THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF BANKRUPTCY CODE SECTION 1125(a). THE ZONDA PLAN DEBTORS RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	
	:	Chapter 11
PACIFIC DRILLING VIII LIMITED, *et al.*,	:	
	:	Case No. 17-13203 (MEW)
	:	
Debtors.[1]	:	(Jointly Administered)
	:	
	:	

DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION/LIQUIDATION FOR PACIFIC DRILLING SERVICES INC. AND PACIFIC DRILLING VIII LIMITED PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: December 21, 2018
New York, New York

[1] The Zonda Plan Debtors in these chapter 11 cases, and if applicable, the last four digits of their U.S. taxpayer identification numbers are: Pacific Drilling VIII Limited and Pacific Drilling Services, Inc. (5302).

INTRODUCTION AND DISCLAIMER

Pacific Drilling VIII Limited, a private company limited by shares incorporated in the British Virgin Islands ("PDVIII") and Pacific Drilling Services Inc., a Delaware corporation ("PDSI"), as debtors and debtors in possession (the "Zonda Plan Debtors"), submit this disclosure statement (the "Disclosure Statement") to Holders of Claims entitled to vote on the *Joint Plan of Reorganization/Liquidation for Pacific Drilling Services Inc. and Pacific Drilling VIII Limited Pursuant to Chapter 11 of the Bankruptcy Code*, a copy of which is annexed hereto as Appendix A (together with all exhibits thereto or referenced therein, and as amended, supplemented, and/or modified from time to time, the "Plan").[2] This Disclosure Statement is to be used by each such person solely in connection with its evaluation of the Plan. Use of this Disclosure Statement for any other purpose is not authorized.

The Zonda Plan Debtors are providing you with the information in this Disclosure Statement because you may be a creditor entitled to vote on the Plan. **The Zonda Plan Debtors believe that the Plan is in the best interests of creditors and other stakeholders and is a fair means of moving these chapter 11 cases towards resolution while awaiting a decision in the Zonda Arbitration. All creditors entitled to vote on the Plan are urged to vote in favor of it. A summary of the voting instructions is set forth beginning on page 1 of this Disclosure Statement. To be counted, your Ballot must be duly completed, executed, and actually received by the Zonda Plan Debtors' claims, noticing, and balloting agent, Prime Clerk LLC ("Prime Clerk" or the "Voting Agent") by 4:00 p.m., prevailing Eastern Time, on January 14, 2019 (the "Voting Deadline"), unless this deadline is extended by the Zonda Plan Debtors.**

ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION ABOUT THE PLAN AND IMPORTANT CONSIDERATIONS PERTINENT TO ACCEPTANCE OR REJECTION OF THE PLAN.

This Disclosure Statement and any accompanying letters are the only documents to be used in connection with the solicitation of votes on the Plan. No person is authorized by the Zonda Plan Debtors to give any information or to make any representation other than as contained in this Disclosure Statement and the appendices attached hereto or incorporated by reference or referred to herein. If given or made, such information or representation may not be relied upon as having been authorized by the Zonda Plan Debtors. Although the Zonda Plan Debtors will make available to creditors entitled to vote on the Plan such additional information as may be required by applicable law prior to the Voting Deadline, the delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time after the date hereof.

[2] All capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to such terms in the Plan.

This Disclosure Statement contains summaries of certain provisions of the Plan, certain documents related to the Plan, certain events in the Zonda Plan Debtors' Chapter 11 Cases, and certain financial information. Such summaries are qualified in their entirety by reference to the full text of such documents. Factual information contained in this Disclosure Statement has been provided by the Zonda Plan Debtors' management, except where otherwise specifically noted. Unless specifically noted, the financial information contained herein has not been audited by a certified public accounting firm. The Zonda Plan Debtors do not warrant or represent that the information contained herein, including financial information, is without any inaccuracy or omission.

THE ZONDA PLAN DEBTORS HAVE PREPARED THIS DISCLOSURE STATEMENT PURSUANT TO BANKRUPTCY CODE SECTION 1125 FOR USE IN THE SOLICITATION OF VOTES ON THE PLAN. FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, INCLUDING SECTION V—"RISK FACTORS TO BE CONSIDERED," THE PLAN, AND THE APPENDICES AND EXHIBITS HERETO AND THERETO IN THEIR ENTIRETY. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO THE SATISFACTION OR WAIVER OF MATERIAL CONDITIONS PRECEDENT. SEE ARTICLE XI OF THE PLAN. THERE CAN BE NO ASSURANCE THAT THOSE CONDITIONS PRECEDENT WILL BE SATISFIED. THERE CAN BE NO ASSURANCE, THEREFORE, AS TO WHEN AND WHETHER CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE ACTUALLY WILL OCCUR. PROCEDURES FOR DISTRIBUTIONS UNDER THE PLAN, INCLUDING MATTERS THAT ARE EXPECTED TO AFFECT (A) THE TIMING OF THE RECEIPT OF DISTRIBUTIONS BY HOLDERS OF CLAIMS AND INTERESTS IN CERTAIN CLASSES AND (B) THE AMOUNT OF DISTRIBUTIONS ULTIMATELY RECEIVED BY SUCH HOLDERS ARE DESCRIBED IN SECTION IV—"SUMMARY OF THE PLAN OF REORGANIZATION/LIQUIDATION." IF THE PLAN IS NOT CONFIRMED AND/OR EFFECTUATED, THEN THE ZONDA PLAN DEBTORS WILL HAVE TO CONSIDER ALL OF THEIR OPTIONS AS DEBTORS IN BANKRUPTCY.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY CREDITOR OR INTEREST HOLDER DESIRING ANY SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS. FURTHER, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURES CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN OR A GUARANTEE BY THE BANKRUPTCY COURT OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE INFORMATION REGARDING THE ZONDA PLAN DEBTORS'

HISTORY, BUSINESS, AND OPERATIONS, IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN. AS TO CONTESTED MATTERS AND ADVERSARY PROCEEDINGS THAT MAY BE PENDING AS OF THE FILING OF THE ZONDA PLAN DEBTORS' CHAPTER 11 CASES OR COMMENCED AFTER THE FILING OF THE ZONDA PLAN DEBTORS' CHAPTER 11 CASES, THIS DISCLOSURE STATEMENT IS NOT TO BE CONSTRUED AS AN ADMISSION OR A STIPULATION BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN (A) CONSTITUTES AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, (B) SHALL BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE ZONDA PLAN DEBTORS OR ANY OTHER PARTY, OR (C) SHALL BE DEEMED A REPRESENTATION OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE ZONDA PLAN DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS.

CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY THEIR NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE," OR "CONTINUE," OR THE NEGATIVE THEREOF, OTHER VARIATIONS THEREON, OR COMPARABLE TERMINOLOGY AND INCLUDE THE LIQUIDATION ANALYSIS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN.

FURTHER, THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THAT THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE PRESENTED IN SUCH FORWARD-LOOKING STATEMENTS. DUE TO THESE UNCERTAINTIES, READERS CANNOT BE ASSURED THAT ANY FORWARD-LOOKING STATEMENTS WILL PROVE TO BE CORRECT. THE LIQUIDATION ANALYSIS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE VALUE OF THE PROPERTY DISTRIBUTED TO HOLDERS OF ALLOWED CLAIMS OR EQUITY INTERESTS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES, OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE. THE ZONDA PLAN DEBTORS ARE UNDER NO OBLIGATION TO (AND EXPRESSLY DISCLAIM ANY OBLIGATION TO) UPDATE OR ALTER ANY FORWARD-LOOKING STATEMENTS WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE, EXCEPT AS REQUIRED BY APPLICABLE LAW. ALL HOLDERS OF IMPAIRED CLAIMS SHOULD CAREFULLY

READ AND CONSIDER THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY, INCLUDING SECTION V—"RISK FACTORS TO BE CONSIDERED" AND "RISK FACTORS" BEGINNING ON PAGE 9 OF THE REGISTRATION STATEMENT ON FORM F-1 FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") ON DECEMBER 18, 2018 AND INCORPORATED BY REFERENCE HEREIN BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

NO REPRESENTATIONS CONCERNING THE ZONDA PLAN DEBTORS OR THE VALUE OF THEIR PROPERTY HAVE BEEN AUTHORIZED BY THE ZONDA PLAN DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE DOCUMENTS ATTACHED TO THIS DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATIONS, OR INDUCEMENTS MADE TO OBTAIN AN ACCEPTANCE OF THE PLAN WHICH ARE OTHER THAN AS SET FORTH HEREIN, OR INCONSISTENT WITH THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE DOCUMENTS ATTACHED TO THIS DISCLOSURE STATEMENT, AND THE PLAN SHOULD NOT BE RELIED UPON BY ANY HOLDER OF A CLAIM OR INTEREST.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY. THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED FOR APPROVAL WITH THE SEC OR ANY STATE AUTHORITY AND NEITHER THE SEC NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NEITHER THE SOLICITATION PACKAGE (AS DEFINED BELOW) NOR THIS DISCLOSURE STATEMENT CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, A SUMMARY OF THE PLAN, CERTAIN EVENTS IN THE ZONDA PLAN DEBTORS' CHAPTER 11 CASES, AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE OR THAT MAY BE FILED LATER WITH THE PLAN SUPPLEMENT. ALTHOUGH THE ZONDA PLAN DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY, TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS, BY REFERENCE TO SUCH DOCUMENT OR STATUTORY PROVISIONS. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN AND CONTROL FOR ALL PURPOSES.

EXCEPT AS OTHERWISE SPECIFICALLY AND EXPRESSLY STATED HEREIN, THIS DISCLOSURE STATEMENT DOES NOT REFLECT ANY EVENTS THAT MAY OCCUR SUBSEQUENT TO THE DATE HEREOF AND THAT MAY HAVE A MATERIAL IMPACT ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. ACCORDINGLY, THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCE, IMPLY THAT THE INFORMATION HEREIN IS CORRECT OR COMPLETE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

IN PREPARING THIS DISCLOSURE STATEMENT, THE ZONDA PLAN DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE ZONDA PLAN DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE ZONDA PLAN DEBTORS' BUSINESS. THE ZONDA PLAN DEBTORS' MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE ZONDA PLAN DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED (UNLESS OTHERWISE EXPRESSLY PROVIDED HEREIN) AND NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE ZONDA PLAN DEBTORS' BUSINESS AND ITS FUTURE RESULTS AND OPERATIONS. THE ZONDA PLAN DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN.

NEITHER THIS DISCLOSURE STATEMENT, THE PLAN, THE CONFIRMATION ORDER, NOR THE PLAN SUPPLEMENT WAIVE ANY RIGHTS OF THE ZONDA PLAN DEBTORS WITH RESPECT TO THE HOLDERS OF CLAIMS OR INTERESTS PRIOR TO THE EFFECTIVE DATE. RATHER, THIS DISCLOSURE STATEMENT SHALL CONSTITUTE A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO POTENTIAL CONTESTED MATTERS, POTENTIAL ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS OR IS NOT IDENTIFIED IN THIS DISCLOSURE STATEMENT. EXCEPT AS PROVIDED UNDER THE PLAN, THE ZONDA PLAN DEBTORS, THE REORGANIZED ZONDA DEBTORS, OR THE LIQUIDATION TRUST MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND CAUSES OF ACTION AND MAY OBJECT TO CLAIMS AFTER CONFIRMATION OR THE EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS ON THE TERMS SPECIFIED IN THE PLAN.

THE ZONDA PLAN DEBTORS ARE GENERALLY MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED

IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF WHERE FEASIBLE, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE ZONDA PLAN DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE ZONDA PLAN DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS SENT. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE ZONDA PLAN DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME.

THE ZONDA PLAN DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE ZONDA PLAN DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE ZONDA PLAN DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE COMPANY AND THEIR OWN ANALYSES OF THE TERMS OF THE PLAN IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. IMPORTANTLY, PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM IN A VOTING CLASS SHOULD REVIEW THE PLAN IN ITS ENTIRETY AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT AND ANY APPENDICES HERETO.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE ZONDA PLAN DEBTORS (INCLUDING THOSE HOLDERS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, WHO VOTE TO REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

Rules of Interpretation

For purposes of this Disclosure Statement, unless otherwise provided herein, (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural; (b) each pronoun stated in the masculine, feminine, or neuter gender includes the masculine, feminine, and neuter gender; (c) any reference in this Disclosure Statement to an existing document or schedule filed or to be filed means such document or schedule, as it may have been or may be amended, modified, or supplemented; (d) any reference to an entity as a Holder of a Claim or Interest includes that entity's successors and assigns; (e) all references in this Disclosure Statement to Sections, Articles, and Appendices are references to Sections, Articles, and Appendices of or to this Disclosure Statement; (f) the words "herein," "hereunder," and "hereto" refer to this Disclosure Statement in

its entirety rather than to a particular portion of this Disclosure Statement; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Disclosure Statement; (h) any term used in capitalized form in this Disclosure Statement that is not otherwise defined in this Disclosure Statement or the Plan, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; (i) all references to docket numbers of documents filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (j) all references to statutes, regulations, orders, rules of courts, and the like shall mean as amended from time to time, unless otherwise stated; (k) in computing any period of time prescribed or allowed, the provisions of Bankruptcy Rule 9006(a) shall apply, and if the date on which a transaction may occur pursuant to this Disclosure Statement shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day; (l) unless otherwise specified, all references in this Disclosure Statement to monetary figures shall refer to currency of the United States of America; (m) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (n) to the extent this Disclosure Statement is inconsistent with the terms of the Plan, the Plan shall control; (o) to the extent this Disclosure Statement is inconsistent with the Confirmation Order, the Confirmation Order shall control; (p) to the extent this Disclosure Statement is inconsistent with the terms of the New First Lien Notes Indenture, or the New Second Lien PIK Toggle Notes Indenture, such documents shall control; (q) to the extent any such term sheet is inconsistent with the applicable definitive document included in the Plan Supplement (as defined below), such definitive document shall control; and (r) any immaterial effectuating provision may be interpreted by the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, in a manner that is consistent with the overall purpose and intent of this Disclosure Statement and the Plan without further Bankruptcy Court order.

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APPENDICES

I. PLAN SUMMARY; VOTING INSTRUCTIONS AND PROCEDURES

A. Introduction

On November 12, 2017 (the "Petition Date"), the Zonda Plan Debtors and the Non-Zonda Debtors commenced with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") voluntary cases pursuant to chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On November 19, 2018, the Non-Zonda Debtors emerged from chapter 11. *See Notice of Occurrence of Effective Date of Modified Fourth Amended Joint Plan of Reorganization for Pacific Drilling S.A. and Certain of its Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 791].[3] The Zonda Plan Debtors' chapter 11 cases (the "Chapter 11 Cases") are being jointly administered under the caption *In re Pacific Drilling VIII Limited,* Case No. 17-13203 (MEW).

Pursuant to section 1125 of the Bankruptcy Code, the Zonda Plan Debtors submit this Disclosure Statement to all Holders of Claims against the Zonda Plan Debtors entitled to vote on the Plan to provide information in connection with the solicitation of votes to accept or reject the Plan. The purpose of this Disclosure Statement is to provide Holders of Claims entitled to vote to accept or reject the Plan with adequate information about (1) the Zonda Plan Debtors' businesses and certain historical events, (2) the Chapter 11 Cases, (3) the Plan, (4) the rights of Holders of Claims and Interests under the Plan, and (5) other information necessary to enable each Holder of a Claim entitled to vote on the Plan to make an informed judgment as to whether to vote to accept or reject the Plan. As described in greater detail below, the Zonda Plan Debtors believe that the Plan is the best means to efficiently and effectively conclude these Chapter 11 Cases and urge Holders of Claims entitled to vote to accept the Plan.

B. Executive Summary of the Plan

The Zonda Plan Debtors are engaged in the Zonda Arbitration with SHI in connection with the Zonda Construction Contract. Under the Plan, all Claims against the Zonda Plan Debtors are Unimpaired, and will be paid in full, with the exception of the Zonda Secured Claims and the Zonda Deficiency Claims. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Intercompany Claims will likely be cancelled. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors will become guarantors on the following notes, in connection with the proposed restructuring of the Zonda Plan Debtors (the "Restructuring"):

(a) $750.0 million in aggregate principal amount of 8.375% notes maturing October 1, 2023, secured by a first-priority security interest in and lien on the New Notes Collateral (as defined below) (the "New First Lien Notes"), the offering and sale of which was completed on September 26, 2018; and

[3] References to docket numbers in this Disclosure Statement refer to *Pacific Drilling S.A., et al.,* Case No. 17-13193, unless otherwise specified.

(b) $273.6 million in aggregate principal amount of 11.0%/12.0% notes maturing April 1, 2024, with interest payable in kind or in cash at the option of the issuer, subject to certain limitations, secured by a second-priority security interest and lien on the New Notes Collateral (the "New Second Lien PIK Toggle Notes," and together with the New First Lien Notes, the "New Notes"), the offering and sale of which was completed on September 26, 2018.

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on the Effective Date, the Liquidation Trust will be formed to liquidate the Liquidation Trust Assets, including the prosecution of the Retained Actions, and to enable the Liquidation Trustee to distribute the proceeds to Holders of Liquidation Trust Interests in accordance with the Plan and the Liquidation Trust Agreement.

If the Plan is not confirmed, the Zonda Plan Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code. In that event, creditors would realize lower recoveries on account of their Allowed Claims. *See generally* Appendix C, Liquidation Analysis. The Zonda Plan Debtors believe the fully consensual Plan represents the most favorable and certain path available to a successful and expeditious exit from these Chapter 11 Cases and will thereby maximize the value of the Zonda Plan Debtors' Estates for the benefit of creditors.

C. Summary of the Restructuring Transactions

The following is a brief summary of the material terms of the documents relating to the implementation of the Plan.

1. *Implementation of the Plan if the Zonda Plan Debtors Prevail in the Zonda Arbitration.*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Zonda Plan Debtors will become guarantors of the New Notes. The New First Lien Notes consist of $750.0 million in aggregate principal amount of 8.375% notes due 2023, guaranteed on a first lien secured basis by direct and indirect restricted subsidiaries of PDSA (such guarantors, the "Guarantors"), subject to exceptions for PIDWAL and immaterial subsidiaries and provided that the Zonda Plan Debtors will not become Guarantors until their emergence from bankruptcy; *provided,* that if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, they will not become Guarantors.[4] The New First Lien Notes bear an 8.375% fixed rate of interest, payable semi-annually in cash. The New First Lien Notes are secured by (a) perfected pledges of all capital stock held by PDSA or any Guarantor (other than equity interests in unrestricted subsidiaries and immaterial subsidiaries) and (b) perfected security interests in, and mortgages on, substantially all other existing and newly acquired assets of PDSA and the Guarantors (including, but not limited to, vessels, insurance claims, earnings assignments, cash, and

[4] In the event of any inconsistency between the summary contained herein and the New First Lien Notes Indenture, attached hereto as Appendix D, the terms of the New First Lien Notes Indenture are controlling. Further details regarding the New First Lien Notes may be found in Appendix D.

collateral accounts), subject to certain exceptions (collectively, the "New Notes Collateral"). The New First Lien Notes mature on October 1, 2023.

The New Second Lien PIK Toggle Notes consist of $250.0 million in aggregate principal amount of 11.0%/12.0% notes due 2024 issued to investors and an aggregate amount of approximately $23.6 million of such New Second Lien PIK Toggle Notes (the "New Second Lien PIK Toggle Notes Commitment Premium") pursuant to that certain *Amended and Restated Commitment Agreement (Second Lien)*.[5]

The New Second Lien PIK Toggle Notes are guaranteed by the Guarantors and secured on a second-priority basis by the New Notes Collateral and are guaranteed by the Guarantors; *provided,* that if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, they will not become Guarantors. Subject to the provisions of the New Second Lien PIK Toggle Notes Indenture, interest thereon is payable in kind or in cash, or a combination, at the option of the issuer. If Pacific Drilling elects to pay interest for an interest period entirely in PIK interest, interest will accrue at a rate of 12.0% per annum, and if Pacific Drilling elects to pay interest for an interest period entirely in the form of cash, interest will accrue at a rate of 11.0% per annum. If Pacific Drilling elects to pay 50.0% in cash interest and 50.0% in PIK interest, (a) interest in respect of the cash interest portion will accrue at 11.0% and (b) interest in respect of the PIK interest portion will accrue at 12.0%. The New Second Lien PIK Toggle Notes have substantially similar covenants to the New First Lien Notes. The New Second Lien PIK Toggle Notes mature on April 1, 2024.

2. *Implementation if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration.*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on the Effective Date, the Liquidation Trust will be established pursuant to the Plan and the Liquidation Trust Agreement. If established, the Liquidation Trust will contain (a) all of the assets of the Zonda Plan Debtors; (b) an amount not less than two million dollars, net of any amount necessary to pay all Administrative Claims, Priority Tax Claims, Secured Tax Claims, Other Secured Claims, Other Priority Claims, Convenience Claims, and all fees due under 28 U.S.C. § 1930, and to fund the Professional Fee Escrow Amount; (c) all legal and equitable interests of the Zonda Plan Debtors in Causes of Action and all legal and equitable defenses or counterclaims of the Zonda Plan Debtors to Claims; and (d) any other assets to vest in the Liquidation Trust pursuant to the Liquidation Trust Agreement (together, the "Liquidation Trust Assets"). The Liquidation Trust Interests will be distributed to Holders of Allowed Zonda Deficiency Claims.

[5] In the event of any inconsistency between the summary contained herein and the New Second Lien PIK Toggle Notes Indenture, attached hereto as Appendix E, the terms of the New Second Lien PIK Toggle Notes Indenture are controlling. Further details regarding the New Second Lien PIK Toggle Notes may be found in Appendix E.

D. Summary of Classification and Recoveries

For administrative convenience, the Plan organizes the Zonda Plan Debtors into two (2) groups (each a "***Zonda Plan Debtor Group***") and assigns a letter to each Zonda Plan Debtor Group. Notwithstanding this organizing principle, the Plan is a separate plan of reorganization for each Zonda Plan Debtor.

Letter	Zonda Plan Debtor Group
A	PDSI
B	PDVIII

The only Classes that are entitled to vote to accept or reject the Plan are:

Classes	Designation
4A–4B	Zonda Secured Claims
5A–5B	Zonda Deficiency Claims

All other Classes are either Unimpaired under the Plan, in which case the Holders of Claims and Interests in such Classes are deemed to have accepted the Plan, or are receiving no distribution under the Plan, in which case the Holders of Claims and Interests in such Classes are deemed to have rejected the Plan. Further information regarding the proposed treatment and classification of such Claims and Interests can be found in Section IV.C of this Disclosure Statement.

The table set forth below summarizes the classification and treatment of all Claims against and Interests in the Zonda Plan Debtors. The table provides that Classes 8A–8B, 9A, and 9B are either Unimpaired or Impaired under the Plan, and are not entitled to vote, however, such Classes are consenting to the Plan under either scenario. For a complete understanding of the Plan, you should read this Disclosure Statement, the Plan, and the Appendices and Exhibits hereto and thereto in their entirety.

Description and Amount of Claims or Interests	Summary of Treatment	Estimated Recovery	Entitled to Vote
Administrative Claims	An Administrative Claim is a Claim for costs and expenses of administration of the Chapter 11 Cases, including Professional Fee Claims. Unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the date on which an Administrative Claim becomes an Allowed Administrative Claim, or (c) the date on which an Allowed Administrative Claim becomes payable under any agreement relating thereto, each Holder of such Allowed Administrative Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim.	**100.0**%	**N/A**
Priority Tax Claims	A Priority Tax Claim is a Claim of a Governmental Unit for taxes accorded priority in right of payment under sections 502(i) and 507(a)(8) of the Bankruptcy Code. The legal and equitable rights of the Holders of Priority Tax Claims are Unimpaired by the Plan. Unless the Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, on the Effective Date, each Holder of an Allowed Priority Tax Claim shall have such Claim Reinstated.	**100.0**%	**N/A**
Classes 1A–1B Secured Tax Claims **(Estimated Allowed Amount: $0.00)** ***(Zonda Plan Debtor Groups A–B)***	A Secured Tax Claim is any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under sections 502(i) and 507(a)(8) of the Bankruptcy Code. Except to the extent that a Holder of an Allowed Secured Tax Claim agrees to less favorable treatment, each Holder of an Allowed Secured Tax Claim shall receive, on account of and in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Secured Tax Claim and any Lien securing such Claim, Cash in the amount of such Allowed Secured Tax Claim: on or as soon as reasonably practicable after, the later of (A) the Effective Date and (B) the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim.	**100.0**%	**Unimpaired; deemed to accept**
Classes 2A–2B Other Secured Claims **(Estimated Allowed**	An Other Secured Claim is any Secured Claim against the Zonda Plan Debtors other than a Secured Tax Claim or a Zonda Secured Claim. Except to the extent that a Holder of an Allowed Other Secured Claim agrees to less favorable treatment, on or as	**100.0**%	**Unimpaired; deemed to accept**

Amount: $0.00) ***(Zonda Plan Debtor Groups A–B)***	soon as reasonably practicable after (A) the Effective Date if such Other Secured Claim is an Allowed Other Secured Claim on the Effective Date or (B) the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive from its respective Zonda Plan Debtor, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Other Secured Claim and any Lien securing such Claim, at the option of the Zonda Plan Debtors: (x) payment in full in Cash, plus postpetition interest, if applicable; (y) Reinstatement or such other treatment sufficient to render the Holder of such Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code; or (z) the return of the applicable collateral in satisfaction of the Allowed amount of such Other Secured Claim.		
Classes 3A–3B **Other Priority Claims** **(Estimated Allowed Amount: $0.00)** ***(Zonda Plan Debtor Groups A–B)***	An Other Priority Claim is any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than an Administrative Claim or Priority Tax Claim. Except to the extent that a Holder of an Allowed Other Priority Claim agrees to less favorable treatment, on or as soon as reasonably practicable after (A) the Effective Date if such Other Priority Claim is an Allowed Other Priority Claim on the Effective Date or (B) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Other Priority Claim, Cash equal to the unpaid portion of such Allowed Other Priority Claim.	**100.0%**	**Unimpaired; deemed to accept**
Class 4A–4B **Zonda Secured Claims**[6] **(Estimated Allowed**	Except to the extent that a Holder of an Allowed Zonda Secured Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Zonda Secured Claim shall receive at the option of SHI, in full and final satisfaction, settlement, release,	**0%-100%**	**Impaired; entitled to vote**

[6] The Zonda Plan Debtors do not believe that they own the *Pacific Zonda*. The Zonda Plan Debtors expect to Prevail in the Zonda Arbitration, but if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, SHI will be able to look to the *Pacific Zonda* to satisfy all or a portion of its Zonda Secured Claim.

Amount: Undetermined (the "<u>Class 4A–4B Estimated Allowed Amount</u>"))[7] ***(Zonda Plan Debtor Groups A–B)***	and discharge of, and in exchange for, such Allowed Zonda Secured Claim either (a) Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Zonda Secured Claim, (b) the proceeds of the sale or disposition of the *Pacific Zonda*, (c) the *Pacific Zonda* securing such Allowed Zonda Secured Claim, (d) such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Zonda Secured Claim is entitled, or (e) such other distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code. If an Allowed Zonda Secured Claim is paid in full under Section 3.3(d)(ii) of the Plan, the Liens securing such Zonda Secured Claim shall be deemed released. For the avoidance of doubt, the Zonda Secured Claims will be disallowed if the Zonda Plan Debtors Prevail in the Zonda Arbitration.		
<u>Classes 5A–5B</u> Zonda Deficiency Claims **(Estimated Allowed Amount: Class 4A–4B Estimated Allowed Amount minus the actual recovery for Classes 4A and 4B, plus applicable interest, fees, and expenses)** ***(Zonda Plan Debtor Groups A–B)***	Except to the extent that a Holder of an Allowed Zonda Deficiency Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Zonda Deficiency Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Zonda Deficiency Claim its Pro Rata share of the Liquidation Trust Interests based on the Allowed amount of its Claim. For the avoidance of doubt, the Zonda Deficiency Claims will be disallowed if the Zonda Plan Debtors Prevail in the Zonda Arbitration.	**<1%-100%**	**Impaired; entitled to vote**
<u>Classes 6A–6B</u> Convenience Claims **(Estimated Allowed Amount: $200,000)** ***(Zonda Plan Debtor Groups A–B)***	Except to the extent that a Holder of an Allowed Convenience Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Convenience Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Convenience Claim, payment in full in Cash.	**100.0%**	**Unimpaired; deemed to accept**

[7] SHI filed Proofs of Claim numbers 164, 168, 169, 170, and 176, against the Zonda Plan Debtors in the amount of approximately $387.44 million, and according to SHI's calculation in the SHI Letter (defined below), SHI asserts that the Zonda Secured Claim has grown to approximately $482 million. The Zonda Plan Debtors expect to prevail in the Zonda Arbitration, but if the Zonda Plan Debtors Do Not Prevail, they believe that the value of the Zonda Secured Claim is undertermined until the Arbitration Panel issues the Zonda Arbitration Award.

Class 7A **Insurance Covered Claims** **(Estimated Allowed Amount: $0)** ***(Zonda Plan Debtor Group A)***	Except to the extent that a Holder of an Allowed Insurance Covered Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Insurance Covered Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Insurance Covered Claim, (A) payment in Cash in an amount equal to such Allowed Insurance Covered Claim on the Effective Date; or (B) such other treatment as may be required so as to render such Allowed Insurance Covered Claim Unimpaired. For the avoidance of doubt, Holders of Allowed Insurance Covered Claims will look solely to applicable insurance for payment.	**100.0**%	**Unimpaired; deemed to accept**
Classes 8A–8B **Intercompany Claims** ***(Zonda Plan Debtor Groups A–B)***	Except to the extent that a Holder of an Allowed Intercompany Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Intercompany Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Intercompany Claim: A. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, all Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged, or eliminated, in each case to the extent determined to be appropriate by the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable; or B. if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged, or eliminated, in each case to the extent determined to be appropriate by the Liquidation Trustee, as applicable.	**100%/ 0%**	**Unimpaired/ Impaired;** **No, but consenting to the Plan under either scenario**
Class 9A **PDSI Interests** ***(Zonda Plan Debtor Group A)***	Except to the extent that a Holder of an Allowed PDSI Interest agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed PDSI Interest shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed PDSI Interest: A. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Holders of Allowed PDSI Interests will receive all remaining assets of PDSI after distributions to Classes 1A–1B through 8A–8B; or	**100% / 0%**	**Unimpaired/ Impaired;** **No, but consenting to the Plan under either scenario**

	B. if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all PDSI Interests will be extinguished.		
Class 9B **PDVIII Interests** ***(Zonda Plan Debtor Group B)***	Except to the extent that a Holder of an Allowed PDVIII Interest agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed PDVIII Interest shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed PDVIII Interest: A. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Holders of Allowed PDVIII Interests will receive all remaining assets of PDVIII after distributions to Classes 1A–1B through 8A–8B; or B. if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all PDVIII Interests will be extinguished.	**100% / 0%**	**Unimpaired/ Impaired;** **No, but consenting to the Plan under either scenario**

E. Solicitation Procedures and Solicitation Package

The Zonda Plan Debtors are causing "Solicitation Packages" to be distributed to Holders of Claims and Interests. With respect to Holders of Claims entitled to vote on the Plan, each Solicitation Package shall include:

(i) a notice of the hearing to consider approval of the Disclosure Statement and confirmation of the Plan (the "Combined Hearing Notice");
(ii) this Disclosure Statement with the Plan annexed thereto;
(iii) an appropriate form of Ballot(s);
(iv) any supplemental solicitation materials the Zonda Plan Debtors may file with the Bankruptcy Court.

In lieu of mailing paper copies of the Solicitation Packages, the Zonda Plan Debtors may give notice of the Zonda Plan Debtors' restructuring website at https://cases.primeclerk.com/pacificdrilling/ (the "Restructuring Website"), where all Holders of Claims and Interests can access copies of the Disclosure Statement Order, the Combined Hearing Notice, this Disclosure Statement with the Plan annexed thereto, and forms of Ballot(s); *provided* that any Holder of a Claim or Interest may request a paper copy of their Solicitation Package by contacting the Voting Agent using the contact information provided in Section I.F below. Holders of Claims entitled to vote on the Plan should read the instructions attached to your Ballot received in the Solicitation Package in connection with this section of this Disclosure Statement.

With respect to Holders of Claims and Interests not entitled to vote on the Plan, each Solicitation Package shall include:

(i) the Combined Hearing Notice;
(ii) a notice of such Holder's non-voting status (the "Notice of Non-Voting Status"); and
(iii) such other materials as may be ordered or permitted by the Bankruptcy Court.

The Notice of Non-Voting Status will provide that a copy of the Plan, this Disclosure Statement, the Combined Hearing Notice, and any other materials ordered or permitted to be included by the Bankruptcy Court may be viewed on the Restructuring Website; *provided* that any such Holder may request a paper copy of such documents by contacting the Voting Agent using the contact information provided in the Combined Hearing Notice and in Section I.F below.

F. Voting Procedures and Voting Deadline

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the Ballot. The Voting Agent may collect votes to accept or reject the Plan from Holders of Claims entitled to vote on the Plan via paper Ballot or the Voting Agent's online "E-Balloting" portal. Any Holder of a Claim entitled to vote on the Plan may request a paper copy of their Ballot by contacting the Voting Agent using the contact information provided below and in the Combined Hearing Notice. Please complete and sign your Ballot and return your Ballot to the Voting Agent either (1) online via the "E-Balloting" portal on the Restructuring Website, (2) by U.S. mail, overnight mail, or hand delivery during customary business hours to the address set forth below and in the Combined Hearing Notice, or (3) by any other method provided by the Voting Agent, so that it is received by the Voting Deadline.

THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON JANUARY 14, 2019, UNLESS EXTENDED BY THE ZONDA PLAN DEBTORS (THE "VOTING DEADLINE"). THE VOTING RECORD DATE FOR DETERMINING WHETHER A HOLDER OF A CLAIM IS ENTITLED TO VOTE ON THE PLAN WAS DECEMBER 21, 2018 (THE "VOTING RECORD DATE"). FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN THE VOTING DEADLINE BY THE VOTING AGENT.

If by First-Class Mail, Hand Delivery, or Overnight Mail:
PDVIII Ballot Processing
c/o Prime Clerk LLC
830 3rd Avenue, 3rd Floor
New York, NY 10022

If you have any questions about the procedure for voting your Claim, the Solicitation Package that you have received, or the amount of your Claim or Interest, or if you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any appendices or exhibits to such documents, please contact the Voting Agent as follows:

By Email: pacificdrillingballots@primeclerk.com
By Phone: 866-396-3566 or **646-795-6175** if outside the United States
Case website: https://cases.primeclerk.com/pacificdrilling/

Except as provided herein, unless your Ballots are timely submitted to the Voting Agent before the Voting Deadline or the Bankruptcy Court orders otherwise, the Zonda Plan Debtors may, in their sole discretion, reject such Ballots as invalid, and therefore decline to utilize them in connection with seeking confirmation of the Plan ("Confirmation"). In the event that any Claim is the subject of an objection or contested matter, any vote to accept or reject the Plan cast with respect to such Claim will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise.

G. Revocation; Waivers of Defects; Irregularities

Subject to contrary order of the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, revocation, or withdrawal of Ballots will be determined by the Voting Agent and the Zonda Plan Debtors; *provided*, that the Zonda Plan Debtors shall notify any Holder submitting a defective or invalid Ballot of their intent to reject such Ballot if the alleged defects are not remedied; *provided*, *further*, that any disputes regarding the validity, form, eligibility (including time of receipt), acceptance, revocation, or withdrawal of Ballots shall be determined by the Bankruptcy Court. Once a party delivers a valid Ballot for the acceptance or rejection of the Plan, such party may not withdraw or revoke such acceptance or rejection without the Zonda Plan Debtors' written consent or an order of the Bankruptcy Court. Subject to contrary order of the Bankruptcy Court, the Zonda Plan Debtors also reserve the right to reject any and all Ballots not in proper form; *provided*, that the Zonda Plan Debtors shall notify any Holder submitting a Ballot not in proper form and their intent to reject such Ballot if the alleged defects are not remedied. Any disputes regarding the form of any Ballot shall be determined by the Bankruptcy Court.

Subject to contrary order of the Bankruptcy Court, the Zonda Plan Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions therein) by the Zonda Plan Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured by the Voting Deadline. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Any Ballot previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated; *provided*, that the Zonda Plan Debtors have provided notice of such irregularities to the Holder submitting such Ballot.

H. Combined Hearing and Deadline for Objections to Confirmation

THE BANKRUPTCY COURT HAS SCHEDULED A HEARING TO CONSIDER THE ADEQUACY OF THIS DISCLOSURE STATEMENT AND CONFIRMATION OF THE PLAN ON JANUARY 24, 2019, PURSUANT TO THE COMBINED HEARING NOTICE. OBJECTIONS TO CONFIRMATION MUST BE FILED WITH THE

BANKRUPTCY COURT BY JANUARY 17, 2019 AT 4:00 P.M. (PREVAILING EASTERN TIME). UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, SUCH OBJECTION TO CONFIRMATION MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AT THE COMBINED HEARING.

I. Additional Information

PDSA, the Zonda Plan Debtors' parent company, currently files annual reports with, and furnishes other information to, the SEC. Copies of any document filed with the SEC may be obtained by visiting the SEC website at http://www.sec.gov and performing a search under the "Company Filings" link. Each of the following filings and submissions is incorporated as if fully set forth herein and is a part of this Disclosure Statement. Later information filed with the SEC that updates information in the filings incorporated by reference will update and supersede that information:

- Form 20-F for the fiscal year ended December 31, 2017, filed with the SEC on April 2, 2018 (the "2017 Form 20-F").

- Form 6-Ks filed with the SEC on May 2, 2018; May 23, 2018; June 5, 2018; June 18, 2018; June 25, 2018; July 17, 2018; August 1, 2018; August 14, 2018; August 15, 2018; August 20, 2018; September 4, 2018; September 6, 2018; September 12, 2018; September 13, 2018; September 28, 2018; October 1, 2018, October 9, 2018; October 22, 2018; October 24, 2018; October 26, 2018; November 5, 2018; November 9, 2018; November 20, 2018; December 4, 2018; and December 12, 2018.

In addition, the motions, orders, and other chapter 11 filings referenced herein can be viewed free of charge on the Restructuring Website.

II. OVERVIEW OF THE DEBTORS

A. Zonda Plan Debtors' Corporate Structure, Business Operations, and History

1. *Corporate Structure*

PDSA (together with its affiliates, "Pacific Drilling" or the "Company") is a public limited liability company *(société anonyme)* incorporated under Luxembourg law with its registered office at 8-10, Avenue de la Gare, L-1610, Luxembourg. Pacific Drilling's operational headquarters are located in Houston, Texas, and Pacific Drilling provides additional technical, operational, and administrative support from its offices in Nigeria and Brazil. PDSA owns, directly or indirectly, a majority of the equity of the Zonda Plan Debtors, the Reorganized Non-Zonda Debtors, and the non-Debtor subsidiaries, excluding non-Debtor Pacific International Drilling West Africa Limited ("PIDWAL") and Non-Zonda Debtor Pacific Drillship Nigeria Ltd., which does not own a drillship.

PDSI is incorporated in Delaware, and owned by Pacific Drilling LLC (US), a Reorganized Non-Zonda Debtor. PDVIII, a BVI company is owned by Pacific Drilling Holding (Gibraltar) Limited, a non-Debtor.

A corporate organization chart is attached as Appendix B hereto.

2. *Business Operations*

Pacific Drilling operates an international offshore drilling business specializing in high-specification deepwater and complex well construction services. Its primary business is to contract its fleet of seven high-specification rigs to drill wells for clients in the global offshore exploration and production industry. Although the term "high-specification" is used in the floating rig drilling industry to denote a particular segment of the market, the meaning of such term can vary and continues to evolve with technological improvements. However, Pacific Drilling generally considers high-specification requirements to include floating rigs delivered in or after 2005 and capable of drilling in water depths of 10,000 feet or more.

Pacific Drilling provides drilling services on a "dayrate" contract basis. Under dayrate contracts, the drilling contractor provides a drilling rig and rig crews and charges the client a fixed amount per day regardless of the number of days needed to drill the well. The client bears substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk and reward relative to the success of the well. Pacific Drilling's clients are large national, major, or independent oil and gas companies, and have included Chevron U.S.A., Inc. ("Chevron"), Total S.A. Group, PC Mauritania 1 Pty Ltd ("Petronas"), and Petroleo Brasiliero S.A.

Pacific Drilling's offshore fleet consists of seven high-specification drillships (collectively, the "Drillships") delivered between 2010 and 2014: (1) the *Pacific Bora,* owned by Non-Zonda Debtor PBL; (2) the *Pacific Scirocco,* owned by Non-Zonda Debtor PSL; (3) the *Pacific Sharav,* owned by Non-Zonda Debtor Pacific Sharav S.à r.l. ("PSS"); (4) the *Pacific Santa Ana*, owned by Non-Zonda Debtor Pacific Santa Ana S.à r.l. ("PSAS"); (5) the *Pacific Mistral*, owned by Non-Zonda Debtor Pacific Mistral Ltd. ("PML"); (6) the *Pacific Khamsin*, owned by Non-Zonda Debtor Pacific Drilling V Limited ("PDV"); and (7) the *Pacific Meltem*, owned by Non-Zonda Debtor Pacific Drilling VII Limited ("PDVII," and together with the other Non-Zonda Debtor subsidiaries that own or charter drillships, the "Drillship Subsidiaries"). Pacific Drilling's drillships have an average useful life exceeding 25 years and are some of the newest and most technologically advanced in the world. Each drillship is self-propelled, dynamically positioned, suitable for drilling in remote locations, and designed to achieve faster drilling and shorter transportation times relative to older units in the market.

The *Pacific Sharav* is currently under long-term contract with Chevron in the U.S. Gulf of Mexico through August 2019 at a dayrate of $551,000. The *Pacific Bora* is currently under contract with Agip Exploration Limited (a subsidiary of Eni S.p.A.) to operate in Nigeria for one firm well with two options wells, at a dayrate of $150,000, with each well estimated at approximately 60 days of work. On August 2, 2018, Petronas exercised its option to contract the *Pacific Santa Ana* for Phase II of a plug and abandonment project in Mauritania at a dayrate of $296,000 expected to commence in mid-2019 with an estimated 360 days of work.

When Pacific Drillings' Drillships are not under contract, Pacific Drilling uses its internally developed, sophisticated process designed to maintain inactive drillships at the lowest possible cost while preserving the ability to redeploy the vessels in a timely and cost-effective manner ("Smart Stacking"). By contrast, Pacific Drilling's competitors often "cold stack" their idle drillships, which entails shutting down the drillship and all of its systems in full, as well as reducing the manning of the drillship to the minimum level needed to safeguard the drillship against theft or vandalism ("Cold Stacking"). While Cold Stacking could eventually achieve lower monthly costs than Smart Stacking, it requires substantial upfront cash costs and significantly higher reactivation costs.

Pacific Drilling has instituted a "modified Smart Stacking" process ("Modified Smart Stacking") on some of its Drillships to save liquidity in the short term. Modified Smart Stacking involves maintaining idle rigs as a group, with one rig—the "anchor rig"—providing the power source for the other rigs. Modified Smart Stacking costs approximately $50,000–$80,000 per day for the anchor rig and approximately $7,000–$8,000 per day for each additional rig, compared to $30,000 per day per rig for Smart Stacked drillships. Currently, the *Pacific Scirocco*, the *Pacific Mistral*, the *Pacific Khamsin*, and the *Pacific Meltem* (the anchor rig) are Modified Smart Stacked in Las Palmas, Spain.

Pacific Drilling provides its own fleet management and corporate services through wholly-owned subsidiaries, primarily Reorganized Non-Zonda Debtor Pacific Drilling LLC and non-Debtor affiliate, Pacific Drilling Manpower, Inc., some expenses are reimbursed at cost, and a markup of between 5% and 10% is earned for certain services. Zonda Plan Debtor PDSI previously provided certain of these services to Pacific Drilling. As described in Section III.D.3 in further detail below, PDSI assumed and assigned the contracts relating to PDSI's fleet management and corporate services role to non-Debtor affiliate Pacific Drilling Manpower, Inc. and Reorganized Non-Zonda Debtor Pacific Drilling LLC.

The deepwater drilling oilfield services market is highly cyclical and is affected by fluctuations in oil price, as well as supply and demand for offshore drilling rigs. These cycles have typically lasted five to ten years, with drillship utilization fluctuating from below 60% up to 99% and dayrates fluctuating from breakeven costs of approximately $130,000–$180,000 up to $700,000 per day. When demand and rates are high, Pacific Drilling seeks long-term contracts for its drillships with large exploration and production companies, and when demand and rates are low, Pacific Drilling keeps its drillships active on short-term contracts or, if needed, utilizes its Smart Stacking or Modified Smart Stacking procedures.

The significant and sustained decline in oil prices since mid-2014 has led many of Pacific Drilling's existing and potential clients to delay or cancel various exploration and development programs, which has resulted in a reduction of drilling contracts awarded and dayrates achieved across the sector. However, the demand for oil is projected to increase over the medium-term, and Pacific Drilling expects a corresponding increase in demand for high-specification deepwater drilling services.

For the year ended December 31, 2017, the audited, consolidated financial statements of Pacific Drilling reflected total revenues of approximately $319,716,000 and a net loss of approximately $525,166,000. As of December 31, 2017, Pacific Drilling's audited, consolidated balance sheet reflected assets with a book value totaling approximately $5,362,961,000 and liabilities totaling approximately $3,211,160,000.

3. *Company History*

Pacific Drilling's predecessor company, Pacific Drilling Limited ("PDL"), was formed in Liberia in 2006 as an independent operating subsidiary of a predecessor to a group of companies generally referred to as the "Quantum Pacific Group." The principals of the Quantum Pacific Group have significant holdings in various global industries such as energy, oil, refining, transportation, and commodities.

