any other or further exercise thereof or the exercise of any other power, right, privilege or remedy. Any failure to insist upon the strict performance of any provision hereof or to exercise any option, right, power or remedy contained herein shall not constitute a waiver or relinquishment thereof for the future. The Trustee and the Required Noteholders shall be entitled to injunctive relief in case of the violation or attempted or threatened violation of any of the provisions hereof by any other party hereto, a decree compelling performance of any of the provisions hereof or any other remedy allowed by law or in equity. Any waiver hereof shall be effective only in the specific instance and for the specific purpose for which such waiver was given. After any waiver, the Borrower and the Noteholders shall be restored to their former position and rights and any Default waived shall be deemed to be cured and not continuing, but no such waiver shall extend to (or impair any right consequent upon) any subsequent or other Default.

Section 11.7. Successors and Assigns. This Agreement shall be binding upon the Borrower and the Noteholders and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Noteholders and their respective successors and assigns; provided, however, that the Borrower may not assign any of its rights or obligations under this Agreement or any other Credit Document without the written consent of the Required Noteholders. Assignments by the Noteholders hereunder are subject to the terms and conditions of Section 11.8 hereof.

Section 11.8. Participations and Assignments. (a) Participations. Subject to Section 11.8(c) and (d), the Noteholders may at any time sell to Persons ("Participants") participating interests in any Note owing to the Noteholders, or any other interest of the Noteholders hereunder. The Borrower agrees that if amounts outstanding under this Agreement shall have become due and payable, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as the Noteholders under this Agreement. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 4.1, 4.2, 4.3 and 4.6 with respect to the principal amount of the Notes outstanding from time to time.

(b) Assignments. Subject to Section 11.8(c) and (d), any Noteholder may at any time sell to any Person all or a portion of its interest in the Notes. Upon such execution, delivery and acceptance, from and after the effective date of the transfer, (i) such Noteholder thereunder shall be a party hereto and, to the extent of such assignment, have the rights and obligations of the transferor Noteholder hereunder and (ii) the transferor Noteholder thereunder shall, to the extent provided in such assignment, be released from its obligations under this Agreement (and, in the case of an assignment covering all or the remaining portion of a transferor Noteholder's rights

and obligations under this Agreement, such transferor Noteholder shall cease to be a party hereto except as to Sections 4.1, 4.2, 4.3 and 4.6 for periods prior to the effective date of such assignment). Such assignment shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such transferee and the resulting adjustment of percentages arising from the purchase by such transferee of all or a portion of the rights and obligations of such transferor Noteholder under this Agreement and the other Credit Documents.

(c) Right of First Refusal. (i) If either Noteholder (the "Selling Noteholder") shall desire to sell participating interests in any Note or all or a portion of its interests in any Note pursuant to Section 11.8 (a) or (b) (other than a Transfer by RBF Noteholder pursuant to Section 11.8(g) or a Transfer by Beta Noteholder or the Chouests or any Permitted Beta Noteholder Transferee pursuant to Section 11.8(h)), then such Selling Noteholder shall give notice (the "Offer Notice") to the other Noteholder, identifying the proposed Participant or the proposed purchaser from whom it has received a bona fide offer and setting forth the proposed sale price and the other material terms and conditions upon which such Selling Noteholder is proposing to sell participating interests or all or a portion of its interests in the Notes to such Participant or proposed purchaser. Such other Noteholder shall have 60 days from receipt of the Offer Notice to elect, by notice to such Selling Noteholder, to purchase the participating interests or the portion of the Notes offered for sale on the terms and conditions set forth in the Offer Notice (such 60-day period hereinafter referred to as the "Election Period").

(ii) If a Noteholder makes such election, the notice of election shall state a closing date not later than 90 days after the date of the Offer Notice. If such Noteholder breaches its obligation to purchase the participating interests or interests of the Selling Noteholder on the same terms and conditions as those contained in the Offer Notice after giving notice of its election to make such purchase (other than where such breach is due to circumstances beyond such Noteholder's reasonable control), then, in addition to all other remedies available, the Selling Noteholder may, at any time for a period of 270 days after such default, sell such the participating interests or interest in the Notes to any Person at any price and upon any other terms.

(iii) If the other Noteholder does not give notice within the Election Period following the Offer Notice from the Selling Noteholder that it (i) elects to purchase the participating interests or interest in the Notes of the Selling Noteholder or (ii) elects to purchase its interest in the Notes pursuant to the terms and conditions set forth in the Offer Notice in accordance with Section 11.08(d), the Selling Noteholder may, within 120 days after the end of the Election Period, sell the participating interests or such interest in the Notes to the identified purchaser on terms and conditions no less favorable to the Selling Noteholder than the terms and conditions set forth in such Offer Notice. In the event the Selling Noteholder shall desire to offer its interest in the Notes for sale on terms and conditions less favorable to it than those previously set forth in an Offer Notice, the procedures set forth in this Section 11.8(c) must again be initiated and applied with respect to the terms and conditions as modified.

(d) Right of Co-Sale. (i) If a Selling Noteholder has delivered an Offer Notice to the other Noteholder pursuant to Section 11.8(c) and the other Noteholder does not give notice during the Election Period that it elects to purchase participating interests or interest in the Note, such other Noteholder (the "Co-Sale Right Holder") shall have the right, exercisable upon notice

to the Selling Noteholder within the Election Period, to sell all (but not part) of its interest in the Notes pursuant to the specified terms and conditions set forth in the Offer Notice.

(ii) If the Co-Sale Right Holder gives notice within the Election Period that it elects to sell all (but not part) of its interest in the Notes pursuant to the specified terms and conditions set forth in the Offer Notice, the Selling Noteholder may, within 120 days after the end of the Election Period, sell the Noteholder's interest in the Notes to the identified purchaser on terms and conditions no less favorable to the Selling Noteholder than the terms and conditions set forth in such Offer Notice; provided that the identified purchaser also purchases all (but not part) of the Co-Sale Right Holder's interest in the Notes on the same terms and conditions as the purchase of the Selling Noteholder's interests in the Notes.

(e) Except for Transfers of membership interests in Beta to or among Permitted Beta Noteholder Transferees, no Noteholder may sell any participation in any of its Notes or to sell all or a portion of its interest in the Notes unless such sale also encompasses the sale of all of the Membership Interest owned by such Noteholder.

(f) Certain Actions Constituting a Transfer by Beta Noteholder. A merger, consolidation or similar business combination transaction by Beta Noteholder with another Person, a sale of all or substantially all of the assets of Beta Noteholder to another Person, the Transfer of limited liability company interests in Beta Noteholder by the owner thereof to another Person or the issuance of limited liability company interests by Beta Noteholder shall constitute a Transfer of Beta Noteholder's Note subject to this Section 11.8. This paragraph (f) shall not be deemed to limit actions constituting a Transfer of Beta Noteholder's Note.

(g) Permitted RBF Noteholder Transfers. RBF Noteholder may Transfer all (but not part) of its Notes at any time to R&B Falcon Corporation, a Delaware corporation ("RBF Corporation"), or to any Wholly Owned Subsidiary of RBF Corporation, provided that so long as such Wholly Owned Subsidiary holds such transferred Notes, such Wholly Owned Subsidiary shall remain a Wholly Owned Subsidiary of RBF Corporation or of RBF Noteholder. In the event RBF Noteholder shall be party to a merger, consolidation or similar business combination transaction with a third party or sell all, substantially all or a substantial portion of its assets to a third party, RBF Noteholder may Transfer all (but not part) of its Notes to such third party. Neither the Transfer of the capital stock of RBF Noteholder by the owner thereof to another Person nor the issuance of capital stock by RBF Noteholder shall constitute a Transfer of RBF Noteholder's Note subject to this Article 11.8.

(h) Permitted Beta Noteholder Transfers. Beta Noteholder (and any Permitted Beta Noteholder Transferee) may Transfer all or a part of its Note, and the Chouests (and any Permitted Beta Noteholder Transferee) may Transfer all or a part of their membership interest in Beta Noteholder, at any time to a Permitted Beta Noteholder Transferee.

Section 11.9. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial. (a) THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF TEXAS (WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES).



(b) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO AGREE THAT ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE NOTEHOLDERS OR THE TRUSTEE OR THE BORROWER SHALL BE BROUGHT AND MAINTAINED IN THE DELAWARE CHANCERY COURT; PROVIDED THAT IF THE DELAWARE CHANCERY COURT DOES NOT HAVE JURISDICTION WITH RESPECT TO SUCH MATTER, THE PARTIES HERETO SHALL BE ENTITLED TO ENFORCE SPECIFICALLY THE TERMS AND PROVISIONS OF THIS AGREEMENT IN ANY COURT OF THE UNITED STATES LOCATED IN THE STATES OF DELAWARE, LOUISIANA OR TEXAS, THIS BEING IN ADDITION TO ANY OTHER REMEDY TO WHICH THEY ARE ENTITLED AT LAW OR IN EQUITY. IN ADDITION, EACH OF THE PARTIES HERETO (I) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF THE DELAWARE CHANCERY COURT IN THE EVENT THAT ANY DISPUTE ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT; PROVIDED THAT IF THE DELAWARE CHANCERY COURT DOES NOT HAVE JURISDICTION WITH RESPECT TO ANY SUCH DISPUTE, SUCH PARTY CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF ANY FEDERAL COURT LOCATED IN THE STATES OF DELAWARE, LOUISIANA OR TEXAS, (II) AGREES TO APPOINT AND MAINTAIN AN AGENT IN THE STATE OF DELAWARE FOR SERVICE OF LEGAL PROCESS, (III) AGREES THAT IT WILL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT, (IV) AGREES THAT IT WILL NOT PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY ACTION RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND (V) AGREES THAT IT WILL NOT INITIATE ANY ACTION RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY COURT OTHER THAN (1) THE DELAWARE CHANCERY COURT, OR (2) IF THE DELAWARE CHANCERY COURT DOES NOT HAVE JURISDICTION WITH RESPECT TO SUCH ACTION, A FEDERAL COURT SITTING IN THE STATES OF DELAWARE, LOUISIANA OR TEXAS. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OF THE STATE OF DELAWARE, TEXAS OR LOUISIANA OR FROM ANY LEGAL PROCESS WITH RESPECT TO ANY ACTION COMMENCED IN ANY SUCH COURT (WHETHER THROUGH SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS.

(c) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT

OR ANY OTHER CREDIT DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

Section 11.10. Confidentiality of Agreement. Unless otherwise consented to by the Noteholders, the Borrower hereby agrees that it will not disclose the contents of any Operative Document, or any other confidential or proprietary information furnished by the Noteholders, to any Person other than to the auditors and attorneys of the Borrower or as required by applicable law.

Section 11.11. Limitation of Liability. No Person shall make a claim against the Borrower, Noteholders or the Trustee (or their Affiliates, directors, officers, members, managers, employees, attorneys or agents) for any special, indirect, consequential or punitive damages under any claim for breach of contract or other theory of liability in connection with the Credit Documents or the transactions contemplated thereby, and the Borrower (for itself and all other Persons claiming by or through the Borrower) hereby waives any claim for any such damages. No member, director, manager, officer, or agent of any Obligor or Noteholder shall have any liability on the Notes or other Obligations except to the extent (a) such Person is a party thereto in his individual capacity or otherwise agrees pursuant to a written agreement wherein such Person expressly assumes such liability in his individual capacity or (b) of such Person's fraud, willful misconduct or intentional misapplication of cash or other assets of any Obligor. Notwithstanding anything to the contrary contained in this Section 11.11, this Section 11.11 shall not affect any obligation of the Obligors and the Noteholders under the Operative Documents (other than the Notes).