PDL's initial investment in the high-specification offshore drilling contractor industry was through the purchase in 2006 of a drillship under construction by SHI and the later exercise of an option for a second drillship.

In 2007, PDL formed a joint venture, Transocean Pacific Drilling, Inc. ("TPDI") with Transocean Ltd., and the two drillships then under construction were transferred into TPDI. PDL formed a construction management team to oversee activities in the SHI shipyard that was then seconded to Transocean Ltd., who assumed responsibility for management of construction and operation of the two TPDI drillships through a contract with TPDI.

In 2007, PDL entered into additional construction contracts with SHI to construct two sixth-generation high-specification drillships, the *Pacific Bora* and the *Pacific Mistral*, which were not included in TDPI. In 2008, PDL decided to expand activities in the high-specification offshore floating rig segment to include operation and marketing of drilling services for the two drillships. As part of this strategy, PDL entered into additional contracts with SHI to construct two more sixth-generation high-specification drillships, the *Pacific Scirocco* and *Pacific Santa Ana*.

In 2011, PDSA was incorporated in Luxembourg, and Pacific Drilling completed a restructuring pursuant to which PDL was contributed to a wholly-owned subsidiary of PDSA. At this point, Pacific Drilling determined that it was in its best interest to focus on the operation and marketing of its wholly-owned fleet. Consequently, on March 30, 2011, Pacific Drilling completed a transfer of its equity interests in TPDI to a wholly-owned subsidiary of the Quantum Pacific Group. As a result, neither PDSA nor any of its subsidiaries own any interest in TPDI.

In November 2012, PDV completed a $500.0 million private placement of secured notes due 2017 (the "2017 Notes") to fund the final construction costs related to a new seventh-generation drillship, the *Pacific Khamsin*.

In February 2013, PSS and PDVII entered into a $1.0 billion senior secured credit facility (the "SSCF," and the lenders thereunder, the "SSCF Lenders") to finance the construction, operation, and expenses associated with two additional seventh-generation drillships, the *Pacific Sharav* and the *Pacific Meltem*.

In June 2013, the equity of entities holding ships in the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco*, and the *Pacific Santa Ana* completed three financing transactions totaling $2.0 billion, consisting of (a) a $750.0 million private placement of secured notes due 2020 (the "2020 Notes"), (b) a $750.0 million secured term loan B credit facility (the "Term Loan B," and the lenders thereunder, the "Term Loan B Lenders"), and (c) a $500.0 million secured revolving credit facility (the "RCF," and the lenders thereunder, the "RCF Lenders"). A portion of the net proceeds from the 2020 Notes and the Term Loan B was used to fully repay the outstanding borrowings under a credit facility used to finance construction of the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco*, and the *Pacific Santa Ana*.

In January 2013, Zonda Plan Debtors entered into a construction contract with SHI for an eighth drillship, the *Pacific Zonda*. In October 2014, the Zonda Plan Debtors entered into a $500.0 million revolving credit facility (the "2014 Revolving Credit Facility") for pre-delivery, delivery, and post-delivery financing of the *Pacific Zonda*, and for other general corporate purposes. On October 29, 2015, the Zonda Plan Debtors exercised their right to rescind the construction contract due to SHI's failure to timely deliver the *Pacific Zonda* within the contractual specifications. In connection with the rescission, on October 26, 2015, the Zonda Plan Debtors repaid all outstanding amounts under the 2014 Revolving Credit Facility, and the 2014 Revolving Credit Facility was terminated as of October 30, 2015. As described in Section III.E.3 below, the Zonda Plan Debtors are currently engaged in an arbitration proceeding commenced by SHI with respect to this contract.

B. Directors and Officers

PDVIII's current board of directors is composed of Bernie G. Wolford Jr. and Johannes P. Boots. PDVIII's current officers are: Bernie G. Wolford Jr., President; Michael Acuff, Vice President; Johannes P. Boots, Treasurer; and Lisa M. Buchanan, Senior Vice President, General Counsel and Secretary.

PDSI's current board of directors is composed of Bernie G. Wolford Jr. and Johnannes P. Boots. PDSI's current officers are: Bernie G. Wolford Jr., Chief Executive Officer and President; Johannes P. Boots, Senior Vice President, and Chief Financial Officer; and Lisa M. Buchanan, Senior Vice President, General Counsel and Secretary.

The proposed composition of the board of directors of each of the Reorganized Zonda Debtors will be disclosed in a supplement to the plan (the "Plan Supplement") to be filed prior to the order confirming the Plan in accordance with 11 U.S.C. § 1129(a)(5).

C. Employees

As of December 11, 2018, Pacific Drilling employed approximately 695 employees and one subcontractor. The Zonda Plan Debtors currently have no employees.

D. Regulation of Pacific Drilling's Business

Pacific Drilling's operations are conducted in the United States as well as in foreign jurisdictions and are subject to governmental laws, regulations, and treaties in the countries in which they operate. The laws, regulations, and treaties that impact Pacific Drilling's operations include those relating to the operation of drilling units, environmental protection, health and safety, various restrictions on oil and natural gas exploration and development, taxation of Pacific Drilling's earnings and the earnings of Pacific Drilling's expatriated personnel, minimum requirements for the use of local employees and suppliers, immigration restrictions for expatriated personnel, duties and restrictions on the importation and exportation of drilling units and other equipment, and local currency requirements. The Zonda Plan Debtors do not currently have any operations and will not operate post-emergence.

Additional discussion of the regulatory environment of Pacific Drilling's business can be found in the 2017 Form 20-F filed with the SEC.

E. Capital Structure

As of the Petition Date, the Non-Zonda Debtors' principal non-contingent liabilities consist of outstanding funded debt in an aggregate principal amount of approximately $3.044 billion under: (1) the RCF, (2) the 2020 Notes, (3) the Term Loan B, (4) the SSCF, and (5) the 2017 Notes (collectively, the "Prepetition Debt"). The Prepetition Debt was all repaid or extinguished pursuant to the Non-Zonda Debtors Plan.

1. *Equity Interests*

Pacific Drilling Holding (Gibraltar) Limited, a non-Debtor, holds the equity in PDVIII. Pacific Drilling LLC (US) Co., a Reorganized Non-Zonda Debtor holds the equity of PDSI.

2. *Cash Pool*

To allow for consolidated cash management and to mitigate intercompany credit risk, the Zonda Plan Debtors and certain Non-Zonda Debtors and non-Debtor affiliates entered into that certain *Cash Pooling Agreement*, dated as of June 10, 2015 (the "Cash Pooling Agreement"), pursuant to which Non-Zonda Debtor Pacific Drilling (Gibraltar) Limited ("PDGL" or the "Pool Leader") acts as a central intercompany "bank" for all participants in the cash-pooling system (the "Cash Pool," and such participants, the "Cash Pool Participants"). The Cash Pooling Agreement also grants the Pool Leader netting and set-off rights with respect to the other Cash Pool Participants. As of November 30, 2018, the Zonda Plan Debtors have net intercompany liabilities.

As of November 30, 2018, the Zonda Plan Debtors have approximately $4.7 million of cash on hand.

F. Events Leading to the Debtors' Need to Restructure

1. *Collapse in Oil Prices*

The offshore contract drilling industry in which Pacific Drilling operates is cyclical and significantly declined following the substantial drop in oil prices beginning in mid-2014. Demand for Pacific Drilling's drillships is a function of the worldwide levels of offshore exploration and development capital expenditures by oil and gas companies. Most of these potential customers decreased or delayed significantly their offshore exploration and production budgets as a result of the sustained weakness in oil prices, resulting in decreased drillship utilization and dayrates across the sector. Although dayrates and utilization for modern drillships have in the past been less sensitive to short-term oil price movements than those of older or less capable drilling rigs, the sustained depressed oil prices rendered many deepwater projects less attractive to Pacific Drilling's potential customers in the near term and significantly impacted the number of projects available for all drillships. Additionally, multiple drilling rigs have completed contracts without signing new ones, leading to an oversupply of drilling rigs.

2. *Prepetition Negotiations with Stakeholders*

In July 2017, prior to the impending December 1, 2017 maturity of the 2017 Notes, Pacific Drilling announced the launch by PDV of a private consent solicitation to extend the maturity date of the 2017 Notes to June 1, 2018. PDV did not receive sufficient consents to approve the maturity extension, and the solicitation expired on August 2, 2017.

On September 6, 2017, Pacific Drilling presented two revised financial forecast scenarios and a revised equitization proposal to the Ad Hoc Group. The Ad Hoc Group submitted a counter-equitization proposal to Pacific Drilling on September 26, 2017, and Pacific Drilling presented a further revised equitization proposal to the Ad Hoc Group on October 13, 2017. Subsequently, on October 16, 2017, Pacific Drilling again disclosed to the public market certain material non-public information provided to the Ad Hoc Group.

Facing the maturity on the 2017 Notes and the inability to reach consensus among its primary stakeholders, the Zonda Plan Debtors and the Non-Zonda Debtors filed their chapter 11 cases on November 12, 2017.

III. THE CHAPTER 11 CASES

A. First Day Motions

To ease their transition into chapter 11 and to expedite their emergence from chapter 11, on the Petition Date, the Zonda Plan Debtors and the Non-Zonda Debtors filed various customary "first day" motions. In particular, the Debtors filed motions requesting permission for administrative relief, including motions directing joint administration [Docket No. 3], authorizing the filing of a consolidated creditor list, establishing certain notice procedures, and authorizing an extension of time to file

schedules and statements [Docket No. 4]. The Bankruptcy Court entered final orders approving these motions on November 13 and 15, 2017 [Docket Nos. 24 and 33].

Additionally, the Zonda Plan Debtors and the Non-Zonda Debtors filed motions to continue operating their business, including motions to: (1) honor prepetition employee obligations and continue employee programs (the "Employee Motion"), (2) pay prepetition taxes (the "Tax Motion"), (3) pay certain foreign vendor obligations (the "Foreign Vendor Motion"), (4) continue their insurance programs (the "Insurance Motion"), (5) pay certain obligations of safety and critical vendors (the "Critical Vendor Motion"), and (6) continue their existing cash management system, including the Cash Pool (the "Cash Management Motion"). A description of the first day motions is set forth in the *Declaration of Paul T. Reese Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York in Support of Chapter 11 Petitions and First Day Motions and Applications* [Docket No. 28].

On November 15, 2017, the Bankruptcy Court entered orders granting the Employee Motion, the Tax Motion, the Foreign Vendor Motion, and the Critical Vendor Motion on an interim basis [Docket Nos. 34, 35, 38, and 39, respectively], and on December 15, 2017, the Bankruptcy Court entered orders granting such motions on a final basis [Docket Nos. 86, 94, 88, and 89, respectively]. On December 15, 2017, the Bankruptcy Court entered an order granting the Insurance Motion on a final basis [Docket No. 90]. On November 16, 2017, the Bankruptcy Court entered an order granting the Cash Management Motion on an interim basis [Docket No. 44], and then entered five subsequent interim orders authorizing the Zonda Plan Debtors and Non-Zonda Debtors to continue using their existing cash management system through May 17, 2018 [Docket Nos. 85, 153, 228, 285, and 327]. On May 23, 2018, the Bankruptcy Court entered an order [Docket No. 369] granting the Cash Management Motion on a final basis except with respect to a waiver of section 365(b) of the Bankruptcy Code with respect to the Zonda Plan Debtors' and Non-Zonda Debtors' foreign bank accounts. On June 19, 2018, the Bankruptcy Court entered an order [Docket No. 392] waiving the requirements of section 345(b) of the Bankruptcy Code with respect to the such foreign bank accounts on a final basis (together with Docket No. 369, the "Cash Management Order," and together with the orders approving the Employee Motion, the Tax Motion, the Foreign Vendor Motion, the Insurance Motion, and the Critical Vendor Motion, the "First Day Orders").

B. Pacific Zonda Arbitration and Automatic Stay Motion

On the Petition Date, the Zonda Plan Debtors and Non-Zonda Debtors also filed a motion [Docket No. 6] (the "Automatic Stay Motion") for (1) entry of an order enforcing and restating the automatic stay, ipso facto, and non-discrimination provisions of the Bankruptcy Code and (2) modification of the automatic stay in order to proceed with an arbitration proceeding against SHI. The arbitration proceeding (the "Zonda Arbitration") was commenced by SHI against Zonda Plan Debtor PDVIII in London on November 18, 2015 in response to PDVIII's rescission of that certain *Contract for Construction and Sale of a Drillship (Hull No. 2075)* (the "Zonda Construction Contract") with SHI due to SHI's failure to timely deliver a new drillship in accordance with contractual specifications. On November 15, 2017, the Bankruptcy Court entered orders granting the Automatic Stay Motion [Docket Nos. 41 and 42]. SHI denies that it failed

to timely deliver the *Pacific Zonda* and has contended in the Zonda Arbitration that PDVIII and PDSI, as guarantor, are obligated in damages for PDVIII's wrongful rescission, which SHI contends now total approximately $482 million in the aggregate and which amount may increase based on interest continuing to accrue on amounts owing. Additional details regarding the Zonda Arbitration are set forth in Section III.E.3 below.

C. Retention of Restructuring and Other Professionals

To assist the Zonda Plan Debtors and Non-Zonda Debtors in carrying out their duties as debtors in possession and to represent their interests in the Chapter 11 Cases, the Zonda Plan Debtors and Non-Zonda Debtors obtained Bankruptcy Court approval to retain (1) Togut, Segal & Segal LLP as their primary legal counsel (the "Togut Firm")[8] [Docket Nos. 95 and 298] and (2) Prime Clerk as their Claims and Noticing Agent and Administrative Agent [Docket Nos. 40 and 92, respectively].

On November 27, 2017, the Zonda Plan Debtors and Non-Zonda Debtors filed applications to retain and employ (i) AlixPartners LLP ("APLLC") as restructuring advisor, *nunc pro tunc* to the Petition Date [Docket No. 52]. Subsequently, on December 26, 2017, the Zonda Plan Debtors and Non-Zonda Debtors filed an application to retain and employ Ince & Co LLP ("Ince") as special arbitration counsel, *nunc pro tunc* to the Petition Date [Docket No. 99]. Although numerous other professionals were retained in connection with the Reorganized Non-Zonda Debtors' cases, the Zonda Plan Debtors will only continue to engage the Togut Firm, APLLC and Ince following the Reorganized Non-Zonda Debtors Effective Date.

The Bankruptcy Court entered orders approving the retention of APLLC on December 15, 2017 [Docket No. 84].

All professional fees incurred prior to the Reorganized Non-Zonda Debtors Effective Date were escrowed and placed into a professional fee escrow funded by the Non-Zonda Debtors and the Reorganized Non-Zonda Debtors on the Reorganized Non-Zonda Debtors Effective Date (the "Reorganized Non-Zonda Debtors Professional Fee Escrow"), pursuant to the Non-Zonda Debtors Plan. Any approved professional fees incurred before the Reorganized Non-Zonda Debtors Effective Date will be paid from the funds in the Reorganized Non-Zonda Debtors Professional Fee Escrow, and not from the Zonda Plan Debtors.

[8] The Zonda Plan Debtors and Non-Zonda Debtors originally retained Sullivan & Cromwell LLP ("Sullivan") as their primary legal counsel and the Togut Firm as conflicts counsel. Following Sullivan's withdrawal as counsel, the Togut Firm was retained as primary legal counsel to the Zonda Plan Debtors and Non-Zonda Debtors effective January 24, 2018. *See* Docket Nos. 181 and 298.

D. Other Postpetition Operational Matters

1. *Customer Programs*

On December 29, 2017, the Zonda Plan Debtors and Non-Zonda Debtors filed a motion [Docket No. 107] (the "Customer Programs Motion") seeking authority to honor obligations under their existing and future customer contracts (the "Customer Obligations"). The Customer Obligations include, among other things, requirements to provide bank guarantees, indemnification, bid bonds, letters of credit, or other forms of security to Pacific Drilling's customers. The Bankruptcy Court entered an order granting the Customer Programs Motion on January 19, 2018 [Docket No. 154].

2. *Nonresidential Real Property Lease*

Section 365(d)(4)(b)(i) of the Bankruptcy Code permits Pacific Drilling the right to extend the initial 120-day period (the "Initial Period") to assume or reject their unexpired lease of nonresidential real property (the "Houston Lease") by an additional 90 days from March 12, 2018, up to and including June 11, 2018 (the "Extension") without prejudice to the Zonda Plan Debtors' and Non-Zonda Debtors' rights to obtain further extensions of such periods in accordance with section 365(d)(4)(B)(ii) of the Bankruptcy Code. On June 2, 2017, the Bankruptcy Court granted the Extension [Docket No. 280].

On May 4, 2018, the Zonda Plan Debtors and Non-Zonda Debtors filed a motion [Docket No. 349] to assume the Houston Lease as amended (the "Lease Assumption Motion"). The Bankruptcy Court entered an order granting the Lease Assumption Motion on May 29, 2018 [Docket No. 379]. Under the amendment to the Houston Lease, Pacific Drilling reduced the square footage from 77,296 to 53,288, and reduced the rent by over $1.0 million per year, for a total savings of $6.9 million. *See* Docket No. 349. The Houston Lease was assigned to Non-Zonda Debtor Pacific Drilling, LLC ("PDLLC") pursuant to the *Debtors' Ninth Omnibus Motion For Entry of an Order Authorizing (I) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (II) The Assignment of Certain Non-Executory and Postpetition Contracts and Leases by Pacific Drilling Services, Inc. to Pacific Drilling, LLC* (the "Ninth Omnibus Assumption and Assignment Motion") [Docket No. 695].

3. *Assumption and Assignment of PDSI Contracts*

On October 3, 2018, the Zonda Plan Debtors and Non-Zonda Debtors filed four motions [Docket Nos. 641–643 and 645] to assume and assign certain executory contracts and unexpired leases from PDSI to PDLLC (the "First Omnibus Assumption and Assignment Motion", the "Second Omnibus Assumption and Assignment Motion", the "Third Omnibus Assumption and Assignment Motion", and the "Fourth Omnibus Assignment and Assumption Motion").

The Zonda Plan Debtors and Non-Zonda Debtors sought to assume and assign certain executory contracts and unexpired leases in connection with confirmation and consummation of the *Modified Fourth Amended Joint Plan of Reorganized for Pacific Drilling S.A. and Certain of its Affiliates*, dated October 31, 2018 [Docket No. 746] (the "Non-

Zonda Debtors Plan"). PDSI has historically performed many of the management and corporate services functions of the Pacific Drilling family of corporate entities. PDSI is also the guarantor under the Zonda Construction Contract, which is the subject of the Zonda Arbitration. To facilitate confirmation and consummation of the Non-Zonda Debtors Plan, PDSI sought to assume and assign the executory contracts and unexpired leases concurrently with the Reorganized Non-Zonda Debtors Effective Date. Assumption and assignment of the executory contracts and unexpired leases benefited the Zonda Plan Debtors and the Non-Zonda Debtors and all parties in interest, including creditors of the Zonda Plan Debtors. First, it removed additional liabilities from PDSI that would otherwise dilute potential recoveries of PDSI's unsecured creditors. Second, it allows Pacific Drilling to continue to operate without going through the cumbersome process of entering into new agreements between PDLLC and the applicable contract counterparties under the executory contracts and unexpired leases. Finally, PDLLC paid all applicable cure costs, leaving all current and future assets of PDSI available to address any potential unsecured claims against PDSI.

On October 10, 2018, the Zonda Plan Debtors and Non-Zonda Debtors filed two motions [Docket Nos. 655 and 656] to assume and assign certain executory contracts and unexpired leases from PDSI to non-Debtor affiliate Pacific Drilling Manpower, Inc. ("PDMI") (the "Fifth Omnibus Assumption and Assignment Motion" and the "Sixth Omnibus Assumption and Assignment Motion").

On October 10, 2018, the Zonda Plan Debtors and Non-Zonda Debtors filed two motions [Docket Nos. 657 and 658] to assume and assign certain executory contracts and unexpired leases from PDSI to PDLLC (the "Seventh Omnibus Assumption and Assignment Motion" and the "Eighth Omnibus Assumption and Assignment Motion").

On October 24, 2018, the Zonda Plan Debtors and Non-Zonda Debtors filed the Ninth Omnibus Assumption and Assignment Motion [Docket No. 695] to assume and assign certain executory contracts and unexpired leases, and to assign certain non-executory and postpetition contracts and leases by PDSI to PDLLC.

SHI agreed not to object to the relief sought by the Zonda Plan Debtors and the Non-Zonda Debtors so long as each order entered by the Bankruptcy Court included the following language ("SHI Reservation Language"):

> This Order is without prejudice to, and shall expressly preserve, any and all rights of the Zonda Plan Debtors (or any creditor with direct claims against any transferor or transferee or any creditor of the Zonda Plan Debtors with appropriate standing to bring such claims on behalf of the Zonda Plan Debtors) with respect to any claims arising from the assumption and assignment of the Agreements that could have been asserted directly by such creditor or directly by the Zonda Plan Debtors (subject to the Bar Date Order and any argument regarding the applicability thereof); provided, that the forgoing is without prejudice to, and shall expressly preserve, the rights of any party in interest to contest the validity of such claims or the standing of any creditor of Zonda Plan Debtors to assert such claims.

On October 29, 2018 the Bankruptcy Court entered orders granting the First Omnibus Assumption and Assignment Motion [Docket No. 715]; the Second Omnibus Assumption and Assignment Motion [Docket No. 716]; the Third Omnibus Assumption and Assignment Motion [Docket No. 718]; and the Fourth Omnibus Assumption and Assignment Motion [Docket No. 719]. Each order included the SHI Reservation Language.

On October 31, 2018, the Bankruptcy Court entered orders granting the Fifth Omnibus Assumption and Assignment Motion [Docket No. 737]; the Sixth Omnibus Assumption and Assignment Motion [Docket No. 738]; the Seventh Assumption and Assignment Motion [Docket No. 739]; and the Eighth Omnibus Assumption and Assignment Motion [Docket No. 740]. Each order included the SHI Reservation Language.

On November 8, 2018, the Bankruptcy Court entered an order granting the Ninth Omnibus Assumption and Assignment Motion [Docket No. 767]. Such order included the SHI Reservation Language.

E. Claims Process and Bar Date

1. *Schedules and Statements; Rule 2015.3 Reports*

On December 27, 2017, the Zonda Plan Debtors and Non-Zonda Debtors timely filed their schedules of assets and liabilities, statements of financial affairs, and schedules of executory contracts and unexpired leases (the "Schedules"). On February 28, 2018, the Zonda Plan Debtors and Non-Zonda Debtors timely filed their reports of financial information on entities in which a chapter 11 estate holds a controlling or substantial interest pursuant to Rule 2015.3 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

2. *Bar Date*

On March 12, 2018, the Bankruptcy Court entered an order establishing the following deadlines for filing Proofs of Claim against the Zonda Plan Debtors and Non-Zonda Debtors and prescribing the form and manner thereof: (a) May 1, 2018 at 5:00 p.m. (prevailing Eastern Time) (the "General Bar Date") for all creditors unless they fall within one of the exceptions; (b) the later of (i) the General Bar Date and (ii) 5:00 p.m. (prevailing Eastern Time) on the date that is 30 days after entry of a court order pursuant to which executory contracts or unexpired leases are rejected for Claims arising from such rejected agreements; (c) the later of (i) the General Bar Date and (ii) 5:00 p.m. (prevailing Eastern Time) on the date that is 30 days after the date that notice of any applicable amendment or supplement to the Schedules is served on a claimant for those Claims affected by any such amendment or supplement to the Schedules; and (d) May 11, 2018 at 5:00 p.m. (prevailing Eastern Time) for Governmental Units [Docket No. 253] (collectively, the "Bar Date").

3. *Overview of Claims and Potential Objections*

As of the General Bar Date, 32 Proofs of Claim were filed against the Zonda Plan Debtors. After adjustment for duplicative Claims, amounts paid subject to the authority granted under the First Day Orders, and the authority granted under the First through Ninth Omnibus Assumption and Assignment Motions and other adjustments, and including scheduled amounts the Zonda Plan Debtors estimate the Claims filed against the Zonda Plan Debtors to be approximately $200,000 plus the Zonda Secured Claims, and the Zonda Deficiency Claims.

No amounts are expected to be paid by the Zonda Plan Debtors on account of the Personal Injury Claims. No amounts are owed to the taxing authorities. The Zonda Secured Claims, the Convenience Claims, and the Insurance Covered Claims are described below.

SHI asserted secured Claims (Proofs of Claim numbers 164, 168, 169, 170, and 176) (collectively, the "Zonda Claims"), secured by Drillship Hull No. 2075, against both PDVIII and PDSI, for approximately $387.44 million. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, there could be a delay between receipt of cash proceeds from a settlement or award and the commencement of the Non-Zonda Debtors' mandatory offer to repurchase the New First Lien Notes and the New Second Lien PIK Toggle Notes. In the event the Zonda Plan Debtors do Not Prevail in the Zonda Arbitration, the Zonda Plan Debtors have no material assets other than certain equipment currently on the *Pacific Zonda*. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Zonda Plan Debtors will not become Guarantors of the New Notes and their assets will not be pledged as security for the New First Lien Notes and the New Second Lien PIK Toggle Notes. Under the Plan, all Claims against the Zonda Plan Debtors are Unimpaired, and will be paid in full, with the exception of the Zonda Secured Claims and the Zonda Deficiency Claims.

In a letter from counsel to SHI to counsel for the Zonda Plan Debtors and Non-Zonda Debtors dated September 24, 2018 (the "SHI Letter"), SHI contends that (a) the Zonda Claims have increased during the pendency of the chapter 11 cases to approximately $482 million in the aggregate (plus interest that has and will continue to accrue); (b) that the Non-Zonda Debtors acted as a single, integrated enterprise with the Zonda Plan Debtors; and (c) that the Non-Zonda Debtors are responsible for the payment of the Zonda Claims. The Zonda Plan Debtors reserve their rights with respect to the amount of the Zonda Claims; deny that the Non-Zonda Debtors acted as a single, integrated enterprise with the Zonda Plan Debtors; and deny that the Non-Zonda Debtors are responsible for the payment of the Zonda Claims.

In the SHI Letter, SHI further contends that the Zonda Plan Debtors are obligated to investigate potential claims against, among others, the Non-Zonda Debtors, any transferees of assets from the Non-Zonda Debtors, and the Non-Zonda Debtors' officers and directors and to pursue such claims in order to maximize the value of the Zonda Plan Debtors' estates for the benefit of creditors.

As discussed above, on November 15, 2017, the Bankruptcy Court granted the Zonda Plan Debtors a modification of the automatic stay to allow them to proceed with

the Zonda Arbitration. From February 5, 2018 through March 2, 2018, an evidentiary hearing was held in London before the Tribunal. Written closing submissions and replies to such submissions were filed with the Tribunal in May 2018. The Tribunal heard oral closing submissions in early August 2018. The Zonda Plan Debtors expect the Tribunal to render its award several months thereafter, likely in the first quarter of 2019.

(a) Personal Injury Claims

Three personal injury claimants have filed Claims against the Debtors, for a total of approximately $2.0 million. The Zonda Plan Debtors assert that the personal injury Claims are covered by the Debtors' insurance policies. The Zonda Plan Debtors have included these Claims in the pool of Insurance Covered Claims in Class 7A.

(b) Trade and Other Claims

Approximately $200,000 of Claims were asserted as trade and other Claims, all of which are expected to be classified as Convenience Claims under the Plan in Classes 6A–6B.

F. Rule 2004 Discovery

On December 29, 2017, the Ad Hoc Group, the RCF Administrative Agent, and the SSCF Administrative Agent filed a joint motion [Docket No. 106] (the "Discovery Motion") pursuant to Bankruptcy Rule 2004 seeking discovery of the Debtors for 75 categories of documents over a seven-year period. The Discovery Motion was joined by the RCF Group and the Tor Asia Credit Master Fund LP, a holder of 2020 Notes. At a hearing on January 18, 2018, the Bankruptcy Court denied the Discovery Motion as overbroad, but suggested that the Debtors make members of the Board available to answer the Secured Creditor Groups' questions regarding corporate governance and the independence of the Debtors' Board.

Despite the Bankruptcy Court's denial of the Discovery Motion, to facilitate informed, meaningful plan negotiations, the Debtors voluntarily produced over 12,000 pages of documents between January 19, 2018 and March 8, 2018 (the "Document Production"). The Document Production spanned 25 categories and included, among other things: (1) board materials from two years prior to the Petition Date; (2) budgets, summaries of cost saving measures, appraisals, customer and intercompany contracts, and Modified Smart Stacking summaries and analysis; (3) materials exchanged with QPGL, including investor relations reports and treasury summaries; (4) proposals exchanged with the Secured Creditor Groups; (5) Zonda Arbitration materials; and (6) schedules of intercompany transfers from 2015–2017, share repurchases, and debt repurchases. The Document Production provided the Secured Creditor Groups with a high degree of visibility into the Zonda Plan Debtors' and the Non-Zonda Debtors' business, the Secured Creditor Groups' collateral, and the deliberations of the board leading to the chapter 11 filing.

G. Plan Exclusivity, Postpetition Plan Negotiations, and Mediation

Upon commencement of these Chapter 11 Cases, section 1121(d) of the Bankruptcy Code provided the Zonda Plan Debtors and Non-Zonda Debtors with the exclusive right to file a chapter 11 of reorganization and solicit votes thereon through and including March 12, 2018 and May 11, 2018, respectively.

On January 30 and 31, 2018, the SSCF Administrative Agent, the Ad Hoc Group, and the RCF Administrative Agent filed separate motions to direct the Debtors, QPGL, and the Secured Creditor Groups to participate in a mediation process regarding the terms of a chapter 11 plan (collectively, the "Mediation Motions"). Although Pacific Drilling wanted to reach a consensual resolution of these Chapter 11 Cases, they objected to the Mediation Motions because, at the time they were made, there was no contested matter requiring mediation.

At the hearing on the Mediation Motions on March 22, 2018, the Bankruptcy Court declined to grant the Mediation Motions and agreed with Pacific Drilling that the Mediation Motions were premature. Nevertheless, Pacific Drilling was concerned about the potential for costly and time-consuming litigation relating to the ultimate resolution of these Chapter 11 Cases. Accordingly, following the hearing, Pacific Drilling determined that if they could reach an agreement with the Ad Hoc Group, the SSCF Administrative Agent, and the RCF Administrative Agent regarding a potential mediation, they would consent to a mediation if (1) their Exclusive Periods were extended during the duration of the mediation and (2) the Honorable James M. Peck (ret.) was selected as mediator. An added benefit of this proposal was that QPGL was supportive of having Judge Peck conduct the mediation, and thus, would consent to participate, something the Bankruptcy Court could not order pursuant to the Mediation Motions.

Pacific Drilling's mediation proposal was initially rejected by the Secured Creditor Parties. To give Pacific Drilling sufficient time to, among other things, reach accord with the Secured Creditor Groups and QPGL regarding the terms of a consensual chapter 11 plan, on March 6, 2018,the Zonda Plan Debtors and Non-Zonda Debtors filed a motion [Docket No. 247] (the "Exclusivity Motion") seeking to extend the time in which to file a chapter 11 plan of reorganization (the "Exclusive Filing Period") and solicit acceptances thereof (the "Exclusive Solicitation Period" and, together with the Exclusive Filing Period, the "Exclusive Periods") through July 10, 2018 and September 10, 2018, respectively. Although Pacific Drilling believed cause existed for an appropriate extension of the Exclusive Periods, they proposed to engage in a fair mediation process with the Secured Creditor Groups to facilitate a consensual resolution of these Chapter 11 Cases. Nonetheless, the Secured Creditor Groups opposed the extension of the Exclusive Periods.

On March 22, 2018, the Bankruptcy Court granted the Exclusivity Motion upon the condition that the Zonda Plan Debtors and Non-Zonda Debtors, QPGL, the Ad Hoc Group, the SSCF Administrative Agent, and the RCF Administrative Agent (collectively, the "Mediation Parties") participate in mediation (the "Mediation") under the supervision of Judge Peck (the "Mediator") pursuant to terms to be established by the Mediation Parties and the Mediator. The order [Docket No. 297] granted an extension

of the Exclusive Filing Period through the earlier of (a) two weeks after termination of the Mediation or (b) May 21, 2018, and an extension of the Exclusive Solicitation Period through and including 60 days from the end of the Exclusive Filing Period.

On April 20, 2018, certain of the Secured Creditor Groups signed nondisclosure agreements with the Zonda Plan Debtors and the Non-Zonda Debtors in order to facilitate meaningful plan negotiations during the Mediation.

On May 1–2 and 9–10, 2018, the Mediation Parties participated in initial Mediation sessions.

On May 16, 2018, the Mediation Parties consensually extended the Exclusive Filing Period through June 4, 2018 and the Exclusive Solicitation Period through August 3, 2018 in order to continue Mediation. *See* Docket No. 360.

On May 25, 2018, following subsequent Mediation sessions on May 22–23, 2018, the Mediation Parties again consensually extended the Exclusive Filing Period through June 15, 2018 and the Exclusive Solicitation Period through August 14, 2018. *See* Docket No. 375.

Additional Mediation sessions took place on June 5 and 8, 2018. On June 14, 2018, the Mediation Parties consensually extended the Exclusive Filing Period through June 22, 2018 and the Exclusive Solicitation Period through August 21, 2018. *See* Docket No. 387.[9]

Additional Mediation sessions took place on June 20 and 21, 2018. Following these Mediation sessions, the Mediation Parties consensually extended the Exclusive Filing Period through July 13, 2018 and the Exclusive Solicitation Period through September 11, 2018. *See* Docket No. 401.

An additional Mediation session took place on July 10, 2018. After plan proposals were made to the Independent Directors by the Ad Hoc Group and a group headed by QPGL (the "QP Group") on the afternoon of July 12, 2018, the Independent Directors found themselves without sufficient time to fully evaluate the plan proposals. Rather than file either proposed plan, the Zonda Plan Debtors and Non-Zonda Debtors elected to file a motion seeking further extension of the Exclusive Filing Period through July 31, 2018 and the Exclusive Solicitation Period through October 1, 2018 (the "July Exclusivity Extension Motion"). *See* Docket No. 445.[10]

Over the course of the Mediation, in addition to providing the Mediation Parties with Pacific Drilling's business plan, Pacific Drilling supplied all of the Mediation Parties with a significant amount of information in response to diligence requests

[9] The Zonda Plan Debtors and Non-Zonda Debtors cleansed material nonpublic information provided to the Mediation Parties on June 18, 2018 in a Form 6-K filed with the SEC.

[10] The Debtors cleansed material nonpublic information provided to the Mediation Parties on July 17, 2018.

related to the business plan and plan negotiations. Pacific Drilling also negotiated and entered into nondisclosure agreements with several potential financing providers, and provided those financing providers with extensive diligence materials. During an approximately three-month period, Pacific Drilling and the Mediation Parties held all-hands sessions on eleven (11) separate days. Though the substantive details of the robust negotiations and extensive discussions with the various parties engaged over the course of the Mediation are privileged and subject to nondisclosure requirements, the Mediation resulted in progressively more favorable plan proposals being put forth by both the QP Group, on the one hand, and the Ad Hoc Group, on the other. The competitive tension created by the participation of these groups resulted in improved recoveries for all creditors and a significantly improved post-reorganization balance sheet and capital structure for Pacific Drilling.

On July 31, 2018, the Zonda Plan Debtors and the Non-Zonda Debtors filed a motion seeking a further extension of (a) the Exclusive Filing Period through and including October 29, 2018 and (b) the Exclusive Solicitation Period through and including December 28, 2018 so that they could continue to work in good faith with the Ad Hoc Group and its advisors in prosecuting and seeking to consummate the Plan and each of the restructuring transactions contemplated in connection therewith. *See* Docket No. 449.

On October 29, 2018, the Zonda Plan Debtors filed a motion seeking an extension of (a) the Exclusive Filing Period through and including December 17, 2018 and (b) the Exclusive Solicitation Period through and including February 15, 2019 so that the Zonda Plan Debtors continue to work in good faith with SHI, the only major creditor of the Zonda Plan Debtors to file, confirm, and consummate the Zonda Plan and each of the transactions contemplated in connection therewith. *See* Docket No. 722.

H. Filing of the Ad Hoc Group Plan and Disclosure Statement

In connection with their filing of the July Exclusivity Extension Motion, the Zonda Plan Debtors and the Non-Zonda Debtors proposed a schedule pursuant to which they would ultimately select a plan sponsored by either the Ad Hoc Group or the QP Group. Pursuant to that schedule, the Ad Hoc Group and the QP Group were invited to submit final proposals for a plan of reorganization to the Independent Directors by July 20, 2018, and make live presentations to the Independent Directors and Pacific Drilling's advisors on July 23, 2018.

Following those presentations, the Independent Directors met from July 25–26, 2018, as they sought to determine which of the competing plan proposals to support. Ultimately, based on their determination that it provided a comprehensive restructuring of Pacific Drilling's balance sheet and a clear path toward a quick exit from chapter 11, the Independent Directors authorized the filing of the plan proposed by the Ad Hoc Group.

On July 31, 2018, the Zonda Plan Debtors and the Non-Zonda Debtors filed the plan proposed by the Ad Hoc Group (the "Ad Hoc Group Plan") [Docket No. 450] and the disclosure statement in support of the Ad Hoc Group Plan [Docket No. 451].

After July 31, 2018, SHI and Pacific Drilling tried to reach an agreement in connection in the context of a consensual plan, but PDSI and PDVIII were not able to reach an agreement with SHI. Accordingly, on September 14, 2018, the Non-Zonda Debtors filed the *Second Amended Joint Plan of Reorganized for Pacific Drilling S.A. and Certain of its Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 590] (the "Non-Zonda Debtors Second Amended Plan"), which removed the Zonda Plan Debtors. In response to such removal, counsel to SHI transmitted the SHI Letter. In an effort to avoid SHI contesting confirmation of the Non-Zonda Debtors Second Amended Plan, the Non-Zonda Debtors and the Zonda Plan Debtors agreed to work constructively with SHI to preserve its rights, ultimately agreeing to, among other things, include the following language in paragraph 112 of the Non-Zonda Debtors Confirmation Order:

> For the avoidance of doubt, nothing in the Plan or this Confirmation Order shall in any way waive, settle, compromise, satisfy, remise, acquit, resolve, terminate, extinguish, enjoin, discharge, or release any claims, causes of action, rights of subrogation, contribution, or indemnification, defenses, suits, debts, remedies, damages, demands, losses, costs, and expenses (including professional fees and expenses) of any and every kind, character, nature, and description whatsoever, whether in law or equity, filed or unfiled, known or unknown, asserted or unasserted, express or implied, foreseen or unforeseen, suspected or unsuspected, liquidated or unliquidated, and/or fixed or contingent, that arose or could have been asserted by the *Zonda* Plan Debtors (as defined in the Disclosure Statement) or any of their respective creditors (subject to the Bar Date Order and any argument regarding the applicability thereof), and each of their respective successors and assigns, against any third party prior to the date hereof. Also for the avoidance of doubt, all such claims, causes of action, rights of subrogation, contribution, or indemnification, defenses, suits, debts, remedies, damages, demands, losses, costs, and expenses (including professional fees and expenses) of any and every kind, character, nature, and description whatsoever, whether in law or equity, filed or unfiled, known or unknown, asserted or unasserted, express or implied, foreseen or unforeseen, suspected or unsuspected, liquidated or unliquidated, and/or fixed or contingent are hereby reserved (subject to the Bar Date Order and any argument regarding the applicability thereof).

Additionally, at SHI's request, the Non-Zonda Debtors also included the following language in the Non-Zonda Debtors Plan's release provisions preserving SHI's rights: "For the avoidance of doubt, nothing in this provision shall relieve any Released Party from any obligation or liability under this Plan nor have any impact whatsoever with respect to any SHI Retained Actions, subject to the Bar Date Order and any argument regarding the applicability thereof."

On November 2, 2018, the Court approved the fully consensual Non-Zonda Debtors Plan. The Non-Zonda Debtors emerged from chapter 11 on November 19, 2018. See Notice of Occurrence of Effective Date of Modified Fourth Amended Joint Plan of Reorganization for Pacific Drilling S.A and Certain of its Affiliates Pursuant to Chapter 11 of the Bankruptcy Code [Docket No. 791].

I. Exit Financing Commitment Agreements and Marketing of Exit Financing

As described above, the proceeds received from the issuance of the New Notes were necessary for the Non-Zonda Debtors to consummate the restructuring transactions described in the Non-Zonda Debtors Plan and assure adequate working capital post-emergence. The entry by the Zonda Plan Debtors and the Non-Zonda Debtors into certain agreements during the course of the chapter 11 cases ensured that $1.0 billion of financing was committed and would be available to fund the Restructuring Transactions under the Non-Zonda Debtors Plan. The financing transactions were approved by the Non-Zonda Debtors Confirmation Order, and were entered into on the Reorganized Non-Zonda Debtors Effective Date.

Pursuant to the New First Lien Notes Indenture and the New Second Lien PIK Toggle Notes Indenture, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors will become guarantors of the New Notes. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Zonda Plan Debtors will not become guarantors of the New Notes.

J. Appointment of Official Committee of Unsecured Creditors

On August 23, 2018, the U.S. Trustee appointed an official committee of unsecured creditors (the "Committee"). The members of the Committee are National Oilwell Varco L.P., AWC, Inc., and Mr. Michael Slezak. *See Notice of Appointment of Official Committee of Unsecured Creditors* [Docket No. 519]. The Committee has retained Brinkman Portillo Ronk, APC as their counsel. *See* Docket No. 574. On September 28, 2018, the U.S. Trustee disbanded the Committee. *See Notice of Disbandment of Official Committee of Unsecured Creditors* [Docket No. 626].

IV. SUMMARY OF THE PLAN OF REORGANIZATION/ LIQUIDATION

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan, a copy of which is annexed hereto as Appendix A, and in the documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or the documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statements of such terms and provisions. The Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in the Zonda Plan Debtors under the Plan and will, upon the Effective Date, be binding upon all Holders of Claims against and Interests in the Zonda Plan Debtors and their estates, the Reorganized Zonda Debtors, as applicable, and other parties in interest. In the event of any conflict between this Disclosure Statement, on the one hand, and the Plan or any other operative document, on the other hand, the terms of the Plan or such other operative document, as applicable, are controlling.

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize

or liquidate its business for the benefit of itself, its creditors, and its interest holders. Another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated interest holders with respect to the distribution of a debtor's assets. The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan is the principal objective of a chapter 11 case. The plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan by the Bankruptcy Court makes that plan binding upon the debtor and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (1) holds a claim or interest that is impaired under the plan, (2) has voted to accept or reject the plan, or (3) receives or retains any property under the plan.

In general, a chapter 11 plan divides claims and equity interests into separate classes, specifies the property that each class is to receive under the plan, and contains other provisions necessary to implement the plan. Under the Bankruptcy Code, "claims" and "equity interests," rather than "creditors" and "equity holders," are classified because creditors and equity holders may hold claims and equity interests in more than one class. Statements as to the rationale underlying the treatment of Claims and Interests under the Plan are not intended to, and will not, waive, compromise, or limit any rights, claims, or causes of action in the event the Plan is not confirmed.

B. Plan Supplement

The Zonda Plan Debtors will file the Plan Supplement no later than seven (7) days prior to the Voting Deadline, which date may be modified by agreement between the Zonda Plan Debtors and SHI. The Plan Supplement consists of the compilation of documents and forms of documents, schedules, and exhibits to the Plan. The Plan Supplement may be altered, amended, modified, or supplemented from time to time in accordance with the terms of the Plan and in accordance with the Bankruptcy Code and the Bankruptcy Rules.

C. Classification of Claims and Interests

One of the key concepts under the Bankruptcy Code is that only claims that are "allowed" may receive distributions under a chapter 11 plan. This term is used throughout the Plan and the descriptions below. In general, an "allowed" claim or an "allowed" equity interest simply means that the debtor agrees, or in the event of a dispute, that the bankruptcy court determines, that the claim or equity interest, and the amount thereof, is in fact a valid obligation of the debtor. Section 502(a) of the Bankruptcy Code provides that a timely-filed claim or equity interest is automatically "allowed" unless the debtor or other party in interest objects. However, section 502(b) of the Bankruptcy Code specifies that certain claims may not be "allowed" in bankruptcy even if a proof of claim is filed. These include, but are not limited to, claims that are unenforceable under the governing agreement between a debtor and the claimant or under applicable nonbankruptcy law, claims for unmatured interest,

property tax claims in excess of the debtor's equity in the property, claims for services that exceed their reasonable value, real property lease and employment contract rejection damages in excess of specified amounts, late-filed claims, and contingent claims for contribution and reimbursement. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor's schedules or is listed as disputed, contingent, or unliquidated, if the holder has not filed a proof of claim or equity interest before the established deadline.

The Bankruptcy Code requires, for purposes of treatment and voting, that a chapter 11 plan divide the different claims against, and equity interests in, the debtor into separate classes based upon their legal nature. Claims of a substantially similar legal nature are not necessarily classified together, nor are equity interests of a substantially similar legal nature necessarily classified together. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the "claims" and "equity interests" themselves, rather than their holders, are classified.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as "impaired" (affected by the plan) or "unimpaired" (unaffected by the plan). If a class of claims is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims, such as the right to vote on the Plan, and the right to receive, under the chapter 11 plan, no less value than the holder would receive if the debtor were liquidated in a case under chapter 7 of the Bankruptcy Code. Under section 1124 of the Bankruptcy Code, a class of claims or interests is "impaired" unless the Plan (1) does not alter the legal, equitable, and contractual rights of the holders, or (2) irrespective of the holders' acceleration rights, cures all defaults (other than those arising from the debtor's insolvency, the commencement of the case, or nonperformance of a nonmonetary obligation), reinstates the maturity of the claims or interests in the class, compensates the holders for actual damages incurred as a result of their reasonable reliance upon any acceleration rights, and does not otherwise alter their legal, equitable, and contractual rights.