Section 11.12. Headings; Counterparts. Article and section headings in this Agreement are for reference only and shall not affect the construction of this Agreement. This Agreement may be executed by different parties on any number of counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one and the same agreement.

Section 11.13. Cumulative Rights and Severability. To the extent permitted by applicable law, all rights and remedies of the Noteholders and the Trustee hereunder shall be cumulative and non-exclusive of any rights or remedies such Persons have under law or otherwise. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, in such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and without affecting such provision in any other jurisdiction.

Section 11.14. Interest Rate Limitation. Each provision in this Agreement and each other Credit Document is expressly limited so that in no event whatsoever shall the amount paid, or otherwise agreed to be paid, to any Noteholder, or charged, contracted for, reserved, taken or received by any Noteholder, for the use, forbearance or detention of the money to be loaned under this Agreement or any Credit Document or otherwise (including any sums paid as required

by any covenant or obligation contained herein or in any other Credit Document which is for the use, forbearance or detention of such money), exceed the Highest Lawful Rate, and all amounts owed under this Agreement and each other Credit Document shall be held to be subject to reduction so that any and all amounts so paid or agreed to be paid, charged, contracted for, reserved, taken or received which are for the use, forbearance or detention of money under this Agreement or such Credit Document shall in no event exceed the Highest Lawful Rate. Anything in any Note or any other Credit Document to the contrary notwithstanding, the Borrower shall not be required to pay unearned interest on any Note and the Borrower shall not be required to pay interest on the Obligations at a rate in excess of the Highest Lawful Rate, and if the effective rate of interest which would otherwise be payable under such Note and such Credit Documents would exceed the Highest Lawful Rate, or if the holder of such Note shall receive any unearned interest or shall receive monies that are deemed to constitute interest which would increase the effective rate of interest payable by the Borrower under such Note and the other Credit Documents to a rate in excess of the Highest Lawful Rate, then (a) the amount of interest which would otherwise be payable by the Borrower shall be reduced to the amount allowed under applicable law and (b) any unearned interest paid by the Borrower or any interest paid by the Borrower in excess of the Highest Lawful Rate shall in the first instance be credited on the principal of the Obligations of the Borrower (or if all such Obligations shall have been paid in full, refunded to the Borrower). It is further agreed that, without limitation of the foregoing, all calculations of the rate of interest contracted for, reserved, taken, charged or received by any Noteholder under the Notes and the Obligations and under the other Credit Documents are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate, and shall be made, to the extent permitted by usury laws applicable to such Noteholder, by amortizing, prorating and spreading in equal parts during the period of the full stated term of the Notes and this Agreement and all interest at any time contracted for, charged or received by such Noteholder in connection therewith.

Section 11.15. FINAL AGREEMENT OF THE PARTIES. THIS AGREEMENT (INCLUDING THE SCHEDULES AND EXHIBITS HERETO), THE NOTES, AND THE OTHER CREDIT DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 11.16. Atlas and Goliath. Notwithstanding anything to the contrary in this Agreement or in the other Credit Documents, Borrower shall not be required to establish or maintain the coastwise trade eligibility of the Vessels "Atlas", "Goliath", "Caribe Falcon", "Caribe Honor" and "Caribe Princess"; provided, however, that in the event either Vessel becomes so eligible, all obligations, terms and conditions set forth herein and in the other Credit Documents relating to coastwise trade shall thereafter apply to such Vessel.

In Witness Whereof, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers on and as of the respective dates set forth opposite their signatures below.

Delta Towing, LLC, as the Borrower

Dated as of January 30, 2001

By: /s/ BERNIE W. STEWART

-----  
Bernie W. Stewart, President

Address (after January 31, 2001):  
P.O. Box 309  
Galliano, LA 70354  
Facsimile: (504) 632-2282  
Attention: Gary Chouest, President  
with a copy to Dionne Chouest

R&B Falcon Drilling USA, Inc., as a  
Noteholder

Dated as of January 30, 2001

By: /s/ BERNIE W. STEWART

-----  
Bernie W. Stewart, President

Address (after January 31, 2001):  
c/o Transocean Sedco Forex Inc.  
4 Greenway Plaza  
Houston, Texas 77046  
Facsimile No.: (713) 232-7600  
Attn: General Counsel

Beta Marine Services, L.L.C., as a  
Noteholder

Dated January 31, 2001 but  
effective as of January 30, 2001

By: /s/ GARY CHOUEST  
-----  
Gary Chouest, Member

Address (after January 31, 2001):  
16210 East Main  
P.O. Box 309  
Galliano, LA 70354-0309  
Facsimile: (504) 632-7144  
Attention: Gary Chouest, President  
with a copy to Dionne Chouest

FORM OF  
PROMISSORY NOTE

(TIER 1)

\_\_\_\_\_ \$                      Dated: \_\_\_\_\_, \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Noteholder") the principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) on or before the Tier 1 Maturity Date (as such term is defined in the hereinafter described Note Agreement).

The Borrower hereby promises to pay interest on the principal amount of this Note outstanding from time to time from the date of this Note until such principal amount is paid in full, at such interest rates, on such dates and at such times as are specified in the Note Agreement dated as of \_\_\_\_\_, \_\_\_\_\_ among \_\_\_\_\_ (as the same may from time to time be amended, modified or supplemented, the "Note Agreement," and the terms defined therein and not otherwise defined herein being used herein as therein defined).