Pursuant to section 1126(f) of the Bankruptcy Code, holders of unimpaired claims or interests are "conclusively presumed" to have accepted a plan. Accordingly, their votes are not solicited. Under the Plan, the following classes are Unimpaired, and therefore, the Holders of such Claims are "conclusively presumed" to have voted to accept the Plan: Classes 1A–1B (Secured Tax Claims); Classes 2A–2B (Other Secured Claims); Classes 3A–3B (Other Priority Claims); Classes 6A–6B (Convenience Claims); Class 7A (Insurance Covered Claims).

Conversely, Classes 4A–4B (Zonda Secured Claims), and Classes 5A–5B (Zonda Deficiency Claims), are Impaired under the Plan and not deemed to reject pursuant to 1126(g) of the Bankruptcy Code. Therefore, the Holders with respect thereto are entitled to vote to accept or reject the Plan.

Finally, Classes 8A–8B (Intercompany Claims), Class 9A (PDSI Interests), and Class 9B (PDVIII Interests) are either Unimpaired or Impaired under the Plan, and are not entitled to vote, however, such Classes are Consenting to the Plan under either scenario.

1. *Treatment of Unclassified Claims*

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, and Professional Fee Claims are not classified and are not entitled to vote on the Plan.

(a) Administrative Claims

Administrative Claims are the actual and necessary costs and expenses of administration during the Chapter 11 Cases pursuant to sections 328, 330, 363, 364(c)(1), 365, 503(b), or 507(a)(2) of the Bankruptcy Code. Unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the date on which an Administrative Claim becomes an Allowed Administrative Claim, or (c) the date on which an Allowed Administrative Claim becomes payable under any agreement relating thereto, each Holder of such Allowed Administrative Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim.

(b) Priority Tax Claims

The legal and equitable rights of the Holders of Priority Tax Claims, if any, are Unimpaired by the Plan. Unless the Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, on the Effective Date, each Holder of an Allowed Priority Tax Claim shall have such Claim Reinstated.

(c) Professional Fee Claims

Professionals shall submit final fee applications seeking approval of all Professional Fee Claims by the Bankruptcy Court no later than sixty (60) days after the Effective Date. These applications remain subject to Bankruptcy Court approval under the standards established by the Bankruptcy Code, including the requirements of sections 327, 328, 330, 331, 363, 503(b), and 1103 of the Bankruptcy Code, as applicable. Payments to Professionals shall be made upon entry of an order approving such Professional Fee Claims.

The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date in the ordinary course without the need for Bankruptcy Court approval.

On the Effective Date, the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, will establish and fund the Professional Fee Escrow with Cash remaining in the PDSI bank accounts of the Effective Date or from the Liquidation Trust Assets, as applicable, equal to the Professional Fee Escrow Amount.

2. *Classification in General*

A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date. Subject to the payment of any joint and several obligations between the Zonda Plan Debtors, each Zonda Plan Debtor shall be responsible for satisfying the Claims and Administrative Claims against and Interests in such Zonda Plan Debtor from such Zonda Plan Debtor's assets.

3. *Summary of Classification*

For administrative convenience, the Plan organizes the Zonda Plan Debtors into two (2) groups (each a "***Zonda Plan Debtor Group***") and assigns a letter to each Zonda Plan Debtor Group. Notwithstanding this organizing principle, the Plan is a separate plan of reorganization for each Zonda Plan Debtor. To the extent that a Holder has a Claim that may be asserted against more than one Zonda Plan Debtor in a Zonda Plan Debtor Group, the vote of such Holder in connection with such Claims shall be counted as a vote of such Claim against each Zonda Plan Debtor in such Zonda Plan Debtor Group. For consistency, similarly designated Classes of Claims and Interests are assigned the same number across each of the Zonda Plan Debtor Groups. Any non-sequential enumeration of the Classes is intentional to maintain consistency.

Letter	**Zonda Plan Debtor Group**
A	PDSI
B	PDVIII

The following table designates the Classes of Claims against and Interests in the Zonda Plan Debtors and specifies which of those Classes are (a) Impaired or Unimpaired by the Plan, (b) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, and (c) deemed to accept or reject the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Section 3.2 of the Plan. All of the potential Classes for the Zonda Plan Debtors are set forth in the Plan. Certain of the Zonda Plan Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Section 4.3 of the Plan.

Class(es)	**Designation**	**Impairment**	**Entitled to Vote**
1A–1B	Secured Tax Claims	Unimpaired	No (deemed to accept)

Class(es)	Designation	Impairment	Entitled to Vote
2A–2B	Other Secured Claims	Unimpaired	No (deemed to accept)
3A–3B	Other Priority Claims	Unimpaired	No (deemed to accept)
4A–4B	Zonda Secured Claims	Impaired	Yes
5A–5B	Zonda Deficiency Claims	Impaired	Yes
6A–6B	Convenience Claims	Unimpaired	No (deemed to accept)
7A	Insurance Covered Claims	Unimpaired	No (deemed to accept)
8A–8B	Intercompany Claims	Unimpaired/ Impaired	No, but consenting to the Plan under either scenario
9A	PDSI Interests	Unimpaired/Impaired	No, but consenting to the Plan under either scenario
9B	PDVIII Interests	Unimpaired/Impaired	No, but consenting to the Plan under either scenario

4. *Treatment of Classes*

(a) Classes 1A through 1B – Secured Tax Claims

(i) *Claims in Class*: Classes 1A and 1B consist of all Secured Tax Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Secured Tax Claim agrees to less favorable treatment, each Holder of an Allowed Secured Tax Claim shall receive, on account of and in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Secured Tax Claim and any Lien securing such Claim, Cash in the amount of such Allowed Secured Tax Claim: on or as soon as reasonably practicable after, the later of (A) the Effective Date and (B) the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim. All Allowed Secured Tax Claims that are not due and payable on or before the Effective Date shall be paid by the Reorganized Zonda Debtors when such Claims become due and payable in the ordinary course of business in accordance with the terms thereof.

(iii) *Voting*: Claims in Classes 1A and are Unimpaired, and the Holders of Allowed Secured Tax Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Secured Tax Claims are not entitled to vote to accept or reject the Plan.

(b) Classes 2A through 2B – Other Secured Claims

(i) *Claims in Class:* Classes 2A and 2B consist of all Other Secured Claims.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed Other Secured Claim agrees to less favorable treatment, on or as soon as reasonably practicable after (A) the Effective Date if such Other Secured Claim is an Allowed Other Secured Claim on the Effective Date or (B) the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive from its respective Zonda Plan Debtor, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Other Secured Claim and any Lien securing such Claim, at the option of the Zonda Plan Debtors: (x) payment in full in Cash, plus postpetition interest, if applicable; (y) Reinstatement or such other treatment sufficient to render the Holder of such Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code; or (z) the return of the applicable collateral in satisfaction of the Allowed amount of such Other Secured Claim.

(iii) *Voting:* Claims in Classes 2A and 2B are Unimpaired, and the Holders of Allowed Other Secured Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Other Secured Claims are not entitled to vote to accept or reject the Plan.

(c) Classes 3A through 3B – Other Priority Claims

(i) *Claims in Class:* Classes 3A and 3B consist of all Other Priority Claims.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed Other Priority Claim agrees to less favorable treatment, on or as soon as reasonably practicable after (A) the Effective Date if such Other Priority Claim is an Allowed Other Priority Claim on the Effective Date or (B) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Other Priority Claim, Cash equal to the unpaid portion of such Allowed Other Priority Claim.

(iii) *Voting:* Claims in Classes 3A and 3B are Unimpaired, and the Holders of Allowed Other Priority Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Other Priority Claims are not entitled to vote to accept or reject the Plan.

(d) Classes 4A through 4B – Zonda Secured Claims

(i) *Claims in Class:* Classes 4A and 4B consist of all Zonda Secured Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Zonda Secured Claim agrees to less favorable treatment, on or as soon as

reasonably practicable after the Effective Date, each Holder of an Allowed Zonda Secured Claim shall receive at the option of SHI, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Zonda Secured Claim either (a) Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Zonda Secured Claim, (b) the proceeds of the sale or disposition of the *Pacific Zonda*, (c) the *Pacific Zonda* securing such Allowed Zonda Secured Claim, (d) such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Zonda Secured Claim is entitled, or (e) such other distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code. If an Allowed Zonda Secured Claim is paid in full under Section 3.3(d)(ii) of the Plan, the Liens securing such Zonda Secured Claim shall be deemed released. For the avoidance of doubt, the Zonda Secured Claims will be disallowed if the Zonda Plan Debtors Prevail in the Zonda Arbitration.

(iii) *Voting:* Claims in Classes 4A and 4B are Impaired. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Zonda Secured Claim is entitled to vote to accept or reject the Plan.

(e) Classes 5A through 5B – Zonda Deficiency Claims

(i) *Claims in Class:* Classes 5A and 5B consist of all Zonda Deficiency Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Zonda Deficiency Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Zonda Deficiency Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Zonda Deficiency Claim its Pro Rata share of the Liquidation Trust Interests based on the Allowed amount of its Claim. For the avoidance of doubt, the Zonda Deficiency Claims will be disallowed if the Zonda Plan Debtors Prevail in the Zonda Arbitration.

(iii) *Voting:* Claims in Classes 5A and 5B are Impaired. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Zonda Deficiency Claim is entitled to vote to accept or reject the Plan.

(f) Classes 6A through 6B – Convenience Claims

(i) *Claims in Class:* Classes 6A and 6B consist of all Convenience Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Convenience Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Convenience Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Convenience Claim, payment in full in Cash.

(iii) *Voting*: Claims in Classes 6A and 6B are Unimpaired, and the Holders of Allowed Convenience Claims are conclusively deemed to have

accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Allowed Convenience Claims are not entitled to vote to accept or reject the Plan.

(g) Class 7A – Insurance Covered Claims

(i) *Claims in Class:* Class 7A consists of all Insurance Covered Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Insurance Covered Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Insurance Covered Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Insurance Covered Claim, (A) payment in Cash in an amount equal to such Allowed Insurance Covered Claim on the Effective Date; or (B) such other treatment as may be required so as to render such Allowed Insurance Covered Claim Unimpaired. For the avoidance of doubt, Holders of Allowed Insurance Covered Claims will look solely to applicable insurance for payment.

(iii) *Voting*: Claims in Class 7A are Unimpaired, and the Holders of Allowed Insurance Covered Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Allowed Insurance Covered Claims are not entitled to vote to accept or reject the Plan.

(h) Classes 8A through 8B – Intercompany Claims

(i) *Claims in Class:* Classes 8A and 8B consist of all Intercompany Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Intercompany Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Intercompany Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Intercompany Claim:

(A) If the Zonda Plan Debtors Prevail in the Zonda Arbitration, all Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged, or eliminated, in each case to the extent determined to be appropriate by the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable; or

(B) if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged, or eliminated, in each case to the extent determined to be appropriate by the Liquidation Trust.

(iii) *Voting*: Claims in Classes 8A and 8B are either Unimpaired, and each Holder of an Allowed Intercompany Claim is conclusively

presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code, or Impaired, and each Holder of an Allowed Intercompany Claim is conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. However, Holders of Allowed Intercompany Claims have agreed to be deemed to accept the Plan under either scenario.

(i) Class 9A – PDSI Interests

(i) *Claims in Class:* Class 9A consists of all PDSI Interests.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed PDSI Interest agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed PDSI Interest shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed PDSI Interest:

(A) If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Holders of Allowed PDSI Interests will receive all remaining assets of PDSI after distributions to Classes 1A–1B through 8A–8B; or

(B) if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all PDSI Interests will be extinguished.

(iii) *Voting:* Claims in Class 9A are either Unimpaired, and each Holder of an Allowed PDSI Interest is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code, or Impaired, and each Holder of an Allowed PDSI Interest is conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. However, Holders of Allowed PDSI Interests have agreed to be deemed to accept the Plan under either scenario.

(j) Class 9B – PDVIII Interests

(i) *Claims in Class:* Class 9B consists of all PDVIII Interests.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed PDVIII Interest agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed PDVIII Interest shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed PDVIII Interest:

(A) If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Holders of Allowed PDVIII Interests will receive all remaining assets of PDVIII after distributions to Classes1A–1B through 8A–8B; or

(B) if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all PDVIII Interests will be extinguished.

(iii) *Voting:* Claims in Class 9B are either Unimpaired, and each Holder of an Allowed PDVIII Interest is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code, or Impaired, and each Holder of an Allowed PDVIII Interest is conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. However, Holders of Allowed PDVIII Interests have agreed to be deemed to accept the Plan under either scenario.

D. Alternative Treatment

Notwithstanding any provision in the Plan to the contrary, any Holder of an Allowed Claim may receive, instead of the distribution or treatment to which it is entitled hereunder, any other distribution or treatment to which it and the Zonda Plan Debtors may agree in writing, with the consent of SHI; *provided*, *however*, that under no circumstances may the Zonda Plan Debtors agree to provide any other distribution or treatment to any Holder of an Allowed Claim that would adversely impair the distribution or treatment provided to any other Holder of an Allowed Claim.

E. Special Provision Regarding Unimpaired Claims

Except as otherwise provided in the Plan, nothing shall affect the Zonda Plan Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including but not limited to all rights with respect to legal and equitable defenses to setoffs against or recoupments of Unimpaired Claims.

F. Acceptance or Rejection of the Plan

1. *Acceptance by Class Entitled to Vote*

Classes 4A–4B and 5A–5B are the Classes of Claims of the Zonda Plan Debtors that are entitled to vote to accept or reject the Plan. Classes 4A–4B and 5A–5B shall have accepted the Plan if (a) the Holders of at least two-thirds in amount of the Allowed Claims actually voting in each Class have voted to accept the Plan and (b) the Holders of more than one-half in number of the Allowed Claims actually voting in each Class have voted to accept the Plan, not counting the vote of any Holder designated under section 1126(e) of the Bankruptcy Code. If there are no votes cast in the Class that is entitled to vote on the Plan, then the Plan shall be deemed accepted by such Class.

2. *Presumed Acceptance of the Plan*

Classes 1A–1B, 2A–2B, 3A–3B, 6A–6B, and 7A are Unimpaired. Therefore, such Classes are deemed to have accepted the Plan by operation of law and are not entitled to vote to accept or reject the Plan.

3. *Elimination of Classes*

To the extent applicable, any Class that does not contain any Allowed Claims or any Claims temporarily allowed for voting purposes under Bankruptcy Rule 3018, as of the date of the commencement of the Confirmation Hearing, shall be deemed to have been deleted from the Plan for purposes of (a) voting to accept or reject the Plan and (b) determining whether it has accepted or rejected the Plan under section 1129(a)(8) of the Bankruptcy Code.

4. *Cramdown*

The Zonda Plan Debtors request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code, to the extent applicable, subject to SHI's express written consent. The Zonda Plan Debtors reserve the right to modify the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

G. Means for Implementation of the Plan if the Zonda Plan Debtors Prevail in the Zonda Arbitration

1. *Continued Corporate Existence and Vesting of Assets*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, except as otherwise provided in the Plan, each Zonda Plan Debtor shall continue to exist after the Effective Date as a separate corporate Entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Zonda Plan Debtor is incorporated or formed and pursuant to the respective certificate of incorporation, where applicable and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan, the Plan Supplement, or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to the Plan and require no further action or approval, as permitted by applicable law. On or after the Effective Date, each Reorganized Zonda Debtor may take such action as permitted by applicable law and such Reorganized Zonda Debtor's organizational documents, as such Reorganized Zonda Debtor may determine is reasonable and appropriate, including causing: (i) a Reorganized Zonda Debtor to be merged into another Reorganized Debtor or its Affiliate; (ii) a Reorganized Zonda Debtor to be dissolved; (iii) the legal name of a Reorganized Zonda Debtor to be changed; (iv) a Reorganized Zonda Debtor to reorganize under the laws of another jurisdiction; or (v) the closure of a Reorganized Zonda Debtor's Chapter 11 Case on the Effective Date or any time thereafter.

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, except as otherwise provided in the Plan, on the Effective Date, all property of each Zonda Plan Debtor's Estate, including any property held or acquired by each Zonda Plan Debtor or Reorganized Zonda Debtor under the Plan or otherwise, will vest in such Reorganized

Zonda Debtor free and clear of all Claims, Liens, charges, other encumbrances, Interests, and other interests, except for the Liens and Claims established under the Plan.

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, on and after the Effective Date, each Reorganized Zonda Debtor may operate its business and may use, acquire, and dispose of property and maintain, prosecute, abandon, compromise, or settle any Claims or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, subject only to those restrictions expressly imposed by the Plan or the Confirmation Order, as well as the documents and instruments executed and delivered in connection therewith, including the documents, exhibits, instruments, and other materials comprising the Plan Supplement.

2. *Sources of Cash for Distributions and Operations*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, all Cash necessary for the Reorganized Zonda Debtors to make payments required by the Plan and for post-Confirmation operations shall be obtained from (a) existing Cash held by the Reorganized Zonda Debtors on the Effective Date after giving effect to the Professional Fee Escrow, (b) proceeds from any Retained Actions, and (c) proceeds from the Zonda Arbitration Award.

3. *Restructuring Transactions*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, on or as soon as practicable after the Effective Date, the Reorganized Zonda Debtors are authorized, without further order of the Bankruptcy Court, to take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to satisfy the Zonda Plan Debtors' springing obligations under the New First Lien Notes and the New Second Lien PIK Toggle Notes including, without limitation: (a) the execution and delivery of all appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (c) rejection or assumption, as applicable, of Executory Contracts and Unexpired Leases; (d) the filing and/or execution of appropriate limited liability company agreements, certificates, or articles of incorporation or organization, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; (e) the consummation of the transactions contemplated by the New First Lien Notes Documentation, and the New Second Lien PIK Toggle Notes Documentation, and the execution thereof; (f) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

4. *Intercompany Claims*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged or eliminated, in each case to the extent determined to be appropriate by the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged or eliminated, in each case to the extent determined to be appropriate by the Liquidation Trust.

5. *Effectuating Documents; Further Transactions*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the chairman of the board of directors, president, chief executive officer, chief financial officer, manager, or any other appropriate officer of the Zonda Plan Debtors or, after the Effective Date, the Reorganized Zonda Debtors, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The secretary of the Zonda Plan Debtors, or, after the Effective Date, of the Reorganized Zonda Debtors, shall be authorized to certify or attest to any of the foregoing actions.

6. *Exemption from Certain Transfer Taxes and Recording Fees*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, to the maximum extent provided by section 1146(a) of the Bankruptcy Code, any post-Confirmation sale by any Zonda Plan Debtor or any transfer from any Entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Zonda Plan Debtors; or (b) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instruments of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, in each case to the extent permitted by applicable bankruptcy law, and the appropriate state or local government officials or agents shall forego collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

7. *Enforcement of Zonda Arbitration Award Against SHI*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, SHI shall have ten (10) days to satisfy the Zonda Arbitration Award during which time the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable, shall not take any actions against SHI to enforce such Zonda Arbitration Award.

H. Means for Implementation if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration

1. *Continued Corporate Existence and Vesting of the Assets in the Liquidation Trust*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, except as otherwise provided in the Plan, on the Effective Date, the proceeds of the Liquidation Trust Funding Amount Escrow Account shall be transferred to the Liquidation Trust, free and clear as provided in the Plan or the Liquidation Trust Agreement.

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, except as otherwise provided in the Plan, PDVIII shall be deemed dissolved on the Effective Date and its Chapter 11 Case shall be deemed closed without any further order of the Bankruptcy Court, and PDSI shall continue to exist after the Effective Date as a separate corporate Entity, with all the powers of a corporation, pursuant to the applicable law in Delaware, the jurisdiction in which PDSI is incorporated, and pursuant to the respective certificate of incorporation, and amended and restated bylaws in effect prior to the Effective Date, except to the extent such certificate of incorporation and amended and restated bylaws are amended by the Plan, the Plan Supplement, or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to the Plan and require no further action or approval, as permitted by applicable law. On or after the Effective Date, PDSI may, in the Liquidation Trust's sole discretion, take such action as permitted by applicable law, and PDSI's organizational documents, as the Liquidation Trust may determine is reasonable and appropriate, including causing: (a) PDSI to be merged into the Liquidation Trust; (b) PDSI to be dissolved; (c) the legal name of PDSI to be changed; (d) PDSI to reorganize under the laws of another jurisdiction; or (e) the closure of a Reorganized Zonda Debtor's Chapter 11 Case on the Effective Date or any time thereafter. PDSI should be deemed dissolved upon termination of the Liquidation Trust, or the wind down of the Liquidation Trust, as provided in the Plan or the Liquidation Trust Agreement.

2. *Sources of Cash for Payment of Claims*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all Cash necessary for the Liquidation Trust to make payments required by the Plan shall be obtained from (a) existing Cash held by the Zonda Plan Debtors, (b) the disposition of the *Pacific Zonda*, (c) the disposition of the Zonda Plan Debtors' equipment on the *Pacific Zonda*, (d) proceeds from any Retained Actions, and (e) the Liquidation Trust Funding Amount.

3. *Creation of the Liquidation Trust and Appointment of the Liquidation Trustee*

(a) Creation of the Liquidation Trust. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on the Effective Date, the Liquidation Trust shall be formed pursuant to the Plan and the Liquidation Trust shall be established and become effective in accordance with the Liquidation Trust Agreement to liquidate the Liquidation Trust Assets, including, without limitation, the prosecution of the Retained

Actions under the jurisdiction of the Bankruptcy Court and to enable the Liquidation Trustee to distribute the proceeds thereof to Holders of Allowed Zonda Deficiency Claims in accordance with the Plan and the Liquidation Trust Agreement; *provided, however*, that if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Non-Zonda Debtors shall have ten (10) days to satisfy the Zonda Arbitration Award during which time the Liquidation Trustee may not bring any Retained Actions. The Liquidation Trust, when established pursuant to the Plan and the Liquidation Trust Agreement, will be an affiliate of the Zonda Plan Debtors (within the meaning and solely for purposes of sections 1125(e) and 1145(a) of the Bankruptcy Code). The Liquidation Trust shall be established for the sole purpose of liquidating and distributing the assets of the Zonda Plan Debtors contributed to such Liquidation Trust in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The terms of the Liquidation Trust Agreement shall be satisfactory in form and substance to SHI, and shall be established in consultation with the Zonda Plan Debtors. In the event of any conflict or inconsistency between the Plan and the Liquidation Trust Agreement, as such conflict or inconsistency relates to the establishment of the Liquidation Trust, the terms of the Plan shall govern.

(b) Liquidation Trust Agreement and Appointment of the Liquidation Trustee. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on the Effective Date, the Liquidation Trust Agreement shall be executed by the Zonda Plan Debtors and the Liquidation Trustee and shall become effective without further action by any party. The Liquidation Trustee shall be selected by SHI, in consultation with the Zonda Plan Debtors, and approved pursuant to the Confirmation Order or the Liquidation Trust Agreement.

(c) Liquidation Trust Assets. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the assets of the Liquidation Trust shall consist of the Liquidation Trust Assets. On the Effective Date, the proceeds of the Liquidation Trust Funding Amount Escrow Account shall be released to the Liquidation Trust. Following the transfer of the Liquidation Trust Assets to the Liquidation Trust, the Liquidation Trust will constitute a successor of the Zonda Plan Debtors under the Plan (within the meaning and solely for purposes of sections 1125(e) and 1145(a) of the Bankruptcy Code). The Liquidation Trust Assets will be transferred free and clear, as provided in the Plan or the Liquidation Trust Agreement. Such transfer shall be exempt from any stamp, real estate transfer, mortgage reporting, sales, use or other similar tax, pursuant to § 1146(a) of the Bankruptcy Code.

4. *General Powers, Rights, and Responsibilities of the Liquidation Trustee*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, after the Effective Date, pursuant to the Liquidation Trust Agreement, the Liquidation Trustee shall have the authority and right on behalf of the Zonda Plan Debtors without the need for Bankruptcy Court approval (unless otherwise expressly indicated herein), to carry out and implement all provisions of the Zonda Plan, including, without limitation, to:

(a) oversee and control the Liquidation Trust;

(b) collect and liquidate the Liquidation Trust Assets under the jurisdiction of the Bankruptcy Court;

(c) assert, prosecute, pursue, compromise and settle in accordance with the Liquidation Trustee's reasonable business judgment, all Claims and Causes of Action, and enforce all legal or equitable remedies and defenses belonging to the Zonda Plan Debtors or their Estates, including, without limitation, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code;

(d) object to Claims in accordance with the Liquidation Trustee's reasonable business judgment;

(e) make distributions to Holders of Allowed Zonda Deficiency Claims;

(f) exercise reasonable business judgment to direct and control the wind down, liquidation, sale, and/or abandoning of the remaining assets of the Zonda Plan Debtors and in accordance with applicable law as necessary to maximize distributions to Holders of Allowed Zonda Deficiency Claims;

(g) prosecute all Causes of Action (other than those Causes of Action that are released, waived, or transferred pursuant to the Plan) on behalf of the Zonda Plan Debtors for the benefit of Holders of Allowed Zonda Deficiency Claims, elect not to pursue any Causes of Action, and determine whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Causes of Action, as the Liquidation Trustee may determine is in the best interests of the Holders of Allowed Zonda Deficiency Claims;

(h) retain professionals to assist in performing the Liquidation Trustee's duties under the Plan;

(i) maintain the books and records and accounts of the Liquidation Trust;

(j) invest the Cash of the Liquidation Trust (other than the Liquidation Trust Reserve), and any income earned thereon;

(k) incur and pay reasonable and necessary expenses in connection with the performance of the Liquidation Trustee's duties under the Plan, including the reasonable fees and expenses of professionals retained by the Liquidation Trust;

(l) administer the Liquidation Trust's tax obligations, including (1) filing tax returns and paying tax obligations, (2) requesting, if necessary, an expedited determination of any unpaid tax liability of the Liquidation Trust under Bankruptcy Code section 505(b) for all taxable periods of such Zonda Plan Debtor ending after the Petition Date through the liquidation of the Liquidation Trust as determined under applicable tax laws, and (3) representing the interest and account of

the Liquidation Trust before any taxing authority in all matters including, without limitation, any action, suit, proceeding or audit;

(m) prepare and file any and all informational returns, reports, statements, returns or disclosures relating to the Liquidation Trust that are required hereunder, by any Governmental Unit or under applicable law; and

(n) perform other duties and functions that are consistent with the implementation of the Plan.

5. *Indemnification*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust shall indemnify and hold harmless the Liquidation Trustee, solely in his or her capacity as the Liquidation Trustee for any losses incurred in such capacity, except to the extent such losses were the result of the Liquidation Trustee's gross negligence, willful misconduct, or criminal conduct.

6. *Issuance of Liquidation Trust Interests*

(a) Liquidation Trust Interests. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Liquidation Trust Interests shall be distributed to Holders of Allowed Zonda Deficiency Claims on a Pro Rata basis based on the Allowed amount of their Claims and in exchange for such claims. In such event, on or before the Effective Date, the Zonda Plan Debtors shall deliver to the Liquidation Trust a list of each Person to receive Liquidation Trust Interests as of the Effective Date pursuant to the Plan, including the Allowed amounts of the Zonda Deficiency Claims and the address of each such Person.

(b) Register of Liquidation Trust Interests; Non-Transferability of Liquidation Trust Interests; Reports. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust shall maintain a register of the Holders of Liquidation Trust Interests. To the extent permitted in the Plan and the Liquidation Trust Agreement, upon notice to the Liquidation Trust by any Holder or transferee of a Liquidation Trust Interest, the Liquidation Trustee shall amend the register to reflect any transfer of a Liquidation Trust Interest by such Holder to a transferee as set forth in the notice; *provided, however*, that the Liquidation Trust need not reflect any transfer (or make any distribution to any transferee) and will give notice to such Holder that no transfer has been recognized in the event the Liquidation Trust reasonably believes that such transfer (or the distribution to such transferee) may constitute a violation of applicable laws or might cause the Liquidation Trust to be required to register Liquidation Trust Interests, or to become a reporting company under the Exchange Act. The Liquidation Trust Interests may not be transferred or assigned, except by will, intestate succession or operation of law, and will not be represented by certificates. Neither the Liquidation Trust nor other persons affiliated with the Liquidation Trust nor PDSI will take any actions to facilitate or encourage any trading in the Liquidation Trusts Interests or any instrument or interest tied to the value of the Liquidation Trust Interests. The Liquidation Trust shall provide each Holder of Liquidation Trust

Interests with periodic reports at least annually containing unaudited financial information prepared in accordance with GAAP.

7. *Federal Income Tax Treatment of the Liquidation Trust*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust generally is intended to be treated for United States federal income tax purposes, (i) in part as a grantor trust that is a liquidating trust within the meaning of Treasury Regulations § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, and (ii) in part as one or more disputed ownership funds within the meaning of Treasury Regulations § 1.468B-9(b)(1). For United States federal income tax purposes, the transfer of the Liquidation Trust Assets to the Liquidation Trust will be treated as a transfer of the Liquidation Trust Assets from the Zonda Plan Debtors to the Holders of Liquidation Trust Interests, followed by the Holders of Liquidation Trust Interests' transfer of the Liquidation Trust Assets to the Liquidation Trust. The Holders of Liquidation Trust Interests will thereafter be treated for U.S. federal income tax purposes as the grantors and deemed owners of their respective shares of the Liquidation Trust Assets. The Holders of Liquidation Trust Interests shall include in their annual taxable incomes, and pay tax to the extent due on, their allocable shares of each item of income, gain, deduction, loss and credit, and all other such items shall be allocated by the Liquidation Trust to the Holders of Liquidation Trust Interests using any reasonable allocation method.

The Liquidation Trustee will be required by the Liquidation Trust Agreement to file income tax returns for the Liquidation Trust as a grantor trust of the Holders of the Liquidation Trust Interests (and file separate returns for the disputed ownership fund(s) pursuant to Treasury Regulations § 1.468B-9(b)(1) and pay all taxes owed on any net income or gain of the disputed ownership fund(s), on a current basis from Liquidation Trust Assets). In addition, the Liquidation Trust Agreement will require consistent valuation by the Liquidation Trust and the Holders of Liquidation Trust Interests, for all federal income tax and reporting purposes, of any property held by the Liquidation Trust. The Liquidation Trust Agreement also will limit the investment powers of the Liquidation Trust in accordance with IRS Rev. Proc. 94-45 and will require the Liquidation Trust to distribute at least annually to the Holders of Liquidation Trust Interests (as such may have been determined at such time) its net income (net of any payment of or provision for taxes), except for amounts retained as reasonably necessary to maintain the value of the Liquidation Trust Assets.

8. *Liquidation Trust Funding*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on or as soon as practicable after the Effective Date, the Liquidation Trust Funding Reserve shall be established from the Liquidation Trust Assets. Subject to the provisions of the Liquidation Trust Agreement, the Liquidation Trust Funding Reserve shall be used to pay the expenses of the Liquidation Trust, including without limitation, costs and expenses of counsel or other advisors. The Liquidation Trust Agreement shall provide for an allocation of the Liquidation Trust Funding Reserve across projected expenditures agreed to by SHI in consultation with the Liquidation Trustee. Such expenses shall be paid as they are incurred without the need for Bankruptcy Court

approval. Additional funding of the Liquidation Trust Funding Reserve may only be authorized in accordance with the terms of the Liquidation Trust Agreement.

9. *Creation of the Liquidation Trust Funding Amount Escrow Account*

On the Confirmation Date, the Zonda Plan Debtors will fund and create the Liquidation Trust Funding Amount Escrow Account. The Liquidation Trust Funding Amount will stay in the Liquidation Trust Funding Amount Escrow Account until the Zonda Arbitration Award shall have been issued and shall be final and Unappealable. On the Effective Date, proceeds of the Liquidation Trust Funding Amount Escrow Account will be released to the Zonda Plan Debtors if the Zonda Plan Debtors Prevail in the Zonda Arbitration, or to the Liquidation Trust if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration.

10. *Effectuating Documents; Further Transactions*

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, subject to the Liquidation Trust Agreement, chairman of the board of directors, president, chief executive officer, chief financial officer, manager, or any other appropriate officer of the Zonda Plan Debtors or, after the Effective Date, PDSI, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The secretary of the Zonda Plan Debtors, or, after the Effective Date, of the Reorganized Zonda Debtors, shall be authorized to certify or attest to any of the foregoing actions.

11. *Dissolution*

(a) The Liquidation Trustee and Liquidation Trust shall be discharged and/or dissolved, as the case may be, at such time as (i) all of the Liquidation Trust Assets have been distributed pursuant to the Plan and the Liquidation Trust Agreement, (ii) the Liquidation Trustee determines, in its sole discretion, that the administration of any remaining Liquidation Trust Assets is not likely to yield sufficient additional Liquidation Trust proceeds to justify further pursuit, or (iii) all distributions required to be made by the Liquidation Trust under the Plan and the Liquidation Trust Agreement have been made; *provided, however*, that in no event shall the Liquidation Trust be dissolved later than five (5) years after the Effective Date of such Liquidation Trust unless the Bankruptcy Court approves an extension based on a finding that such an extension is necessary for the Liquidation Trust to complete its liquidating purpose.

(b) If at any time the Liquidation Trustee determines, in reliance upon such professionals as the Liquidation Trust may retain, that the expense of administering the Liquidation Trust so as to make a final distribution to Holders of Allowed Zonda Deficiency Claims is likely to exceed the value of the assets remaining in the Liquidation Trust, the Liquidation Trust may apply to the Bankruptcy Court for authority to (i) reserve any amount necessary to dissolve the Liquidation Trust, (ii) donate any balance to a charitable organization (A) described in section 501(c)(3) of the IRC, (B) exempt from United States federal income tax under section 501(a) of the IRC,

(C) not a "private foundation," as defined in section 509(a) of the IRC, and (D) that is unrelated to the Zonda Plan Debtors, the Liquidation Trust, and any insider of the Liquidation Trust, and (iii) dissolve such Liquidation Trust.

12. *Certain Securities Laws Matters*

The Liquidation Trust Interests shall not be "securities" under federal and state securities laws or, to the extent they are "securities," their issuance shall be exempt from the registration requirements of Section 5 of the Securities Act and any other applicable U.S. state or other law requiring registration prior to the offering, issuance, distribution or sale of securities, in accordance with and pursuant to section 1145 of the Bankruptcy Code. The Plan prohibits, and the Liquidation Trust Agreement will prohibit, the transfer or assignment of the Liquidation Trust Interests except by will, intestate succession or by operation of law. In addition, to the extent the Liquidation Trust Interests are "securities," the Liquidation Trust Interests will not be required to be registered under Section 12(g) of the Exchange Act.

I. Corporate Governance

1. *Cancellation of Existing Securities and Agreements*

Except as provided in the Plan or in the Confirmation Order, on the Effective Date, all notes, stock (where permitted by applicable law), instruments, certificates, agreements, side letters, fee letters, and other documents evidencing or giving rise to Claims against and Interests in the Zonda Plan Debtors shall be cancelled, and the obligations of the Zonda Plan Debtors thereunder or in any way related thereto shall be fully released, terminated, extinguished, and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule, or any requirement of further action, vote, or other approval or authorization by any Person. The Holders of or parties to such notes, stock, instruments, certificates, agreements, side letters, fee letters, and other documents shall retain their rights vis-à-vis each other but shall have no rights against any Zonda Plan Debtor arising from or relating to such notes, stock, instruments, certificates, agreements, side letters, fee letters, and other documents or the cancellation thereof, except the rights provided pursuant to the Plan and the Confirmation Order.

2. *Cancellation of Certain Existing Security Interests*

Upon the full payment or other satisfaction of an Allowed Secured Claim, or reasonably promptly thereafter, the Holder of such Allowed Secured Claim shall deliver to the Zonda Plan Debtors or Reorganized Zonda Debtors, as applicable, and at their sole cost and expense, any collateral or other property of a Zonda Plan Debtor held by such Holder, together with any termination statements, instruments of satisfaction, or releases of all security interests with respect to its Allowed Secured Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory liens, or lis pendens, or similar interests or documents.

3. *Preservation of Retained Actions*

In accordance with section 1123(b)(3) of the Bankruptcy Code, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, will retain and may (but are not required to) enforce all Retained Actions as follows: after the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, and if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, in their respective sole and absolute discretion, shall have the right to bring, settle, release, compromise, or enforce such Retained Actions (or decline to do any of the foregoing), without further approval of the Bankruptcy Court. The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, or any successors, in the exercise of their sole discretion, may pursue such Retained Actions so long as it is in the best interests of the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, or any of their respective successors holding such rights of action. The failure of the Zonda Plan Debtors to specifically list any claim, right of action, suit, proceeding, or other Retained Action in the Plan, the Disclosure Statement, the Plan Supplement, or otherwise does not, and will not be deemed to, constitute a waiver or release by the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, of such claim, right of action, suit, proceeding, or other Retained Action, and the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, will retain the right to pursue such claims, rights of action, suits, proceedings, and other Retained Actions in their sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches will apply to such claim, right of action, suit, proceeding, or other Retained Action upon or after the Confirmation or consummation of the Plan.

4. *Corporate Action*

Each of the matters provided for under the Plan involving the corporate structure of any Zonda Plan Debtor or any corporate action to be taken by or required of any Zonda Plan Debtor or Reorganized Zonda Debtor shall be deemed to have occurred and be effective as provided in the Plan, and shall be authorized, approved, and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by shareholders, members, creditors, directors, or managers of the Zonda Plan Debtors or Reorganized Zonda Debtors, as applicable. To the extent permitted by applicable law the authorizations and approvals contemplated by Section 7.4 of the Plan shall be effective notwithstanding any requirements under nonbankruptcy law.

5. *Board of Directors and Officers*

The composition of each board of directors or similar governing body, as applicable, of the Reorganized Zonda Debtors, shall be disclosed prior to the entry of the Confirmation Order to the extent required by section 1129(a)(5) of the Bankruptcy Code.

6. *Further Authorization*

The Zonda Plan Debtors and the Reorganized Zonda Debtors and the Liquidation Trust, as applicable, shall be entitled to seek such orders, judgments,

injunctions, and rulings as they deem necessary to carry out the intentions and purposes, and to give full effect to the provisions, of the Plan.

J. Provisions Governing Distributions

1. *Distributions from Liquidation Trust to Holders of Allowed Zonda Deficiency Claims*

The provisions of Article VIII of the Plan shall not apply to distributions from the Liquidation Trust to Holders of Allowed Zonda Deficiency Claims. Distributions from the Liquidation Trust to Holders of such Allowed Zonda Deficiency Claims shall be administered in accordance with, and subject to, as applicable, the terms of the Liquidation Trust Agreement and Article VI of the Plan.

2. *Distributions Generally*

Subject to Section 8.1 of the Plan, the Disbursing Agent shall make Plan distributions on behalf of the Zonda Plan Debtors in accordance with Article VIII of the Plan and other governing terms of the Plan.

3. *No Postpetition Interest on Claims*

Postpetition interest shall not accrue or be paid on any General Unsecured Claims and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date, except to the extent permitted under the Plan or the Bankruptcy Code.

4. *Date of Distributions*

Unless otherwise provided in the Plan, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as soon thereafter as is practicable.

5. *Distribution Record Date*

As of the close of business on the Distribution Record Date, the various lists of Holders of Claims in each Class, as maintained by the Zonda Plan Debtors or their agents, shall be deemed closed, and there shall be no further changes in the record Holders of any Claims after the Distribution Record Date. Neither the Zonda Plan Debtors nor the Disbursing Agent shall have any obligation to recognize any transfer of a Claim occurring after the close of business on the Distribution Record Date. In addition, with respect to payment of any Cure Amounts or disputes over any Cure Amounts, neither the Zonda Plan Debtors nor the Disbursing Agent shall have any obligation to recognize or deal with any party other than the non-Debtor party to the applicable Executory Contract or Unexpired Lease, even if such non-Debtor party has sold, assigned, or otherwise transferred its Claim for a Cure Amount.

6. *Disbursing Agent*

Subject to Section 8.1 of the Plan, all distributions under the Plan shall be made

by the Disbursing Agent or, if applicable, its agent on and after the Effective Date as provided herein. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties. The Reorganized Zonda Debtors or the Liquidation Trustee, as applicable, shall use all commercially reasonably efforts to provide the Disbursing Agent (if other than the Reorganized Zonda Debtors or the Liquidation Trustee, as applicable) with the amounts of Claims and the identities and addresses of Holders of Claims, in each case, as set forth in the Zonda Plan Debtors' or Reorganized Zonda Debtors' books and records. The Reorganized Zonda Debtors or the Liquidation Trustee, as applicable, shall cooperate in good faith with the applicable Disbursing Agent (if other than the Reorganized Zonda Debtors or the Liquidation Trustee, as applicable) to comply with the reporting and withholding requirements outlined in Section 8.16 of the Plan.

7. *Delivery of Distributions*

Subject to Sections 8.8, 8.11, 8.12, 8.14, and 8.16 of the Plan, the Disbursing Agent will issue or cause to be issued the applicable consideration under the Plan and, subject to Bankruptcy Rule 9010, will make all distributions as and when required by the Plan to Holders of Allowed Claims to the address of the Holder of such claim on the books and records of the Zonda Plan Debtors or their agents or the address in any written notice of address change delivered to the Zonda Plan Debtors or the Disbursing Agent, including any addresses included on any transfers of Claim filed pursuant to Bankruptcy Rule 3001. In the event that any distribution is returned as undeliverable, no distribution or payment shall be made to such recipient unless and until the Disbursing Agent has been notified of the then-current address of recipient, at which time or as soon thereafter as reasonably practicable such distribution shall be made without interest.

8. *Unclaimed Property*

One year from the later of: (a) the Effective Date and (ii) the date that is ten (10) Business Days after the date a Claim is first Allowed, all distributions payable on account of such Claim shall be deemed unclaimed property under section 374(b) of the Bankruptcy Code and shall revert to the Reorganized Zonda Debtors or their successors or assigns, and all claims of any other Person (including the Holder of a Claim in the same Class) to such distribution shall be discharged and forever barred. The Reorganized Zonda Debtors, the Liquidation Trust, as applicable, and the Disbursing Agent shall have no obligation to attempt to locate any Holder of an Allowed Claim other than by reviewing the Zonda Plan Debtors' books and records and the Bankruptcy Court's filings.

9. *Satisfaction of Claims*

Unless otherwise provided in the Plan, any distributions and deliveries to be made on account of Allowed Claims under the Plan shall be in complete and final satisfaction, settlement, and discharge of and exchange for such Allowed Claims.

10. *Manner of Payment Under Plan*

Except as specifically provided in the Plan, at the option of the Zonda Plan Debtors, the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, any Cash payment to be made under the Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements or customary practices of the Zonda Plan Debtors or the Liquidation Trust, as applicable.

11. *De Minimis Cash Distributions*

The Disbursing Agent shall not have any obligation to make a distribution that is less than $50.00 in Cash.

12. *No Distribution in Excess of Amount of Allowed Claim*

Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall receive, on account of such Allowed Claim, Plan distributions in excess of the Allowed amount of such Claim.

13. *Allocation of Distributions Between Principal and Interest*

Except as otherwise provided in the Plan and subject to Section 3.3 of the Plan, to the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall be allocated first to the principal amount (as determined for federal income tax purposes) of the Claim and then to accrued but unpaid interest.

14. *Setoffs and Recoupments*

The Liquidation Trust or each Reorganized Zonda Debtor or its designee as instructed by such Reorganized Zonda Debtor, as applicable, may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, offset or recoup against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim any and all claims, rights, and Causes of Action that the Liquidation Trust or a Reorganized Zonda Debtor or its successors, as applicable, may hold against the Holder of such Allowed Claim after the Effective Date to the extent that such setoff or recoupment is either (a) agreed in amount among the Liquidation Trust or relevant Reorganized Zonda Debtor(s), as applicable, and Holder of the Allowed Claim or (b) otherwise adjudicated by the Bankruptcy Court or another court of competent jurisdiction; *provided*, that neither the failure to effect a setoff or recoupment nor the allowance of any Claim hereunder will constitute a waiver or release by the Liquidation Trust or a Reorganized Zonda Debtor or its successor, as applicable, of any claims, rights, or Causes of Action that the Liquidation Trust or a Reorganized Zonda Debtor or its successor or assign, as applicable, may possess against such Holder.

15. *Rights and Powers of Disbursing Agent*

(a) Powers of the Disbursing Agent. The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, instruments,

and other documents necessary to perform its duties under the Plan; (ii) make all applicable distributions or payments provided for under the Plan; (iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers (a) as may be vested in the Disbursing Agent by order of the Bankruptcy Court (including any order issued after the Effective Date) or pursuant to the Plan or (2) as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

(b) Expenses Incurred on or After the Effective Date. Except as otherwise ordered by the Bankruptcy Court and subject to the written agreement of the Reorganized Zonda Debtors, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including, without limitation, taxes) and any reasonable compensation and expense reimbursement Claims (including, without limitation, for reasonable attorneys' and other professional fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Zonda Debtors or the Liquidation Trust, as applicable.

16. *Withholding and Reporting Requirements*

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, shall comply with all withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan shall be subject to any such withholding and reporting requirements. In the case of a non-Cash distribution that is subject to withholding, the distributing party may withhold an appropriate portion of such distributed property and sell such withheld property to generate the Cash necessary to pay over the withholding tax. Any amounts withheld pursuant to the preceding sentence shall be deemed to have been distributed to and received by the applicable recipient for all purposes of the Plan.

Notwithstanding the above, each Holder of an Allowed Claim or Interest that is to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on such Holder by any governmental unit, including income, withholding, and other tax obligations, on account of such distribution. The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, have the right, but not the obligation, to not make a distribution until such Holder has made arrangements satisfactory to any issuing or disbursing party for payment of any such tax obligations.