Both principal and interest on this Note are payable in same day funds in lawful money of the United States of America to the Noteholder at the Payment Office, or at such other place as the Noteholder shall designate in writing to the Borrower in a notice given in accordance with Section 11.02 of the Note Agreement.

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Note Agreement. The obligations of the Borrower hereunder are secured by the Security Documents. The Note Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified, and to the effect that no provision of the Note Agreement or this Note shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate.

Except for notices specifically provided for in the Note Agreement, the Borrower and any and all endorsers, guarantors and sureties severally waive grace, demand, presentment for payment, notice of dishonor or default or intent to accelerate, protest and notice of protest and diligence in collecting and bringing of suit against any party hereto, and agree to all renewals, extensions or partial payments hereon and to any release or substitution of security herefor, in whole or in part, with or without notice, before or after maturity.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

By: \_\_\_\_\_  
Name:  
Title:

FORM OF  
PROMISSORY NOTE

(TIER 2)

\_\_\_\_\_ \$ Dated: \_\_\_\_\_, \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_  
(the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_  
\_\_\_\_\_ (the "Noteholder") the principal amount of \_\_\_\_\_  
\_\_\_\_\_ Dollars (\$\_\_\_\_\_) or any lesser amount as may be  
permitted by the hereinafter described Note Agreement, as and when the same  
becomes due under the terms of the Note Agreement.

The Borrower hereby promises to pay interest on the principal amount  
of this Note outstanding from time to time from the date of this Note until such  
principal amount is paid in full, at such interest rates, on such dates and at  
such times, as are specified in the Note Agreement dated as of \_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_ among \_\_\_\_\_ (as the same may from  
time to time be amended, modified or supplemented, the "Note Agreement," and the  
terms defined therein and not otherwise defined herein being used herein as  
therein defined).

Both principal and interest on this Note are payable in same day funds  
in lawful money of the United States of America to the Noteholder at the Payment  
Office, or at such other place as the Noteholder shall designate in writing to  
the Borrower in a notice given in accordance with Section 11.02 of the Note  
Agreement.

This Note is one of the Notes referred to in, and is entitled to the  
benefits of, the Note Agreement. The obligations of the Borrower hereunder are  
secured by the Security Documents. The Note Agreement, among other things,  
contains provisions for acceleration of the maturity hereof upon the happening  
of certain stated events, for prepayments on account of principal hereof prior  
to the maturity hereof upon the terms and conditions therein specified, and to  
the effect that no provision of the Note Agreement or this Note shall require  
the payment or permit the collection of interest in excess of the Highest Lawful  
Rate.

Except for notices specifically provided for in the Note Agreement,  
the Borrower and any and all endorsers, guarantors and sureties severally waive  
grace, demand, presentment for payment, notice of dishonor or default or intent  
to accelerate, protest and notice of protest and diligence in collecting and  
bringing of suit against any party hereto, and agree to all renewals, extensions  
or partial payments hereon and to any release or substitution of security  
herefor, in whole or in part, with or without notice, before or after maturity.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN  
ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

By: \_\_\_\_\_  
Name:  
Title:





SCHEDULE 1.01

RELATED ENTITIES

Edison Chouest Offshore, L.L.C.  
Alpha Marine Services, L.L.C.  
Chouest Offshore Services, L.L.C.  
Holiday Offshore, L.L.C.  
United Marine Holdings, L.L.C.  
C-Port, L.L.C.  
C-Port 2, L.L.C.  
C-Logistics, L.L.C.  
Offshore Support Services, L.L.C.  
Martin Terminals, Inc.  
North American Offshore, LLC

SCHEDULE 6.1(C)

EXCEPTED MATTERS

Although Borrower believes that the transactions contemplated by the Operative Documents comply with laws applicable to the coastwise trade business, including the Jones Act, the Vessel Documentation Act and Section 2 of the Shipping Act, 1916, as amended, it is not making any representation or warranty regarding such compliance.

TRANSOCEAN SEDCO FOREX INC.  
EMPLOYEE STOCK PURCHASE PLAN

(As Amended and Restated Effective January 1, 2000)

First Amendment

Transocean Sedco Forex Inc., a Cayman Islands exempted company, having reserved the right under Section 19 of the Transocean Sedco Forex Inc. Employee Stock Purchase Plan, as amended and restated effective January 1, 2000 (the "Plan"), to amend the Plan, does hereby amend the first paragraph of Section 3 of the Plan, effective as of January 31, 2001, to read as follows:

"The Ordinary Shares subject to issuance under the terms of the Plan shall be shares of Transocean's authorized but unissued Ordinary Shares, previously issued Ordinary Shares reacquired and held by Transocean or Ordinary Shares purchased on the open market. The aggregate number of Ordinary Shares which may be issued under the Plan shall not exceed one million five hundred thousand (1,500,000) Ordinary Shares. All Ordinary Shares purchased under the Plan, regardless of source, shall be counted against the one million five hundred thousand (1,500,000) Ordinary Share limitation."

IN WITNESS WHEREOF, this First Amendment has been executed effective as of January 31, 2001.

TRANSOCEAN SEDCO FOREX INC.

By: /s/ ERIC B. BROWN

-----  
Eric B. Brown  
Corporate Secretary

LONG-TERM INCENTIVE PLAN  
OF  
TRANSOCEAN SEDCO FOREX INC.