The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, may require, as a condition to receipt of a distribution, that the Holder of an Allowed Claim complete and return a Form W-8 or W-9, as applicable to each such Holder. If the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, make such a request and the Holder fails to comply before the date that is 180 days after the request is made, the amount of such distribution shall irrevocably revert to the applicable Reorganized Zonda Debtor or the Liquidation Trust, as applicable, and any Claim in respect of such distribution shall be discharged and forever barred from assertion against such Reorganized Zonda Debtor or the Liquidation Trust, as applicable, or its respective property.

17. *Claims Paid or Payable by Third Parties*

(a) Claims Paid by Third Parties. The Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, shall reduce a Claim, and such Claim shall be Disallowed without a Claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment on account of such Claim from a party that is not a Zonda Plan Debtor, a Reorganized Zonda Debtor, or the Liquidation Trust. Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Zonda Plan Debtor, a Reorganized Zonda Debtor, or the Liquidation Trust on account of such Claim, such Holder shall, within fourteen (14) days of receipt thereof, repay or return the distribution to the applicable Reorganized Zonda Debtor, or the Liquidation Trust, as applicable, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Reorganized Zonda Debtor, or the Liquidation Trust, as applicable, annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the 14-day period specified above until the amount is repaid.

(b) Claims Payable by Third Parties. Except as otherwise provided in the Plan, (i) no distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Zonda Plan Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy, and (ii) to the extent that one or more of the Zonda Plan Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) Applicability of Insurance Proceeds. Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Zonda Plan Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein (i) constitute or be deemed a waiver by such insurers of any rights or defenses, including coverage defenses, held by such insurers, or (ii) establish, determine, or otherwise imply any liability or obligation, including any coverage obligation, of any insurer.

K. Procedures For Disputed Claims

1. *Allowance of Claims*

After the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, each of the Zonda Plan Debtors or the Reorganized Zonda Debtors, or if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust,

shall have and retain any and all rights and defenses such Zonda Plan Debtor had with respect to any Claim immediately before the Effective Date. Except as expressly provided in the Plan or in any order entered in these Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Court has entered a Final Order, including the Confirmation Order (when it becomes a Final Order), in these Chapter 11 Cases allowing such Claim..

2. *Objections to Claims*

(a) Authority. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Zonda Plan Debtors, and after the Effective Date, the Reorganized Zonda Debtors, shall have authority to (i) file objections to any Claim, and to withdraw any objections to any Claim that they may file, (ii) settle, compromise, or litigate to judgment any objections to any Claim, and (iii) except as set forth above, resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law. Alternatively, if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Zonda Plan Debtors and after the Effective Date, the Liquidation Trust shall have authority to (i) file objections to any Claim, and to withdraw any objections to any Claim that he or she may file, (ii) settle, compromise, or litigate to judgment any objections to any Claim, and (iii) except as set forth above, resolve any Disputed Claim after the Effective Date outside the Bankruptcy Court under applicable governing law

(b) Objection Deadline. As soon as practicable, but no later than the Claims Objection Deadline, the Zonda Plan Debtors, and after the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, or if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, may file objections with the Bankruptcy Court and serve such objections on the Holders of the Claims to which such objections are made. Nothing contained in the Plan, however, shall limit the right of the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, to object to Claims, if any, filed or amended after the Claims Objection Deadline. The Claims Objection Deadline may be extended by the Bankruptcy Court upon motion by the Reorganized Zonda Debtors or the Liquidation Trust, as applicable.

3. *Estimation of Claims*

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, and if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, may at any time after the Effective Date request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Zonda Plan Debtors, the Reorganized Zonda Debtors, or Liquidation Trust previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as

determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust as applicable, may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

4. *No Distributions Pending Allowance*

If an objection to a Claim is filed as set forth in Section 9.2 of the Plan, no payment or distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

5. *Resolution of Claims*

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, and if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Claims, Disputed Claims, rights, Causes of Action, suits, and proceedings, whether in law or in equity, whether known or unknown, that the Zonda Plan Debtors or their Estates may hold against any Person, without the approval of the Bankruptcy Court, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Zonda Debtors or the Liquidation Trust or their respective successors may pursue such retained Claims, rights, Causes of Action, suits, or proceedings, as appropriate, in accordance with the best interests of the Zonda Plan Debtors and the Liquidation Trust, as applicable.

6. *Disallowed Claims*

All Claims held by persons or entities against whom or which any of the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust have commenced a proceeding asserting a Cause of Action under sections 542, 543, 544, 545, 547, 548, 549, and/or 550 of the Bankruptcy Code shall be deemed Disallowed Claims pursuant to section 502(d) of the Bankruptcy Code and Holders of such Claims shall not be entitled to vote to accept or reject the Plan. Claims that are deemed disallowed pursuant to Section 9.6 of the Plan shall continue to be Disallowed for all purposes until such Claim has been settled or resolved by Final Order and any sums due to the Zonda Plan Debtor, the Reorganized Zonda Debtors, or the Liquidation Trust from such party have been paid.

L. Treatment of Executory Contracts and Unexpired Leases

1. *Rejection of Executory Contracts and Unexpired Leases*

Except as otherwise provided in the Plan, on the Effective Date, all Executory

Contracts and Unexpired Leases of the Zonda Plan Debtors shall be deemed rejected in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, unless such Executory Contract or Unexpired Lease (a) has previously been assumed by order of the Bankruptcy Court in effect as of the Effective Date (which order may be the Confirmation Order); (b) is the subject of a motion to assume filed on or before the Effective Date; or (c) is identified as an Executory Contract or Unexpired Lease to be assumed pursuant to the Plan Supplement before the Effective Date; or (d) has expired or terminated pursuant to its own terms. The Confirmation Order will constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions or assumption and assignments or rejections described herein as of the Effective Date. Unless otherwise indicated, all assumptions, assumptions and assignments, and rejections of Executory Contracts and Unexpired Leases in the Plan will be effective as of the Effective Date. Each Executory Contract and Unexpired Lease assumed or assumed and assigned pursuant to the Plan, or by Bankruptcy Court order, will vest in and be fully enforceable by the applicable Reorganized Zonda Debtor or assignee in accordance with its terms, except as such terms may have been modified by order of the Bankruptcy Court.

2. *Indemnification*

Except as otherwise specifically limited in the Plan, any obligations or rights of the Zonda Plan Debtors to defend, indemnify, reimburse, or limit the liability of the Zonda Plan Debtors' present and former directors, officers, employees, agents, representatives, attorneys, accountants, financial advisors, restructuring advisors, investment bankers, and consultants (the "***Covered Persons***") pursuant to the Zonda Plan Debtors' certificates of incorporation, by-laws, indemnification agreements, policy of providing employee indemnification, applicable law, or specific agreement in respect of any claims, demands, suits, Causes of Action, or proceedings against such Covered Persons based upon any act or omission related to such Covered Persons' service with, for, or on behalf of the Zonda Plan Debtors prior to the Effective Date, shall be treated as if they were Executory Contracts that are assumed under the Plan and shall survive the Effective Date and remain unaffected thereby, and shall not be discharged, irrespective of whether such defense, indemnification, reimbursement, or limitation of liability is owed in connection with an occurrence before or after the Petition Date.

3. *Cure of Defaults Under Assumed Contracts*

The Reorganized Zonda Debtors shall cure any monetary defaults under any Executory Contract and Unexpired Lease to be assumed pursuant to the Plan by paying to the non-Debtor counterparty the full amount of any monetary default in the ordinary course of business. Accordingly, no party to an Assumed Contract need file any cure Claim, and the Zonda Plan Debtors need not file any lists of any proposed cure claims, with the Bankruptcy Court. Notwithstanding the foregoing, the Reorganized Zonda Debtors and counterparties to Assumed Contracts reserve all their rights in the event of a dispute over the amount of a cure claim. If there is any such dispute that cannot be resolved consensually, then either party must file with the Bankruptcy Court a request for allowance and payment of such cure Claim within seventy-five (75) days after the Effective Date. Moreover, the Reorganized Zonda Debtors shall be authorized to reject

any Executory Contract or Unexpired Lease to the extent the Reorganized Zonda Debtors, in the exercise of their sound business judgment, conclude that the amount of the cure Claim as determined by the Bankruptcy Court renders assumption of such Executory Contract or Unexpired Lease unfavorable to the Reorganized Zonda Debtors.

4. *Claims Based on Rejection of Executory Contracts and Unexpired Leases*

Unless otherwise provided by a Bankruptcy Court order, any Proofs of Claim asserting Claims arising from the rejection of the Zonda Plan Debtors' Executory Contracts and Unexpired Leases pursuant to the Plan or otherwise must be filed no later than thirty (30) days after the Effective Date. Any Proofs of Claim arising from the rejection of the Zonda Plan Debtors' Executory Contracts or Unexpired Leases that are not timely filed shall be Disallowed automatically, forever barred from assertion, and shall not be enforceable against the Zonda Plan Debtors or the Reorganized Zonda Debtors without the need for any objection by any Person or further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of such Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Zonda Plan Debtors' Executory Contracts and Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with the particular provisions of the Plan for such Claims; *provided, however*, that if the Holder of an Allowed Claim for rejection damages has an unavoidable security interest in any collateral to secure obligations under such rejected Executory Contract or Unexpired Lease, the Allowed Claim for rejection damages shall be treated as an Other Secured Claim to the extent of the value of such Holder's interest in such collateral, with the deficiency, if any, treated as a General Unsecured Claim.

5. *Reservation of Rights*

Nothing contained in the Plan shall constitute an admission by the Zonda Plan Debtors that any particular contract is in fact an Executory Contract or Unexpired Lease or that the Zonda Plan Debtors have any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable, shall have forty-five (45) days following entry of a Final Order resolving such dispute to alter and to provide appropriate treatment of such contract or lease.

M. Conditions Precedent To Confirmation and Consummation of the Plan

1. *Conditions Precedent to Confirmation of the Plan*

The following are conditions precedent to the confirmation of the Plan:

(a) an order, in form and substance acceptable to the Zonda Plan Debtors and SHI finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code shall have been entered by the Bankruptcy Court; and

(b) the Plan and the Plan Supplement and all of the schedules, documents, and exhibits contained therein including, but not limited to the Liquidation Trust Agreement, shall be acceptable to the Zonda Plan Debtors and SHI shall have been filed.

2. *Conditions Precedent to the Effective Date*

The Zonda Plan Debtors shall request that the Confirmation Order include a finding by the Bankruptcy Court that, notwithstanding Bankruptcy Rule 3020(e), the Confirmation Order shall take effect immediately upon its entry. The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in accordance with the terms hereof:

(a) the Bankruptcy Court shall have entered the Confirmation Order, which shall be in form and substance acceptable to the Zonda Plan Debtors and SHI, and the Confirmation Order shall have become a Final Order and shall, among other things, provide that the Zonda Plan Debtors, the Reorganized Zonda Debtors, and/or the Liquidation Trust, as applicable, are authorized to take all actions necessary or appropriate to enter into, implement, and consummate the agreements and documents created in connection with the Plan;

(b) the final version of the Plan Supplement and all of the schedules, documents, and exhibits contained therein (and any amendment thereto) shall have been filed with the Bankruptcy Court;

(c) the Professional Fee Escrow shall have been funded;

(d) all governmental and third-party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan, if any, shall have been obtained, if any, not be subject to unfulfilled conditions, and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent, or otherwise impose materially adverse conditions on such transactions;

(e) all documents and agreements necessary to implement the Plan shall have (i) been tendered for delivery and (ii) been effected or executed by all Entities party thereto, and all conditions precedent to the effectiveness of such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements;

(f) if the Zonda Plan Debtors Prevail in the Zonda Arbitration, all documents and agreements necessary for the Zonda Plan Debtors to comply with the terms of the New First Lien Notes Indenture and the New Second Lien PIK Toggle Notes Indenture;

(g) both (i) the Zonda Arbitration Award shall have been issued and shall be final and Unappealable, and (ii) if the Zonda Plan Debtors Do Not Prevail, the Zonda Plan Debtors or the Reorganized Non-Zonda Debtors shall have, within ten

(10) days of the Zonda Arbitration Award becoming final and Unappealable, either (1) not satisfied the Zonda Arbitration Award, or (2) informed SHI in writing that they will not satisfy the Zonda Arbitration Award; and

(h) the Zonda Plan Debtors shall have created and funded the Liquidation Trust Funding Amount Escrow Account.

3. *Waiver of Conditions Precedent*

Each of the conditions precedent in Sections 11.1 and 11.2 of the Plan may be waived only if waived in writing by the Zonda Plan Debtors if the Zonda Plan Debtors Prevail in the Zonda Arbitration, or by SHI if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, without notice, leave or order of the Bankruptcy Court or any formal action other than proceedings to confirm or consummate the Plan.

N. Effect of Confirmation

1. *Binding Effect*

Following the Effective Date, the Plan shall be binding upon and inure to the benefit of the Zonda Plan Debtors, their Estates, the Liquidation Trust, all present and former Holders of Claims and Interests, whether or not such Holders voted in favor of the Plan, and their respective successors and assigns..

2. *Releases and Related Matters*

(a) Definitions

As used herein, "Released Party" means each of: the Zonda Plan Debtors and each of their (i) respective current and former Affiliates, predecessors, successors, assigns, subsidiaries, managed accounts, or funds; and their (ii) current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), principals, members, employees, agents, independent contractors, management companies, investment advisors, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such; *provided*, that equity holders of the Zonda Plan Debtors shall not be a "Released Party" except solely in their capacity as Holders of Claims against the Zonda Plan Debtors; *provided further*, that any Holder of a Claim or Interest that objects to or votes to reject the Plan shall not be a "Released Party."

As used herein, "Releasing Parties" means, collectively and in each case in their capacity as such: (a) each Released Party; (b) each Holder of a Claim or Interest who was entitled to vote on the Plan and voted to accept the Plan; (c) each Holder of a Claim or Interest who did not vote to accept the Plan but checked the box on the applicable Ballot indicating that they opt to grant the releases provided in the Plan; (d) each Holder of a Claim or Interest to the fullest extent permitted by law; (e) with respect to each of the foregoing Entities in clauses (a) through (d), each of such Entity or Person's respective current and former Affiliates, predecessors, successors, assigns, subsidiaries,

managed accounts or funds; and (f) with respect to each of the foregoing Entities or Persons in clauses (a) through (e), such Entities or Persons' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), principals, members, employees, agents, independent contractors, management companies, investment advisors, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such

(b) Releases by the Zonda Plan Debtors

Pursuant to section 1123(b) of the Bankruptcy Code, and without limiting any other applicable provisions of, or releases contained in, the Plan, as of the Effective Date, the Zonda Plan Debtors and their Estates, the Reorganized Zonda Debtors, as applicable, and any other person seeking to exercise the rights of the Estates, to the extent permitted by applicable law, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged any and all liabilities, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise that such Person or Entity has, had, or may have against any Released Party (which release shall be in addition to the discharge of Claims and termination of Interests provided in the Plan and under the Confirmation Order and the Bankruptcy Code), in each case, relating to a Zonda Plan Debtor, the Estates, the Chapter 11 Cases, the negotiation, consideration, formulation, preparation, dissemination, implementation, Confirmation, or consummation of the Plan, the Non-Zonda Debtors Plan, the Exhibits, the Disclosure Statement, the Non-Zonda Debtors Disclosure Statement, any amendments thereof or supplements thereto, the Plan Supplement, the Non-Zonda Debtors Plan Supplement, the New Secured Debt Documents, the New Intercreditor Agreement, or the Restructuring Transactions, or any other transactions in connection with the Chapter 11 Cases or any contract, instrument, release, or other agreement or document created or entered into or any other act taken or omitted to be taken in connection therewith or in connection with any other obligations arising under the Plan or the obligations assumed under the Plan; *provided, however,* that nothing in Section 12.2(a) of the Plan shall be deemed to release any potential litigation claims, including, but not limited to, any Retained Actions, to be prosecuted by the Liquidation Trust, and any SHI Retained Actions, to be prosecuted by SHI, subject to the Bar Date Order and any argument regarding the applicability thereof, if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration or any defenses the Reorganized Non-Zonda Debtors may have to such claims; *provided, further, however,* that the foregoing provisions shall have no effect on: (i) the liability of any Person or Entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release, or other agreement or document (A) previously assumed, (B) entered into during the Chapter 11 Cases, or (C) to be entered into, assumed, or delivered in connection with the Plan; or (ii) the liability of any Released Party that would otherwise result from any act or omission of such Released Party to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct (including fraud). For the avoidance of doubt, nothing in Section 12.2(a) of the Plan shall relieve any Released Party from any obligation or liability under the Plan nor have any impact whatsoever

with respect to any SHI Retained Actions, subject to the Bar Date Order and any argument regarding the applicability thereof.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Zonda Plan Debtor Release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that the Zonda Plan Debtor Release is: (1) essential to the Confirmation of the Plan; (2) an exercise of the Zonda Plan Debtors' business judgment; (3) in exchange for the good and valuable consideration and substantial contributions provided by the Released Parties; (4) a good faith settlement and compromise of the Claims released by the Zonda Plan Debtor Release; (5) in the best interests of the Zonda Plan Debtors and all Holders of Claims and Interests; (6) fair, equitable, and reasonable; (7) given and made after due notice and opportunity for hearing; and (8) a bar to any of the Zonda Plan Debtors, the Reorganized Zonda Debtors, and the Estates and each of their current and former Affiliates, and such Entities' and their current and former Affiliates' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, assigns, subsidiaries, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such asserting any Claim or Cause of Action released pursuant to the Zonda Plan Debtor Release.

(c) Releases by the Releasing Parties

Without limiting any other applicable provisions of, or releases contained in, the Plan, as of the Effective Date, in consideration for the obligations of the Zonda Plan Debtors under the Plan, and the consideration and other contracts, instruments, releases, agreements, or documents to be entered into or delivered in connection with the Plan, each Releasing Party shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged any and all liabilities whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Releasing Party has, had, or may have against any Released Party (which release shall be in addition to the discharge of Claims and termination of Interests provided in the Plan and under the Confirmation Order and the Bankruptcy Code), in each case, relating to a Zonda Plan Debtor, the Estates, the Chapter 11 Cases, the negotiation, consideration, formulation, preparation, dissemination, implementation, Confirmation, or consummation of the Plan, the Exhibits, the Disclosure Statement, any amendments thereof or supplements thereto, the Plan Supplement, the New Secured Debt Documents, the New Intercreditor Agreement, or the Restructuring Transactions or any other transactions in connection with the Chapter 11 Cases or any contract, instrument, release, or other agreement or document created or entered into or any other act taken or omitted to be taken in connection therewith or in connection with any other obligations arising under the Plan or the obligations assumed under the Plan; *provided, however,* that nothing in Section 12.2(b) of the Plan shall be deemed to release any potential litigation claims, including, but not limited to, any Retained Actions, to be prosecuted by the Liquidation Trust, and any SHI Retained Actions, to

be prosecuted by SHI subject to the Bar Date Order and any argument regarding the applicability thereof, if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration or any defenses the Reorganized Non-Zonda Debtors may have to such claims; *provided, further, however,* that the foregoing provisions of Section 12.2(b) of the Plan shall have no effect on: (i) the liability of any Person or Entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release, or other agreement or document (A) previously assumed, (B) entered into during the Chapter 11 Cases, or (C) to be entered into, assumed, or delivered in connection with the Plan; (ii) the liability of any Released Party that would otherwise result from any act or omission of such Released Party to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct (including fraud); or (iii) any non-Released Party. For the avoidance of doubt, nothing in this provision shall relieve any Released Party from any obligation or liability under the Plan nor have any impact whatsoever with respect to any SHI Retained Actions, subject to the Bar Date Order and any argument regarding the applicability thereof.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Third-Party Release, which includes by reference each of the related provisions and definitions contained in the Plan, and, further, shall constitute the Bankruptcy Court's finding that the Third-Party Release is: (1) essential to the Confirmation of the Plan; (2) given in exchange for the good and valuable consideration and substantial contributions provided by the Released Parties; (3) a good faith settlement and compromise of the Claims released by the Third-Party Release; (4) in the best interests of the Zonda Plan Debtors and their Estates; (5) fair, equitable, and reasonable; (6) given and made after due notice and opportunity for hearing; and (7) a bar to any of the Releasing Parties asserting any Claim or Cause of Action released pursuant to the Third-Party Release.

(d) Waiver of Statutory Limitation on Releases

Without limiting any other applicable provisions of, or releases contained in, the Plan, each Releasing Party in each of the releases contained in the Plan (including under Section 12.2 of the Plan) expressly acknowledges that although ordinarily a general release may not extend to claims which the releasing party does not know or suspect to exist in his favor, which if known by it may have materially affected its settlement with the party released, it has carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or claims. Without limiting the generality of the foregoing, each Releasing Party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to claims which the claimant does not know or suspect to exist in its favor at the time of executing the release, which if known by it may have materially affected its settlement with the Released Party, including the provisions of California Civil Code Section 1542. The releases contained in Article XII of the Plan are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

3. *Discharge of the Zonda Plan Debtors*

(a) Upon the Effective Date, except as provided in the Plan or the Confirmation Order, the Zonda Plan Debtors, and each of them, shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in section 502 of the Bankruptcy Code, whether or not (i) a Proof of Claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (ii) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code, (iii) a Claim based upon such debt is or has been Disallowed by order of the Bankruptcy Court, or (iv) the Holder of a Claim based upon such debt accepted the Plan.

(b) As of the Effective Date, except as provided in the Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Zonda Plan Debtors or the Reorganized Zonda Debtors any other or further Claims, debts, rights, Causes of Action, claims for relief, liabilities, or Interests relating to the Zonda Plan Debtors based upon any act, omission, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in the Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Zonda Plan Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Zonda Plan Debtors at any time, to the extent that such judgment relates to a discharged Claim.

(c) For the avoidance of doubt, Section 12.3 of the Plan shall not apply to any Claims, debts, rights, Causes of Action, claims for relief, liabilities, or Interests arising under the New Secured Debt Documents, whether executed prior to, on, or after the Effective Date.

4. *Injunction*

Except as otherwise provided in the Plan or the Confirmation Order, from and after the Effective Date, (a) to the extent a party's Claim is discharged pursuant to the Plan or the Confirmation Order, such party shall be permanently enjoined from pursuing such Claim against the parties that have been discharged pursuant to the Plan or the Confirmation Order, and (b) to the extent a party's Claim has been released pursuant to the Plan or the Confirmation Order, such Releasing Party shall be permanently enjoined from pursuing such Claim against the applicable Released Party, including (i) commencing or continuing in any manner any action or other proceeding of any kind, including on account of any Claims, Interests, Causes of Action, or liabilities that have been Released; (ii) enforcing, levying, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien, Claim, or encumbrance of any kind; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Zonda Plan Debtors, Reorganized Zonda Debtors, or Released Parties; and (v) commencing or continuing any act, in any manner, or in any place to assert any Claim, or send any notice or invoice in

respect of any Claim that has been discharged or released under the Plan or that does not otherwise comply with or is inconsistent with the provisions of the Plan; *provided*, *however*, that nothing contained in the Plan shall (x) preclude an Entity from obtaining benefits directly and expressly provided to such Entity pursuant to the terms of the Plan; (y) be construed to prevent any Entity from defending against Claims objections or collection action, whether by asserting a right of setoff, recoupment, or otherwise, to the extent permitted by law; or (z) enjoining or precluding any Entity that is not a Releasing Party from taking any of the foregoing enforcement actions against QPGL or any member of the Ad Hoc Group or its assets or property on account of any Claims, Interests, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities that such Entity has not waived, discharged, compromised, or released pursuant to the Plan or that have not been exculpated pursuant to Section 12.5 of the Plan.

5. *Exculpation and Limitation of Liability*

From and after the Effective Date, the Exculpated Parties shall neither have nor incur any liability to any Person or Entity, and no Holder of a Claim or Interest, no other party in interest, and none of their respective Representatives, each in their capacity as such, shall have any right of action against any Exculpated Party for any act taken or omitted to be taken before the Effective Date based on the Chapter 11 Cases, the negotiation, consideration, formulation, preparation, dissemination, implementation, Confirmation, or consummation of the Plan, the Exhibits, the Disclosure Statement, any amendments thereof or supplements thereto, the Plan Supplement, the New Secured Debt Documents, the New Intercreditor Agreement, or the Restructuring Transactions or any other transactions in connection with the Chapter 11 Cases or any contract, instrument, release, or other agreement or document created or entered into or any other act taken or omitted to be taken in connection therewith or in connection with any other obligations arising under the Plan or the obligations assumed under the Plan; *provided*, *however*, that the foregoing provisions of Section 12.5 of the Plan shall have no effect on: (a) the liability of any Person or Entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release, or other agreement or document (i) previously assumed, (ii) entered into during the Chapter 11 Cases, or (iii) to be entered into or delivered in connection with the Plan; or (b) the liability of any Exculpated Party from any obligation or liability under the Plan.

6. *Term of Bankruptcy Injunction or Stays*

Except as provided otherwise in the Plan, from and after the entry of an order or other deemed action under the Plan closing these Chapter 11 Cases, the automatic stay of section 362(a) of the Bankruptcy Code shall terminate.

7. *Post-Confirmation Date Retention of Professionals*

Upon the Confirmation Date, any requirement that professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate and the Reorganized Zonda Debtors

or the Liquidation Trust, as applicable, will employ and pay professionals in the ordinary course of business.

O. Retention of Jurisdiction

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction (unless otherwise indicated) over all matters arising in, arising out of, and/or related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) resolve any matters related to the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which any Zonda Plan Debtor is a party or with respect to which any Zonda Plan Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

(b) decide or resolve any motions, adversary proceedings, contested, or litigated matters, and any other matters and grant or deny any applications involving the Zonda Plan Debtors that may be pending on the Effective Date (which jurisdiction shall be non-exclusive as to any such non-core matters);

(c) enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan, and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, the Plan Supplement, or the Confirmation Order;

(d) resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to the Plan, or any entity's rights arising from or obligations incurred in connection with the Plan or such documents;

(e) modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or modify the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

(f) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331, 503(b), and 1129(a)(4) of the Bankruptcy Code; *provided*, *however*, that from and after the Effective Date the payment of fees and expenses by the Reorganized Zonda Debtors, including professional fees, shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(g) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation, or enforcement of the Plan or the Confirmation Order;

(h) adjudicate controversies arising out of the administration of the Estates or the implementation of the Plan;

(i) resolve any cases, controversies, suits, or disputes that may arise in connection with Claims, including without limitation, the Bar Date, related notice, claim objections, allowance, disallowance, estimation, and distribution;

(j) hear and determine Retained Actions by or on behalf of the Zonda Plan Debtors, Reorganized Zonda Debtors, or the Liquidation Trust;

(k) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or distributions pursuant to the Plan are enjoined or stayed;

(l) determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, the Plan Supplement, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Plan Supplement, the Disclosure Statement, or the Confirmation Order;

(m) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

(n) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and

(o) enter an order closing the Chapter 11 Cases.

P. Jurisdiction for Certain Other Agreements

The Plan shall not modify the jurisdictional provisions of the New Secured Debt Documents or the New Intercreditor Agreement. Notwithstanding anything in the Plan to the contrary, on and after the Effective Date, the Bankruptcy Court's retention of jurisdiction pursuant to the Plan shall not govern the enforcement or adjudication of any rights or remedies with respect to or as provided in the New Secured Debt Documents or the New Intercreditor Agreement, and the jurisdictional provisions of such documents shall control.

Q. No Limitation on Enforcement by SEC on Non-Debtors

Notwithstanding any language to the contrary contained in this Disclosure Statement, the Plan and/or in the Confirmation Order, no provision of the Plan or the Confirmation Order shall (1) preclude the SEC from enforcing its police or regulatory powers; or (2) enjoin, limit, impair, or delay the SEC from commencing or continuing

any claims, causes of action, proceedings, or investigations against any non-Debtor person or non-Debtor entity in any forum.

R. Miscellaneous Provisions

1. *Payment of Statutory Fees*

All fees payable pursuant to section 1930 of title 28 of the United States Code shall be paid on the earlier of when due or the Effective Date.

2. *Amendment or Modification of the Plan*

Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, the Zonda Plan Debtors reserve the right to alter, amend, or modify the Plan at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan, subject to the express written consent of SHI. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim of such Holder.

3. *Substantial Consummation*

On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

4. *Severability of Plan Provisions*

If, prior to the Confirmation Date, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

5. *Successors and Assigns*

The Plan shall be binding upon and inure to the benefit of the Zonda Plan Debtors, and their respective successors and assigns, including the Reorganized Zonda Debtors or the Liquidation Trust, as applicable. The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Entity.

6. *Revocation, Withdrawal, or Non-Consummation*

The Zonda Plan Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date and to file other plans of reorganization, subject to the express written consent of SHI. If the Zonda Plan Debtors revoke or withdraw the Plan, or if Confirmation or consummation of the Plan does not occur, then (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount any Claim or Class of Claims), assumption of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Zonda Plan Debtors or any other Person, (ii) prejudice in any manner the rights of the Zonda Plan Debtors or any Person in any further proceedings involving the Zonda Plan Debtors, or (iii) constitute an admission of any sort by the Zonda Plan Debtors or any other Person.

7. *Governing Law*

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an Exhibit hereto or a schedule in the Plan Supplement provides otherwise, the rights, duties, and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of law thereof.

8. *Time*

In computing any period of time prescribed or allowed by the Plan, unless otherwise set forth in the Plan or determined by the Bankruptcy Court, the provisions of Bankruptcy Rule 9006 shall apply.

9. *Immediate Binding Effect*

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and Plan Supplement shall be immediately effective and enforceable and deemed binding upon and inure to the benefit of the Zonda Plan Debtors, the New First Lien Noteholders, the New Second Lien PIK Toggle Noteholders, the Holders of Claims and Interests, the Released Parties, the Exculpated Parties, and each of their respective successors and assigns, including the Reorganized Zonda Debtors or the Liquidation Trust, as applicable.

10. *Entire Agreement*

On the Effective Date, the Plan, the Plan Supplement, and the Confirmation Order shall supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

11. *Notice*

All notices, requests, and demands to or upon the Zonda Plan Debtors, Reorganized Zonda Debtors, and SHI to be effective shall be in writing and, unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile or other electronic transmission, when received and telephonically confirmed, addressed as follows:

PDVIII
11700 Katy Freeway, #175
Houston, TX 77079
(713) 334-6662
Attention: Bernie G. Wolford Jr. and Lisa Buchanan
Email: b.wolford@pacificdrilling.com,
l.buchanan@pacificdrilling.com

and

TOGUT, SEGAL & SEGAL LLP
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000
Attention: Albert Togut, Frank A. Oswald, Kyle J. Ortiz, and Amanda C. Glaubach
E-mail: altogut@teamtogut.com, frankoswald@teamtogut.com, kortiz@teamtogut.com, aglaubach@teamtogut.com

Attorneys for the Zonda Plan Debtors

-and-

DLA Piper LLP (US)
1201 North Market Street
Suite 2100
Wilmington, Delaware 19801-1147
Attention: R. Craig Martin and Joshua D. Morse
E-mail: Craig.Martin@dlapiper.com, Joshua.Morse@dlapiper.com

Counsel for SHI

12. *Exhibits*

All Exhibits to the Plan are incorporated and are a part of the Plan as if set forth in full therein.

13. *Filing of Additional Documents*

On or before substantial consummation of the Plan, the Zonda Plan Debtors shall file such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

14. *Conflicts*

In the event that provisions of the Disclosure Statement and provisions of the Plan conflict, the terms of the Plan shall govern.

V. RISK FACTORS TO BE CONSIDERED

Parties in interest should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan. This information, however, does not describe the only risks involved in connection with the Plan and its implementation.

The statements contained in this Disclosure Statement are made by the Zonda Plan Debtors as of the date hereof unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Zonda Plan Debtors have no duty to update this Disclosure Statement except as may be required by applicable law.

The Zonda Plan Debtors' advisors have relied upon information provided by the Zonda Plan Debtors in connection with the preparation of this Disclosure Statement. Although the Zonda Plan Debtors' advisors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not independently verified the information contained in this Disclosure Statement.

No representations concerning or related to the Zonda Plan Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

The contents of this Disclosure Statement should <u>not</u> be construed as legal, business, or tax advice. Each Holder of a Claim or Interest should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim or Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

Nothing contained in the Plan will constitute an admission of, or be deemed evidence of, the tax or other legal effects of the Plan on the Zonda Plan Debtors or on Holders of Claims or Interests.

A. Certain Bankruptcy Considerations

1. *Failure to Confirm the Plan*

If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to liquidation cases under chapter 7 of the Bankruptcy Code. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan and requires, among other things, that the value of distributions to dissenting creditors and shareholders not be less than the value of distributions such creditors and shareholders would receive if the Zonda Plan Debtors were liquidated under chapter 7 of the Bankruptcy Code.

Although the Zonda Plan Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate resolicitation of votes.

Further, although the Zonda Plan Debtors believe that the Effective Date will occur shortly after the Confirmation Date, the timing of the event that precipitates the Effective Date is outside of the control of the Zonda Plan Debtors, and is subject to potential appeals. In addition, the Zonda Plan Debtors could experience material adverse changes in their liquidity as a result of such delay.

2. *Uncertainty of Extraterritorial Recognition of Plan Confirmation*

PDVIII is a British Virgin Islands Company, and the laws of the British Virgin Islands govern the rights attaching to their shares. Although the Zonda Plan Debtors will make every effort to ensure that any Confirmation Order entered by the Bankruptcy Court and the steps taken pursuant to the Confirmation Order to implement the Restructuring are recognized and are effective in all applicable jurisdictions, it is possible that if a creditor or stakeholder were to challenge the Restructuring, a foreign court may refuse to recognize the effect of the Confirmation Order.

3. *No Assurance of Ultimate Recoveries*

There can be no assurances of the actual recoveries to the Zonda Plan Debtors' claimholders. The Zonda Plan Debtors cannot assure their claimholders that they will be able to resell any consideration received in respect of their claims at current values or at all.

4. *Classification and Treatment of Claims and Interests*

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against and Interests in the Zonda Plan Debtors. The Bankruptcy Code also provides that, except for certain Claims classified for administrative convenience, the Plan may place a Claim or Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests of such Class. The Zonda Plan Debtors believe that all Claims and Interests have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Zonda Plan Debtors may seek to (a) modify the Plan to provides for whatever classification might be required for confirmation and (b) use the acceptances received from any creditor pursuant to the solicitation for the purpose of obtaining the approval of the Class or Classes of which such creditor ultimately is deemed to be a member. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a reclassification, would approve the Plan based upon such reclassification without requiring the Zonda Plan Debtors to resolicit votes.

5. *Nonconsensual Confirmation*

In the event any impaired class of claims or interests entitled to vote on a plan of reorganization does not accept a plan of reorganization, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes.

6. *Risk of Delayed Effective Date*

The Zonda Plan Debtors may not have sufficient cash available in order to operate their business if the Effective Date is delayed. In that case, the Zonda Plan Debtors may need additional postpetition financing, which may increase the costs of consummating the Plan. There is no assurance of the terms on which such financing may be available or if such financing will be available. Any increased costs as a result of the incurrence of additional indebtedness may reduce amounts available to distribute to Holders of Allowed Claims.

7. *Risks of Failure to Satisfy Conditions Precedent*

Article XI of the Plan provides for certain conditions that must be satisfied (or waived) prior to the Confirmation Date and for certain other conditions that must be satisfied (or waived) prior to the Effective Date. Some of the conditions are outside of the control of the Zonda Plan Debtors. There can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be

consummated and the restructuring completed. If the Plan is not consummated, there can be no assurance that the Chapter 11 Cases would not be converted to chapter 7 liquidation cases or that any new chapter 11 plan would be as favorable to Holders of Claims as the current Plan. Either outcome may materially reduce distributions to Holders of Claims.

B. Miscellaneous Risks

1. *Failure to Identify Litigation Claims or Projected Objections*

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Zonda Plan Debtors may seek to investigate, file, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

2. *Post-Effective Date Indebtedness if the Zonda Plan Debtors Prevail in the Zonda Arbitration*

Following the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Zonda Plan Debtors, or the Reorganized Zonda Debtors, as applicable, will have outstanding secured indebtedness of approximately $1.0 billion pursuant to the New First Lien Notes Documents and the New Second Lien PIK Toggle Notes Documents. The Zonda Plan Debtors' or the Reorganized Zonda Debtors' ability to service their debt obligations will depend on, among other things, their future operating performance, which depends partly on economic, financial, competitive, and other factors beyond the Zonda Plan Debtors' or the Reorganized Zonda Debtors' control. The Zonda Plan Debtors or the Reorganized Zonda Debtors may not be able to generate sufficient cash from operations to meet their debt service obligations as well as fund necessary capital expenditures and pay operating and general and administrative expenses. In addition, if the Zonda Plan Debtors or the Reorganized Zonda Debtors need to refinance their debt, obtain additional financing, or sell assets or equity, they may not be able to do so on commercially reasonable terms, if at all.

VI. CERTAIN SECURITIES LAWS MATTERS

A. General

The Plan provides for the establishment of the Liquidation Trust and for the issuance of Liquidation Trust Interests therein. The Zonda Plan Debtors do not believe that the Liquidation Trust Interests constitute "securities" for purposes of applicable non-bankruptcy law. Alternatively, even if the Liquidation Trust Interests were to constitute "securities," the Zonda Plan Debtors believe that they would be exempt from registration pursuant to section 1145(a)(1) of the Bankruptcy Code and that registration of the Liquidation Trust Interests under the Exchange Act is not required.

B. Liquidation Trust Related Matters

1. *Initial Distribution of Liquidation Trust Interests*

Unless an exemption is available, the offer and sale of a security generally is subject to registration with the SEC under Section 5 of the Securities Act. In the opinion of the Zonda Plan Debtors, and based on "no action" letters by the SEC, the Liquidation Trust Interests will not be considered "securities" within the definition of Section 2(a)(1) of the Securities Act and corresponding definitions under state securities laws and regulations ("***Blue Sky Laws***") primarily because the Liquidation Trust Interests will be uncertificated, non-transferable and non-assignable other than by will, intestate succession, or operation of law; neither the Liquidation Trustee nor other persons affiliated with the Liquidation Trust or the Zonda Plan Debtors will take any actions to facilitate or encourage any trading in the Liquidation Trust Interests or any instrument or interest tied to the value of the Liquidation Trust Interests; and the purpose of the Liquidation Trust is to liquidate and distribute the assets transferred to it. Accordingly, the Liquidation Trust Interests should be issuable in accordance with the Plan without registration under the Securities Act or any Blue Sky Law.

Alternatively, in the event that the Liquidation Trust Interests are deemed to constitute securities, Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and Blue Sky Laws if three principal requirements are satisfied:

- the securities are offered and sold under a plan of reorganization and are securities of the debtor, of an affiliate of the debtor participating in a joint plan with the debtor, or of a successor to the debtor under the plan;
- the recipients of the securities hold a pre-petition or administrative claim against the debtor or an interest in the debtor; and
- the securities are issued entirely in exchange for a recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property.

To the extent that the Liquidation Trust Interests may constitute securities, the Zonda Plan Debtors believe that they will qualify as securities "of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan" pursuant to Section 1145(a)(1) of the Bankruptcy Code. In addition, the Liquidation Trust Interests will be issued entirely in exchange for the Allowed Zonda Deficiency Claims. Therefore, the Zonda Plan Debtors believe that the issuance of the Liquidation Trust Interests pursuant to the Plan will satisfy the applicable requirements of Section 1145(a)(1) of the Bankruptcy Code, and that such issuance should be exempt from registration under the Securities Act and any applicable Blue Sky Law.

The Zonda Plan Debtors believe that their reliance upon the foregoing exemptions in respect of the issuance of the Liquidation Trust Interests is consistent with positions taken by the SEC with respect to similar transactions and arrangements by other Chapter 11 debtors in possession. However, the Zonda Plan Debtors have not

sought any "no-action" letter by the SEC with respect to any such matters, and therefore no assurance can be given regarding the availability of any exemptions from registration with respect to any securities, if any, issued pursuant to the Plan.

2. *Resales*

The Liquidation Trust Interests will be subject to transfer restrictions under the terms of the Liquidation Trust Agreement. As provided in such agreement, generally, the Liquidation Trust Interests cannot be assigned or transferred other than by will, intestate succession, or operation of law, and will not be represented by certificates.

3. *Exchange Act Compliance*

Section 12(g) of the Exchange Act applies only to equity securities of a company that has both (i) total assets in excess of $10.0 million and (ii) a class of equity securities held of record by more than 2,000 persons or 500 persons who are not accredited investors. The Zonda Plan Debtors believe it unlikely condition (ii) will be satisfied in respect to the Liquidation Trust Interests, and because the Allowed Zonda Deficiency Claims are expected to be held by one person, SHI, and are not transferable other than in SHI's case by operation of law, and in any event, the Liquidation Trust should not be required to register the Liquidation Trust Interests under Section 12(g) of the Exchange Act because, as described above, the Liquidation Trust Interests are not "securities."

Based on the foregoing, the Zonda Plan Debtors believe that the Liquidation Trust Interests will not be subject to registration under the Exchange Act. However, the Zonda Plan Debtors have not sought any "no-action" letter by the SEC with respect to any such matters, and therefore no assurance can be given regarding this matter.

4. *Compliance if Required*

Notwithstanding the preceding discussion, if the Liquidation Trustee, in relation to the Liquidation Trust, determines, with the advice of counsel, that the Liquidation Trust is required to comply with the registration and reporting requirements of the Exchange Act, then prior to the registration of the Liquidation Trust Interests under the Exchange Act, the Liquidation Trustee (subject to the terms of the Liquidation Trust Agreement) will seek to amend the Liquidation Trust Agreement, to make such changes as are deemed necessary or appropriate to ensure that the Liquidation Trust is not subject to registration or reporting requirements of the Exchange Act. The Liquidation Trust Agreement, as so amended, will be effective after notice and opportunity for a hearing, and the entry of an order of the Bankruptcy Court.

If the Liquidation Trust Agreement, as amended, is not approved by the Bankruptcy Court or the Bankruptcy Court otherwise determines in a Final Order that registration under the Exchange Act (or any other related or similar federal laws) is required, then the Liquidation Trustee will take such actions as may be required to satisfy the registration and reporting requirements of the Exchange Act (or any other related or similar federal laws).

5. *Disclaimers*

IN VIEW OF THE COMPLEXITY OF THE APPLICABLE SECURITIES LAWS, THE ZONDA PLAN DEBTORS MAKE NO REPRESENTATIONS CONCERNING SECURITIES LAW MATTERS AND RECOMMEND THAT POTENTIAL RECIPIENTS OF LIQUIDATION TRUST INTERESTS CONSULT THEIR OWN COUNSEL.

VII. U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. General

The following discussion summarizes certain material U.S. federal income tax consequences to Holders of Claims entitled to vote on the Plan. This discussion is based on current provisions of the IRC, applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the IRS. There can be no assurance that the IRS will not take a contrary view, no ruling from the IRS has been or will be sought nor will any counsel provide a legal opinion as to any of the expected tax consequences set forth below.

Legislative, judicial, or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to the Holders of Claims, the Liquidation Trust, or the Zonda Plan Debtors. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences described herein.

The following summary is for general information only. The tax treatment of a Holder may vary depending upon such Holder's particular situation. This summary does not address all of the tax consequences that may be relevant to a Holder, including any alternative minimum tax consequences and does not address the tax consequences to a Holder that has made an agreement to resolve its claim in a manner not explicitly provided for in the Plan. This summary also does not address the U.S. federal income tax consequences to persons not entitled to vote on the Plan or Holders subject to special treatment under the U.S. federal income tax laws, such as brokers or dealers in securities or currencies, certain securities traders, tax-exempt entities, financial institutions, insurance companies, foreign persons, partnerships and other pass-through entities, Holders that have a "functional currency" other than the United States dollar and Holders that have acquired Claims in connection with the performance of services. The following summary assumes that the Claims are held by Holders as "capital assets" within the meaning of section 1221 of the IRC and that all Claims denominated as indebtedness are properly treated as debt for U.S. federal income tax purposes.

The tax treatment of Holders and the character, amount, and timing of income, gain, or loss recognized as a consequence of the Plan and the distributions provided for hereby may vary, depending upon, among other things: (i) whether the Claim (or portion thereof) constitutes a Claim for principal or interest; (ii) the type of consideration received by the Holder in exchange for the Claim and whether the Holder

receives Distributions hereunder in more than one taxable year; (iii) whether the Holder is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the Holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (viii) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the Holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; and (xi) whether the "market discount" rules are applicable to the Holder. Therefore, each Holder should consult its tax advisor for information that may be relevant to its particular situation and circumstances, and the particular tax consequences to such Holder of the transactions contemplated by the Plan.

The following discussion is intended only as a summary of certain U.S. federal tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The following discussion is for information purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary depending on a Holder's particular circumstances. Accordingly, each Holder is strongly urged to consult its tax advisor regarding the U.S. federal, state, local, and applicable non-U.S. income and other tax consequences of the Plan and Disclosure Statement.

To comply with Internal Revenue Service circular 230, taxpayers are hereby notified that (a) any discussion of U.S. federal tax issues contained or referred to in the Plan or Disclosure Statement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on a taxpayer under the Internal Revenue Code, (b) any such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein, and (c) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

B. Certain U.S. Federal Income Tax Consequences to the Zonda Plan Debtors

If there is a discharge of a debt obligation by a debtor (or, in the case of indebtedness with multiple obligors, indebtedness that is allocable to such debtor) for an amount less than the adjusted issue price (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments), such discharge generally would give rise to cancellation of debt income, which must be included in the debtor's income (or, in the case of a debtor that is treated as a disregarded entity for U.S. federal income tax purposes, in the income of its owner). However, the Zonda Plan Debtors should be able to utilize a special tax provision that excludes from income debts discharged in a chapter 11 case. Notably, the Zonda Plan Debtors may not recognize income as a result of the discharge of debt pursuant to the Plan and Disclosure Statement because section 108 of the IRC provides that taxpayers in bankruptcy cases do not recognize income from discharge of indebtedness. A taxpayer is, however, required to reduce its "tax attributes" by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses for the taxable year of the discharge, and any net operating loss carryover to such taxable year;

(ii) general business credits; (iii) minimum tax credits, (iv) capital loss carryovers; (v) the basis of the property of the taxpayer; (vi) passive activity loss and credit carryovers; and (vii) foreign tax credit carryovers.

C. U.S. Federal Income Tax Treatment with Respect to the Liquidation Trust

It is intended that the Liquidation Trust will be treated as a "grantor trust" for U.S. federal income tax purposes. In general, a grantor trust is not a separate taxable entity. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an advanced ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Zonda Plan Debtors are not requesting a private letter ruling regarding the status of the Liquidation Trust as a grantor trust. Consistent with the requirements of Revenue Procedure 94-45, however, the Liquidation Trust Agreement will require all relevant parties to treat, for federal income tax purposes, the transfer of the Zonda Plan Debtors' assets to the Liquidation Trust as (i) a transfer of such assets to the beneficiaries of the Liquidation Trust (to the extent of the value of their respective interests in the applicable Liquidation Trust Assets) followed by (ii) a transfer of such assets by such Beneficiaries to the Liquidation Trust (to the extent of the value of their respective interests in the applicable Liquidation Trust Assets), with the Beneficiaries of the Liquidation Trust being treated as the grantors and owners of the Liquidation Trust. Each Beneficiary of the Liquidation Trust will generally recognize gain (or loss) in its taxable year that includes the Effective Date in an amount equal to the difference between the amount realized in respect of its Claim and its adjusted tax basis in such Claim. The amount realized for this purpose should generally equal the amount of cash and the fair market value of any other assets received or deemed received for U.S. federal income tax purposes under the Plan and Disclosure Statement in respect of such Holder's Claim. A Holder that is deemed to receive for U.S. federal income tax purposes a non-cash asset under the Plan and Disclosure Statement in respect of its Claim should generally have a tax basis in such asset in an amount equal to the fair market value of such asset on the date of its deemed receipt.

Beneficiaries of the Liquidation Trust should value the assets of the Liquidation Trust consistently with the values determined by the Liquidation Trustee for all U.S. federal, state, and local income tax purposes. As soon as possible after the Effective Date, the Liquidation Trustee shall make a good faith valuation of the assets transferred to the Liquidation Trust.

Consistent with the treatment of the Liquidation Trust as a grantor trust, each Holder should report on its U.S. federal income tax return its allocable share of the Liquidation Trust's income. Therefore, a Holder may incur a U.S. federal income tax liability with respect to its allocable share of the income of the Liquidation Trust whether or not the Liquidation Trust has made any Distributions to such Holder. The character of items of income, gain, deduction, and credit to any Holder and the ability of such Holder to benefit from any deduction or losses will depend on the particular situation of such Holder.

In general, a distribution of underlying assets from the Liquidation Trust to a beneficiary thereof may not be taxable to such Holder because such Holders are already regarded for U.S. federal income tax purposes as owning such assets. Holders are urged

to consult their tax advisors regarding the appropriate U.S. federal income tax treatment of Distributions from the Liquidation Trust.

The Liquidation Trustee will file with the IRS tax returns for the Liquidation Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a) and will also send to each Holder a separate statement setting forth such Holder's share of items of Liquidation Trust income, gain, loss, deduction, or credit. Each such Holder will be required to report such items on its U.S. federal income tax return.

The discussion above assumes that the Liquidation Trust will be respected as a grantor trust for U.S. federal income tax purposes. If the IRS were to successfully challenge such classification, the U.S. federal income tax consequences to the Liquidation Trust and the beneficiaries of the Liquidation Trust could differ materially from those discussed herein (including the potential for an entity level tax to be imposed on all income of the Liquidation Trust).

D. U.S. Federal Income Tax Treatment With Respect to Holders of Allowed Claims that are Beneficiaries of the Liquidation Trust

Holders of Allowed Claims as of the Effective Date that are beneficiaries of the Liquidation Trust should be treated as receiving from the Zonda Plan Debtors their respective shares of the applicable assets of the Liquidation Trust in satisfaction of their Allowed Claims, and simultaneously transferring such assets to the Liquidation Trust. Accordingly, a Holder of such Claim should generally recognize gain or loss in an amount equal to the amount deemed realized on the Effective Date (as described above) less its adjusted tax basis of its Claim. Additionally, such Holders should generally recognize their allocable share of income, gain, loss and deductions recognized by the Liquidation Trust on an annual basis.

Because a Holder's ultimate share of the assets of the Liquidation Trust based on its Allowed Claim will not be determinable on the Effective Date due to, among other things, the existence of Disputed Claims and the value of the assets at the time of actual receipt not being ascertainable on the Effective Date, such Holder should recognize additional or offsetting gain or loss if, and to the extent that, the aggregate amount of cash and fair market value of the assets of the Liquidation Trust ultimately received by such Holder is greater than or less than the amount used in initially determining gain or loss in accordance with the procedures described in the preceding paragraph. It is unclear when a Holder of an Allowed Claim that is a beneficiary of the Liquidation Trust should recognize, as an additional amount received for purposes of computing gain or loss, an amount attributable to the disallowance of a Disputed Claim.

The character of any gain or loss as capital gain or loss or ordinary income or loss and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the nature and origin of the Claim; (ii) the tax status of the Holder of the Claim; (iii) whether the Claim has been held for more than one year; (iv) the extent to which the Holder previously claimed a loss or bad debt deduction with respect to the Claim; and (v) whether the Claim was acquired at a market discount. A Holder that purchased its Claim from a prior Holder at a market discount may be subject to the market discount rules of the IRC. Under those rules (subject to a *de*

minimis exception), assuming that such Holder has made no election to accrue the market discount and include it in income on a current basis, any gain recognized on the exchange of such Claim generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

It is possible that the Service may assert that any loss should not be recognizable until the Liquidation Trustee makes its final distribution of the assets of the Liquidation Trust. Holders should consult their tax advisors regarding the possibility that the recognition of gain or loss may be deferred until the final distribution of the assets of the Liquidation Trust.

Although not free from doubt, Holders of Disputed Claims should not recognize any gain or loss on the date that the assets of the Zonda Plan Debtors are transferred to the Liquidation Trust, but should recognize gain or loss in an amount equal to: (i) the amount of cash and the fair market value of any other property actually distributed to such Holder less (ii) the adjusted tax basis of its Claim. It is possible, however, that such Holders may be required to recognize the fair market value of such Holder's allocable share of the Liquidation Trust's assets, as an amount received for purposes of computing gain or loss, either on the Effective Date or the date such Holder's Claim becomes an Allowed Claim.

Holders of Allowed Claims will be treated as receiving a payment of interest (includible in income in accordance with the Holder's method of accounting for tax purposes) to the extent that any cash or other property received (or deemed received) pursuant to the Plan is attributable to accrued but unpaid interest, if any, on such Allowed Claims. The extent to which the receipt of cash or other property should be attributable to accrued but unpaid interest is unclear. The Zonda Plan Debtors and the Liquidation Trust intend to take the position that such cash or property distributed pursuant to the Plan will first be allocable to the principal amount of an Allowed Claim and then, to the extent necessary, to any accrued but unpaid interest thereon. Each Holder should consult its tax advisor regarding the determination of the amount of consideration received under the Plan that is attributable to interest (if any). A Holder generally will be entitled to recognize a loss to the extent any accrued interest was previously included in its gross income and is not paid in full.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, NON-U.S., OR NON-INCOME TAX LAW, AND OF ANY CHANGE IN APPLICABLE U.S. TAX LAW.

E. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIM OR U.S. HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, U.S. HOLDERS OF CLAIMS OR INTERESTS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

VIII. CONFIRMATION OF THE PLAN

A. Combined Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a chapter 11 plan. The Bankruptcy Court has scheduled the Combined Hearing to commence on January 24, 2019 at 10:00 a.m. (prevailing Eastern Time). The Combined Hearing may be adjourned from time to time by the Zonda Plan Debtors or the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Combined Hearing or the filing of a notice on the docket of the Chapter 11 Cases.

B. Objections

Any objection to confirmation of the Plan (1) must be in writing, (2) must conform to the Bankruptcy Rules and the Local Bankruptcy Rules for the Bankruptcy Court, (3) must set forth the name of the objector, the nature and amount of Claims or Interests held or asserted by the objector against the Zonda Plan Debtors' estates or property, the basis for the objection and the specific grounds therefor, and (4) must be filed with the Bankruptcy Court, with a copy to the chambers of the Honorable Michael E. Wiles, United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York, together with proof of service thereof, and served upon the parties listed below so as to be received no later than the Plan Objection Deadline of January 17, 2019 at 4:00 p.m. (prevailing Eastern Time):

PDVIII 11700 Katy Freeway, #175 Houston, TX 77079 (713) 334-6662 Attn: Bernie G. Wolford Jr. and Lisa M. Buchanan	TOGUT, SEGAL & SEGAL LLP One Penn Plaza, Suite 3335 New York, New York 10119 (212) 594-5000 Albert Togut Frank A. Oswald Kyle J. Ortiz Amanda C. Glaubach Attorneys to the Zonda Plan Debtors

OFFICE OF THE UNITED STATES TRUSTEE 201 Varick Street, Suite 1006 Attn: Andrea B. Schwartz York, New York 10014 (212) 501-0500	DLA Piper LLP (US) 1202 North Market Street Suite 2100 Wilmington, Delaware 19801 (302) 468-5700 R. Craig Martin Joshua D. Morse Counsel for SHI

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

C. Requirements for Confirmation of the Plan

1. *Requirements of Section 1129(a) of the Bankruptcy Code*

(a) General Requirements

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

(i) The Plan complies with the applicable provisions of the Bankruptcy Code.

(ii) The Zonda Plan Debtors have complied with the applicable provisions of the Bankruptcy Code.

(iii) The Plan has been proposed in good faith and not by any means proscribed by law.

(iv) Payment made or promised by the Zonda Plan Debtors or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been approved or is subject to the approval of the Bankruptcy Court as reasonable.

(v) The Zonda Plan Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Zonda Plan Debtors, an affiliate of the Zonda Plan Debtors participating in a joint plan with the Zonda Plan Debtors, or a successor to the Zonda Plan Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy.

(vi) With respect to each Class of Claims or Interests, each Holder of an Impaired Claim or Impaired Interest either has accepted the Plan or will receive or retain under the Plan on account of such Holder's Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount such Holder would receive or retain if the Zonda Plan Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. *See* discussion of "Best Interests Test" below.

(vii) Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each class of Claims or Interests has either accepted the Plan or is not impaired under the Plan.

(viii) Except to the extent that the Holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Expense Claims will be paid in full on the Effective Date.

(ix) At least one class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such class.

(x) Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtors or any successor to the Zonda Plan Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. *See* "Feasibility Analysis" below.

(xi) All fees payable under section 1930 of title 28, as determined by the Bankruptcy Court at the hearing on confirmation of the Plan, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

(b) Best Interests Test

As noted above, the Bankruptcy Code requires that each Holder of an Impaired Claim or Interest either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. This requirement is referred to as the "best interests test."

The best interests test requires the Bankruptcy Court to determine what the holders of allowed claims and allowed equity interests in each impaired class would receive from a hypothetical liquidation of the debtor's assets and properties in the context of a liquidation under chapter 7 of the Bankruptcy Code. To determine if a plan is in the best interests of each impaired class, the value of the distributions from the proceeds of the liquidation of the debtor's assets and properties (after subtracting the amounts attributable to the aforesaid claims) is then compared with the value offered to such classes of claims and equity interests under the plan.

The Zonda Plan Debtors believe that under the Plan all holders of Impaired Claims and Interests will receive property with a value not less than the value such

Holder would receive in a liquidation under chapter 7 of the Bankruptcy Code. Annexed as Appendix C hereto is a liquidation analysis prepared by APLLC (the "Liquidation Analysis").

The Liquidation Analysis estimates the recoveries that may result from a hypothetical chapter 7 liquidation based upon a number of assumptions that are described therein. The Liquidation Analysis is solely for the purpose of disclosing to holders of Claims and Interests the effects of a hypothetical chapter 7 liquidation of the Zonda Plan Debtors subject to the assumptions set forth therein. There can be no assurance as to values that would actually be realized in a chapter 7 liquidation, nor can there be any assurance that the Bankruptcy Court will accept the Zonda Plan Debtors' conclusions or concur with such assumptions in making its determinations under section 1129(a)(7) of the Bankruptcy Code.

2. *Requirements of Section 1129(b) of the Bankruptcy Code*

The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by a class of Claims or Interests if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

(a) No Unfair Discrimination

The "no unfair discrimination" test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under a plan. A chapter 11 plan of reorganization does not discriminate unfairly, within the meaning of the Bankruptcy Code, if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class of claims or equity interests receives more than it legally is entitled to receive for its claims or equity interests. This test does not require that the treatment be the same or equivalent, but that such treatment is "fair."

The Zonda Plan Debtors believe that, under the Plan, all Impaired classes of Claims and Interests are treated in a manner that is fair and consistent with the treatment of other classes of Claims and Interests having the same priority. Accordingly, the Zonda Plan Debtors believe the Plan does not discriminate unfairly as to any Impaired class of Claims or Interests.

(b) Fair and Equitable Test

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. The test sets forth different standards for what is fair and equitable, depending on the type of claims or interests in such class. In order to demonstrate that a plan is "fair and equitable," the plan proponent must demonstrate the following:

(i) Secured Creditors. With respect to a class of impaired secured claims, a proposed plan must provide the following: (A) that the holders of secured claims retain their liens securing such claims, whether the property subject to such liens

is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the Plan, of at least the value of such holder's interest in the estates' interest in such property, or (B) for the sale, subject to section 363 of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (A) or (C) of this paragraph, or (C) that the holders of secured claims receive the "indubitable equivalent" of their allowed secured claim.

The Zonda Plan Debtors believe that the Plan satisfies the "fair and equitable" test with respect to all secured Claims.

(ii) Unsecured Creditors. With respect to a class of impaired unsecured claims, a proposed plan must provide the following: either (A) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim or (B) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

The Zonda Plan Debtors believe that the Plan satisfies the "fair and equitable" test with respect to all unsecured Claims.

(iii) Holders of Equity Interests. With respect to a class of equity interests, a proposed plan must provide the following: (A) that each holder of an equity interest receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest or (B) that the holder of any interest that is junior to the interests of the class of equity interests will not receive or retain under the Plan on account of such junior interest any property.

The Zonda Plan Debtors believe that the proposed treatment of Interests under the Plan meets the "fair and equitable" test with respect to all Interests.

3. *Alternative to Confirmation and Consummation of the Plan*

The Zonda Plan Debtors have evaluated several alternatives to the Plan. After studying these alternatives, the Zonda Plan Debtors have concluded that the Plan is the best option for the Zonda Plan Debtors and their estates and provides substantial recoveries to parties in interest—assuming confirmation and consummation of the Plan. If the Plan is not confirmed and consummated, the alternatives to the Plan include a sale of the Zonda Plan Debtors' assets under section 363 of the Bankruptcy Code or a liquidation of the Zonda Plan Debtors under chapter 7 of the Bankruptcy Code.

(a) Section 363 Sale

If the Plan is not confirmed, the Zonda Plan Debtors could seek from the Bankruptcy Court, after notice and a hearing, authorization to sell their assets under section 363 of the Bankruptcy Code. Holders of Claims in Classes 1A–1B, 2A–2B, and

4A–4B would be entitled to credit bid, subject to the Adequate Protection Order, on any property to which their security interests are attached, and to offset their Claims against the purchase price of the property. In addition, the security interests in the Debtors' assets held by holders of Claims in Classes 1A–1B, 2A–2B, and 4A–4B attach to the proceeds of any sale of the Zonda Plan Debtors' assets. After these Claims are satisfied, any remaining funds could be used to pay holders of Other Priority Tax Claims and Convenience Claims. The Zonda Plan Debtors would need to file a plan of liquidation or convert the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code in order to distribute any proceeds from a sale.

(b) Liquidation Under Chapter 7

In a chapter 7 case, a trustee is appointed to liquidate a debtor's assets and make distributions to creditors in accordance with the priorities established in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to be paid. Unsecured creditors are paid from any remaining sale proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

The Zonda Plan Debtors believe that the Plan is preferable to a chapter 7 liquidation if the Zonda Plan Debtors Prevail in the Zonda Arbitration, or if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, for several reasons. First, the Zonda Plan Debtors believe that in a chapter 7, it is likely that a chapter 7 trustee with no prior knowledge or experience with the Zonda Plan Debtors would be appointed, increasing the time to resolve the Claims. Second, a chapter 7 trustee would incur expenses in distributing the assets, which would likely include a percentage fee on assets distributed. This percentage fee, which could be significant in a chapter 7 case, will be avoided by the Plan.

The Zonda Plan Debtors believe that if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Plan is preferable to a chapter 7 liquidation because the Plan provides a greater recovery to Holders of Allowed PDSI Interests and Holders of Allowed PDVIII than would a chapter 7 liquidation.

The Zonda Plan Debtors believe that if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Plan is preferable to a chapter 7 liquidation because the Plan provides a greater recovery to Holders of Allowed Convenience Claims.

Based on the Zonda Plan Debtors' analysis, a liquidation of the Zonda Plan Debtors' assets under chapter 7 of the Bankruptcy Code would result in smaller distributions being made to creditors than those provided for under the Plan because of (i) the likelihood that the assets of the Zonda Plan Debtors would have to be sold or otherwise disposed of in a less orderly fashion over a short period of time, and (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation. Accordingly, the Zonda Plan Debtors believe that the Plan is in the best interests of creditors.

4. *Nonconsensual Confirmation*

If any Impaired Class of Claims entitled to vote will not accept the Plan by the requisite statutory majority provided in section 1126(c) of the Bankruptcy Code, the Zonda Plan Debtors reserve the right to amend the Plan or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code or both. With respect to Impaired Classes of Claims that are deemed to reject the Plan, the Zonda Plan Debtors will request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

CONCLUSION AND RECOMMENDATION

The Zonda Plan Debtors believe that confirmation and implementation of the Plan is preferable to any other alternative. The Zonda Plan Debtors urge all Holders of Impaired Claims entitled to vote under the Bankruptcy Code to vote to accept the Plan in accordance with the instructions provided herein and in the Solicitation Packages.

Dated: December 21, 2018
New York, New York

PACIFIC DRILLING SERVICES, INC.

By: */s/ Lisa Manget Buchanan*
Name: Lisa Manget Buchanan
Title: Senior Vice President, General Counsel, and Secretary

PACIFIC DRILLING VIII LIMITED

By: */s/ Lisa Manget Buchanan*
Name: Lisa Manget Buchanan
Title: Senior Vice President, General Counsel, and Secretary

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APPENDIX A

JOINT PLAN OF LIQUIDATION/REORGANIZATION FOR PACIFIC DRILLING SERVICES INC. AND PACIFIC DRILLING VIII LIMITED PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	
	:	Chapter 11
PACIFIC DRILLING VIII LIMITED, *et al.*,	:	
	:	Case No. 17-13203 (MEW)
Debtors.[1]	:	
	:	(Jointly Administered)
	:	

JOINT PLAN OF LIQUIDATION/REORGANIZATION FOR PACIFIC DRILLING SERVICES INC. AND PACIFIC DRILLING VIII LIMITED PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

Albert Togut
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(212) 594-5000

Attorneys for the Zonda Plan Debtors

Dated: December 14, 2018
New York, New York

[1] The Zonda Plan Debtors in these chapter 11 cases, and if applicable, the last four digits of their U.S. taxpayer identification numbers are: Pacific Drilling VIII Limited and Pacific Drilling Services, Inc. (5302).

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INTRODUCTION

Pacific Drilling VIII Limited (BVI) ("***PDVIII***") and Pacific Drilling Services Inc. (US) ("***PDSI***"), as debtors and debtors in possession (the "***Zonda Plan Debtors***"), propose the following joint plan of reorganization for the resolution of the outstanding Claims against and Interests in the Zonda Plan Debtors. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, the Zonda Plan Debtors reserve the right to alter, amend, modify, revoke, or withdraw this Plan, with the consent of SHI, prior to its substantial consummation.

ARTICLE I

DEFINED TERMS AND RULES OF INTERPRETATION

Defined Terms. As used herein, capitalized terms shall have the meanings set forth below. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable.

1.1 ***2017 Noteholders*** means, collectively, the record holders of and owners of beneficial interests in the 2017 Notes.

1.2 ***2017 Notes*** means those certain 7.250% senior secured notes due 2017 issued by PDV pursuant to that certain *Indenture* dated November 28, 2012 among PDV as issuer, PDSA as guarantor, and Deutsche Bank Trust Company Americas, in its capacity as indenture trustee.

1.3 ***2020 Noteholders*** means, collectively, the record holders of and owners of beneficial interests in the 2020 Notes.

1.4 ***2020 Notes*** means those certain 5.375% senior secured notes due 2020 issued by PDSA on June 3, 2013 pursuant to that certain *Indenture* dated June 3, 2013 among PDSA, Pacific Drilling, Inc.; Pacific Drilling Finance S.à r.l.; Pacific Drilling Limited; Pacific Drillship S.à r.l.; Pacific Scirocco Ltd.; Pacific Bora Ltd.; Pacific Mistral Ltd.; Pacific Santa Ana (Gibraltar) Limited; Pacific Santa Ana S.à r.l.; and Pacific Drillship Nigeria Limited, PIDWAL, and Deutsche Bank Trust Company Americas in its capacity as indenture trustee.

1.5 ***Accrued Professional Compensation*** means, at any date, and regardless of whether such amounts are billed or unbilled, all of a Professional's accrued and unpaid fees (including success fees) and reimbursable expenses for services rendered in the Chapter 11 Cases through and including such date, whether or not such Professional has filed a fee application for payment of such fees and expenses, (a) all to the extent that any such fees and expenses have not been previously paid (regardless of whether a fee application has been filed for any such amount) and (b) after applying any retainer that has been provided by the Zonda Plan Debtors to such Professional and not previously applied. No amount of a Professional's fees and expenses denied under a Final Order shall constitute Accrued Professional Compensation.

1.6 ***Ad Hoc Group*** means those certain 2017 Noteholders, 2020 Noteholders, and Term Loan B Lenders identified in the *Fifth Amended Verified Statement of the Ad Hoc Group of Debtholders Pursuant to Bankruptcy Rule 2019* dated September 17, 2018 [Docket No. 596].

1.7 ***Administrative Claim*** means a Claim for costs and expenses of administration of the Chapter 11 Cases under sections 328, 330, 363, 364(c)(1), 365, 503(b), or 507(b) of the Bankruptcy Code, including, but not limited to: (a) any actual and necessary costs and expenses, incurred on or after the Petition Date and through the Effective Date, of preserving the Estates and operating the businesses of the Zonda Plan Debtors; (b) Professional Fee Claims; (c) all fees and charges assessed against the Estates under chapter 123 of title 28 of the United States Code; and (d) all other Claims entitled to administrative Claim status pursuant to an order of the Bankruptcy Court.

1.8 ***Affiliate*** means, with respect to any Person, "affiliate" as defined in section 101(2) of the Bankruptcy Code.

1.9 ***Allowed*** means, with respect to a Claim against any Zonda Plan Debtor, except as otherwise provided herein, (a) a Claim that is (i) listed in the Schedules as of the Effective Date as neither disputed, contingent, nor unliquidated, and for which no Proof of Claim has been timely filed, or (ii) evidenced by a valid Proof of Claim or request for payment of Administrative Claim, as applicable, filed by the applicable Bar Date or Administrative Claims Bar Date, and as to which the Zonda Plan Debtors or other parties in interest have not filed an objection to the allowance thereof by the Claims Objection Deadline, or (b) a Claim that is Allowed under this Plan or any stipulation or settlement approved by, or Final Order of, the Bankruptcy Court; *provided*, *however*, that any Claims allowed solely for the purpose of voting to accept or reject this Plan pursuant to an order of the Bankruptcy Court will not be considered "Allowed Claims" under this Plan. Notwithstanding the foregoing, a Claim shall not be Allowed and shall not be entitled to a distribution under this Plan to the extent it has been satisfied prior to the Effective Date. If a Claim is Allowed only in part, references to Allowed Claims include and are limited to the Allowed portion of such Claim. Notwithstanding anything to the contrary herein, no Claim that is disallowed in accordance with Bankruptcy Rule 3003 or section 502(d) of the Bankruptcy Code is Allowed and each such Claim shall be expunged without further action by the Zonda Plan Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court.

1.10 ***Amended By-Laws*** means, with respect to a Reorganized Zonda Debtor, where applicable, such Reorganized Zonda Debtor's amended or amended and restated by-laws or operating agreement, a substantially final form of which will be contained in the Plan Supplement to the extent they contain material changes to the existing documents.

1.11 ***Amended Certificate of Incorporation*** means, with respect to each Reorganized Zonda Debtor, where applicable, such Reorganized Zonda Debtor's amended or amended and restated certificate of incorporation, or certificate of formation, a substantially final form of which will be contained in the Plan Supplement.

1.12 ***Assumed Contracts*** means those Executory Contracts and Unexpired Leases to be assumed by the applicable Reorganized Zonda Debtors pursuant to the Plan.

1.13 ***Avoidance Action*** means any claim or Cause of Action of an Estate arising out of or maintainable pursuant to sections 510, 541, 542, 543, 544, 545, 547, 548, 549, 550, 551, or 553 of the Bankruptcy Code or under any other similar applicable law, regardless of whether or not such action has been commenced prior to the Effective Date.

1.14 ***Ballot*** means each of the ballot forms distributed to each Holder of a Claim that is entitled to vote to accept or reject this Plan and on which the Holder is to indicate, among other things, acceptance or rejection of this Plan.

1.15 ***Bankruptcy Code*** means title 11 of the United States Code, as now in effect or hereafter amended, to the extent such amendments apply to the Chapter 11 Cases.

1.16 ***Bankruptcy Court*** means the United States Bankruptcy Court for the Southern District of New York.

1.17 ***Bankruptcy Rules*** means the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as now in effect or hereafter amended.

1.18 ***Bar Date*** means, as applicable: (a) the General Bar Date; (b) the later of (i) the General Bar Date and (ii) 5:00 p.m. (prevailing Eastern Time) on the date that is thirty (30) days after entry of a Bankruptcy Court order pursuant to which Executory Contracts or Unexpired Leases are rejected for Claims arising from such rejected agreements; (c) the later of (i) the General Bar Date and (ii) 5:00 p.m. (prevailing Eastern Time) on the date that is thirty (30) days after the date that notice of any applicable amendment or supplement to the Schedules is served on a claimant for those Claims affected by any such amendment or supplement to the Schedules; and (d) May 11, 2018 at 5:00 p.m. (prevailing Eastern Time) for Governmental Units.

1.19 ***Bar Date Order*** means the *Order Establishing Bar Dates for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof* [Docket No. 253].

1.20 ***Business Day*** means any day, other than a Saturday, Sunday, or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

1.21 ***Cash*** means legal tender of the United States of America and equivalents thereof.

1.22 ***Cause of Action*** means any action, proceeding, agreement, Claim, cause of action, controversy, demand, debt, right, action, Avoidance Action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, recoupment, cross-claim, counterclaim, third-party claim, indemnity claim, contribution claim, or any other claim, known or unknown,

contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether pending in litigation or otherwise, in contract or in tort, in law or in equity or pursuant to any other theory of law, based in whole or in part upon any act or omission or other event occurring prior to the Effective Date.

1.23 ***Chapter 11 Case(s)*** means (a) when used with reference to a particular Zonda Plan Debtor, the case under chapter 11 of the Bankruptcy Code commenced by such Zonda Plan Debtor in the Bankruptcy Court and (b) when used with reference to all Zonda Plan Debtors, the cases under chapter 11 of the Bankruptcy Code commenced by the Zonda Plan Debtors in the Bankruptcy Court.

1.24 ***Claim*** means a "claim" against the Zonda Plan Debtors as defined in section 101(5) of the Bankruptcy Code.

1.25 ***Claims Objection Deadline*** means for all Claims, the later of: (a) 180 days after the Effective Date, subject to extension by order of the Bankruptcy Court; (b) 90 days after the filing of a Proof of Claim or request for payment of Administrative Expense Claims for such Claim; and (c) such other objection deadline as may be specifically fixed by this Plan, the Confirmation Order, the Bankruptcy Rules, or a Final Order.

1.26 ***Class*** means a category of Claims or Interests, as described in Article III hereof.

1.27 ***Confirmation*** means the confirmation of this Plan by the Bankruptcy Court under section 1129 of the Bankruptcy Code.

1.28 ***Confirmation Date*** means the date on which the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

1.29 ***Confirmation Hearing*** means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing may be adjourned or continued from time to time.

1.30 ***Confirmation Order*** means the order of the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code, which shall be in form and substance acceptable to the Zonda Plan Debtors and SHI.

1.31 ***Convenience Claim*** means any Claim against the Zonda Plan Debtors that would otherwise be a General Unsecured Claim that is Allowed in the Convenience Claim Amount or less.

1.32 ***Convenience Claim Amount*** means $50,000.

1.33 ***Cure Amount*** means all costs required of the Zonda Plan Debtors to cure any and all monetary defaults, including pecuniary losses, pursuant to Bankruptcy Code section 365, arising under any Assumed Contract.

1.34 ***Debtors*** means, collectively, the Zonda Plan Debtors and the Non-Zonda Debtors.

1.35 ***Disallowed*** means all or such part of a Claim (a) that is disallowed by a Final Order of the Bankruptcy Court or other court of competent jurisdiction or (b) proof of which was required to be filed but as to which a Proof of Claim was not timely or properly filed; unless Allowed by a Final Order of the Bankruptcy Court or other court of competent jurisdiction.

1.36 ***Disbursing Agent*** means any entity in its capacity as a disbursing agent under Section 8.6 hereof, including any Zonda Plan Debtor, Reorganized Zonda Debtor, or the Liquidation Trust, as applicable, that acts in such a capacity.

1.37 ***Disclosure Statement*** means the disclosure statement (including all exhibits and schedules thereto) relating to this Plan, as amended, modified, or supplemented from time to time, which is in form and substance reasonably acceptable to the Zonda Plan Debtors and SHI.

1.38 ***Disputed Claim*** means (a) any Claim as to which the Zonda Plan Debtors have interposed an objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules, or any Claim otherwise disputed by the Zonda Plan Debtors, the Reorganized Zonda Debtors, or other party in interest in accordance with applicable law, which objection has not been withdrawn or determined by a Final Order; (b) any Claim scheduled by the Zonda Plan Debtors as contingent, unliquidated, or disputed; (c) any Claim which amends a claim scheduled by the Zonda Plan Debtors as contingent, unliquidated, or disputed; or (d) any Claim prior to it having become an Allowed Claim.

1.39 ***Distribution Date*** means a date or dates, including the Initial Distribution Date as determined by the Disbursing Agent in accordance with the terms of this Plan, on which the Disbursing Agent makes a distribution to Holders of Allowed Claims.

1.40 ***Distribution Record Date*** except as it relates to holders of public securities, means December 31, 2018.

1.41 ***Do Not Prevail*** means that the Zonda Arbitration Award has been issued and is final and Unappealable and in favor of SHI.

1.42 ***Effective Date*** means the Business Day this Plan becomes effective as provided in Article XI hereof.

1.43 ***Entity*** means "entity" as defined in section 101(15) of the Bankruptcy Code.

1.44 ***Estate(s)*** means, individually, the estate of any of the Zonda Plan Debtors and, collectively, the estates of all of the Zonda Plan Debtors created under section 541 of the Bankruptcy Code.

1.45 ***Exchange Act*** means the Securities Exchange Act of 1934, as now in effect or hereafter amended.

1.46 ***Exculpated Parties*** means, collectively, the Released Parties.

1.47 ***Executory Contract*** means a contract to which one or more of the Zonda Plan Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

1.48 ***Exhibit*** means an exhibit annexed to either this Plan or as an appendix to the Disclosure Statement, as amended, modified, or supplemented from time to time.

1.49 ***Federal Judgment Rate*** means the federal judgment rate, 28 U.S.C. § 1961, in effect as of the Petition Date, compounded annually.

1.50 ***Final Order*** means an order or judgment, the operation or effect of which has not been reversed, stayed, modified, or amended, and as to which order or judgment (or any reversal, stay, modification, or amendment thereof) (a) the time to appeal, seek certiorari, or request re-argument or further review or rehearing has expired and no appeal, petition for certiorari, or request for re-argument or further review or rehearing has been timely filed, or (b) any appeal that has been or may be taken or any petition for certiorari or request for re-argument, further review, or rehearing that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed, from which certiorari was sought, or to which the request was made, and no further appeal, petition for certiorari, or request for re-argument, further review, or rehearing has been or can be taken or granted.

1.51 ***GAAP*** means United States generally accepted accounting principles.

1.52 ***General Bar Date*** means May 1, 2018 at 5:00 p.m. (prevailing Eastern Time), the date by which each Holder of a Claim against any of the Zonda Plan Debtors must have filed a Proof of Claim unless such Claim falls within one of the exceptions set forth in the Bar Date Order.

1.53 ***General Unsecured Claim*** means any Claim against any Zonda Plan Debtor other than an Administrative Claim, a Priority Tax Claim, an Other Priority Claim, a Secured Tax Claim, an Other Secured Claim, a Zonda Secured Claim, a Zonda Deficiency Claim, or an Intercompany Claim.

1.54 ***Governmental Unit*** has the meaning set forth in section 101(27) of the Bankruptcy Code.

1.55 ***Holder*** means a holder of a Claim or Interest, as applicable.

1.56 ***Impaired*** means, when used in reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

1.57 ***Initial Distribution Date*** means the date or dates on which the Disbursing Agent makes the first distribution to Holders of Allowed Claims pursuant to the terms of this Plan.

1.58 ***Insurance Covered Claim*** means Proofs of Claim Nos. 53, 27, 7, and 149 filed in the PDSI Chapter 11 Case, which shall be classified in Class 7A.

1.59 ***Intercompany Claim*** means any and all Claims between and among the Zonda Plan Debtors, the Reorganized Non-Zonda Debtors, the Reorganized Zonda Debtors, and any non-Debtor affiliate.

1.60 ***Interest*** means any equity security in a Zonda Plan Debtor as defined in section 101(16) of the Bankruptcy Code.

1.61 ***IRC*** means the Internal Revenue Code of 1986, as now in effect or hereafter amended.

1.62 ***IRS*** means the Internal Revenue Service.

1.63 ***Lien*** has the meaning set forth in section 101(37) of the Bankruptcy Code.

1.64 ***Liquidation Trust*** means the trust established pursuant to this Plan and in accordance with the Liquidation Trust Agreement.

1.65 ***Liquidation Trust Agreement*** means the agreement between the Zonda Plan Debtors and the Liquidation Trustee as agreed to by the Zonda Plan Debtors and SHI and filed as part of the Plan Supplement and approved pursuant to the Confirmation Order, as the same may be amended from time to time in accordance with its terms.

1.66 ***Liquidation Trust Assets*** means, from and after the Effective Date, all of the assets of the Zonda Plan Debtors, including the Liquidation Trust Funding Amount, and all legal and equitable interests of the Zonda Plan Debtors in Causes of Action and all legal or equitable defenses or counterclaims of the Zonda Plan Debtors to Claims and any other assets to be vested in the Liquidation Trust pursuant to the Liquidation Trust Agreement.

1.67 ***Liquidation Trust Funding Amount*** means an amount not less than two million dollars net of any amounts necessary to pay all Administrative Claims, Priority Tax Claims, Secured Tax Claims, Other Secured Claims, Other Priority Claims, Convenience Claims, and all fees due under 28 U.S.C. § 1930, and to fund the Professional Fee Escrow Amount.

1.68 ***Liquidation Trust Funding Amount Escrow Account*** means an escrow account to be funded with the Liquidation Trust Funding Amount, which will be created by the Zonda Plan Debtors on the Confirmation Date.

1.69 ***Liquidation Trust Funding Reserve*** means the reserve created by the Liquidation Trust with the Liquidation Trust Funding Amount.

1.70 ***Liquidation Trust Interests*** means the beneficial interests in the Liquidation Trust allocable to the Holders of Allowed Zonda Deficiency Claims (and any permitted successors, transferees, or assigns thereof).

1.71 ***Liquidation Trustee*** means such Person or entity designated or appointed by SHI, in consultation with the Zonda Plan Debtors, and approved pursuant to the Confirmation Order or the Liquidation Trust Agreement.

1.72 ***New First Lien Noteholders*** means, collectively, the holders of the New First Lien Notes on the Reorganized Non-Zonda Debtors Effective Date.

1.73 ***New First Lien Notes*** means those certain new first lien notes that mature on October 1, 2023 pursuant to the New First Lien Notes Indenture in the initial aggregate principal amount of $750.0 million, all as set forth in the New First Lien Notes Documentation.

1.74 ***New First Lien Notes Documentation*** means, collectively, the New First Lien Notes Indenture and each other agreement, security agreement, pledge agreement, collateral assignment, mortgage, control agreement, guarantee, certificate, document, or instrument executed and/or delivered in connection with the foregoing, whether or not specifically mentioned herein or therein, as the same may be modified, supplemented, or replaced from time to time.

1.75 ***New First Lien Notes Indenture*** means that certain *Indenture,* dated September 26, 2018, by and among Pacific Drilling First Lien Escrow Issuer Limited and Wilmington Trust, National Association or its successors or assigns, solely in their capacity as indenture trustee under the new first lien notes indenture, a copy of which is included in the Non-Zonda Debtors Plan Supplement as Exhibit A.

1.76 ***New Intercreditor Agreement*** means that certain Intercreditor Agreement, to be dated as of the Reorganized Non-Zonda Debtors Effective Date, by and among Wilmington Trust, National Association as first lien collateral agent and Wilmington Trust, National Association as junior lien collateral agent, and acknowledged and agreed to by the Company and Grantors (each as defined therein), a substantially final form of which is included in the Non-Zonda Debtors Plan Supplement as Exhibit C (as amended, supplemented, or otherwise modified from time to time).

1.77 ***New Second Lien PIK Toggle Noteholders*** means, collectively, the holders of the New Second Lien PIK Toggle Notes on the Reorganized Non-Zonda Debtors Effective Date.

1.78 ***New Second Lien PIK Toggle Notes*** means the new second lien PIK toggle notes that mature on April 1, 2024, issued pursuant to the New Second Lien PIK Toggle Notes Indenture in the initial aggregate amount of $274.0 million, all as set forth in the New Second Lien PIK Toggle Notes Documentation.

1.79 ***New Second Lien PIK Toggle Notes Documentation*** means, collectively, the New Second Lien PIK Toggle Notes Indenture and each other

agreement, security agreement, pledge agreement, collateral assignment, mortgage, control agreement, guarantee, certificate, document, or instrument executed and/or delivered in connection with the foregoing, whether or not specifically mentioned herein or therein, as the same may be modified, supplemented, or replaced from time to time.

1.80 ***New Second Lien PIK Toggle Notes Indenture*** means that certain *Indenture*, dated September 26, 2018, by and among Pacific Drilling Second Lien Escrow Issuer Limited and Wilmington Trust, National Association or its successors and assigns, solely in their capacity as indenture trustee under the new second lien PIK toggle notes indenture, a copy of which is included in the Non-Zonda Debtors Plan Supplement as Exhibit B.

1.81 ***New Secured Debt Documents*** means collectively, the New First Lien Notes Documentation and the New Second Lien PIK Toggle Notes Documentation.

1.82 ***Non-Zonda Debtors*** means PDSA; PDGL; Pacific Drillship (Gibraltar) Limited; Pacific Drilling, Inc.; Pacific Drilling Finance S.à r.l.; Pacific Drilling Limited; Pacific Drillship S.à r.l.; Pacific Sharav S.à r.l.; Pacific Drilling VII Limited; PDV; Pacific Scirocco Ltd.; Pacific Bora Ltd.; Pacific Mistral Ltd.; Pacific Santa Ana (Gibraltar) Limited; Pacific Drilling Operations Limited; Pacific Drilling Operations, Inc.; Pacific Santa Ana S.à r.l.; Pacific Drilling, LLC; Pacific Drillship Nigeria Limited; and Pacific Sharav Korlátolt Felelősségű Társaság.

1.83 ***Non-Zonda Debtors Chapter 11 Cases*** means (a) when used with reference to a particular Non-Zonda Debtor, the case under chapter 11 of the Bankruptcy Code commenced by such Non-Zonda Debtor in the Bankruptcy Court and (b) when used with reference to all Non-Zonda Debtors, the cases under chapter 11 of the Bankruptcy Code commenced by the Non-Zonda Debtors in the Bankruptcy Court.

1.84 ***Non-Zonda Debtors Confirmation Order*** means the *Findings of Fact, Conclusions of Law, and Order Confirming Fourth Amended Joint Plan of Reorganization for Pacific Drilling S.A. and Certain of its Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 746].

1.85 ***Non-Zonda Debtors Disclosure Statement*** means the *Modified Third Amended Disclosure Statement for the Modified Third Joint Plan of Reorganization for Pacific Drilling S.A. and Certain of its Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket. No. 621].

1.86 ***Non-Zonda Debtors Plan*** means the *Modified Fourth Amended Joint Plan of Reorganization for Pacific Drilling S.A. and Certain of its Affiliates Pursuant to Chapter 11 of the Bankruptcy Court,* dated October 31, 2018 [Docket No. 746].

1.87 ***Non-Zonda Debtors Plan Supplement*** means the *Amended Plan Supplement in Connection with the Debtors' Joint Chapter 11 Plan of Reorganization for Certain of the Debtors*, dated October 22, 2018 [Docket No. 690], as may be amended from time-to-time.

1.88 ***Other Priority Claim*** means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than an Administrative Claim or Priority Tax Claim.

1.89 ***Other Secured Claim*** means any Secured Claim against the Zonda Plan Debtors other than a Secured Tax Claim or a Zonda Secured Claim.

1.90 ***Pacific Drilling*** means, collectively, the Debtors and their non-Debtor affiliates.

1.91 ***Pacific Zonda*** means the drillship [Hull No. 2075] in connection with the Zonda Construction Contract between SHI and the Zonda Plan Debtors.

1.92 ***PDGL*** means Debtor Pacific Drilling (Gibraltar) Limited, a privately-held company limited by shares organized under the laws of Gibraltar.

1.93 ***PDSA*** means Debtor Pacific Drilling S.A., a publicly-traded limited liability company *(société anonyme)* organized under the laws of Luxembourg.

1.94 ***PDSI*** means Debtor Pacific Drilling Services, Inc., a privately-held Delaware corporation.

1.95 ***PDV*** means Debtor Pacific Drilling V Limited, a privately-held British Virgin Islands company limited by shares.

1.96 ***PDVIII*** means Debtor Pacific Drilling VIII Limited, a privately-held British Virgin Islands company limited by shares.

1.97 ***Person*** means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization, or other entity.

1.98 ***Petition Date*** means November 12, 2017, the date on which the Zonda Plan Debtors filed their voluntary chapter 11 petitions commencing these Chapter 11 Cases.

1.99 ***PIDWAL*** means non-Debtor Affiliate Pacific International Drilling West Africa Limited, a privately-held Nigerian registered limited liability company.

1.100 ***Plan*** means this chapter 11 plan of reorganization, including the Exhibits and all supplements, appendices, and schedules hereto, either in its current form or as the same may be altered, amended, supplemented, or modified from time to time, which shall be in form and substance acceptable to the Zonda Plan Debtors and SHI.

1.101 ***Plan Documents*** means any of the documents, other than this Plan, to be executed, delivered, assumed, or performed in connection with the occurrence of the Effective Date, including, without limitation, the documents to be included in the Plan Supplement, including, but not limited to, the Liquidation Trust Agreement, which shall be subject to SHI's consent, the New First Lien Notes Indenture, the New Second

Lien PIK Toggle Notes Indenture, the Amended Certificates of Incorporation of the applicable Reorganized Zonda Debtors, and the Amended By-Laws of the applicable Reorganized Zonda Debtors, as applicable.

1.102 ***Plan Supplement*** means any supplement to this Plan, and the compilation of documents, forms of documents, and Exhibits to this Plan, as amended, modified, or supplemented from time to time, initial drafts of which shall be filed by the Zonda Plan Debtors as permitted herein on or before the Plan Supplement Filing Date, in form and substance satisfactory to the applicable parties as provided in this Plan.

1.103 ***Plan Supplement Filing Date*** means the date not later than seven (7) days before the Voting Deadline, which date may be modified by agreement between the Zonda Plan Debtors and SHI.

1.104 ***Prevail*** means that the Zonda Arbitration Award has been issued and is final and Unappealable and is in favor of the Zonda Plan Debtors.

1.105 ***Priority Tax Claim*** means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

1.106 ***Professional*** means any professional employed in these Chapter 11 Cases pursuant to sections 327, 328, 363, or 1103 of the Bankruptcy Code or otherwise.

1.107 ***Professional Fee Claim*** means an Administrative Claim of a Professional for compensation for services rendered or reimbursement of costs attributable to the Zonda Plan Debtors, expenses, or other charges incurred on or after the Reorganized Non-Zonda Debtors Effective Date and prior to and including the Effective Date.

1.108 ***Professional Fee Escrow*** means an escrow account to be funded with the Professional Fee Escrow Amount by the Zonda Plan Debtors and Reorganized Zonda Debtors on the Effective Date solely for the purpose of paying all Allowed Professional Fee Claims.

1.109 ***Professional Fee Escrow Amount*** means the aggregate Accrued Professional Compensation incurred on or after the Reorganized Non-Zonda Debtors Effective Date through the Effective Date as estimated by the Professionals in accordance with Section 2.3.

1.110 ***Pro Rata*** means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims and Disputed Claims within such Class.