(As Amended and Restated Effective January 1, 2000)

First Amendment

Transocean Sedco Forex Inc., a Cayman Islands exempted company (the "Company"), having reserved the right under Section 6.3 of the Long-Term Incentive Plan of Transocean Sedco Forex Inc., as amended and restated effective January 1, 2000 (the "Plan"), to amend the Plan, does hereby amend Section 1.5 of the Plan, effective as of January 31, 2001, to read as follows:

"1.5 SHARES SUBJECT TO THE PLAN

The aggregate number of Ordinary Shares which may be issued with respect to awards made under Articles II and III shall not exceed 18,900,000 shares, reduced by the number of shares which have been issued pursuant to such Articles prior to January 31, 2001. Of such 18,900,000 shares, the aggregate number of Restricted Ordinary Shares which may be issued pursuant to Article III from and after January 31, 2001, shall not exceed 2,000,000 shares. In addition, the aggregate number of Ordinary Shares which may be issued with respect to awards made under Article IV shall not exceed 600,000, reduced by the number of shares which have been issued pursuant to such Article prior to January 31, 2001. At no time shall the number of shares issued plus the number of shares estimated by the Committee to be ultimately issued with respect to outstanding awards under the Plan exceed the number of shares that may be issued under the Plan. No employee shall be granted Share Options, freestanding Share Appreciation Rights, or Restricted Ordinary Shares, or any combination of the foregoing, with respect to more than 600,000 Ordinary Shares in any fiscal year (subject to adjustment as provided in Section 6.2). No employee shall be granted a Supplemental Payment in any fiscal year with respect to more than the number of Ordinary Shares covered by Share Options, freestanding Share Appreciation Rights or Restricted Ordinary Shares awards granted to such employee in such fiscal year. Shares distributed pursuant to the Plan may consist of authorized but unissued shares or treasury shares of the Company, as shall be determined from time to time by the Board of Directors.

If any Option under the Plan shall expire, terminate or be canceled (including cancellation upon the holder's exercise of a related Share Appreciation Right) for any reason without having been exercised in full, or if any Restricted Ordinary Shares shall be forfeited to the Company, the unexercised Options and forfeited Restricted Ordinary Shares shall not count against the above limit and shall again become available for grants

under the Plan (regardless of whether the holder of such Options or shares received dividends or other economic benefits with respect to such Options or shares). Ordinary Shares equal in number to the shares surrendered in payment of the option price, and Ordinary Shares which are withheld in order to satisfy federal, state or local tax liability, shall not count against the above limit and shall again become available for grants under the Plan. Only the number of Ordinary Shares actually issued upon exercise of a Share Appreciation Right or payment of a Supplemental Payment shall count against the above limit, and any shares which were estimated to be used for such purposes and were not in fact so used shall again become available for grants under the Plan.

Freestanding Shares Appreciation Rights which may be settled solely in cash shall be issued with respect to no more than an aggregate of 300,000 underlying shares. Such SARs shall not count against the limits set forth above on the number of Ordinary Shares which may be issued under the Plan. If any freestanding SAR shall expire, terminate, or be canceled for any reason without having been exercised in full, the unexercised SARs shall not count against this limit and shall again become available for grants under the Plan."

IN WITNESS WHEREOF, this First Amendment has been executed effective as of January 31, 2001.

TRANSOCEAN SEDCO FOREX INC.

By: /s/ ERIC B. BROWN

-----  
Eric B. Brown  
Corporate Secretary

## CONSULTING AGREEMENT

This CONSULTING AGREEMENT ("Agreement") is made and entered into effective as of the 31st day of January, by and between R&B Falcon Corporation, a Delaware corporation ("Company"), and Paul B. Loyd, Jr., an individual ("Consultant").

WHEREAS, in connection with the transactions contemplated by that certain Agreement and Plan of Merger, dated as of August 19, 2000, among Transocean Sedco Forex Inc. ("Parent"), Transocean Holdings Inc., TSF Delaware Inc. and Company (the "Merger Agreement"), Company will become an indirect wholly-owned subsidiary of Parent; and

WHEREAS, in the event of the termination of Consultant's employment with Company following the transactions contemplated by the Merger Agreement, Company and Parent wish to have Consultant provide consulting services to the Company for the period provided in this Agreement and Consultant wishes to provide services to Company for such period, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the parties agree as follows:

1. **ENGAGEMENT.** Company hereby retains Consultant to provide consulting services with respect to strategies and policies, special projects, incentives, goals and other matters related to the development and growth of Company. Such services shall be as directed by the Chief Executive Officer of Company or other person or persons as designated by the Chief Executive Officer from time to time. Consultant shall be required to be generally available to Company to perform the services and agrees to provide upon request a minimum of thirty hours of service per month to Company at such times and places as may be reasonably requested by Company and consistent with Consultant's other activities. Further, Consultant agrees not to perform substantially similar services during the term hereof to any other company which provides offshore contract drilling services; provided that Consultant may request a waiver of such restriction on a case-by-case basis and Company agrees not to unreasonably withhold, condition or delay such waiver.

2. **TERM.** The term of this Agreement shall commence on the effective date of Consultant's termination of employment with Company at any time following the Effective Time (as defined in the Merger Agreement) (the "Effective Date") and continue in effect for a period of three (3) years thereafter; provided, however, that in the event Consultant becomes a member of the Board of Directors of Parent ("Parent Board"), the Agreement shall continue in effect only until the second anniversary of the Effective Date; and provided, further, that Consultant may terminate this Agreement on thirty (30) days' advance written notice to Company. Upon such an expiration or termination of this Agreement, neither party shall have any further obligation towards the other in connection herewith except as provided in Article 5(g).

3. COMPENSATION. As compensation for the performance by Consultant of services under this Agreement, Company agrees to pay to Consultant the following:

(a) an annual retainer fee of THREE HUNDRED THOUSAND DOLLARS (\$300,000); provided, however, that if Consultant becomes a member of the Parent Board, the annual retainer fee shall thereafter be THREE HUNDRED SIXTY THOUSAND DOLLARS (\$360,000) and Consultant hereby waives during the term of this Agreement any fees or other remuneration that would otherwise be payable to Consultant for services as a member of the Parent Board; and

(b) Company agrees to pay direct to the vendor or reimburse Consultant, as the case may be, reasonable expenses incurred by Consultant in connection with the performance of his services under this Agreement. These expenditures and expenses incurred by and on behalf of Consultant shall be in accordance with those policies in effect the Company from time to time. These expenses shall include but shall not be limited to:

(1) Transportation, meals and lodging, parking, tips or any other expenses incurred in accordance with Company's policies and procedures;

(2) Telephone, facsimile or other communication costs, and

(3) Company's current per mile rate for Consultant's use of his personal automobile on Company's business.

Consultant shall not be entitled to any other remuneration, benefit or reimbursement in connection with this Agreement or the services performed hereunder except as may otherwise be expressly set forth herein.

4. PAYMENTS.

(a) The annual retainer referred to in Article 3(a) above shall be paid in monthly installments of TWENTY FIVE THOUSAND DOLLARS (\$25,000) (or THIRTY THOUSAND DOLLARS (\$30,000) in the event Consultant becomes a member of the Parent Board), payable on the last day of the calendar month for services performed during the month.

(b) Expense statements shall be submitted by Consultant with reasonable documentation in accordance with the policies of Company. Reimbursement shall be paid within ten (10) business days of receipt of an expense statement by Company.

(c) Consultant may request cash advances for special purposes such as trips incurred at Company's request. Such cash advances shall be approved by Company's designated person, and such amount shall be deducted from Consultant's first expense statement submitted after such cash advance or any balance outstanding shall be repaid with submittal of the expense statement.

5. GENERAL.

(a) Consultant agrees that the extent and character of the work to be done by Consultant shall be subject to the general supervision, direction, control and approval of Company's Chief Executive Officer, to whom Consultant shall report and be responsible. In the performance of the work and services hereunder, Consultant shall be deemed an independent contractor and shall not be an employee of Company. Consultant shall have no right to bind Company and shall limit the services to be provided hereunder to those requested or directed to be performed in accordance with Article 1.

(b) Consultant shall be responsible for the payment of all taxes or other charges imposed by any governmental authority on his services and fees.

(c) Any suggestions, analyses, programs, products, materials conceived, prepared or developed by Consultant during the term of this Agreement, whether alone or jointly with others, which relate to the Company's core offshore drilling business shall be Company's sole and exclusive property.

(d) All information obtained by Consultant or communicated to Consultant by Company in the course of conduct of Consultant's work and services hereunder shall be considered confidential and shall not be divulged by Consultant to any person, firm or corporation other than Company's representative without Company's prior written consent unless required to be disclosed by court order, subpoena or other government process, in which case Consultant shall notify Company promptly after learning of any such court order, subpoena or government process. Company shall furnish any information necessary for Consultant to carry out Consultant's duties.

(e) Consultant shall not assign or subcontract any of Consultant's obligations hereunder without the prior written consent of Company; provided that Consultant shall be permitted to assign this agreement to any entity that is wholly owned by Consultant. This Agreement shall inure to the benefit of and be binding on the executors, administrators, personal representatives, permitted assigns and successors of the respective parties.

(f) In acknowledgement of the fees and occasional transportation, meals and lodgings being provided by Company to enable and assist Consultant in the execution of his duties and in exchange for Company's agreement to release, defend and indemnify Consultant from any and all claims, suits, actions, damages, liabilities and expenses (including attorney fees and court costs)(collectively, "Claims") for personal injury to the employees, officers, directors and agents of Company and Company's clients, or damage to Company's and Company's clients' property arising out of the services to be provided hereunder, regardless of whether Consultant may be negligent or otherwise legally at fault, Consultant agrees to release, defend and indemnify Company and its clients and their respective employees, officers, directors and agents from any Claims for personal injury to, or death of, Consultant or damage to or loss of Consultant's property arising out of the services to be provided hereunder, regardless of whether Company may be or may be alleged to be negligent or otherwise legally at fault.



(g) The provisions of Article 5(b), (c), (d) and (f) shall survive the expiration of this Agreement.

6. MODIFICATION. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless made in writing with specific reference to this Agreement and signed by each of the parties hereto.

7. NOTICES. Any notices required or permitted hereunder shall be in writing and shall be delivered in person or mailed certified or registered mail, return receipt requested, properly addressed:

(a) If to Company:

R&B Falcon Corporation  
Attn: Chief Executive Officer

(b) If to Consultant:

Paul B. Loyd, Jr.  
108 Shasta  
Houston, Texas 77024

Either party hereto may designate a different address by written notice given to the other party in accordance herewith.

8. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

9. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without regard to its rules of conflict of laws.

10. EFFECTIVENESS. Notwithstanding anything herein to the contrary, this Agreement is conditioned upon the consummation of the Merger (as defined in the Merger Agreement) and shall be void ab initio and of no force and effect upon the termination of the Merger Agreement prior to the Effective Time.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed as of the day and year first above written.

/s/ Paul B. Loyd, Jr.  
-----  
Paul B. Loyd, Jr.