1.111 ***Proof of Claim*** means a written proof of Claim filed against any Zonda Plan Debtor in the Chapter 11 Cases.

1.112 ***QPGL*** means Quantum Pacific (Gibraltar) Limited.

1.113 ***Reinstated*** means, with respect to any Claim or Interest, the treatment provided for in section 1124 of the Bankruptcy Code.

1.114 ***Released Party*** means each of: the Zonda Plan Debtors and each of their (i) respective current and former Affiliates, predecessors, successors, assigns, subsidiaries, managed accounts, or funds; and their (ii) current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), principals, members, employees, agents, independent contractors, management companies, investment advisors, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such; *provided*, that equity holders of the Zonda Plan Debtors shall not be a "Released Party" except solely in their capacity as Holders of Claims against the Zonda Plan Debtors; *provided further*, that any Holder of a Claim or Interest that objects to or votes to reject the Plan shall not be a "Released Party."

1.115 ***Releasing Parties*** means, collectively and in each case in their capacity as such: (a) each Released Party; (b) each Holder of a Claim or Interest who was entitled to vote on the Plan and voted to accept the Plan; (c) each Holder of a Claim or Interest who did not vote to accept the Plan but checked the box on the applicable Ballot indicating that they opt to grant the releases provided in the Plan; (d) each Holder of a Claim or Interest to the fullest extent permitted by law; (e) with respect to each of the foregoing Entities in clauses (a) through (d), each of such Entity or Person's respective current and former Affiliates, predecessors, successors, assigns, subsidiaries, managed accounts or funds; and (f) with respect to each of the foregoing Entities or Persons in clauses (a) through (e), such Entities or Persons' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), principals, members, employees, agents, independent contractors, management companies, investment advisors, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

1.116 ***Reorganized Non-Zonda Debtors*** means, collectively, the Non-Zonda Debtors from and after the Reorganized Non-Zonda Debtors Effective Date.

1.117 ***Reorganized Non-Zonda Debtors Effective Date*** means the "Effective Date" as defined in the Non-Zonda Debtors Plan.

1.118 ***Reorganized PDSA*** means PDSA from and after the Non-Zonda Debtors Plan Effective Date.

1.119 ***Reorganized Zonda Debtors*** means, collectively, the Zonda Plan Debtors from and after the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, but not if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration.

1.120 ***Representative*** means any Person's or Entity's current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), principals, members, employees, agents, independent contractors, management companies, investment advisors, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment

bankers, consultants, representatives, and other professionals, each in their capacity as such.

1.121 ***Restructuring Transactions*** means if the Zonda Plan Debtors Prevail in the Zonda Arbitration, but not if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, one or more transactions pursuant to section 1123(a)(5)(D) of the Bankruptcy Code to occur on the Effective Date or as soon as reasonably practicable thereafter, that may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate this Plan, including (a) the consummation of the transactions provided for under or contemplated by the Plan Documents; (b) the execution and delivery of appropriate agreements or other documents containing terms that are consistent with or reasonably necessary to implement the Plan Documents, which agreement or other documents shall contain terms that are consistent with or reasonably necessary to implement the terms of this Plan and the Plan Documents and that satisfy the requirements of applicable law; (c) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any property, right, liability, duty, or obligation on terms consistent with the terms of this Plan and the Plan Documents; and (d) all other actions that the Zonda Plan Debtors or Reorganized Zonda Debtors, as applicable, determine are necessary or appropriate.

1.122 ***Retained Actions*** means all claims, Causes of Action, rights of action, suits, and proceedings, whether in law or in equity, whether known or unknown, which any Zonda Plan Debtor or any Zonda Plan Debtor's Estate may hold against any Person, including, but not limited to: (a) claims and Causes of Action brought prior to the Effective Date; (b) claims and Causes of Action against any Persons for failure to pay for products or services provided or rendered by any of the Zonda Plan Debtors; (c) claims and Causes of Action seeking the recovery of any of the Zonda Plan Debtors' or the Reorganized Zonda Debtors' accounts receivable or other receivables or rights to payment created or arising in the ordinary course of any of the Zonda Plan Debtors' or the Reorganized Zonda Debtors' businesses, including claim overpayments and tax refunds; (d) all Avoidance Actions; and (e) any such claims, Causes of Action, rights of action, suits, or proceedings listed in the Disclosure Statement or any schedules filed by the Zonda Plan Debtors in these Chapter 11 Cases; *provided*, *however*, that Retained Actions shall not include those claims, Causes of Action, rights of action, suits, and proceedings, whether in law or in equity, whether known or unknown, released under Article XII herein.

1.123 ***SEC*** means the U.S. Securities and Exchange Commission.

1.124 ***Securities Act*** means the Securities Act of 1933, as now in effect or hereafter amended.

1.125 ***Schedules*** means the Zonda Plan Debtors' schedules of assets and liabilities and statements of financial affairs, filed under section 521 of the Bankruptcy Code and the Bankruptcy Rules, as amended, supplemented, or modified.

1.126 ***Secured Claim*** means a Claim that is secured by a Lien on property in which a Zonda Plan Debtor's Estate has an interest or that is subject to setoff under

section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of setoff, pursuant to section 553 of the Bankruptcy Code.

1.127 ***Secured Tax Claim*** means any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under sections 502(i) and 507(a)(8) of the Bankruptcy Code (determined irrespective of any time limitation therein and including any related Secured Claim for penalties).

1.128 ***SHI*** means Samsung Heavy Industries, Co., Ltd.

1.129 ***SHI Retained Actions*** means all claims, Causes of Action, rights of action, suits, and proceedings, whether in law or in equity, whether known or unknown, which SHI may hold against any Person, including the claims, causes of action, rights of subrogation, contribution, or indemnification, defenses, suits, debts, remedies, damages, demands, losses, costs, and expenses (including professional fees and expenses) subject to Paragraph 112 of the Non-Zonda Debtors Confirmation Order, and for the avoidance of doubt, subject to the Bar Date Order and any argument regarding the applicability thereof.

1.130 ***Term Loan B Lenders*** means, collectively, those lenders party to that certain Term Loan Agreement, dated as of June 3, 2013 (as amended), among PDSA as borrower, the term loan B lenders, and Cortland Capital Market Services LLC or its successors or assigns, in each case solely in their capacity as administrative agent under that certain $750.0 million term loan facility among PDSA as borrower, the term loan B lenders, and Cortland Capital Market Services LLC or its successors or assigns, in each case solely in their capacity as administrative agent under the term loan credit facility.

1.131 ***Third-Party Release*** means the releases set forth in Section 12.2(b) of this Plan.

1.132 ***Unappealable*** means a final arbitration award in respect of which any challenge to the award or appeal to the English High Court has been finally determined by the arbitral tribunal or the English High Court or English Appellate Courts in accordance with sections 66 to 71 of the Arbitration Act 1996.

1.133 ***Unexpired Lease*** means a lease to which one of more of the Zonda Plan Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

1.134 ***Unimpaired*** means a Claim or Interest that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

1.135 ***Voting Deadline*** means the date by which a Holder of a Claim entitled to vote on this Plan must deliver a Ballot to accept or reject this Plan as set forth in the order of the Bankruptcy Court approving the instructions and procedures relating to the solicitation of votes with respect to this Plan.

1.136 ***Zonda Arbitration*** means the arbitration proceeding commenced by SHI against PDVIII and PDSI in London on November 18, 2015, in response to PDVIII's rescission of the Zonda Construction Contract.

1.137 ***Zonda Arbitration Award*** means (a) a final award or awards issued in connection with the Zonda Arbitration in which liability and damages are determined between SHI, on the one hand, and PDVIII and PDSI, on the other hand, and/or (b) separate final awards issued in connection with the Zonda Arbitration in which liability and damages are determined between SHI and PDVIII and between SHI and PDSI.

1.138 ***Zonda Claims*** means Proofs of Claim Nos. 164, 168, 169, 170, and 176 filed in these Chapter 11 Cases, which shall be classified in Classes 4A–4B and 5A–5B.

1.139 ***Zonda Construction Contract*** means that certain *Contract for Construction and Sale of Drillship* (*Hull No. 2075*) between PDVIII and SHI.

1.140 ***Zonda Deficiency Claim*** means a Claim arising out of or related to the Zonda Claims and the Zonda Construction Contract, solely to the extent such Claim is not a Secured Claim.

1.141 ***Zonda Plan Debtor Release*** means the releases contained in Section 12.2(a) herein.

1.142 ***Zonda Plan Debtors*** means PDVIII and PDSI.

1.143 ***Zonda Secured Claim*** means a claim arising out of or related to the Zonda Claims and the Zonda Construction Contract, solely to the extent that such Claim is a Secured Claim.

Rules of Interpretation and Computation of Time. For purposes of this Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural; (b) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in this Plan to an existing document or schedule filed or to be filed means such document or schedule, as it may have been or may be amended, modified, or supplemented pursuant to this Plan; (d) any reference to an entity as a Holder of a Claim or Interest includes that entity's successors and assigns; (e) all references in this Plan to Sections and Articles are references to Sections and Articles of or to this Plan; (f) the words "herein," "hereunder," and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (h) subject to the provisions of any contract, certificates of incorporation, by-laws, instrument, release, or other agreement or document entered into in connection with this Plan, the rights and obligations arising

under this Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and Bankruptcy Rules; (i) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (j) in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply; (k) "including" means "including without limitation"; and (l) with reference to any distribution under this Plan, "on" a date means on or as soon as reasonably practicable after that date.

Exhibits. All Exhibits are incorporated into and are a part of this Plan as if set forth in full herein, and, to the extent not annexed hereto, such Exhibits shall be filed with the Bankruptcy Court no later than seven (7) days prior to the Voting Deadline. Holders of Claims and Interests may obtain a copy of the Exhibits upon written request to the Zonda Plan Debtors. Upon their filing, the Exhibits may be inspected (a) in the office of the clerk of the Bankruptcy Court or its designee during normal business hours; (b) on the Bankruptcy Court's website at http://nysb.uscourts.gov (registration required); or (c) at our noticing agent's website at https://cases.primeclerk.com/pacificdrilling/. The documents contained in the Exhibits shall be approved by the Bankruptcy Court pursuant to the Confirmation Order.

Controlling Document. In the event of an inconsistency between this Plan and the Plan Supplement, the terms of the relevant document in the Plan Supplement shall control (unless stated otherwise in such Plan Supplement document). The provisions of this Plan and of the Confirmation Order shall be construed in a manner consistent with each other so as to effect the purposes of each; *provided,* that, if there is determined to be any inconsistency between any Plan provision and any provision of the Confirmation Order that cannot be so reconciled, then, solely to the extent of such inconsistency, the provisions of the Confirmation Order shall govern and any such provision of the Confirmation Order shall be deemed a modification of this Plan and shall control and take precedence.

Applicability of Articles V and VI. This Plan contains two Articles that include provisions related to the means for implementation of this Plan. For the avoidance of doubt, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, Article V governs and Article VI is rendered null and void as of the Effective Date. Alternatively, if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration Article VI governs and Article V is rendered null and void as of the Effective Date.

Intercompany Claims and Interests. The summary table in Section 3.2 provides that Classes 8A–8B, 9A, and 9B are either Unimpaired or Impaired under the Plan, and are not entitled to vote, however, such Classes are consenting to the Plan under either scenario.

ARTICLE II

ADMINISTRATIVE EXPENSE AND PRIORITY CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, and Professional Fee Claims are not classified and are not entitled to vote on this Plan.

2.1 ***Administrative Claims***. Unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the date on which an Administrative Claim becomes an Allowed Administrative Claim, or (c) the date on which an Allowed Administrative Claim becomes payable under any agreement relating thereto, each Holder of such Allowed Administrative Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim.

2.2 ***Priority Tax Claims***. The legal and equitable rights of the Holders of Priority Tax Claims, if any, are Unimpaired by this Plan. Unless the Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, on the Effective Date, each Holder of an Allowed Priority Tax Claim shall have such Claim Reinstated.

2.3 ***Professional Fee Claims***.

(a) Professionals shall submit final fee applications seeking approval of all Professional Fee Claims by the Bankruptcy Court no later than sixty (60) days after the Effective Date. These applications remain subject to Bankruptcy Court approval under the standards established by the Bankruptcy Code, including the requirements of sections 327, 328, 330, 331, 363, 503(b), and 1103 of the Bankruptcy Code, as applicable. Payments to Professionals shall be made upon entry of an order approving such Professional Fee Claims.

(b) The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date in the ordinary course without the need for Bankruptcy Court approval.

(c) On the Effective Date, the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, will establish and fund the Professional Fee Escrow with Cash remaining in the PDSI bank accounts of the Effective Date or from the Liquidation Trust Assets, as applicable, equal to the Professional Fee Escrow Amount.

ARTICLE III

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

3.1 ***Classification in General***. Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Interests in the Zonda Plan Debtors. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to this Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date. Subject to the payment of any joint and several obligations between the Zonda Plan Debtors, each Zonda Plan Debtor shall be responsible for satisfying the Claims and Administrative Claims against and Interests in such Zonda Plan Debtor from such Zonda Plan Debtor's assets.

3.2 ***Summary of Classification***. For administrative convenience, this Plan organizes the Zonda Plan Debtors into two (2) groups (each a "***Zonda Plan Debtor Group***") and assigns a letter to each Zonda Plan Debtor Group. Notwithstanding this organizing principle, this plan is a separate plan of reorganization for each Zonda Plan Debtor. To the extent that a Holder has a Claim that may be asserted against more than one Zonda Plan Debtor in a Zonda Plan Debtor Group, the vote of such Holder in connection with such Claims shall be counted as a vote of such Claim against each Zonda Plan Debtor in such Zonda Plan Debtor Group. For consistency, similarly designated Classes of Claims and Interests are assigned the same number across each of the Zonda Plan Debtor Groups. Any non-sequential enumeration of the Classes is intentional to maintain consistency.

Letter	Zonda Plan Debtor Group
A	PDSI
B	PDVIII

The following table designates the Classes of Claims against and Interests in the Zonda Plan Debtors and specifies which of those Classes are (a) Impaired or Unimpaired by this Plan, (b) entitled to vote to accept or reject this Plan in accordance with section 1126 of the Bankruptcy Code, and (c) deemed to accept or reject this Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in this Section 3.2. All of the potential Classes for the Zonda Plan Debtors are set forth herein. Certain of the Zonda Plan Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Section 4.3 hereof.

Class(es)	Designation	Impairment	Entitled to Vote
1A–1B	Secured Tax Claims	Unimpaired	No (deemed to accept)
2A–2B	Other Secured Claims	Unimpaired	No (deemed to accept)
3A–3B	Other Priority Claims	Unimpaired	No (deemed to accept)
4A–4B	Zonda Secured Claims	Impaired	Yes
5A–5B	Zonda Deficiency Claims	Impaired	Yes
6A–6B	Convenience Claims	Unimpaired	No (deemed to accept)
7A	Insurance Covered Claims	Unimpaired	No (deemed to accept)
8A–8B	Intercompany Claims	Unimpaired/ Impaired	No, but consenting to the Plan under either scenario
9A	PDSI Interests	Unimpaired/Impaired	No, but consenting to the Plan under either scenario
9B	PDVIII Interests	Unimpaired/Impaired	No, but consenting to the Plan under either scenario

3.3 ***Treatment of Classes***.

(a) *Classes 1A through 1B – Secured Tax Claims*

(i) *Claims in Class*: Classes 1A and 1B consist of all Secured Tax Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Secured Tax Claim agrees to less favorable treatment, each Holder of an Allowed Secured Tax Claim shall receive, on account of and in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Secured Tax Claim and any Lien securing such Claim, Cash in the amount of such Allowed Secured Tax Claim: on or as soon as reasonably practicable after, the later of (A) the Effective Date and (B) the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim.

All Allowed Secured Tax Claims that are not due and payable on or before the Effective Date shall be paid by the Reorganized Zonda Debtors when such Claims become due and payable in the ordinary course of business in accordance with the terms thereof.

(iii) *Voting*: Claims in Classes 1A and 1B are Unimpaired, and the Holders of Allowed Secured Tax Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Secured Tax Claims are not entitled to vote to accept or reject this Plan.

(b) *Classes 2A through 2B – Other Secured Claims*

(i) *Claims in Class:* Classes 2A and 2B consist of all Other Secured Claims.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed Other Secured Claim agrees to less favorable treatment, on or as soon as reasonably practicable after (A) the Effective Date if such Other Secured Claim is an Allowed Other Secured Claim on the Effective Date or (B) the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, each Holder of an Allowed Other Secured Claim shall receive from its respective Zonda Plan Debtor, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Other Secured Claim and any Lien securing such Claim, at the option of the Zonda Plan Debtors: (x) payment in full in Cash, plus postpetition interest, if applicable; (y) Reinstatement or such other treatment sufficient to render the Holder of such Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code; or (z) the return of the applicable collateral in satisfaction of the Allowed amount of such Other Secured Claim.

(iii) *Voting:* Claims in Classes 2A and 2B are Unimpaired, and the Holders of Allowed Other Secured Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Other Secured Claims are not entitled to vote to accept or reject this Plan.

(c) *Classes 3A through 3B – Other Priority Claims*

(i) *Claims in Class:* Classes 3A and 3B consist of all Other Priority Claims.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed Other Priority Claim agrees to less favorable treatment, on or as soon as reasonably practicable after (A) the Effective Date if such Other Priority Claim is an Allowed Other Priority Claim on the Effective Date or (B) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, each Holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Other Priority Claim, Cash equal to the unpaid portion of such Allowed Other Priority Claim.

(iii) *Voting:* Claims in Classes 3A and 3B are Unimpaired, and the Holders of Allowed Other Priority Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Other Priority Claims are not entitled to vote to accept or reject this Plan.

(d) *Classes 4A through 4B – Zonda Secured Claims*

(i) *Claims in Class:* Classes 4A and 4B consist of all Zonda Secured Claims.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed Zonda Secured Claim agrees to less favorable treatment, on or as soon as

reasonably practicable after the Effective Date, each Holder of an Allowed Zonda Secured Claim shall receive at the option of SHI, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Zonda Secured Claim either (a) Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Zonda Secured Claim, (b) the proceeds of the sale or disposition of the *Pacific Zonda*, (c) the *Pacific Zonda* securing such Allowed Zonda Secured Claim, (d) such treatment that leaves unaltered the legal, equitable, and contractual rights to which the Holder of such Allowed Zonda Secured Claim is entitled, or (e) such other distribution as necessary to satisfy the requirements of section 1129 of the Bankruptcy Code. If an Allowed Zonda Secured Claim is paid in full under this Section, the Liens securing such Zonda Secured Claim shall be deemed released.

For the avoidance of doubt, the Zonda Secured Claims will be disallowed if the Zonda Plan Debtors Prevail in the Zonda Arbitration.

(iii) *Voting*: Claims in Classes 4A and 4B are Impaired. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Zonda Secured Claim is entitled to vote to accept or reject this Plan.

(e) *Classes 5A through 5B –Zonda Deficiency Claims*

(i) *Claims in Class:* Classes 5A and 5B consist of all Zonda Deficiency Claims.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed Zonda Deficiency Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Zonda Deficiency Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Zonda Deficiency Claim its Pro Rata share of the Liquidation Trust Interests based on the Allowed amount of its Claim.

For the avoidance of doubt, the Zonda Deficiency Claims will be disallowed if the Zonda Plan Debtors Prevail in the Zonda Arbitration.

(iii) *Voting:* Claims in Classes 5A and 5B are Impaired. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Zonda Deficiency Claim is entitled to vote to accept or reject this Plan.

(f) *Classes 6A through 6B – Convenience Claims*

(i) Claims in Class: Classes 6A and 6B consist of all Convenience Claims.

(ii) Treatment: Except to the extent that a Holder of an Allowed Convenience Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Convenience Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Convenience Claim, payment in full in Cash.

(iii) Voting: Claims in Classes 6A and 6B are Unimpaired, and the Holders of Allowed Convenience Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Allowed Convenience Claims are not entitled to vote to accept or reject this Plan.

(g) *Class 7A –Insurance Covered Claims*

(i) *Claims in Class:* Class 7A consists of all Insurance Covered Claims.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed Insurance Covered Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Insurance Covered Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Insurance Covered Claim, (A) payment in Cash in an amount equal to such Allowed Insurance Covered Claim on the Effective Date; or (B) such other treatment as may be required so as to render such Allowed Insurance Covered Claim Unimpaired. For the avoidance of doubt, Holders of Allowed Insurance Covered Claims will look solely to applicable insurance for payment.

(iii) *Voting:* Claims in Class 7A are Unimpaired, and the Holders of Allowed Insurance Covered Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Allowed Insurance Covered Claims are not entitled to vote to accept or reject this Plan.

(h) *Classes 8A through 8B – Intercompany Claims*

(i) *Claims in Class*: Classes 8A and 8B consist of all Intercompany Claims.

(ii) *Treatment:* Except to the extent that a Holder of an Allowed Intercompany Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Intercompany Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Intercompany Claim:

(A) If the Zonda Plan Debtors Prevail in the Zonda Arbitration, all Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged, or eliminated, in each case to the extent determined to be appropriate by the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable; or

(B) if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged, or eliminated, in each case to the extent determined to be appropriate by the Liquidation Trust.

(iii) *Voting:* Claims in Classes 8A and 8B are either Unimpaired, and each Holder of an Allowed Intercompany Claim is conclusively presumed to have accepted this Plan under section 1126(f) of the Bankruptcy Code, or Impaired, and each Holder of an Allowed Intercompany Claim is conclusively deemed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code. However, Holders of Allowed Intercompany Claims have agreed to be deemed to accept this Plan under either scenario.

(i) *Class 9A – PDSI Interests*

(i) *Claims in Class*: Class 9A consists of all PDSI Interests.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed PDSI Interest agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed PDSI Interest shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed PDSI Interest:

(A) If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Holders of Allowed PDSI Interests will receive all remaining assets of PDSI after distributions to Classes 1A–1B through 8A–8B; or

(B) if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all PDSI Interests will be extinguished.

(iii) *Voting*: Claims in Class 9A are either Unimpaired, and each Holder of an Allowed PDSI Interest is conclusively presumed to have accepted this Plan under section 1126(f) of the Bankruptcy Code, or Impaired, and each Holder of an Allowed PDSI Interest is conclusively deemed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code. However, Holders of Allowed PDSI Interests have agreed to be deemed to accept this Plan under either scenario.

(j) *Class 9B – PDVIII Interests*

(i) *Claims in Class*: Class 9B consists of all PDVIII Interests.

(ii) *Treatment*: Except to the extent that a Holder of an Allowed PDVIII Interest agrees to less favorable treatment, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed PDVIII Interest shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed PDVIII Interest:

(A) If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Holders of Allowed PDVIII Interests will receive all remaining assets of PDVIII after distributions to Classes1A–1B through 8A–8B; or

(B) if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all PDVIII Interests will be extinguished.

(iii) *Voting*: Claims in Class 9B are either Unimpaired, and each Holder of an Allowed PDVIII Interest is conclusively presumed to have accepted this Plan under section 1126(f) of the Bankruptcy Code, or Impaired, and each Holder of an Allowed PDVIII Interest is conclusively deemed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code. However, Holders of Allowed PDVIII Interests have agreed to be deemed to accept this Plan under either scenario.

3.4 ***Alternative Treatment***. Notwithstanding any provision herein to the contrary, any Holder of an Allowed Claim may receive, instead of the distribution or treatment to which it is entitled hereunder, any other distribution or treatment to which it and the Zonda Plan Debtors may agree in writing, with the consent of SHI; *provided*, *however*, that under no circumstances may the Zonda Plan Debtors agree to provide any other distribution or treatment to any Holder of an Allowed Claim that would adversely impair the distribution or treatment provided to any other Holder of an Allowed Claim.

3.5 ***Special Provision Regarding Unimpaired Claims***. Except as otherwise provided in this Plan, nothing shall affect the Zonda Plan Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including but not limited to all rights with respect to legal and equitable defenses to setoffs against or recoupments of Unimpaired Claims.

ARTICLE IV

ACCEPTANCE OR REJECTION OF THIS PLAN

4.1 ***Acceptance by Class Entitled to Vote***. Classes 4A–4B and 5A–5B are the Classes of Claims of the Zonda Plan Debtors that are entitled to vote to accept or reject this Plan. Classes 4A–4B and 5A–5B shall have accepted this Plan if (a) the Holders of at least two-thirds in amount of the Allowed Claims actually voting in each Class have voted to accept this Plan and (b) the Holders of more than one-half in number of the Allowed Claims actually voting in each Class have voted to accept this Plan, not counting the vote of any Holder designated under section 1126(e) of the Bankruptcy Code. If there are no votes cast in the Class that is entitled to vote on this Plan, then this Plan shall be deemed accepted by such Class.

4.2 ***Presumed Acceptance of this Plan***. Classes 1A–1B, 2A–2B, 3A–3B, 6A–6B, and 7A are Unimpaired. Therefore, such Classes are deemed to have accepted this Plan by operation of law and are not entitled to vote to accept or reject this Plan.

4.3 ***Elimination of Classes***. To the extent applicable, any Class that does not contain any Allowed Claims or any Claims temporarily allowed for voting purposes under Bankruptcy Rule 3018, as of the date of the commencement of the Confirmation Hearing, shall be deemed to have been deleted from this Plan for

purposes of (a) voting to accept or reject this Plan and (b) determining whether it has accepted or rejected this Plan under section 1129(a)(8) of the Bankruptcy Code.

4.4 ***Cramdown***. The Zonda Plan Debtors request Confirmation of this Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code, to the extent applicable, subject to SHI's express written consent. The Zonda Plan Debtors reserve the right to modify this Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THIS PLAN IF THE ZONDA PLAN DEBTORS PREVAIL IN THE ZONDA ARBITRATION

5.1 ***Continued Corporate Existence and Vesting of Assets***. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, except as otherwise provided in this Plan, each Zonda Plan Debtor shall continue to exist after the Effective Date as a separate corporate Entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Zonda Plan Debtor is incorporated or formed and pursuant to the respective certificate of incorporation, where applicable and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by this Plan, the Plan Supplement, or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to this Plan and require no further action or approval, as permitted by applicable law. On or after the Effective Date, each Reorganized Zonda Debtor may take such action as permitted by applicable law and such Reorganized Zonda Debtor's organizational documents, as such Reorganized Zonda Debtor may determine is reasonable and appropriate, including causing: (i) a Reorganized Zonda Debtor to be merged into another Reorganized Debtor or its Affiliate; (ii) a Reorganized Zonda Debtor to be dissolved; (iii) the legal name of a Reorganized Zonda Debtor to be changed; (iv) a Reorganized Zonda Debtor to reorganize under the laws of another jurisdiction; or (v) the closure of a Reorganized Zonda Debtor's Chapter 11 Case on the Effective Date or any time thereafter.

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, except as otherwise provided herein, on the Effective Date, all property of each Zonda Plan Debtor's Estate, including any property held or acquired by each Zonda Plan Debtor or Reorganized Zonda Debtor under this Plan or otherwise, will vest in such Reorganized Zonda Debtor free and clear of all Claims, Liens, charges, other encumbrances, Interests, and other interests, except for the Liens and Claims established under this Plan.

If the Zonda Plan Debtors Prevail in the Zonda Arbitration, on and after the Effective Date, each Reorganized Zonda Debtor may operate its business and may use, acquire, and dispose of property and maintain, prosecute, abandon, compromise, or settle any Claims or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, subject only to those restrictions expressly imposed by this Plan or the

Confirmation Order, as well as the documents and instruments executed and delivered in connection therewith, including the documents, exhibits, instruments, and other materials comprising the Plan Supplement.

5.2 ***Sources of Cash for Distributions and Operations***. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, all Cash necessary for the Reorganized Zonda Debtors to make payments required by this Plan and for post-Confirmation operations shall be obtained from (a) existing Cash held by the Reorganized Zonda Debtors on the Effective Date after giving effect to the Professional Fee Escrow, (b) proceeds from any Retained Actions, and (c) proceeds from the Zonda Arbitration Award.

5.3 ***Restructuring Transactions.*** If the Zonda Plan Debtors Prevail in the Zonda Arbitration, on or as soon as practicable after the Effective Date, the Reorganized Zonda Debtors are authorized, without further order of the Bankruptcy Court, to take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to satisfy the Zonda Plan Debtors' springing obligations under the New First Lien Notes and the New Second Lien PIK Toggle Notes including, without limitation: (a) the execution and delivery of all appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of this Plan and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of this Plan and having other terms for which the applicable parties agree; (c) rejection or assumption, as applicable, of Executory Contracts and Unexpired Leases; (d) the filing and/or execution of appropriate limited liability company agreements, certificates, or articles of incorporation or organization, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; (e) the consummation of the transactions contemplated by the New First Lien Notes Documentation, and the New Second Lien PIK Toggle Notes Documentation, and the execution thereof; (f) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

5.4 ***Intercompany Claims.*** If the Zonda Plan Debtors Prevail in the Zonda Arbitration, Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged or eliminated, in each case to the extent determined to be appropriate by the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Allowed Intercompany Claims shall be paid, adjusted, continued, settled, Reinstated, discharged or eliminated, in each case to the extent determined to be appropriate by the Liquidation Trust.

5.5 ***Effectuating Documents; Further Transactions***. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the chairman of the board of directors, president, chief executive officer, chief financial officer, manager, or any other appropriate officer of the Zonda Plan Debtors or, after the Effective Date, the

Reorganized Zonda Debtors, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan. The secretary of the Zonda Plan Debtors, or, after the Effective Date, of the Reorganized Zonda Debtors, shall be authorized to certify or attest to any of the foregoing actions.

5.6 ***Exemption from Certain Transfer Taxes and Recording Fees***. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, to the maximum extent provided by section 1146(a) of the Bankruptcy Code, any post-Confirmation sale by any Zonda Plan Debtor or any transfer from any Entity pursuant to, in contemplation of, or in connection with this Plan or pursuant to: (a) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Zonda Plan Debtors; or (b) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, including any deeds, bills of sale, assignments, or other instruments of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to this Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, in each case to the extent permitted by applicable bankruptcy law, and the appropriate state or local government officials or agents shall forego collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

5.7 ***Enforcement of Zonda Arbitration Award Against SHI***. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, SHI shall have ten (10) days to satisfy the Zonda Arbitration Award during which time the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable, shall not take any actions against SHI to enforce such Zonda Arbitration Award.

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THIS PLAN IF THE ZONDA PLAN DEBTORS DO NOT PREVAIL IN THE ZONDA ARBITRATION

6.1 ***Continued Corporate Existence and Vesting of Assets in the Liquidation Trust.*** If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, except as otherwise provided herein, on the Effective Date, the proceeds of the Liquidation Trust Funding Amount Escrow Account shall be transferred to the Liquidation Trust, free and clear as provided in the Plan or the Liquidation Trust Agreement.

If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, except as otherwise provided in this Plan, PDVIII shall be deemed dissolved on the Effective Date and its Chapter 11 Case shall be deemed closed without any further order of the Bankruptcy Court, and PDSI shall continue to exist after the Effective Date as a separate corporate Entity, with all the powers of a corporation, pursuant to the applicable law in

Delaware, the jurisdiction in which PDSI is incorporated, and pursuant to the respective certificate of incorporation, and amended and restated bylaws in effect prior to the Effective Date, except to the extent such certificate of incorporation and amended and restated bylaws are amended by this Plan, the Plan Supplement, or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to this Plan and require no further action or approval, as permitted by applicable law. On or after the Effective Date, PDSI may, in the Liquidation Trust's sole discretion, take such action as permitted by applicable law, and PDSI's organizational documents, as the Liquidation Trust may determine is reasonable and appropriate, including causing: (a) PDSI to be merged into the Liquidation Trust; (b) PDSI to be dissolved; (c) the legal name of PDSI to be changed; (d) PDSI to reorganize under the laws of another jurisdiction; or (e) the closure of a Reorganized Zonda Debtor's Chapter 11 Case on the Effective Date or any time thereafter. PDSI should be deemed dissolved upon termination of the Liquidation Trust, or the wind down of the Liquidation Trust, as provided in the Plan or the Liquidation Trust Agreement.

6.2 ***Sources of Cash for Payment of Claims***. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, all Cash necessary for the Liquidation Trust to make payments required by this Plan shall be obtained from (a) existing Cash held by the Zonda Plan Debtors, (b) the disposition of the *Pacific Zonda*, (c) the disposition of the Zonda Plan Debtors' equipment on the *Pacific Zonda*, (d) proceeds from any Retained Actions, and (e) the Liquidation Trust Funding Amount.

6.3 ***Creation of the Liquidation Trust and Appointment of the Liquidation Trustee.***

(a) *Creation of the Liquidation Trust.* If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on the Effective Date, the Liquidation Trust shall be formed pursuant to this Plan and the Liquidation Trust shall be established and become effective in accordance with the Liquidation Trust Agreement to liquidate the Liquidation Trust Assets, including, without limitation, the prosecution of the Retained Actions under the jurisdiction of the Bankruptcy Court and to enable the Liquidation Trustee to distribute the proceeds thereof to Holders of Allowed Zonda Deficiency Claims in accordance with the Plan and the Liquidation Trust Agreement; *provided, however,* that if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Non-Zonda Debtors shall have ten (10) days to satisfy the Zonda Arbitration Award during which time the Liquidation Trustee may not bring any Retained Actions. The Liquidation Trust, when established pursuant to the Plan and the Liquidation Trust Agreement, will be an affiliate of the Zonda Plan Debtors (within the meaning and solely for purposes of Sections 1125(e) and 1145(a) of the Bankruptcy Code). The Liquidation Trust shall be established for the sole purpose of liquidating and distributing the assets of the Zonda Plan Debtors contributed to such Liquidation Trust in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The terms of the Liquidation Trust Agreement shall be satisfactory in form and substance to SHI, and shall be established in consultation with the Zonda Plan Debtors. In the event of any conflict or inconsistency between the Plan and the Liquidation Trust Agreement, as such conflict or inconsistency relates to the establishment of the Liquidation Trust, the terms of the Plan shall govern.

(b) *Liquidation Trust Agreement and Appointment of the Liquidation Trustee.* If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on the Effective Date, the Liquidation Trust Agreement shall be executed by the Zonda Plan Debtors and the Liquidation Trustee and shall become effective without further action by any party. The Liquidation Trustee shall be selected by SHI, in consultation with the Zonda Plan Debtors, and approved pursuant to the Confirmation Order or the Liquidation Trust Agreement.

(c) *Liquidation Trust Assets.* If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the assets of the Liquidation Trust shall consist of the Liquidation Trust Assets. On the Effective Date, the proceeds of the Liquidation Trust Funding Amount Escrow Account shall be released to the Liquidation Trust. Following the transfer of the Liquidation Trust Assets to the Liquidation Trust, the Liquidation Trust will constitute a successor of the Zonda Plan Debtors under the Plan (within the meaning and solely for purposes of Sections 1125(e) and 1145(a) of the Bankruptcy Code). The Liquidation Trust Assets will be transferred free and clear, as provided in the Plan or the Liquidation Trust Agreement. Such transfer shall be exempt from any stamp, real estate transfer, mortgage reporting, sales, use or other similar tax, pursuant to § 1146(a) of the Bankruptcy Code.

6.4 ***General Powers, Rights, and Responsibilities of the Liquidation Trustee.*** If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, after the Effective Date, pursuant to the Liquidation Trust Agreement, the Liquidation Trustee shall have the authority and right on behalf of the Zonda Plan Debtors without the need for Bankruptcy Court approval (unless otherwise expressly indicated herein), to carry out and implement all provisions of the Zonda Plan, including, without limitation, to:

(a) oversee and control the Liquidation Trust;

(b) collect and liquidate the Liquidation Trust Assets under the jurisdiction of the Bankruptcy Court;

(c) assert, prosecute, pursue, compromise and settle in accordance with the Liquidation Trustee's reasonable business judgment, all Claims and Causes of Action, and enforce all legal or equitable remedies and defenses belonging to the Zonda Plan Debtors or their Estates, including, without limitation, setoff, recoupment and any rights under section 502(d) of the Bankruptcy Code;

(d) object to Claims in accordance with the Liquidation Trustee's reasonable business judgment;

(e) make distributions to Holders of Allowed Zonda Deficiency Claims;

(f) exercise reasonable business judgment to direct and control the wind down, liquidation, sale, and/or abandoning of the remaining assets of the Zonda Plan Debtors and in accordance with applicable law as necessary to maximize distributions to Holders of Allowed Zonda Deficiency Claims;

(g) prosecute all Causes of Action (other than those Causes of Action that are released, waived, or transferred pursuant to the Plan) on behalf of the Zonda Plan Debtors for the benefit of Holders of Allowed Zonda Deficiency Claims, elect not to pursue any Causes of Action, and determine whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Causes of Action, as the Liquidation Trustee may determine is in the best interests of the Holders of Allowed Zonda Deficiency Claims;

(h) retain professionals to assist in performing the Liquidation Trustee's duties under this Plan;

(i) maintain the books and records and accounts of the Liquidation Trust;

(j) invest the Cash of the Liquidation Trust (other than the Liquidation Trust Reserve), and any income earned thereon;

(k) incur and pay reasonable and necessary expenses in connection with the performance of the Liquidation Trustee's duties under this Plan, including the reasonable fees and expenses of professionals retained by the Liquidation Trust;

(l) administer the Liquidation Trust's tax obligations, including (1) filing tax returns and paying tax obligations, (2) requesting, if necessary, an expedited determination of any unpaid tax liability of the Liquidation Trust under Bankruptcy Code section 505(b) for all taxable periods of such Zonda Plan Debtor ending after the Petition Date through the liquidation of the Liquidation Trust as determined under applicable tax laws, and (3) representing the interest and account of the Liquidation Trust before any taxing authority in all matters including, without limitation, any action, suit, proceeding or audit;

(m) prepare and file any and all informational returns, reports, statements, returns or disclosures relating to the Liquidation Trust that are required hereunder, by any Governmental Unit or under applicable law; and

(n) perform other duties and functions that are consistent with the implementation of this Plan.

6.5 ***Indemnification.*** If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust shall indemnify and hold harmless the Liquidation Trustee, solely in his or her capacity as the Liquidation Trustee for any losses incurred in such capacity, except to the extent such losses were the result of the Liquidation Trustee's gross negligence, willful misconduct, or criminal conduct**.**

6.6 ***Issuance of Liquidation Trust Interests.***

(a) *Liquidation Trust Interests.* If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, Liquidation Trust Interests shall be distributed to Holders of Allowed Zonda Deficiency Claims on a Pro Rata basis based on the Allowed

amount of their Claims and in exchange for such claims. In such event, on or before the Effective Date, the Zonda Plan Debtors shall deliver to the Liquidation Trust a list of each Person to receive Liquidation Trust Interests as of the Effective Date pursuant to the Plan, including the Allowed amounts of the Zonda Deficiency Claims and the address of each such Person.

(b) *Register of Liquidation Trust Interests; Non-Transferability of Liquidation Trust Interests; Reports*. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust shall maintain a register of the Holders of Liquidation Trust Interests. To the extent permitted in the Plan and the Liquidation Trust Agreement, upon notice to the Liquidation Trust by any Holder or transferee of a Liquidation Trust Interest, the Liquidation Trustee shall amend the register to reflect any transfer of a Liquidation Trust Interest by such Holder to a transferee as set forth in the notice; *provided, however*, that the Liquidation Trust need not reflect any transfer (or make any distribution to any transferee) and will give notice to such Holder that no transfer has been recognized in the event the Liquidation Trust reasonably believes that such transfer (or the distribution to such transferee) may constitute a violation of applicable laws or might cause the Liquidation Trust to be required to register Liquidation Trust Interests, or to become a reporting company under the Exchange Act. The Liquidation Trust Interests may not be transferred or assigned, except by will, intestate succession or operation of law, and will not be represented by certificates. Neither the Liquidation Trust nor other persons affiliated with the Liquidation Trust nor PDSI will take any actions to facilitate or encourage any trading in the Liquidation Trusts Interests or any instrument or interest tied to the value of the Liquidation Trust Interests. The Liquidation Trust shall provide each Holder of Liquidation Trust Interests with periodic reports at least annually containing unaudited financial information prepared in accordance with GAAP.

6.7 ***Federal Income Tax Treatment of the Liquidation Trust***. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust generally is intended to be treated for United States federal income tax purposes, (i) in part as a grantor trust that is a liquidating trust within the meaning of Treasury Regulations § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, and (ii) in part as one or more disputed ownership funds within the meaning of Treasury Regulations § 1.468B-9(b)(1). For United States federal income tax purposes, the transfer of the Liquidation Trust Assets to the Liquidation Trust will be treated as a transfer of the Liquidation Trust Assets from the Zonda Plan Debtors to the Holders of Liquidation Trust Interests, followed by the Holders of Liquidation Trust Interests' transfer of the Liquidation Trust Assets to the Liquidation Trust. The Holders of Liquidation Trust Interests will thereafter be treated for U.S. federal income tax purposes as the grantors and deemed owners of their respective shares of the Liquidation Trust Assets. The Holders of Liquidation Trust Interests shall include in their annual taxable incomes, and pay tax to the extent due on, their allocable shares of each item of income, gain, deduction, loss and credit, and all other such items shall be allocated by the Liquidation Trust to the Holders of Liquidation Trust Interests using any reasonable allocation method.

The Liquidation Trustee will be required by the Liquidation Trust Agreement to file income tax returns for the Liquidation Trust as a grantor trust of the

Holders of the Liquidation Trust Interests (and file separate returns for the disputed ownership fund(s) pursuant to Treasury Regulations § 1.468B-9(b)(1) and pay all taxes owed on any net income or gain of the disputed ownership fund(s), on a current basis from Liquidation Trust Assets). In addition, the Liquidation Trust Agreement will require consistent valuation by the Liquidation Trust and the Holders of Liquidation Trust Interests, for all federal income tax and reporting purposes, of any property held by the Liquidation Trust. The Liquidation Trust Agreement also will limit the investment powers of the Liquidation Trust in accordance with IRS Rev. Proc. 94-45 and will require the Liquidation Trust to distribute at least annually to the Holders of Liquidation Trust Interests (as such may have been determined at such time) its net income (net of any payment of or provision for taxes), except for amounts retained as reasonably necessary to maintain the value of the Liquidation Trust Assets.

6.8 ***Liquidation Trust Funding.*** If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, on or as soon as practicable after the Effective Date, the Liquidation Trust Funding Reserve shall be established from the Liquidation Trust Assets. Subject to the provisions of the Liquidation Trust Agreement, the Liquidation Trust Funding Reserve shall be used to pay the expenses of the Liquidation Trust, including without limitation, costs and expenses of counsel or other advisors. The Liquidation Trust Agreement shall provide for an allocation of the Liquidation Trust Funding Reserve across projected expenditures agreed to by SHI in consultation with the Liquidation Trustee. Such expenses shall be paid as they are incurred without the need for Bankruptcy Court approval. Additional funding of the Liquidation Trust Funding Reserve may only be authorized in accordance with the terms of the Liquidation Trust Agreement.

6.9 ***Creation of the Liquidation Trust Funding Amount Escrow Account.*** On the Confirmation Date, the Zonda Plan Debtors will fund and create the Liquidation Trust Funding Amount Escrow Account. The Liquidation Trust Funding Amount will stay in the Liquidation Trust Funding Amount Escrow Account until the Zonda Arbitration Award shall have been issued and shall be final and Unappealable. On the Effective Date, proceeds of the Liquidation Trust Funding Amount Escrow Account will be released to the Zonda Plan Debtors if the Zonda Plan Debtors Prevail in the Zonda Arbitration, or to the Liquidation Trust if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration.

6.10 ***Effectuating Documents; Further Transactions***. If the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, subject to the Liquidation Trust Agreement, chairman of the board of directors, president, chief executive officer, chief financial officer, manager, or any other appropriate officer of the Zonda Plan Debtors or, after the Effective Date, PDSI, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan. The secretary of the Zonda Plan Debtors, or, after the Effective Date, of the Reorganized Zonda Debtors, shall be authorized to certify or attest to any of the foregoing actions.

6.11 ***Dissolution.***

(a) The Liquidation Trustee and Liquidation Trust shall be discharged and/or dissolved, as the case may be, at such time as (i) all of the Liquidation Trust Assets have been distributed pursuant to the Plan and the Liquidation Trust Agreement, (ii) the Liquidation Trustee determines, in its sole discretion, that the administration of any remaining Liquidation Trust Assets is not likely to yield sufficient additional Liquidation Trust proceeds to justify further pursuit, or (iii) all distributions required to be made by the Liquidation Trust under the Plan and the Liquidation Trust Agreement have been made; *provided, however*, that in no event shall the Liquidation Trust be dissolved later than five (5) years after the Effective Date of such Liquidation Trust unless the Bankruptcy Court approves an extension based on a finding that such an extension is necessary for the Liquidation Trust to complete its liquidating purpose.

(b) If at any time the Liquidation Trustee determines, in reliance upon such professionals as the Liquidation Trust may retain, that the expense of administering the Liquidation Trust so as to make a final distribution to Holders of Allowed Zonda Deficiency Claims is likely to exceed the value of the assets remaining in the Liquidation Trust, the Liquidation Trust may apply to the Bankruptcy Court for authority to (i) reserve any amount necessary to dissolve the Liquidation Trust, (ii) donate any balance to a charitable organization (A) described in section 501(c)(3) of the IRC, (B) exempt from United States federal income tax under section 501(a) of the IRC, (C) not a "private foundation," as defined in section 509(a) of the IRC, and (D) that is unrelated to the Zonda Plan Debtors, the Liquidation Trust, and any insider of the Liquidation Trust, and (iii) dissolve such Liquidation Trust.