R&B FALCON CORPORATION

/s/ Tim W. Nagle  
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By: Tim W. Nagle  
Title: Executive Vice President and  
Chief Financial Officer

## SUBSIDIARIES OF TRANSOCEAN SEDCO FOREX INC.

NAME*	Jurisdiction
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Transocean Holdings Inc	Delaware
Transocean Offshore Deepwater Drilling Inc.	Delaware
Sonat Offshore International LDC	Cayman Islands
Transocean Offshore International Ventures Limited	Cayman Islands
Triton Drilling Limited	Cayman Islands
Transocean Offshore Limited	Cayman Islands
Transocean Offshore International Limited	Cayman Islands
Transocean Offshore (North Sea) Limited	Cayman Islands
Transocean Offshore Services Ltd.	Cayman Islands
Transocean Offshore Europe Limited	Cayman Islands
Transocean International Drilling Limited	Cayman Islands
Transocean Offshore (Cayman) Inc.	Cayman Islands
Transocean Alaskan Ventures Inc.	Delaware
Transocean-Nabors Drilling Technology LLC (50%)	Delaware
Transocean Drilling Services Inc.	Delaware
Transocean Enterprise Inc.	Delaware
Transocean Offshore D.V. Inc	Delaware
DeepVision L.L.C. (50%)	Delaware
Transocean Offshore Norway Inc.	Delaware
Transocean Offshore USA Inc.	Delaware
Transocean Offshore Ventures Inc.	Delaware
Transocean Offshore (U.K.) Inc.	Delaware
Transocean Offshore Caribbean Sea, L.L.C.	Delaware
Sonat Offshore S.A.	Panama
Asie Sonat Offshore Sdn. Bhd.	Malaysia
Sonat Brasocean Servicos de Perfuracoes Ltda.	Brazil
Sonat Offshore do Brasil Perfuracoes Maritimos Ltda.	Brazil
Transocean Brasil Ltda.	Brazil
Investimentos Ltda.	Brazil
Transocean Offshore Nigeria Ltd.	Nigeria
Transhav AS	Norway
Transocean Services AS	Norway
Transocean AS	Norway
Transocean 4 AS	Norway
Transocean Offshore Holdings ApS	Denmark
Target Drilling Services Ltd.	U.K.
Transocean UK Limited	U.K.
Transocean Services UK Ltd.	U.K.
Transocean I AS	Norway
Transocean Drilling (U.S.A.) Inc.	Texas
Transocean Drilling Netherlands Ltd.	Bahamas
Transocean Drilling (Nigeria) Ltd.	Nigeria
SDS Offshore Ltd.	U.K.
Transocean Drilling Ltd.	U.K.

Shelf Drilling Ltd.	U.K.
Transocean Kan Tan Ltd.	U.K.
Transocean Sino Ltd.	U.K.
Wilrig Offshore (UK) Ltd.	U.K.
Wilrig Drilling (Canada) Inc.	Canada
Wilrig Offshore Bahamas Inc.	Bahamas
Transocean Drilling GmbH	Germany
Sedco Forex Holdings Limited	British Virgin Islands
Sedco Forex International, Inc.	Panama
Cariba Ships Corporation N.V.	Netherlands Antilles
Caspian Sea Ventures International Ltd. (75%)	British Virgin Islands
Hellerup Finance International Ltd.	Ireland
International Chandlers, Inc.	Texas
Overseas Drilling Ltd. (50%)	Liberia
Sedco Forex Canada Ltd.	Alberta
Sedco Forex Corporation	Delaware
Transocean Sedco-Forex Brazil Ltda.	Brazil
Sedco Forex International Drilling, Inc.	Panama
PT Hitek Nusantara Offshore Drilling (80%)	Indonesia
Sedco Forex International Resources, Limited	British Virgin Islands
Sedco Forex International Services, S.A.	Panama
Sedco Forex of Nigeria Limited (60%)	Nigeria
Sedco Forex Offshore International N.V. (Limited)	Netherlands Antilles
Sedco Forex Shorebase Support Limited	U.K.
Sedco Forex Technical Services, Inc.	Panama
Sedco Forex Technology, Inc.	Panama
Services Petroliers Sedco Forex	France
Triton Holdings Limited	British Virgin Islands
Sefora Maritime Ltd.	British Virgin Islands
Triton Industries, Inc.	Panama
Sedneth Panama S.A.	Panama
Transocean Sedco Forex Ventures Limited	Cayman Islands
Transocean Support Services Limited	Cayman Islands
R&B Falcon Corporation	Delaware
Cliffs Drilling Company	Delaware
R&B Falcon Holdings, Inc	Delaware
R&B Falcon Drilling (International & Deepwater) Inc.	Delaware
R&B Falcon Deepwater Development Inc.	Nevada
R&B Falcon Subsea Development Inc.	Nevada
RBF Production Co.	Delaware
RBFUS-1, Inc.	Delaware
RBFUS-2, Inc.	Delaware
Cliffs Oil and Gas Company	Delaware
Cliffs Drilling International, Inc.	Delaware
Cliffs Drilling Venezuela, Inc.	Delaware
Cliffs Drilling de Venezuela, S.A.	Venezuela
Cliffs Drilling (Barbados) Holdings SRL	Barbados
Cliffs Drilling Trinidad L.L.C.	Delaware
Cliffs Drilling do Brasil Servicos de Petroleo S/C Ltda.	Brazil

Cliffs Central Drilling International (50%)	Mexico
Cliffs Drilling de Mexico, S.A. de C.V.	Mexico
Cliffs Drilling (Barbados) SRL	Barbados
Cliffs Drilling Trinidad Offshore Limited	Trinidad
Caribe U.S.A., Inc.	Louisiana
Falcon Atlantic Ltd.	Cayman Islands
Perforaciones Falrig De Venezuela C.A.	Venezuela
Raptor Exploration Company, Inc.	Delaware
R&B Falcon Drilling USA, Inc.	Delaware
Arcade Drilling AS (74.4%)	Norway
R&B Falcon Drilling Co.	Oklahoma
RBF Holding Corporation	Delaware
R&B Falcon Management Services, Inc.	Delaware
Reading & Bates Coal Co.	Nevada
Reading & Bates Development Co.	Delaware
Reading & Bates Petroleum Co.	Texas
Onshore Services, Inc.	Texas
R&B Falcon Borneo Drilling Co., Ltd.	Oklahoma
R&B Falcon Deepwater (UK) Limited	England
R&B Falcon Drilling Limited	Oklahoma
R&B Falcon Exploration Co.	Oklahoma
R&B Falcon Enterprises Co.	Texas
R&B Falcon, Inc.	Oklahoma
R&B Falcon International Energy Services B.V.	Netherlands
R&B Falcon (Ireland) Limited	Ireland
R&B Falcon Offshore, Limited	Oklahoma
R&B Falcon (U.K.) Limited	England
RBF Deepwater Exploration Inc.	Nevada
RBF Deepwater Exploration II Inc.	Nevada
RBF Deepwater Exploration III Inc.	Nevada
RBF Drilling Co.	Oklahoma
RBF Drilling Services, Inc.	Oklahoma
RBF Exploration Co.	Nevada
RBF Exploration II Inc.	Nevada
RBF Offshore, Inc.	Nevada
RBF Rig Corporation	Oklahoma
Rig Logistics, Inc.	Nevada
Reading & Bates-Demaga Perfuracoes Ltda.	Brazil
PT RBF Offshore Drilling	Indonesia
RB Gabon Inc.	Oklahoma
RB International Ltd.	Cayman Islands
RB Mediterranean Ltd.	Cayman Islands
Mediterranean Development Ltd.	Cayman Islands
Total Offshore Production Systems	Texas
Appalachian Permit Co.	Kentucky
Bismarck Coal Inc.	Kentucky
Caymen Coal Inc.	West Virginia
Deepwater Drilling L.L.C. (50%)	Delaware
Deepwater Drilling II L.L.C. (60%)	Delaware

RBF Servicos Angola, Limitada	Angola
NRB Drilling Services Limited (60%)	Nigeria
RBF (Nigeria) Limited	Nigeria
RBF Subsidiary Corporation	Delaware
RBF FPSO L.P. (90%)	Cayman Islands
Shore Services, Inc.	Texas
R&B Falcon (A) Pty Ltd	Australia
R&B Falcon Canada Co.	Canada
R&B Falcon B.V.	Netherlands
R&B Falcon (Caledonia) Limited	England
Certicoals, Incorporated	West Virginia
RB Anton Ltd.	Cayman Islands
RB Astrid Ltd.	Cayman Islands
RB Vietnam Ltd.	Cayman Islands
R&B Falcon Drilling do Brasil, Ltda.	Brazil

\* SUBSIDIARIES (50% OR GREATER OWNERSHIP) ARE OWNED 100% UNLESS OTHERWISE INDICATED

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-4 No. 333-46374) of Transocean Sedco Forex Inc. and in the Registration Statements (Form S-8 No. 33-64776) pertaining to the Long-Term Incentive Plan, (Form S-8 No. 33-66036) pertaining to the Savings Plan, (Form S-8 No. 333-12475) pertaining to the Long-Term Incentive Plan, (Form S-8 No. 333-58211) pertaining to the Long-Term Incentive Plan, (Form S-8 No. 333-58203) pertaining to the Employee Stock Purchase Plan, (Form S-8 No. 333-94543) pertaining to the Long-Term Incentive Plan, (Form S-8 No. 333-94569) pertaining to the Sedco Forex Employees Option Plan, (Form S-8 No. 333-94551) pertaining to the Employee Stock Purchase Plan, and (Form S-8 No. 333-46374) pertaining to R&B Falcon Stock Plans of our report dated January 25, 2001, with respect to the consolidated financial statements and schedule of Transocean Sedco Forex Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2000.

ERNST &amp; YOUNG LLP

Houston, Texas  
March 16, 2001

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 33-64776-99; 33-66036-99; 33-12475-99; 333-58211-99; 333-94543, 333-94569, 333-94551 and 333-46374) of Transocean Sedco Forex Inc. (previously Sedco Forex Holdings Limited) of our report dated August 6, 1999 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP  
New York, New York  
March 16, 2001



TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

WHEREAS, TRANSOCEAN SEDCO FOREX INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations of the Commission promulgated thereunder, an Annual Report of Form 10-K for the fiscal year ended December 31, 2000 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K") and one or more registration statements on Form S-8 for the registration of ordinary shares, par value \$.01 per share, to be issued in connection with the Long-Term Incentive Plan and the Employee Stock Purchase Plan of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form S-8");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint J. Michael Talbert, Robert L. Long, Eric B. Brown, William E. Turcotte, Ricardo Rosa and Brenda S. Masters, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K, the Form S-8 and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ VICTOR E. GRIJALVA

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Name: Victor E. Grijalva  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ J.MICHAEL TALBERT

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Name: J. Michael Talbert  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ CHARLES A. DONABEDIAN

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Name: Charles A. Donabedian  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ RICHARD D. KINDER

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Name: Richard D. Kinder  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ RONALD L. KUEHN, JR.

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Name: Ronald L. Kuehn, Jr.  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ ARTHUR LINDENAUER

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Name: Arthur Lindenauer  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ PAUL B. LOYD, JR.

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Name: Paul B. Loyd, Jr.  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ MARTIN B. MCNAMARA

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Name: Martin B. McNamara  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ ROBERTO MONTI

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Name: Roberto Monti  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ RICHARD A. PATTAROZZI

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Name: Richard A. Pattarozzi  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ ALAIN ROGER

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Name: Alain Roger  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ KRISTIAN SIEM

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Name: Kristian Siem  
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TRANSOCEAN SEDCO FOREX INC.

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 8th day of February, 2001.

By: /s/ IAN C. STRACHAN

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Name: Ian C. Strachan  
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