6.12 ***Certain Securities Laws Matters.*** The Liquidation Trust Interests shall not be "securities" under federal and state securities laws or, to the extent they are "securities," their issuance shall be exempt from the registration requirements of Section 5 of the Securities Act and any other applicable U.S. state or other law requiring registration prior to the offering, issuance, distribution or sale of securities, in accordance with and pursuant to Section 1145 of the Bankruptcy Code. The Plan prohibits, and the Liquidation Trust Agreement will prohibit, the transfer or assignment of the Liquidation Trust Interests except by will, intestate succession or by operation of law. In addition, to the extent the Liquidation Trust Interests are "securities," the Liquidation Trust Interests will not be required to be registered under Section 12(g) of the Exchange Act.

ARTICLE VII

CORPORATE GOVERNANCE

7.1 ***Cancellation of Existing Securities and Agreements.*** Except as provided in this Plan or in the Confirmation Order, on the Effective Date, all notes, stock (where permitted by applicable law), instruments, certificates, agreements, side letters, fee letters, and other documents evidencing or giving rise to Claims against and Interests in the Zonda Plan Debtors shall be cancelled, and the obligations of the Zonda Plan Debtors thereunder or in any way related thereto shall be fully released,

terminated, extinguished, and discharged, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule, or any requirement of further action, vote, or other approval or authorization by any Person. The Holders of or parties to such notes, stock, instruments, certificates, agreements, side letters, fee letters, and other documents shall retain their rights vis-à-vis each other but shall have no rights against any Zonda Plan Debtor arising from or relating to such notes, stock, instruments, certificates, agreements, side letters, fee letters, and other documents or the cancellation thereof, except the rights provided pursuant to this Plan and the Confirmation Order.

7.2 ***Cancellation of Certain Existing Security Interests***. Upon the full payment or other satisfaction of an Allowed Secured Claim, or reasonably promptly thereafter, the Holder of such Allowed Secured Claim shall deliver to the Zonda Plan Debtors or Reorganized Zonda Debtors, as applicable, and at their sole cost and expense, any collateral or other property of a Zonda Plan Debtor held by such Holder, together with any termination statements, instruments of satisfaction, or releases of all security interests with respect to its Allowed Secured Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory liens, or lis pendens, or similar interests or documents.

7.3 ***Preservation of Retained Actions***. In accordance with section 1123(b)(3) of the Bankruptcy Code, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, will retain and may (but are not required to) enforce all Retained Actions as follows: after the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, and if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, in their respective sole and absolute discretion, shall have the right to bring, settle, release, compromise, or enforce such Retained Actions (or decline to do any of the foregoing), without further approval of the Bankruptcy Court. The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, or any successors, in the exercise of their sole discretion, may pursue such Retained Actions so long as it is in the best interests of the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, or any of their respective successors holding such rights of action. The failure of the Zonda Plan Debtors to specifically list any claim, right of action, suit, proceeding, or other Retained Action in this Plan, the Disclosure Statement, the Plan Supplement, or otherwise does not, and will not be deemed to, constitute a waiver or release by the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, of such claim, right of action, suit, proceeding, or other Retained Action, and the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, will retain the right to pursue such claims, rights of action, suits, proceedings, and other Retained Actions in their sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches will apply to such claim, right of action, suit, proceeding, or other Retained Action upon or after the Confirmation or consummation of this Plan.

7.4 ***Corporate Action.*** Each of the matters provided for under this Plan involving the corporate structure of any Zonda Plan Debtor or any corporate action to be taken by or required of any Zonda Plan Debtor or Reorganized Zonda Debtor shall be deemed to have occurred and be effective as provided herein, and shall be

authorized, approved, and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by shareholders, members, creditors, directors, or managers of the Zonda Plan Debtors or Reorganized Zonda Debtors, as applicable. To the extent permitted by applicable law the authorizations and approvals contemplated by this Section 7.4 shall be effective notwithstanding any requirements under nonbankruptcy law.

7.5 ***Board of Directors and Officers.*** The composition of each board of directors or similar governing body, as applicable, of the Reorganized Zonda Debtors, shall be disclosed prior to the entry of the Confirmation Order to the extent required by section 1129(a)(5) of the Bankruptcy Code.

7.6 ***Further Authorization.*** The Zonda Plan Debtors and the Reorganized Zonda Debtors and the Liquidation Trust, as applicable, shall be entitled to seek such orders, judgments, injunctions, and rulings as they deem necessary to carry out the intentions and purposes, and to give full effect to the provisions, of this Plan.

ARTICLE VIII

DISTRIBUTIONS

8.1 ***Distributions from Liquidation Trust to Holders of Allowed Zonda Deficiency Claims.*** The provisions of this Article VIII shall not apply to distributions from the Liquidation Trust to Holders of Allowed Zonda Deficiency Claims. Distributions from the Liquidation Trust to Holders of such Allowed Zonda Deficiency Claims shall be administered in accordance with, and subject to, as applicable, the terms of the Liquidation Trust Agreement and Article VI of this Plan.

8.2 ***Distributions Generally***. Subject to Section 8.1 hereof, the Disbursing Agent shall make Plan distributions on behalf of the Zonda Plan Debtors in accordance with this Article VIII and other governing terms of this Plan.

8.3 ***No Postpetition Interest on Claims***. Postpetition interest shall not accrue or be paid on any General Unsecured Claims and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date, except to the extent permitted under this Plan or the Bankruptcy Code.

8.4 ***Date of Distributions***. Unless otherwise provided in this Plan, any distributions and deliveries to be made under this Plan shall be made on the Effective Date or as soon thereafter as is practicable.

8.5 ***Distribution Record Date***. As of the close of business on the Distribution Record Date, the various lists of Holders of Claims in each Class, as maintained by the Zonda Plan Debtors or their agents, shall be deemed closed, and there shall be no further changes in the record Holders of any Claims after the Distribution Record Date. Neither the Zonda Plan Debtors nor the Disbursing Agent shall have any obligation to recognize any transfer of a Claim occurring after the close of business on the Distribution Record Date. In addition, with respect to payment of any Cure Amounts or disputes over any Cure Amounts, neither the Zonda Plan

Debtors nor the Disbursing Agent shall have any obligation to recognize or deal with any party other than the non-Debtor party to the applicable Executory Contract or Unexpired Lease, even if such non-Debtor party has sold, assigned, or otherwise transferred its Claim for a Cure Amount.

8.6 ***Disbursing Agent***. Subject to Section 8.1 hereof, all distributions under this Plan shall be made by the Disbursing Agent or, if applicable, its agent on and after the Effective Date as provided herein. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties. The Reorganized Zonda Debtors or the Liquidation Trustee, as applicable, shall use all commercially reasonably efforts to provide the Disbursing Agent (if other than the Reorganized Zonda Debtors or the Liquidation Trustee, as applicable) with the amounts of Claims and the identities and addresses of Holders of Claims, in each case, as set forth in the Zonda Plan Debtors' or Reorganized Zonda Debtors' books and records. The Reorganized Zonda Debtors or the Liquidation Trustee, as applicable, shall cooperate in good faith with the applicable Disbursing Agent (if other than the Reorganized Zonda Debtors or the Liquidation Trustee, as applicable) to comply with the reporting and withholding requirements outlined in Section 8.16 hereof.

8.7 ***Delivery of Distributions***. Subject to Sections 8.8, 8.11, 8.12, 8.14, and 8.16 of this Plan, the Disbursing Agent will issue or cause to be issued the applicable consideration under this Plan and, subject to Bankruptcy Rule 9010, will make all distributions as and when required by this Plan to Holders of Allowed Claims to the address of the Holder of such claim on the books and records of the Zonda Plan Debtors or their agents or the address in any written notice of address change delivered to the Zonda Plan Debtors or the Disbursing Agent, including any addresses included on any transfers of Claim filed pursuant to Bankruptcy Rule 3001. In the event that any distribution is returned as undeliverable, no distribution or payment shall be made to such recipient unless and until the Disbursing Agent has been notified of the then-current address of recipient, at which time or as soon thereafter as reasonably practicable such distribution shall be made without interest.

8.8 ***Unclaimed Property***. One year from the later of: (a) the Effective Date and (ii) the date that is ten (10) Business Days after the date a Claim is first Allowed, all distributions payable on account of such Claim shall be deemed unclaimed property under section 374(b) of the Bankruptcy Code and shall revert to the Reorganized Zonda Debtors or their successors or assigns, and all claims of any other Person (including the Holder of a Claim in the same Class) to such distribution shall be discharged and forever barred. The Reorganized Zonda Debtors, the Liquidation Trust, as applicable, and the Disbursing Agent shall have no obligation to attempt to locate any Holder of an Allowed Claim other than by reviewing the Zonda Plan Debtors' books and records and the Bankruptcy Court's filings.

8.9 ***Satisfaction of Claims***. Unless otherwise provided herein, any distributions and deliveries to be made on account of Allowed Claims under this Plan shall be in complete and final satisfaction, settlement, and discharge of and exchange for such Allowed Claims.

8.10 ***Manner of Payment Under Plan***. Except as specifically provided herein, at the option of the Zonda Plan Debtors, the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, any Cash payment to be made under this Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements or customary practices of the Zonda Plan Debtors or the Liquidation Trust, as applicable.

8.11 ***De Minimis Cash Distributions***. The Disbursing Agent shall not have any obligation to make a distribution that is less than $50.00 in Cash.

8.12 ***No Distribution in Excess of Amount of Allowed Claim***. Notwithstanding anything to the contrary in this Plan, no Holder of an Allowed Claim shall receive, on account of such Allowed Claim, Plan distributions in excess of the Allowed amount of such Claim.

8.13 ***Allocation of Distributions Between Principal and Interest***. Except as otherwise provided in this Plan and subject to Section 3.3 of this Plan, to the extent that any Allowed Claim entitled to a distribution under this Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall be allocated first to the principal amount (as determined for federal income tax purposes) of the Claim and then to accrued but unpaid interest.

8.14 ***Setoffs and Recoupments***. The Liquidation Trust or each Reorganized Zonda Debtor or its designee as instructed by such Reorganized Zonda Debtor, as applicable, may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, offset or recoup against any Allowed Claim and the distributions to be made pursuant to this Plan on account of such Allowed Claim any and all claims, rights, and Causes of Action that the Liquidation Trust or a Reorganized Zonda Debtor or its successors, as applicable, may hold against the Holder of such Allowed Claim after the Effective Date to the extent that such setoff or recoupment is either (a) agreed in amount among the Liquidation Trust or relevant Reorganized Zonda Debtor(s), as applicable, and Holder of the Allowed Claim or (b) otherwise adjudicated by the Bankruptcy Court or another court of competent jurisdiction; *provided*, that neither the failure to effect a setoff or recoupment nor the allowance of any Claim hereunder will constitute a waiver or release by the Liquidation Trust or a Reorganized Zonda Debtor or its successor, as applicable, of any claims, rights, or Causes of Action that the Liquidation Trust or a Reorganized Zonda Debtor or its successor or assign, as applicable, may possess against such Holder.

8.15 ***Rights and Powers of Disbursing Agent***.

(a) *Powers of the Disbursing Agent*. The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan; (ii) make all applicable distributions or payments provided for under this Plan; (iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers (a) as may be vested in the Disbursing Agent by order of the Bankruptcy Court (including any order issued after the Effective Date) or pursuant to this Plan or (2) as deemed by

the Disbursing Agent to be necessary and proper to implement the provisions of this Plan.

(b) *Expenses Incurred on or After the Effective Date*. Except as otherwise ordered by the Bankruptcy Court and subject to the written agreement of the Reorganized Zonda Debtors, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including, without limitation, taxes) and any reasonable compensation and expense reimbursement Claims (including, without limitation, for reasonable attorneys' and other professional fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Zonda Debtors or the Liquidation Trust, as applicable.

8.16 ***Withholding and Reporting Requirements***. In connection with this Plan and all instruments issued in connection therewith and distributed thereon, the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, shall comply with all withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under this Plan shall be subject to any such withholding and reporting requirements. In the case of a non-Cash distribution that is subject to withholding, the distributing party may withhold an appropriate portion of such distributed property and sell such withheld property to generate the Cash necessary to pay over the withholding tax. Any amounts withheld pursuant to the preceding sentence shall be deemed to have been distributed to and received by the applicable recipient for all purposes of this Plan.

Notwithstanding the above, each Holder of an Allowed Claim or Interest that is to receive a distribution under this Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on such Holder by any governmental unit, including income, withholding, and other tax obligations, on account of such distribution. The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, have the right, but not the obligation, to not make a distribution until such Holder has made arrangements satisfactory to any issuing or disbursing party for payment of any such tax obligations.

The Reorganized Zonda Debtors or the Liquidation Trust, as applicable, may require, as a condition to receipt of a distribution, that the Holder of an Allowed Claim complete and return a Form W-8 or W-9, as applicable to each such Holder. If the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, make such a request and the Holder fails to comply before the date that is 180 days after the request is made, the amount of such distribution shall irrevocably revert to the applicable Reorganized Zonda Debtor or the Liquidation Trust, as applicable, and any Claim in respect of such distribution shall be discharged and forever barred from assertion against such Reorganized Zonda Debtor or the Liquidation Trust, as applicable, or its respective property.

8.17 ***Claims Paid or Payable by Third Parties***.

(a) *Claims Paid by Third Parties.* The Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, shall reduce a Claim, and such Claim shall be Disallowed without a Claims objection having to be

filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment on account of such Claim from a party that is not a Zonda Plan Debtor, a Reorganized Zonda Debtor, or the Liquidation Trust. Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Zonda Plan Debtor, a Reorganized Zonda Debtor, or the Liquidation Trust on account of such Claim, such Holder shall, within fourteen (14) days of receipt thereof, repay or return the distribution to the applicable Reorganized Zonda Debtor, or the Liquidation Trust, as applicable, to the extent the Holder's total recovery on account of such Claim from the third party and under this Plan exceeds the amount of such Claim as of the date of any such distribution under this Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Reorganized Zonda Debtor, or the Liquidation Trust, as applicable, annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the 14-day period specified above until the amount is repaid.

(b) *Claims Payable by Third Parties*. Except as otherwise provided in this Plan, (i) no distributions under this Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Zonda Plan Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy, and (ii) to the extent that one or more of the Zonda Plan Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) *Applicability of Insurance Proceeds*. Except as otherwise provided in this Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in this Plan shall constitute or be deemed a waiver of any Cause of Action that the Zonda Plan Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein (i) constitute or be deemed a waiver by such insurers of any rights or defenses, including coverage defenses, held by such insurers, or (ii) establish, determine, or otherwise imply any liability or obligation, including any coverage obligation, of any insurer.

ARTICLE IX

PROCEDURES FOR DISPUTED CLAIMS

9.1 ***Allowance of Claims***. After the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, each of the Zonda Plan Debtors or the Reorganized Zonda Debtors, or if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, shall have and retain any and all rights and defenses such Zonda Plan Debtor had with respect to any Claim immediately before the Effective Date. Except as expressly provided in this Plan or in any order entered in these Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under this

Plan or the Bankruptcy Court has entered a Final Order, including the Confirmation Order (when it becomes a Final Order), in these Chapter 11 Cases allowing such Claim.

9.2 ***Objections to Claims***.

(a) *Authority*. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Zonda Plan Debtors, and after the Effective Date, the Reorganized Zonda Debtors, shall have authority to (i) file objections to any Claim, and to withdraw any objections to any Claim that they may file, (ii) settle, compromise, or litigate to judgment any objections to any Claim, and (iii) except as set forth above, resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law. Alternatively, if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Zonda Plan Debtors and after the Effective Date, the Liquidation Trust shall have authority to (i) file objections to any Claim, and to withdraw any objections to any Claim that he or she may file, (ii) settle, compromise, or litigate to judgment any objections to any Claim, and (iii) except as set forth above, resolve any Disputed Claim after the Effective Date outside the Bankruptcy Court under applicable governing law.

(b) *Objection Deadline*. As soon as practicable, but no later than the Claims Objection Deadline, the Zonda Plan Debtors, and after the Effective Date, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, or if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, may file objections with the Bankruptcy Court and serve such objections on the Holders of the Claims to which such objections are made. Nothing contained herein, however, shall limit the right of the Reorganized Zonda Debtors, or the Liquidation Trust, as applicable, to object to Claims, if any, filed or amended after the Claims Objection Deadline. The Claims Objection Deadline may be extended by the Bankruptcy Court upon motion by the Reorganized Zonda Debtors or the Liquidation Trust, as applicable.

9.3 ***Estimation of Claims***. If the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, and if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, may at any time after the Effective Date request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Zonda Plan Debtors, the Reorganized Zonda Debtors, or Liquidation Trust previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust as applicable, may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated

and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

9.4 ***No Distributions Pending Allowance***. If an objection to a Claim is filed as set forth in Section 9.2 hereof, no payment or distribution provided under this Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

9.5 ***Resolution of Claims***. Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with this Plan, in accordance with section 1123(b) of the Bankruptcy Code, if the Zonda Plan Debtors Prevail in the Zonda Arbitration, the Reorganized Zonda Debtors, and if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, the Liquidation Trust, shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Claims, Disputed Claims, rights, Causes of Action, suits, and proceedings, whether in law or in equity, whether known or unknown, that the Zonda Plan Debtors or their Estates may hold against any Person, without the approval of the Bankruptcy Court, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. The Reorganized Zonda Debtors or the Liquidation Trust or their respective successors may pursue such retained Claims, rights, Causes of Action, suits, or proceedings, as appropriate, in accordance with the best interests of the Zonda Plan Debtors and the Liquidation Trust, as applicable.

9.6 ***Disallowed Claims***. All Claims held by persons or entities against whom or which any of the Zonda Plan Debtors, the Reorganized Zonda Debtors, or the Liquidation Trust have commenced a proceeding asserting a Cause of Action under sections 542, 543, 544, 545, 547, 548, 549, and/or 550 of the Bankruptcy Code shall be deemed Disallowed Claims pursuant to section 502(d) of the Bankruptcy Code and Holders of such Claims shall not be entitled to vote to accept or reject this Plan. Claims that are deemed disallowed pursuant to this Section 9.6 shall continue to be Disallowed for all purposes until such Claim has been settled or resolved by Final Order and any sums due to the Zonda Plan Debtor, the Reorganized Zonda Debtors, or the Liquidation Trust from such party have been paid.

ARTICLE X

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

10.1 ***Rejection of Executory Contracts and Unexpired Leases***. Except as otherwise provided in this Plan, on the Effective Date, all Executory Contracts and Unexpired Leases of the Zonda Plan Debtors shall be deemed rejected in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, unless such Executory Contract or Unexpired Lease (a) has previously been assumed by order of the Bankruptcy Court in effect as of the Effective Date (which order may be the Confirmation Order); (b) is the subject of a motion to assume filed on or before the Effective Date; or (c) is identified as an Executory Contract or Unexpired Lease to be assumed pursuant to the Plan Supplement before the Effective Date; or (d) has expired

or terminated pursuant to its own terms. The Confirmation Order will constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions or assumption and assignments or rejections described herein as of the Effective Date. Unless otherwise indicated, all assumptions, assumptions and assignments, and rejections of Executory Contracts and Unexpired Leases in this Plan will be effective as of the Effective Date. Each Executory Contract and Unexpired Lease assumed or assumed and assigned pursuant to this Plan, or by Bankruptcy Court order, will vest in and be fully enforceable by the applicable Reorganized Zonda Debtor or assignee in accordance with its terms, except as such terms may have been modified by order of the Bankruptcy Court.

10.2 ***Indemnification***. Except as otherwise specifically limited in this Plan, any obligations or rights of the Zonda Plan Debtors to defend, indemnify, reimburse, or limit the liability of the Zonda Plan Debtors' present and former directors, officers, employees, agents, representatives, attorneys, accountants, financial advisors, restructuring advisors, investment bankers, and consultants (the "***Covered Persons***") pursuant to the Zonda Plan Debtors' certificates of incorporation, by-laws, indemnification agreements, policy of providing employee indemnification, applicable law, or specific agreement in respect of any claims, demands, suits, Causes of Action, or proceedings against such Covered Persons based upon any act or omission related to such Covered Persons' service with, for, or on behalf of the Zonda Plan Debtors prior to the Effective Date, shall be treated as if they were Executory Contracts that are assumed under this Plan and shall survive the Effective Date and remain unaffected thereby, and shall not be discharged, irrespective of whether such defense, indemnification, reimbursement, or limitation of liability is owed in connection with an occurrence before or after the Petition Date.

10.3 ***Cure of Defaults Under Assumed Contracts***. The Reorganized Zonda Debtors shall cure any monetary defaults under any Executory Contract and Unexpired Lease to be assumed pursuant to this Plan by paying to the non-Debtor counterparty the full amount of any monetary default in the ordinary course of business. Accordingly, no party to an Assumed Contract need file any cure Claim, and the Zonda Plan Debtors need not file any lists of any proposed cure claims, with the Bankruptcy Court. Notwithstanding the foregoing, the Reorganized Zonda Debtors and counterparties to Assumed Contracts reserve all their rights in the event of a dispute over the amount of a cure claim. If there is any such dispute that cannot be resolved consensually, then either party must file with the Bankruptcy Court a request for allowance and payment of such cure Claim within seventy-five (75) days after the Effective Date. Moreover, the Reorganized Zonda Debtors shall be authorized to reject any Executory Contract or Unexpired Lease to the extent the Reorganized Zonda Debtors, in the exercise of their sound business judgment, conclude that the amount of the cure Claim as determined by the Bankruptcy Court renders assumption of such Executory Contract or Unexpired Lease unfavorable to the Reorganized Zonda Debtors.

10.4 ***Claims Based on Rejection of Executory Contracts and Unexpired Leases.*** Unless otherwise provided by a Bankruptcy Court order, any Proofs of Claim asserting Claims arising from the rejection of the Zonda Plan Debtors' Executory Contracts and Unexpired Leases pursuant to this Plan or otherwise must be filed no later than thirty (30) days after the Effective Date. Any Proofs of Claim arising from the

rejection of the Zonda Plan Debtors' Executory Contracts or Unexpired Leases that are not timely filed shall be Disallowed automatically, forever barred from assertion, and shall not be enforceable against the Zonda Plan Debtors or the Reorganized Zonda Debtors without the need for any objection by any Person or further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of such Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Zonda Plan Debtors' Executory Contracts and Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with the particular provisions of this Plan for such Claims; *provided, however*, that if the Holder of an Allowed Claim for rejection damages has an unavoidable security interest in any collateral to secure obligations under such rejected Executory Contract or Unexpired Lease, the Allowed Claim for rejection damages shall be treated as an Other Secured Claim to the extent of the value of such Holder's interest in such collateral, with the deficiency, if any, treated as a General Unsecured Claim.

10.5 ***Reservation of Rights.*** Nothing contained in this Plan shall constitute an admission by the Zonda Plan Debtors that any particular contract is in fact an Executory Contract or Unexpired Lease or that the Zonda Plan Debtors have any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Zonda Plan Debtors or the Reorganized Zonda Debtors, as applicable, shall have forty-five (45) days following entry of a Final Order resolving such dispute to alter and to provide appropriate treatment of such contract or lease.

ARTICLE XI

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THIS PLAN

11.1 ***Conditions Precedent to Confirmation of the Plan***. The following are conditions precedent to the confirmation of the Plan:

(a) an order, in form and substance acceptable to the Zonda Plan Debtors and SHI finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code shall have been entered by the Bankruptcy Court; and

(b) the Plan and the Plan Supplement and all of the schedules, documents, and exhibits contained therein including, but not limited to the Liquidation Trust Agreement, shall be acceptable to the Zonda Plan Debtors and SHI shall have been filed.

11.2 ***Conditions Precedent to the Effective Date***. The Zonda Plan Debtors shall request that the Confirmation Order include a finding by the Bankruptcy Court that, notwithstanding Bankruptcy Rule 3020(e), the Confirmation Order shall take effect immediately upon its entry. The following are conditions precedent to the

occurrence of the Effective Date, each of which must be satisfied or waived in accordance with the terms hereof:

(a) the Bankruptcy Court shall have entered the Confirmation Order, which shall be in form and substance acceptable to the Zonda Plan Debtors and SHI, and the Confirmation Order shall have become a Final Order and shall, among other things, provide that the Zonda Plan Debtors, the Reorganized Zonda Debtors, and/or the Liquidation Trust, as applicable, are authorized to take all actions necessary or appropriate to enter into, implement, and consummate the agreements and documents created in connection with this Plan;

(b) the final version of the Plan Supplement and all of the schedules, documents, and exhibits contained therein (and any amendment thereto) shall have been filed with the Bankruptcy Court;

(c) the Professional Fee Escrow shall have been funded;

(d) all governmental and third-party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by this Plan, if any, shall have been obtained, if any, not be subject to unfulfilled conditions, and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent, or otherwise impose materially adverse conditions on such transactions;

(e) all documents and agreements necessary to implement this Plan shall have (i) been tendered for delivery and (ii) been effected or executed by all Entities party thereto, and all conditions precedent to the effectiveness of such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements;

(f) if the Zonda Plan Debtors Prevail in the Zonda Arbitration, all documents and agreements necessary for the Zonda Plan Debtors to comply with the terms of the New First Lien Notes Indenture and the New Second Lien PIK Toggle Notes Indenture;

(g) both (i) the Zonda Arbitration Award shall have been issued and shall be final and Unappealable, and (ii) if the Zonda Plan Debtors Do Not Prevail, the Zonda Plan Debtors or the Reorganized Non-Zonda Debtors shall have, within ten (10) days of the Zonda Arbitration Award becoming final and Unappealable, either (1) not satisfied the Zonda Arbitration Award, or (2) informed SHI in writing that they will not satisfy the Zonda Arbitration Award; and

(h) the Zonda Plan Debtors shall have created and funded the Liquidation Trust Funding Amount Escrow Account.

11.3 ***Waiver of Conditions Precedent***. Each of the conditions precedent in Sections 11.1 and 11.2 hereof may be waived only if waived in writing by the Zonda Plan Debtors if the Zonda Plan Debtors Prevail in the Zonda Arbitration, or by SHI if

the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration, without notice, leave or order of the Bankruptcy Court or any formal action other than proceedings to confirm or consummate this Plan.

ARTICLE XII

EFFECT OF PLAN CONFIRMATION

12.1 ***Binding Effect***. Following the Effective Date, this Plan shall be binding upon and inure to the benefit of the Zonda Plan Debtors, their Estates, the Liquidation Trust, all present and former Holders of Claims and Interests, whether or not such Holders voted in favor of this Plan, and their respective successors and assigns.

12.2 ***Releases and Related Matters***.

(a) *Releases by the Zonda Plan Debtors*. Pursuant to section 1123(b) of the Bankruptcy Code, and without limiting any other applicable provisions of, or releases contained in, this Plan, as of the Effective Date, the Zonda Plan Debtors and their Estates, the Reorganized Zonda Debtors, as applicable, and any other person seeking to exercise the rights of the Estates, to the extent permitted by applicable law, shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged any and all liabilities, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise that such Person or Entity has, had, or may have against any Released Party (which release shall be in addition to the discharge of Claims and termination of Interests provided herein and under the Confirmation Order and the Bankruptcy Code), in each case, relating to a Zonda Plan Debtor, the Estates, the Chapter 11 Cases, the negotiation, consideration, formulation, preparation, dissemination, implementation, Confirmation, or consummation of this Plan, the Non-Zonda Debtors Plan, the Exhibits, the Disclosure Statement, the Non-Zonda Debtors Disclosure Statement, any amendments thereof or supplements thereto, the Plan Supplement, the Non-Zonda Debtors Plan Supplement, the New Secured Debt Documents, the New Intercreditor Agreement, or the Restructuring Transactions, or any other transactions in connection with the Chapter 11 Cases or any contract, instrument, release, or other agreement or document created or entered into or any other act taken or omitted to be taken in connection therewith or in connection with any other obligations arising under this Plan or the obligations assumed hereunder; *provided, however,* that nothing in this Section 12.2(a) shall be deemed to release any potential litigation claims, including, but not limited to, any Retained Actions, to be prosecuted by the Liquidation Trust, and any SHI Retained Actions, to be prosecuted by SHI, subject to the Bar Date Order and any argument regarding the applicability thereof, if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration or any defenses the Reorganized Non-Zonda Debtors may have to such claims; *provided, further, however,* that the foregoing provisions shall have no effect on: (i) the liability of any Person or Entity that would otherwise result from the failure to perform or pay any obligation or liability under this Plan or any contract, instrument, release, or other agreement or document (A) previously assumed, (B) entered into during the Chapter 11 Cases, or (C) to be entered into, assumed, or delivered in connection with this Plan; or (ii) the liability of any Released Party that would otherwise result from any act or omission of such Released Party to the extent

that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct (including fraud). For the avoidance of doubt, nothing in this Section 12.2(a) shall relieve any Released Party from any obligation or liability under this Plan nor have any impact whatsoever with respect to any SHI Retained Actions, subject to the Bar Date Order and any argument regarding the applicability thereof.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Zonda Plan Debtor Release, which includes by reference each of the related provisions and definitions contained in this Plan, and further, shall constitute the Bankruptcy Court's finding that the Zonda Plan Debtor Release is: (1) essential to the Confirmation of this Plan; (2) an exercise of the Zonda Plan Debtors' business judgment; (3) in exchange for the good and valuable consideration and substantial contributions provided by the Released Parties; (4) a good faith settlement and compromise of the Claims released by the Zonda Plan Debtor Release; (5) in the best interests of the Zonda Plan Debtors and all Holders of Claims and Interests; (6) fair, equitable, and reasonable; (7) given and made after due notice and opportunity for hearing; and (8) a bar to any of the Zonda Plan Debtors, the Reorganized Zonda Debtors, and the Estates and each of their current and former Affiliates, and such Entities' and their current and former Affiliates' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, assigns, subsidiaries, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such asserting any Claim or Cause of Action released pursuant to the Zonda Plan Debtor Release.

(b) *Releases by the Releasing Parties*. Without limiting any other applicable provisions of, or releases contained in, this Plan, as of the Effective Date, in consideration for the obligations of the Zonda Plan Debtors under this Plan, and the consideration and other contracts, instruments, releases, agreements, or documents to be entered into or delivered in connection with this Plan, each Releasing Party shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged any and all liabilities whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Releasing Party has, had, or may have against any Released Party (which release shall be in addition to the discharge of Claims and termination of Interests provided herein and under the Confirmation Order and the Bankruptcy Code), in each case, relating to a Zonda Plan Debtor, the Estates, the Chapter 11 Cases, the negotiation, consideration, formulation, preparation, dissemination, implementation, Confirmation, or consummation of this Plan, the Exhibits, the Disclosure Statement, any amendments thereof or supplements thereto, the Plan Supplement, the New Secured Debt Documents, the New Intercreditor Agreement, or the Restructuring Transactions or any other transactions in connection with the Chapter 11 Cases or any contract, instrument, release, or other agreement or document created or entered into or any other act taken or omitted to be taken in connection therewith or in connection with any other obligations arising under this Plan or the obligations assumed hereunder; *provided, however,* that nothing in this Section 12.2(b) shall be deemed to release any potential

litigation claims, including, but not limited to, any Retained Actions, to be prosecuted by the Liquidation Trust, and any SHI Retained Actions, to be prosecuted by SHI subject to the Bar Date Order and any argument regarding the applicability thereof, if the Zonda Plan Debtors Do Not Prevail in the Zonda Arbitration or any defenses the Reorganized Non-Zonda Debtors may have to such claims; *provided, further, however,* that the foregoing provisions of this Section 12.2(b) shall have no effect on: (i) the liability of any Person or Entity that would otherwise result from the failure to perform or pay any obligation or liability under this Plan or any contract, instrument, release, or other agreement or document (A) previously assumed, (B) entered into during the Chapter 11 Cases, or (C) to be entered into, assumed, or delivered in connection with this Plan; (ii) the liability of any Released Party that would otherwise result from any act or omission of such Released Party to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct (including fraud); or (iii) any non-Released Party. For the avoidance of doubt, nothing in this provision shall relieve any Released Party from any obligation or liability under this Plan nor have any impact whatsoever with respect to any SHI Retained Actions, subject to the Bar Date Order and any argument regarding the applicability thereof.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Third-Party Release, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Bankruptcy Court's finding that the Third-Party Release is: (1) essential to the Confirmation of this Plan; (2) given in exchange for the good and valuable consideration and substantial contributions provided by the Released Parties; (3) a good faith settlement and compromise of the Claims released by the Third-Party Release; (4) in the best interests of the Zonda Plan Debtors and their Estates; (5) fair, equitable, and reasonable; (6) given and made after due notice and opportunity for hearing; and (7) a bar to any of the Releasing Parties asserting any Claim or Cause of Action released pursuant to the Third-Party Release.

(c) *Waiver of Statutory Limitation on Releases*. Without limiting any other applicable provisions of, or releases contained in, this Plan, each Releasing Party in each of the releases contained in this Plan (including under this Section 12.2) expressly acknowledges that although ordinarily a general release may not extend to claims which the releasing party does not know or suspect to exist in his favor, which if known by it may have materially affected its settlement with the party released, it has carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or claims. Without limiting the generality of the foregoing, each Releasing Party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to claims which the claimant does not know or suspect to exist in its favor at the time of executing the release, which if known by it may have materially affected its settlement with the Released Party, including the provisions of California Civil Code Section 1542. The releases contained in Article XII of this Plan are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

12.3 ***Discharge of the Zonda Plan Debtors***.

(a) Upon the Effective Date, except as provided in this Plan or the Confirmation Order, the Zonda Plan Debtors, and each of them, shall be deemed discharged and released under section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose before the Effective Date, and all debts of the kind specified in section 502 of the Bankruptcy Code, whether or not (i) a Proof of Claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (ii) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code, (iii) a Claim based upon such debt is or has been Disallowed by order of the Bankruptcy Court, or (iv) the Holder of a Claim based upon such debt accepted this Plan.

(b) As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Zonda Plan Debtors or the Reorganized Zonda Debtors any other or further Claims, debts, rights, Causes of Action, claims for relief, liabilities, or Interests relating to the Zonda Plan Debtors based upon any act, omission, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in this Plan or the Confirmation Order, the Confirmation Order shall be a judicial determination of discharge of all such Claims and other debts and liabilities against the Zonda Plan Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any judgment obtained against the Zonda Plan Debtors at any time, to the extent that such judgment relates to a discharged Claim.

(c) For the avoidance of doubt, this Section 12.3 shall not apply to any Claims, debts, rights, Causes of Action, claims for relief, liabilities, or Interests arising under the New Secured Debt Documents, whether executed prior to, on, or after the Effective Date.

12.4 ***Injunction***. Except as otherwise provided in this Plan or the Confirmation Order, from and after the Effective Date, (a) to the extent a party's Claim is discharged pursuant to this Plan or the Confirmation Order, such party shall be permanently enjoined from pursuing such Claim against the parties that have been discharged pursuant to this Plan or the Confirmation Order, and (b) to the extent a party's Claim has been released pursuant to this Plan or the Confirmation Order, such Releasing Party shall be permanently enjoined from pursuing such Claim against the applicable Released Party, including (i) commencing or continuing in any manner any action or other proceeding of any kind, including on account of any Claims, Interests, Causes of Action, or liabilities that have been Released; (ii) enforcing, levying, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order; (iii) creating, perfecting, or enforcing any Lien, Claim, or encumbrance of any kind; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Zonda Plan Debtors, Reorganized Zonda Debtors, or Released Parties; and (v) commencing or continuing any act, in any manner, or in any place to assert any Claim, or send any notice or invoice in respect of any Claim that has been discharged or released under this Plan or that does not otherwise comply with or is inconsistent with the provisions of this Plan; *provided*, *however*, that nothing

contained in this Plan shall (A) preclude an Entity from obtaining benefits directly and expressly provided to such Entity pursuant to the terms of this Plan; (B) be construed to prevent any Entity from defending against Claims objections or collection action, whether by asserting a right of setoff, recoupment, or otherwise, to the extent permitted by law; or (C) enjoining or precluding any Entity that is not a Releasing Party from taking any of the foregoing enforcement actions against QPGL or any member of the Ad Hoc Group or its assets or property on account of any Claims, Interests, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities that such Entity has not waived, discharged, compromised, or released pursuant to this Plan or that have not been exculpated pursuant to Section 12.5.

12.5 ***Exculpation and Limitation of Liability***. From and after the Effective Date, the Exculpated Parties shall neither have nor incur any liability to any Person or Entity, and no Holder of a Claim or Interest, no other party in interest, and none of their respective Representatives, each in their capacity as such, shall have any right of action against any Exculpated Party for any act taken or omitted to be taken before the Effective Date based on the Chapter 11 Cases, the negotiation, consideration, formulation, preparation, dissemination, implementation, Confirmation, or consummation of this Plan, the Exhibits, the Disclosure Statement, any amendments thereof or supplements thereto, the Plan Supplement, the New Secured Debt Documents, the New Intercreditor Agreement, or the Restructuring Transactions or any other transactions in connection with the Chapter 11 Cases or any contract, instrument, release, or other agreement or document created or entered into or any other act taken or omitted to be taken in connection therewith or in connection with any other obligations arising under this Plan or the obligations assumed hereunder; *provided*, *however*, that the foregoing provisions of this Section 12.5 shall have no effect on: (a) the liability of any Person or Entity that would otherwise result from the failure to perform or pay any obligation or liability under this Plan or any contract, instrument, release, or other agreement or document (i) previously assumed, (ii) entered into during the Chapter 11 Cases, or (iii) to be entered into or delivered in connection with this Plan; or (b) the liability of any Exculpated Party from any obligation or liability under this Plan.

12.6 ***Term of Bankruptcy Injunction or Stays***. Except as provided otherwise in this Plan, from and after the entry of an order or other deemed action under this Plan closing these Chapter 11 Cases, the automatic stay of section 362(a) of the Bankruptcy Code shall terminate.

12.7 ***Post-Confirmation Date Retention of Professionals***. Upon the Confirmation Date, any requirement that professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate and the Reorganized Zonda Debtors or the Liquidation Trust, as applicable, will employ and pay professionals in the ordinary course of business.

ARTICLE XIII

RETENTION OF JURISDICTION

13.1 ***Retention of Jurisdiction***. Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction (unless otherwise indicated) over all matters arising in, arising out of, and/or related to, the Chapter 11 Cases and this Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) resolve any matters related to the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which any Zonda Plan Debtor is a party or with respect to which any Zonda Plan Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

(b) decide or resolve any motions, adversary proceedings, contested, or litigated matters, and any other matters and grant or deny any applications involving the Zonda Plan Debtors that may be pending on the Effective Date (which jurisdiction shall be non-exclusive as to any such non-core matters);

(c) enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Plan, and all contracts, instruments, releases, and other agreements or documents created in connection with this Plan, the Disclosure Statement, the Plan Supplement, or the Confirmation Order;

(d) resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of this Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to this Plan, or any entity's rights arising from or obligations incurred in connection with this Plan or such documents;

(e) modify this Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or modify the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with this Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, this Plan, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with this Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate this Plan;

(f) hear and determine all applications for compensation and reimbursement of expenses of Professionals under this Plan or under sections 330, 331, 503(b), and 1129(a)(4) of the Bankruptcy Code; *provided*, *however*, that from and after the Effective Date the payment of fees and expenses by the Reorganized Zonda Debtors, including professional fees, shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(g) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation, or enforcement of this Plan or the Confirmation Order;

(h) adjudicate controversies arising out of the administration of the Estates or the implementation of this Plan;

(i) resolve any cases, controversies, suits, or disputes that may arise in connection with Claims, including without limitation, the Bar Date, related notice, claim objections, allowance, disallowance, estimation, and distribution;

(j) hear and determine Retained Actions by or on behalf of the Zonda Plan Debtors, Reorganized Zonda Debtors, or the Liquidation Trust;

(k) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or distributions pursuant to this Plan are enjoined or stayed;

(l) determine any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, the Plan Supplement, or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Plan Supplement, the Disclosure Statement, or the Confirmation Order;

(m) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

(n) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and

(o) enter an order closing the Chapter 11 Cases.

13.2 ***Jurisdiction for Certain Other Agreements***. This Plan shall not modify the jurisdictional provisions of the New Secured Debt Documents or the New Intercreditor Agreement. Notwithstanding anything herein to the contrary, on and after the Effective Date, the Bankruptcy Court's retention of jurisdiction pursuant to this Plan shall not govern the enforcement or adjudication of any rights or remedies with respect to or as provided in the New Secured Debt Documents or the New Intercreditor Agreement, and the jurisdictional provisions of such documents shall control.

13.3 ***No Limitation on Enforcement by SEC on Non-Debtors.*** Notwithstanding any language to the contrary contained herein, in the Disclosure Statement, or in the Confirmation Order, no provision of this Plan or the Confirmation Order shall (a) preclude the SEC from enforcing its police or regulatory powers; or (b) enjoin, limit, impair, or delay the SEC from commencing or continuing any claims,

causes of action, proceedings, or investigations against any non-Debtor person or non-Debtor entity in any forum.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

14.1 ***Payment of Statutory Fees***. All fees payable pursuant to section 1930 of title 28 of the United States Code shall be paid on the earlier of when due or the Effective Date.

14.2 ***Amendment or Modification of this Plan***. Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, the Zonda Plan Debtors reserve the right to alter, amend, or modify this Plan at any time prior to or after the Confirmation Date but prior to the substantial consummation of this Plan, subject to the express written consent of SHI. A Holder of a Claim that has accepted this Plan shall be deemed to have accepted this Plan, as altered, amended, or modified, if the proposed alteration, amendment, or modification does not materially and adversely change the treatment of the Claim of such Holder.

14.3 ***Substantial Consummation***. On the Effective Date, this Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

14.4 ***Severability of Plan Provisions***. If, prior to the Confirmation Date, any term or provision of this Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

14.5 ***Successors and Assigns***. This Plan shall be binding upon and inure to the benefit of the Zonda Plan Debtors, and their respective successors and assigns, including the Reorganized Zonda Debtors or the Liquidation Trust, as applicable. The rights, benefits, and obligations of any Entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Entity.

14.6 ***Revocation, Withdrawal, or Non-Consummation***. The Zonda Plan Debtors reserve the right to revoke or withdraw this Plan at any time prior to the Confirmation Date and to file other plans of reorganization, subject to the express written consent of SHI. If the Zonda Plan Debtors revoke or withdraw this Plan, or if

Confirmation or consummation of this Plan does not occur, then (a) this Plan shall be null and void in all respects; (b) any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount any Claim or Class of Claims), assumption of Executory Contracts or Unexpired Leases effected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void; and (c) nothing contained in this Plan, and no acts taken in preparation for consummation of this Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Zonda Plan Debtors or any other Person, (ii) prejudice in any manner the rights of the Zonda Plan Debtors or any Person in any further proceedings involving the Zonda Plan Debtors, or (iii) constitute an admission of any sort by the Zonda Plan Debtors or any other Person.

14.7 ***Governing Law***. Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an Exhibit hereto or a schedule in the Plan Supplement provides otherwise, the rights, duties, and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of law thereof.

14.8 ***Time***. In computing any period of time prescribed or allowed by this Plan, unless otherwise set forth herein or determined by the Bankruptcy Court, the provisions of Bankruptcy Rule 9006 shall apply.

14.9 ***Immediate Binding Effect***. Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of this Plan and Plan Supplement shall be immediately effective and enforceable and deemed binding upon and inure to the benefit of the Zonda Plan Debtors, the New First Lien Noteholders, the New Second Lien PIK Toggle Noteholders, the Holders of Claims and Interests, the Released Parties, the Exculpated Parties, and each of their respective successors and assigns, including the Reorganized Zonda Debtors or the Liquidation Trust, as applicable.

14.10 ***Entire Agreement***. On the Effective Date, this Plan, the Plan Supplement, and the Confirmation Order shall supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into this Plan.

14.11 ***Notice***. All notices, requests, and demands to or upon the Zonda Plan Debtors, Reorganized Zonda Debtors, and SHI to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile or other electronic transmission, when received and telephonically confirmed, addressed as follows:

PACIFIC DRILLING S.A.
11700 Katy Freeway
Houston, TX 77079
(713) 334-6662
Attention: Bernie G. Wolford Jr. and Lisa Buchanan
Email: b.wolford@pacificdrilling.com,
l.buchanan@pacific drilling.com

and

TOGUT, SEGAL & SEGAL LLP
One Penn Plaza, Suite 3335
New York, New York 10019
(212) 594-5000
Attention: Albert Togut, Frank A. Oswald, Kyle J. Ortiz, and Amanda C. Glaubach
E-mail: altogut@teamtogut.com, frankoswald@teamtogut.com, kortiz@teamtogut.com, aglaubach@teamtogut.com

Attorneys for the Zonda Plan Debtors

-and-

DLP Piper LLP (US)
1201 North Market Street
Suite 2100
Wilmington, Delaware 19801-1147
Attention: R. Craig Martin and Joshua D. Morse
E-mail: Craig.Martin@dlapiper.com, Joshua.Morse@dlapiper.com

Counsel for SHI

14.12 ***Exhibits***. All Exhibits to this Plan are incorporated and are a part of this Plan as if set forth in full herein.

14.13 ***Filing of Additional Documents***. On or before substantial consummation of this Plan, the Zonda Plan Debtors shall file such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan.

14.14 ***Conflicts***. In the event that provisions of the Disclosure Statement and provisions of this Plan conflict, the terms of this Plan shall govern.

Dated: December 14, 2018
New York, New York

PACIFIC DRILLING SERVICES, INC.

By: */s/ Lisa Manget Buchanan*
Name: Lisa Manget Buchanan
Title: Senior Vice President, General Counsel, and Secretary

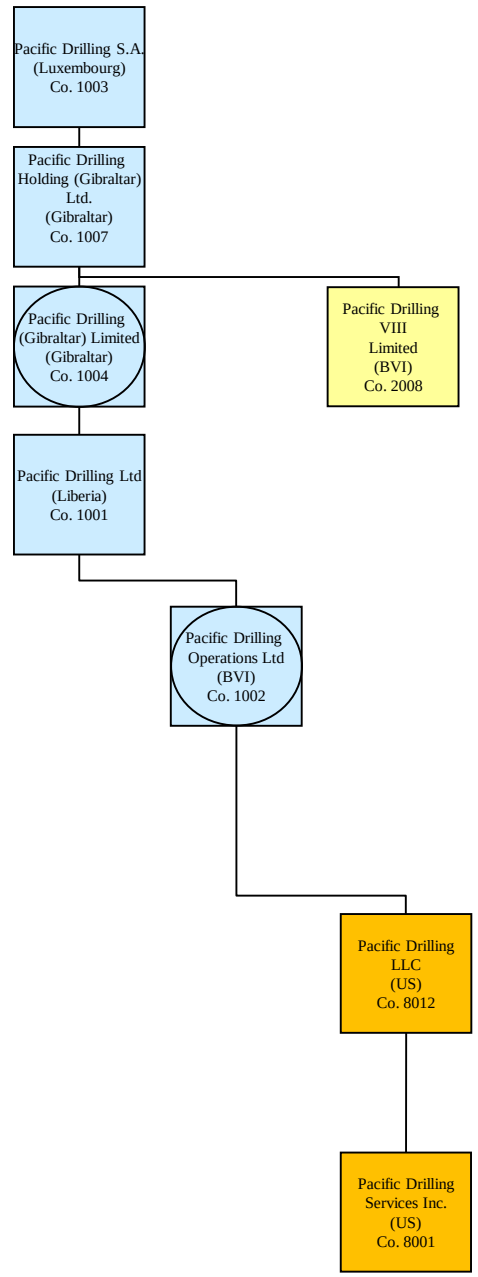
PACIFIC DRILLING VIII LIMITED.

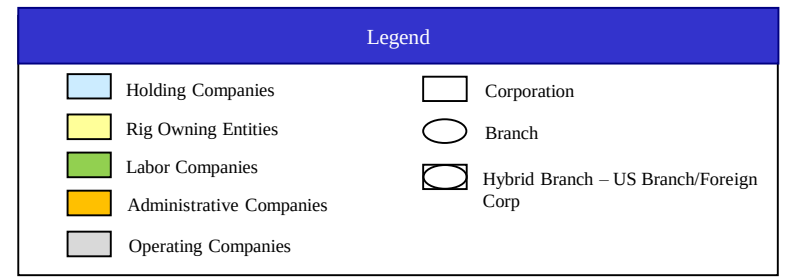
By: */s/ Lisa Manget Buchanan*
Name: Lisa Manget Buchanan
Title: Senior Vice President, General Counsel, and Secretary

APPENDIX B

CORPORATE ORGANIZATION CHART

Pacific Drilling S.A. and Subsidiaries
Corporate Ownership Chart – November 19, 2018





APPENDIX C

LIQUIDATION ANALYSIS

To be filed prior to Objection Deadline

APPENDIX D

NEW FIRST LIEN NOTES INDENTURE

EXECUTION VERSION

PACIFIC DRILLING FIRST LIEN ESCROW ISSUER LIMITED,

8.375% FIRST LIEN NOTES DUE 2023

INDENTURE

Dated as of September 26, 2018

WILMINGTON TRUST, NATIONAL ASSOCIATION,

as Trustee and Collateral Agent

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APPENDIX AND ANNEX

This INDENTURE, dated as of September 26, 2018 is between PACIFIC DRILLING FIRST LIEN ESCROW ISSUER LIMITED, a private company limited by shares incorporated in the British Virgin Islands (company number 1990684) (the "*Escrow Issuer*") and WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee and as Collateral Agent.

If the Escrow Release Conditions (as defined herein) are satisfied on or before December 22, 2018 (the "*Escrow End Date*"), Pacific Drilling S.A. (the "*Company*"), a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg ("*Luxembourg*"), will consummate a series of transactions whereby (1) the Escrow Issuer will merge with and into the Company, (2) the Company will assume all of the obligations of the Escrow Issuer under this Indenture and the Note Documents (as defined herein) and (3) on the Escrow Release Date or the Zonda Release Date (each, as defined herein), as applicable, each of the Guarantors (as defined herein) will guarantee the Notes Obligations (as defined herein) and become a party to the Note Documents (collectively, the "*Assumption*"). Prior to the Escrow Release Date the term "*Issuer*" shall refer to the Escrow Issuer, and, after the Escrow Release Date, the term "*Issuer*" shall refer to the Company.

The Issuer and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined herein) of (a) the Issuer's 8.375% First Lien Notes due 2023 issued on the Issue Date (the "*Initial Notes*") and (b) any Additional Notes (as defined herein) that may be issued after the Issue Date (all such Notes in clauses (a) and (b) being referred to collectively as the "*Notes*"):

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person (regardless of the form of the applicable transaction by which such Person became a Subsidiary) or expressly assumed in connection with the acquisition of assets from any other such Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person;

provided, in each such case, that such Indebtedness is not Incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person in connection with, or in contemplation of, the acquisition of assets.

Acquired Debt will be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary of such Person or the date of the acquisition of assets from such Person, as applicable.

"*Additional Notes*" means Notes issued under this Indenture after the Issue Date and in compliance with Sections 2.14 and 4.09, it being understood that any Notes issued in replacement of any Initial Note shall not be an Additional Note.

"*Additional Secured Debt Designation*" means the written agreement of the First Lien Representative of holders of any series of First Lien Debt or the Junior Lien Representative of holders of any series of Junior Lien Debt, as applicable, as set forth in the indenture, credit agreement or other agreement governing such series of First Lien Debt or series of Junior Lien Debt, for the benefit of (i) all holders of existing and future First Lien Debt, the Collateral Agent and each existing and future holder of First Liens, in the case of each additional series of First Lien Debt and (ii) all holders of each existing and future series of Junior Lien Debt, the applicable Junior Lien Collateral Agent and each existing and future holder of Junior Liens, in the case of each series of Junior Lien Debt:

(1) in the case of any additional series of First Lien Debt, that all such First Lien Obligations will be and are secured equally and ratably by all First Liens at any time granted by the Company or any Guarantor to secure any Obligations in respect of such series of First Lien Debt, whether or not upon property otherwise constituting collateral for such series of First Lien Debt, and that all such First Liens will be enforceable by the Collateral Agent for the benefit of all holders of First Lien Obligations, equally and ratably, in each case subject to the exceptions that are applicable to Indebtedness incurred pursuant to clause (4) of Section 4.09(b);

(2) in the case of any additional series of Junior Lien Debt, that all such Junior Lien Obligations will be and are secured equally and ratably by all Junior Liens at any time granted by the Company or any Guarantor to secure any Obligations in respect of such series of Junior Lien Debt, whether or not upon property otherwise constituting collateral for such series of Junior Lien Debt, and that all such Junior Liens will be enforceable by the Junior Lien Collateral Agent for the benefit of all holders of Junior Lien Obligations, equally and ratably;

(3) that such First Lien Representative or Junior Lien Representative, as applicable, and the holders of Obligations in respect of such series of First Lien Debt or series of Junior Lien Debt, as applicable, are bound by the provisions of the Intercreditor Agreement, including the provisions relating to the ranking of First Liens and Junior Liens and the order of application of proceeds from the enforcement of First Liens and Junior Liens; and

(4) appointing the Collateral Agent or the Junior Lien Collateral Agent, as applicable, and consenting to the terms of the Intercreditor Agreement and, in the case of any additional series of First Lien Debt, the Collateral Agency Agreement, and the performance by the Collateral Agent or the Junior Lien Collateral Agent, as applicable, of, and directing the Collateral Agent or the Junior Lien Collateral Agent, as applicable, to perform, its obligations under the Collateral Agency Agreement (if applicable) and any other applicable security documents and the Intercreditor Agreement, together with all such powers as are reasonably incidental thereto.

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

"*Agents*" shall mean, collectively, the Trustee, the Collateral Agent, the Registrar, the Paying Agent and any other agents under the Note Documents from time to time.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; and

(2) the excess of: (a) the present value at such redemption date of (i) the redemption price of the Note at October 1, 2020 (such redemption price being set forth in the table appearing in Section 3.07(d), excluding accrued and unpaid interest and Additional Amounts to the redemption date), plus (ii) all required interest payments due on the Note through October 1, 2020 (excluding accrued but unpaid interest and Additional Amounts to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (b) the principal amount of the Note.

"*Agent Members*" has the meaning provided in the Appendix.

"*Asset Sale*" means:

(1) any sale, transfer, lease, conveyance or other disposition, whether in a single transaction or a series of related transactions, of property or assets of the Company or any of the Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the

Company and the Restricted Subsidiaries, taken as a whole, will not be an "Asset Sale," but will be governed by the provisions of Section 4.15 and/or the provisions of Section 5.01 and not by the provisions of Section 4.10;

(2) the issuance or sale of Equity Interests of any Restricted Subsidiary, other than directors' qualifying shares and/or other Equity Interests that are required to be held by any Persons other than the Company or another Restricted Subsidiary under applicable law or regulation (including local content regulations or requirements), whether in a single transaction or a series of related transactions; and

(3) an Involuntary Transfer.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale under clause (1) or (2) above:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $10 million (and the sale of such assets generates Net Proceeds of less than $10 million);

(2) a transfer of Equity Interests or other assets between or among the Company and the Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale, transfer, lease or other disposition of products, services or accounts receivable or any charter, pool agreement, drilling contract or lease of a Vessel and any related assets in the ordinary course of business and any sale or conveyance or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;

(5) sales of assets to any customer purchased on behalf of or at the request of such customer in the ordinary course of business;

(6) the sale or other disposition of cash or Cash Equivalents, hedging contracts or other financial instruments;

(7) licenses and sublicenses by the Company or any of the Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(8) a Restricted Payment that does not violate Section 4.07 or a Permitted Investment;

(9) the creation or perfection of any Lien permitted under this Indenture, and any disposition of assets constituting Collateral resulting from foreclosure under any such Lien by the Collateral Agent, or any disposition of assets not constituting Collateral resulting from foreclosure under any such Lien;

(10) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims; and

(11) any surrender, forfeiture or similar disposition of assets by PDVIII or PDSI in connection with the Zonda Arbitration.

"*Assignments*" means, collectively, each Insurance Assignment and each Earnings Assignment.

"*Assumption*" has the meaning provided in the recitals hereto.

"*Attributable Indebtedness*" in respect of a Sale and Lease-Back Transaction means, at the time any determination is to be made, the present value (discounted according to GAAP at the cost of indebtedness implied in the lease; *provided* that if such discount rate cannot be determined in accordance with GAAP, the present value shall be discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Lease-Back Transaction (including any period for which such lease has been extended); *provided*, *however*, that if such Sale and Lease-Back Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"*Bankruptcy Cases*" means the jointly administered chapter 11 cases *In re Pacific Drilling S.A., et al.* (Case No. 17-13193 (MEW), Bankr. SDNY).

"*Bankruptcy Law*" means Title 11 of the United States Code, as may be amended from time to time, or any similar federal, state or foreign law for the relief of debtors.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have corresponding meanings.

"*Board of Directors*" means:

(1) with respect to a corporation, the Board of Directors of the corporation or any committee thereof duly authorized to act on behalf of such Board of Directors;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof or the manager or any committee of managers; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means any day other than a Saturday, Sunday or any other day on which banking institutions in New York, New York, Houston, Texas, Luxembourg or any place of payment under this Indenture are authorized or required by law to close.

"*Calculation Principles*" means, with respect to calculations under this Indenture for any period, the following principles:

(1) if the Company or any of the Restricted Subsidiaries has Incurred any Indebtedness since the beginning of such period that remains outstanding on the date a determination under this Indenture to which the Calculation Principles apply is to be made, or if the transaction giving rise to the need to make such determination is an Incurrence of Indebtedness, or both (in each case other than working capital borrowings under a revolving credit facility), Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;

(2) if the Company or any of the Restricted Subsidiaries has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period that is no longer outstanding on such date of determination, or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment has been terminated) on the date of the transaction giving rise

to the occasion to apply the Calculation Principles, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such repayment, repurchase, defeasance or discharge had occurred on the first day of such period;

(3) if, since the beginning of such period, the Company or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Cash Flow for such period shall be reduced by an amount equal to the Consolidated Cash Flow (if positive) directly attributable to the assets that are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated Cash Flow (if negative) directly attributable thereto for such period;

(4) if, since the beginning of such period, any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period shall have made any Asset Sale, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) above or (7) or (8) below if made by the Company or a Restricted Subsidiary during such period, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Sale, Investment or acquisition had occurred on the first day of such period;

(5) if, since the beginning of such period, any Person was designated as an Unrestricted Subsidiary or redesignated as or otherwise became a Restricted Subsidiary, Consolidated Cash Flow and Consolidated Interest Expense shall be calculated as if such event had occurred on the first day of such period;

(6) Consolidated Cash Flow and Consolidated Interest Expense of discontinued operations recorded on or after the date such operations are classified as discontinued in accordance with GAAP shall be excluded;

(7) if, since the beginning of such period, the Company or any Restricted Subsidiary shall have (i) by merger or otherwise, made an Investment in any Restricted Subsidiary (or any Person becomes a Restricted Subsidiary or is merged with or into the Company or a Restricted Subsidiary), or (ii) acquired assets constituting all or substantially all of an operating unit of a business or a Qualified Vessel, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto, as determined in good faith by a Financial Officer of the Company (including, without limitation, the Incurrence of any Indebtedness) as if such Investment or acquisition had occurred on the first day of such period; and

(8) if the Company or any Restricted Subsidiary shall have entered into an agreement to acquire a Qualified Vessel that is scheduled for delivery no later than the date that is one year from the time of calculation, then Consolidated Cash Flow and Consolidated Interest Expense for such period may, at the Company's election, be calculated giving pro forma effect to the delivery of such Qualified Vessel as of the first day of such period.

Any pro forma calculations giving effect to the acquisition of a Qualified Vessel or to a committed construction contract with respect to a Qualified Vessel shall be made as follows:

(a) the amount of Consolidated Cash Flow attributable to such Qualified Vessel shall be calculated in good faith by a Financial Officer of the Company;

(b) in the case of Consolidated Cash Flow under a Qualified Services Contract, the Consolidated Cash Flow shall be based on revenues actually earned pursuant to the Qualified Services Contract relating to such Qualified Vessel or Qualified Vessels, and shall take into account, where applicable, only actual expenses Incurred without duplication in any measurement period;

(c) the amount of Consolidated Cash Flow shall be the lesser of the Consolidated Cash Flow derived on a pro forma basis from revenues for (i) the first full year of the Qualified Services Contract and (ii) the average of the Consolidated Cash Flow of each year of such Qualified Services Contract for the term of the Qualified Services Contract; and

(d) with respect to any expenses attributable to an Qualified Vessel, if the actual expenses differ from the estimate, the actual amount shall be used in such calculation.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP as in effect on the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty; *provided* that in no event will any lease that would have been categorized as an operating lease as determined in accordance with GAAP as of the Issue Date be considered a capital lease, regardless of any change in GAAP following the Issue Date that would otherwise require such obligations to be recharacterized (on a prospective or retroactive basis or otherwise) as a capital lease.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the government of the United States or any other country whose sovereign debt has a rating of at least A3 from Moody's and at least A- from S&P or any agency or instrumentality thereof having maturities of not more than twelve months from the date of acquisition;

(2) certificates of deposit, demand deposits and Eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank organized under the laws of any country that is a member of the Organization for Economic Cooperation and Development having capital and surplus in excess of $500 million (or the equivalent thereof in any other currency or currency unit);

(3) marketable general obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition thereof, having a credit rating of "A" or better from either S&P or Moody's;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's or S&P, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings or investments, and, in each case, maturing within one year after the date of acquisition;

(6) money market mutual funds substantially all of the assets of which are of the type described in the foregoing clauses (1) through (5) of this definition; and

(7) in the case of the Company or any Subsidiary of the Company organized or having its principal place of business outside the United States, investments denominated in the currency of the jurisdiction in which such Person is organized or has its principal place of business or conducts business which are similar to the items specified in clauses (1) through (6) of this definition.

"*Cash Management Arrangement*" means with respect to any Person, any obligations of such person in respect of treasury management arrangements including any of the following products, services or facilities: (a) demand deposit or operating account relationships or other cash management services including, without limitation, any services provided in connection with operating, collections, payroll, trust, or other depository or disbursement accounts, including automated clearinghouse fund transfer services, e-payable, electronic funds transfer, wire transfer, controlled disbursement, overdraft, depository, information reporting, automated clearinghouse transactions, return items, overdrafts, interstate depository network services, lockbox and stop payment services; and (b) treasury management line of credit, commercial credit card, merchant card services, purchase or debit cards, including, without limitation, stored value cards and non-card e-payables services.

"*Cash Management Obligations*" means obligations with respect to any Cash Management Arrangement.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease (other than pursuant to any Drilling Contract entered into in the ordinary course of business), transfer, conveyance or other disposition (other than by way of amalgamation, merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and the Restricted Subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Permitted Holder;

(2) the Company is liquidated or dissolved, or a plan relating to the liquidation or dissolution of the Company is adopted; or

(3) the consummation of any transaction or any series of transactions (including, without limitation, any merger, consolidation or other business combination), the result of which is that any Person (including any "person" (as defined above)), other than one or more Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares.

"*Clearstream*" means Clearstream Banking, *Société Anonyme*, or any successor securities clearing agency.

"*Collateral*" means all rights, assets and properties, whether owned on the Issue Date or thereafter acquired, upon which a Lien is granted or purported to be granted under any Collateral Document. Collateral shall not include Excluded Property.

"*Collateral Agency Agreement*" means the collateral agency agreement to be entered into prior to the incurrence of any series of First Lien Debt (other than the Notes) by the Company, the Collateral Agent and other representatives for First Lien Debt, which shall be substantially consistent with the description thereof in the Offering Circular under "Description of First Lien Notes—The Collateral Agency Agreement."

"*Collateral Agent*" means the collateral agent for all holders of First Lien Obligations. Wilmington Trust, National Association will initially serve as the Collateral Agent.

"*Collateral Documents*" means, collectively, each Assignment, Mortgage, Pledge Agreement and Security Agreement, the Intercreditor Agreement, the Collateral Agency Agreement, any future collateral agency or intercreditor agreement, control agreements and each other instrument creating a Lien or Liens in favor of the

Collateral Agent as required by the First Lien Documents or the Intercreditor Agreement, in each case, as the same may be in effect from time to time.

"*Collateral Grantor*" means the Company and each Guarantor.

"*Collateral Vessels*" means, collectively, the Liberian flag (or other applicable future flag) vessels the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco,* the *Pacific Santa Ana,* the *Pacific Sharav*, the *Pacific Khamsin,* the *Pacific Meltem* and any additional Vessels acquired or owned by the Company or any of its Restricted Subsidiaries after the Issue Date.

"*Company*" has the meaning provided in the recitals hereto.

"*Consolidated Cash Flow*" means, with respect to any period, the Consolidated Net Income of the Company for such period plus, without duplication:

(1) provision for taxes based on income or profits of the Company and the Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(2) Consolidated Interest Expense of the Company and the Restricted Subsidiaries for such period to the extent that such Consolidated Interest Expense was deducted in computing such Consolidated Net Income; *plus*

(3) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of the Company and the Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *minus*

(4) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business, in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Interest Coverage Ratio*" means, as of any date of determination, the ratio of (i) Consolidated Cash Flow of the Company and its Restricted Subsidiaries for the Company's most recently completed four quarter period for which internal financial statements are available to (ii) Consolidated Interest Expense of the Company and its Restricted Subsidiaries for such period, subject to the Calculation Principles.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Indebtedness, commissions, discounts and other fees and charges Incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to interest rate Hedging Obligations, but excluding:

(a) amortization of debt issuance costs; and

(b) any nonrecurring charges relating to any premium or penalty paid, write-off of deferred finance costs or original issue discount or other charges in connection with redeeming or

otherwise retiring any Indebtedness prior to its Stated Maturity, to the extent that any of such nonrecurring charges constitute interest expense;

(2) the consolidated interest expense of such Person and any Restricted Subsidiaries that was capitalized during such period; and

(3) all dividends, whether paid or accrued and whether or not in cash, in respect of any Preferred Stock of any Restricted Subsidiary or any Disqualified Stock of the Company or any Restricted Subsidiary, other than (x) dividends payable solely in Equity Interests (other than Disqualified Stock) and (y) dividends payable to the Company or any Restricted Subsidiary.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person during such period;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (III)(A) of Section 4.07(a), the Net Income (but not loss) of any Restricted Subsidiary of such Person (other than a Restricted Subsidiary that is a Guarantor) will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any applicable agreement, instrument, judgment, decree, order, statute, rule or governmental regulation; *provided* that if Net Income is excluded by operation of this provision with respect to a period because of restrictions on dividends or distributions applicable during such period that cease to apply in a subsequent period, such restrictions shall be deemed not to have applied during the initial period for subsequent calculations under this definition;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) non-cash gains and losses due solely to fluctuations in currency values will be excluded;

(5) in the case of a successor to the referenced Person by consolidation or merger or as a transferee of the referenced Person's assets, any earnings (or losses) of the successor corporation prior to such consolidation, merger or transfer of assets will be excluded;

(6) the effects resulting from the application of purchase accounting in relation to any acquisition that is consummated after the Issue Date will be excluded;

(7) any unrealized gain (or loss) in respect of Hedging Obligations will be excluded;

(8) non-cash charges or expenses with respect to the grant of stock options, restricted stock or other equity compensation awards will be excluded; and

(9) any gains resulting from settlement of, or awards received in connection with, the Zonda Arbitration will be excluded.

"*Consolidated Total Indebtedness*" means, with respect to any Person as of any date of determination, the sum, without duplication, of:

(1) the total amount of Indebtedness (other than Hedging Obligations) of such Person and its Restricted Subsidiaries, plus

(2) the aggregate liquidation value of all Disqualified Stock of such Person and all Preferred Stock of the Restricted Subsidiaries of such Person,

in each case, determined on a consolidated basis in accordance with GAAP.

"*Corporate Trust Office of the Trustee*" means the office of the Trustee in the United States at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 15950 N. Dallas Parkway, Suite 550, Dallas, Texas 75248, or such other address in the United States as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office in the United States of any successor Trustee (or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company).

"*Credit Facilities*" means one or more debt facilities, commercial paper facilities, loan agreements, indentures or agreements of the Company or any Restricted Subsidiary with banks, other institutional lenders, commercial finance companies or other lenders or investors providing for revolving credit loans, term loans, bonds, debentures or letters of credit, pursuant to agreements or indentures, in each case, as amended, restated, modified, renewed, refunded, replaced, increased or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time (and without limitation as to amount, terms, conditions, covenants and other provisions, including increasing the amount of available borrowings thereunder, changing or replacing agent banks and lenders thereunder or adding, removing or reclassifying Subsidiaries of the Company as borrowers or guarantors thereunder).

"*Custodian*" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Depository*" has the meaning provided in the Appendix.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable (in each case other than in exchange for or conversion into Capital Stock that is not Disqualified Stock), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that the Company and the Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time of determination thereof, the amount of U.S. dollars obtained by converting such other currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with such other currency as published in the "Currency Rates" section of the *Financial Times* entitled "Currencies, Bonds & Interest Rates" (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether the Company or any of its

Restricted Subsidiaries has complied with any covenant or other provision in this Indenture or if there has occurred an Event of Default and an amount is expressed in a currency other than U.S. Dollars, such amount will be treated as the Dollar Equivalent determined as of the date such amount is initially determined in such non-dollar currency.

"*Drilling Contract*" means any charterparty, pool agreement or drilling contract in respect of any Collateral Vessel or other contract for use of any Collateral Vessel.

"*Earnings*" means, with respect to any Collateral Vessel, (i) all freight, hire and passage moneys payable to the Company or any of its Subsidiaries as a consequence of the operation of such Collateral Vessel, including, without limitation, payments under any Drilling Contract in respect of such Collateral Vessel, (ii) any claim under any guarantee in respect of any Drilling Contract or otherwise related to freight, hire or passage moneys, in each case payable to the Company or any of its Subsidiaries as a consequence of the operation of such Collateral Vessel; (iii) compensation payable to the Company or any of its Subsidiaries in the event of any requisition of such Collateral Vessel; (iv) remuneration for salvage, towage and other services performed by such Collateral Vessel and payable to the Company or any of its Subsidiaries; (v) demurrage and retention money receivable by the Company or any of its Subsidiaries in relation to such Collateral Vessel; (vi) all moneys that are at any time payable under insurance in respect of loss of Earnings with respect to such Collateral Vessel; (vii) if and whenever such Collateral Vessel is employed on terms whereby any moneys falling within items (i) through (vi) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement that is attributable to such Collateral Vessel; and (viii) other money whatsoever due or to become due to any of the Company or any of its Subsidiaries in relation to such Collateral Vessel.

"*Earnings Account*" means, with respect to any Collateral Vessel, an interest bearing account into which all Earnings derived from any Drilling Contract with respect to such Collateral Vessel (other than Earnings payable to a Local Content Subsidiary) shall be deposited or forwarded that is subject to an account control agreement, except to the extent prohibited by applicable law.

"*Earnings Assignments*" means, collectively, the assignments of Earnings in favor of the Collateral Agent given by the Collateral Grantors in respect of all Earnings derived from a Collateral Vessel and its operations, as the same may be amended, restated, supplemented or modified from time to time.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security or loan that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means a public or private offering of Capital Stock (other than Disqualified Stock) of the Company made for cash on a primary basis by the Company after the Issue Date, other than (1) public offerings with respect to the Company's common stock registered on Form S-8, (2) issuances to any Subsidiary of the Company and (3) any offering of Plan Equity.

"*Escrow End Date*" has the meaning provided in the recitals hereto.

"*Escrow Release Conditions*" shall mean the Escrow Conditions (as defined in the Escrow Agreement).

"*Euroclear*" means the Euroclear System or any successor securities clearing agency.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

"*Excluded Property*" means the following, whether now owned or at any time hereafter acquired by any Collateral Grantor or in which such Collateral Grantor now has or at any time in the future may acquire any right, title or interest and whether now existing or hereafter coming into existence: (i)(x) all leasehold real property and (y) all fee simple real property with a Fair Market Value at the time of acquisition less than $25 million; (ii) each Drilling Contract if (but only to the extent that) the grant of a security interest therein would constitute a breach of a valid and enforceable restriction on the granting of a security interest therein or assignment thereof in

favor of a third party; (iii) all accounts receivable; (iv) all deposit accounts that are (A) established solely as payroll accounts, (B) zero balance accounts or (C) located in foreign jurisdictions with a balance at all times less than $500,000 individually and $5,000,000 in the aggregate; (v) all Equity Interests of Unrestricted Subsidiaries and Immaterial Subsidiaries; (vi) any general intangibles, governmental approvals or other rights arising under any contracts, instruments, permits, licenses or other documents if (but only to the extent that) the grant of a security interest therein would constitute a breach of a valid and enforceable restriction on the granting of a security interest therein or assignment thereof in favor of a third party (other than (A) to the extent that any such restriction or prohibition would be rendered ineffective pursuant to the Uniform Commercial Code or any other applicable law (including Bankruptcy Law) or principles of equity or (B) to the extent that the other party has consented to the granting of a security interest therein or assignment thereof pursuant to the terms of the Collateral Documents or pursuant to a grant or assignment for security purposes generally); (vii) any assets as to which the Required First Lien Debtholders reasonably determine that the cost or burden of obtaining a security interest therein is excessive in relation to the value of the security to be afforded thereby; (viii) cash if (but only to the extent) required to serve as cash collateral for any Indebtedness incurred pursuant to clause (4) of Section 4.09(b); and (ix) any and all proceeds of any of the Excluded Property to the extent constituting Excluded Property described in clauses (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) above (other than proceeds of a Drilling Contract assigned pursuant to an Earnings Assignment and proceeds of accounts receivable); *provided* that no property or assets securing any First Lien Obligations (other than the Notes) or any Junior Lien Obligations shall constitute Excluded Property (except that Indebtedness incurred pursuant to clause (4) of Section 4.09(b) may be secured by any assets listed under clause (iii), (iv)(C) or (viii) above).

"*Fair Market Value*" means the value that would be paid by an informed and willing buyer to an unaffiliated, informed and willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by the an officer of the Company, or, with respect to such values in excess of $10 million, the Board of Directors of the Company (unless otherwise provided in this Indenture).

"*Financial Officer*" means, with respect to any Person, the chief executive officer, chief financial officer, chief accounting officer or treasurer of such Person; provided that, with respect to the Escrow Issuer, "Financial Officer" means any director of the Escrow Issuer.

"First Lien" means a Lien granted by the Company or any other Guarantor in favor of the Collateral Agent, at any time, upon any property of the Company or such other Guarantor to secure First Lien Obligations.

"*First Lien Cash Management Obligations*" means Cash Management Obligations owed to any provider or arranger of, or agent with respect to, any First Lien Debt to the extent secured by First Liens.

"*First Lien Debt*" means (a) the Notes issued on the date of this Indenture and the related Guarantees thereof and (b) any other Indebtedness secured by a Lien on Collateral that is pari passu with the Liens securing the Notes and that is permitted to be incurred and so secured under this Indenture (including any Additional Notes); *provided* that:

(1) any such Indebtedness (other than the Notes (including any Additional Notes) and Indebtedness incurred pursuant to clause (4) of Section 4.09(b)) does not mature and does not have any mandatory or scheduled payments or sinking fund obligations prior to the maturity date of the Notes,

(2) on or prior to the date of incurrence of such Indebtedness by the Company or any Guarantor, such Indebtedness (other than the Notes (including any Additional Notes)) is designated by the Company, in an Officers' Certificate delivered to each First Lien Representative and the Collateral Agent, as "First Lien Debt" for the purposes of the First Lien Documents,

(3) a First Lien Representative is designated with respect to such Indebtedness (other than the Notes (including any Additional Notes)) and executes and delivers to the Collateral Agent (i) an Additional Secured Debt Designation on behalf of itself and all holders of such Indebtedness and (ii) a joinder to the Collateral Agency Agreement on behalf of itself and all holders of such Indebtedness,

(4) such Indebtedness is pari passu in right of payment with the Notes and does not have any senior or junior rights related to the Notes with respect to the application of proceeds from Collateral (other than any DIP Financing that is permitted by the Intercreditor Agreement and other than any Indebtedness incurred pursuant to clause (4) of Section 4.09(b)),

(5) such Indebtedness shall not be an obligation of any person other than the Company or any Guarantor, and

(6) such Indebtedness shall not be secured by any assets other than assets that constitute Collateral; *provided* that Indebtedness incurred pursuant to clause (4) of Section 4.09(b) may be secured by Liens on any assets listed under clause (iii), (iv)(C) or (viii) in the definition of "Excluded Property".

"*First Lien Documents*" means the Note Documents and any additional indenture, credit agreement or other agreement pursuant to which any other First Lien Debt is incurred and secured in accordance with the terms of each applicable First Lien Document and the Collateral Documents related thereto.

"*First Lien Hedging Obligations*" means Hedging Obligations owed to any provider or arranger of, or agent with respect to, any First Lien Debt to the extent secured by First Liens.

"*First Lien Leverage Ratio*" means, as of any date of determination, the ratio of (i) the aggregate amount of Consolidated Total Indebtedness that is First Lien Debt as of the end of the Company's most recently completed four quarter period for which internal financial statements are available to (ii) Consolidated Cash Flow of the Company and its Restricted Subsidiaries for such four quarter period, subject to the Calculation Principles.

"*First Lien Obligations*" means all First Lien Debt and all other Obligations in respect thereof (including First Lien Hedging Obligations and First Lien Cash Management Obligations).

"*First Lien Representative*" means (1) in the case of the Notes, the Trustee, or (2) in the case of any other series of First Lien Debt, the trustee, agent or representative of the holders of such series of First Lien Debt who (A) is appointed as a First Lien Representative of such series of First Lien Debt (for purposes related to the administration of the applicable Collateral Documents) pursuant to the indenture, credit agreement or other agreement governing such series of First Lien Debt, together with its successors in such capacity, and (B) has executed and delivered an Additional Secured Debt Designation and a joinder to the Collateral Agency Agreement.

"*GAAP*" means generally accepted accounting principles set forth in the Accounting Standards Codification of the Financial Accounting Standards Board (or successor codifications, opinions, pronouncements or statements thereto) in the United States, which are in effect from time to time.

"*Global Note*" has the meaning provided in the Appendix.

"*Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"*guarantee*" means a guarantee other than by endorsement of negotiable instrument for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement obligations in respect thereof, of all or any part of any Indebtedness or other Obligations.

"*Guarantee*" means a guarantee of the Notes Obligations granted pursuant to the provisions of this Indenture. For the avoidance of doubt, PDVIII and PDSI shall not constitute guarantors prior to the Zonda Release Date.

"*Guarantor*" means each Person that provides a Guarantee, together with its successors and assigns, until the Guarantee of such Person has been released in accordance with the provisions of this Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements designed to protect the Person or any of its Restricted Subsidiaries entering into the agreement against, or manage exposure to, fluctuations in interest rates, or to otherwise reduce the cost of borrowing of such Person or any of such Restricted Subsidiaries, with respect to Indebtedness Incurred;

(2) foreign exchange contracts and currency protection agreements designed to protect the Person or any of its Restricted Subsidiaries entering into the agreement against, or manage exposure to, fluctuations in currency exchanges rates;

(3) any commodity futures contract, commodity swap, commodity option, commodity forward sale or other similar agreement or arrangement designed to protect against, or manage exposure to, fluctuations in the price of commodities used by that Person or any of its Restricted Subsidiaries at the time; and

(4) other agreements or arrangements designed to protect such Person or any of its Restricted Subsidiaries against, or manage exposure to, fluctuations in interest rates, commodity prices or currency exchange rates.

"*Holder*" or "*Noteholder*" means a Person in whose name a Note is registered.

"*Immaterial Junior Debt*" means Consolidated Total Indebtedness of the Company or any Guarantor (in one or more issuances or tranches) with an aggregate outstanding amount (prior to any proposed repayment thereof on the applicable date of determination, and excluding any intercompany Indebtedness between or among the Company and any Guarantors) of no more than $50 million that is contractually subordinated in right of payment to the Notes or any Guarantee or that is unsecured or secured on a junior lien basis to the Notes or any Guarantee.

"*Immaterial Subsidiary*" means, at any date of determination, any Restricted Subsidiary that (1) has total assets with a Fair Market Value that (when combined with the assets of such Restricted Subsidiary's Restricted Subsidiaries and after intercompany eliminations), as of the date of any financial statements delivered pursuant to Section 4.03, were less than 2.0%, with respect to such Restricted Subsidiary individually, and less than 5.0%, in the aggregate for such Restricted Subsidiary and all other Immaterial Subsidiaries (calculated on the same basis), of the consolidated total assets of the Company and the Restricted Subsidiaries at such date, determined in accordance with GAAP, (2) generates gross revenues (excluding intercompany revenue) that (when combined with the gross revenues (excluding intercompany revenue) of such Restricted Subsidiary's Restricted Subsidiaries), for the most recent four fiscal quarter period ending prior to the date on which any financial statements are delivered pursuant to Section 4.03, were less than 2.0%, with respect to any such Restricted Subsidiary individually, and less than 5.0%, in the aggregate for such Restricted Subsidiary and all other Immaterial Subsidiaries (calculated on the same basis), of the consolidated gross revenues (excluding intercompany revenue) of the Company and the Restricted Subsidiaries for such period, determined in accordance with GAAP, (3) does not own any interest in any Collateral Vessel or any Subsidiary that owns a Collateral Vessel, (4) other than a Local Content Subsidiary, is not party to any Drilling Contract in respect of a Collateral Vessel or entitled to receive Earnings thereunder and (5) does not guarantee or otherwise directly or indirectly provide credit support for any Consolidated Total Indebtedness of the Company or any Guarantor.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables (or intercompany reimbursement obligations in respect thereof) in the ordinary course of business), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments, other than such reimbursement obligations that relate to trade payables or other obligations that are not themselves Indebtedness, in each case, that were entered into in the ordinary course of business of such Person to the extent such reimbursement obligations are satisfied within 10 Business Days following payment on the letter of credit, bankers' acceptance or similar instrument;

(4) representing Capital Lease Obligations of such Person;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed;

(6) representing Hedging Obligations of such Person; or

(7) representing Attributable Indebtedness of such Person in respect of Sale and Leaseback Transactions,

if and to the extent any of the preceding items (other than letters of credit, Hedging Obligations and Attributable Indebtedness) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

"*Indenture*" means this Indenture, as amended or supplemented from time to time.

"*Initial Notes*" has the meaning provided in the recitals hereto.

"*Initial Purchaser*" has the meaning provided in the Appendix.

"*Insurance Assignments*" means, collectively, the assignments of insurance proceeds in favor of the Collateral Agent given by the Collateral Grantors respecting all hull and machinery and loss of hire insurance covering each Collateral Vessel or its operations, as the same may be amended, restated, supplemented or modified from time to time.

"*Intercreditor Agreement*" means (i) the Intercreditor Agreement among the Collateral Agent, the Junior Lien Collateral Agent, the Company, each other Collateral Grantor and the other parties from time to time party thereto, to be entered into on the Escrow Release Date which shall be substantially consistent with the description thereof in the Offering Circular under "Description of First Lien Notes—The Intercreditor Agreement," as it may be amended, restated, supplemented or otherwise modified from time to time in accordance with this Indenture and (ii) any replacement thereof that contains terms not less favorable to the Holders than the Intercreditor Agreement referred to in clause (i).

"*Interest Payment Date*" has the meaning provided in Exhibit 1 to the Appendix.

"*Internal Charterer*" means any direct or indirect Subsidiary of the Company (other than a Local Content Subsidiary) that is not the owner of the relevant Collateral Vessel and that is party to any Drilling Contract in respect of a Collateral Vessel and entitled to receive Earnings thereunder.

"*Investment Grade Rating*" means both (i) a rating of "Baa3" or higher by Moody's and (ii) a rating of "BBB-" or higher by S&P.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or

capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business, and excluding extensions of trade credit or other advances to customers on commercially reasonable terms in accordance with normal trade practices or otherwise in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any of the Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07. The acquisition by the Company or any of its Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person that is not a Subsidiary of such Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 4.07. Except as otherwise provided in this Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Involuntary Transfer*" means, with respect to any property or asset of the Company or any Restricted Subsidiary, (a) any damage to such property or asset that results in an insurance settlement with respect thereto on the basis of a total loss or a constructive or compromised total loss, (b) the confiscation, condemnation, requisition, appropriation or similar taking of such property or asset by any government or instrumentality or agency thereof, including by deed in lieu of condemnation, or (c) foreclosure or other enforcement of a Lien or the exercise by a holder of a Lien of any rights with respect to it.

"*Issue Date*" means the first date on which Notes are issued under this Indenture.

"*Issuer*" has the meaning provided in the recitals hereto.

"*Junior Lien Collateral Agent*" means the collateral agent or agents or other representative of lenders or holders of Junior Lien Obligations designated pursuant to the terms of the Junior Lien Documents and the Intercreditor Agreement, in each case, together with its successors and assigns.

"*Junior Lien Debt*" means (a) the Second Lien PIK Notes and (b) any other Indebtedness secured by a Lien that is junior in priority to First Lien Debt that is permitted to be incurred and so secured under this Indenture; *provided* that:

(1) such Indebtedness does not mature and does not have any mandatory or scheduled payments or sinking fund obligations prior to the date that is 91 days after the maturity date of the Notes;

(2) on or before the date on which such Indebtedness is incurred by the Company or any Guarantor, the Company shall deliver to each First Lien Representative and Junior Lien Representative complete copies of each applicable Junior Lien Document (which shall provide that each secured party with respect to such Indebtedness shall be subject to and bound by the Intercreditor Agreement), along with an Officers' Certificate identifying the obligations constituting Junior Lien Obligations;

(3) on or before the date on which any such Indebtedness is incurred by the Company or any Guarantor, such Indebtedness is designated by the Company, in an Officers' Certificate delivered to each Junior Lien Representative and Junior Lien Collateral Agent as "Junior Lien Debt," and such Officers' Certificate also certifies that such Indebtedness is permitted and with respect to any other requirements set forth in the Intercreditor Agreement;

(4) a Junior Lien Representative is designated with respect to such Indebtedness and executes and delivers an Additional Secured Debt Designation on behalf of itself and all holders of such Indebtedness;

(5) such Indebtedness shall not be an obligation of any person other than the Company or any Guarantor;

(6) such Indebtedness is not secured by a Lien on any collateral other than collateral securing First Lien Obligations;

(7) such Indebtedness does not provide for "cross-default" (as opposed to "cross-acceleration") provisions to the First Lien Obligations; and

(8) the definitive documents for such Indebtedness do not have any term, covenant or default or event of default provisions that are more restrictive than the terms, covenants and default and event of default provisions with respect to the First Lien Obligations (other than any more restrictive provisions with respect to additional Junior Lien Debt) and do not contain any financial maintenance covenant.

"*Junior Lien Documents*" means, collectively, any indenture, credit agreement or other agreement or instrument pursuant to which Junior Lien Debt is incurred and secured.

"*Junior Lien Obligations*" means Junior Lien Debt and all other Obligations in respect thereof.

"*Junior Lien Representative*" means, in the case of any series of Junior Lien Debt, the trustee, agent or representative of the holders of such series of Junior Lien Debt who is appointed as a representative of the Junior Lien Debt (for purposes related to the administration of the security documents) pursuant to the indenture, credit agreement or other agreement governing such series of Junior Lien Debt, in each case together with its successors in such capacity.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in such asset and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Local Content Subsidiary*" shall mean any Subsidiary of the Company that is a party to a Drilling Contract or otherwise holds the right to receive Earnings attributable to a Collateral Vessel or any Related Assets for the purpose of satisfying any local content law or regulation or similar law or regulation.

"*Material Junior Debt*" means any Consolidated Total Indebtedness of the Company or any Guarantor that is contractually subordinated in right of payment to the Notes or any Guarantee or that is unsecured or secured on a junior lien basis to the Notes or any Guarantee (excluding any intercompany Indebtedness between or among the Company and any of the Guarantors) and is not Immaterial Junior Debt.

"*Moody's*" means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"*Mortgage*" means each Vessel Mortgage, each other mortgage, deed of trust, deed to secure debt and any other document or instrument under which any Lien on property owned or leased by any Collateral Grantor is granted to secure First Lien Obligations under any First Lien Document or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, supplemented or modified from time to time.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with (a) any Asset Sale or other asset dispositions (other than in the ordinary course of

business) or (b) the disposition of any securities by such Person or any of the Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of the Restricted Subsidiaries; and

(2) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

"*Net Proceeds*" means the aggregate cash proceeds and Cash Equivalents received by the Company or any Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (1) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commissions, relocation expenses incurred as a result of the Asset Sale, and taxes paid or payable as a result of the Asset Sale after taking into account any available tax credits or deductions and any tax-sharing arrangements, (2) amounts required to be applied to the repayment of Indebtedness secured by a Lien on the properties or assets that were the subject of such Asset Sale (which Lien is and is permitted to be senior to the Liens securing the Notes and the Guarantees or is on property or assets that do not constitute Collateral), or Indebtedness (other than Indebtedness that is subordinated in right of payment to the Notes or the Guarantees or that is secured by a Lien that is junior in priority to the Liens securing the Notes) which must by its terms, in order to obtain a necessary consent to such Asset Sale or by applicable law, be repaid out of the proceeds from such Asset Sale, and (3) any amounts to be set aside in any reserve established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such properties or assets, for indemnification obligations of the Company or any Restricted Subsidiaries in connection with such Asset Sale or for other liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiaries until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to the Company or the Restricted Subsidiaries from such escrow arrangement, as the case may be.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of the Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of the Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the governing documentation provides that the lenders will not have any recourse to the stock or assets of the Company or any of the Restricted Subsidiaries.

"*Notes*" has the meaning provided in the recitals hereto.

"*Notes Custodian*" has the meaning provided in the Appendix.

"*Note Documents*" means this Indenture, the Notes, the Collateral Documents, the Guarantees and any agreement, instrument or other document evidencing or governing any Notes Obligations.

"*Notes Obligations*" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Issuer or any Guarantor arising under this Indenture, the Notes, the Guarantees or the Collateral Documents (including all principal, premium, interest, penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees and other liabilities or amounts payable or arising thereunder), whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Issuer or any

Guarantor of any proceeding in bankruptcy or insolvency law naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"*Obligations*" means any principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees, and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereto.

"*Offering Circular*" means the final Offering Circular, dated September 12, 2018, of the Escrow Issuer relating to the offering of the Initial Notes.

"*Officer*" means, with respect to any Person, the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, the Controller, the Secretary, any Manager, any Director, any Managing Director, or any Vice President of such Person.

"*Officers' Certificate*" means a certificate signed on behalf of any Person by two Officers and/or directors, one of whom must be a Financial Officer of such Person.

"*Opinion of Counsel*" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 12.03. The counsel may be an employee of, or counsel to, the Company or any Subsidiary of the Company.

"*PDNL*" means Pacific Drillship Nigeria Limited, a private company limited by shares incorporated in the British Virgin Islands (company number 1852481), which is a wholly-owned Subsidiary of PIDWAL on the Issue Date.

"*PDSI*" means Pacific Drilling Services, Inc., a Delaware corporation and a Subsidiary of the Company.

"*PDVIII*" means Pacific Drilling VIII Limited, a private company limited by shares incorporated in the British Virgin Islands and a Subsidiary of the Company.

"*PIDWAL*" means Pacific International Drilling West Africa Ltd., a Nigeria limited liability company, which is indirectly 49% owned by the Company as of the Issue Date.

"*Permitted Business*" means a business in which the Company and the Restricted Subsidiaries were engaged on the Issue Date, as described in the Offering Circular, and any business reasonably related or complementary thereto.

"*Permitted Collateral Liens*" means Liens described in clauses (1), (5), (7), (8), (9), (10), (11), (12), (13), (14), (15) and (20) of the definition of "Permitted Liens."

"*Permitted Holder*" means any Person that, together with any of its affiliates (but excluding any of its operating portfolio companies), is the Beneficial Owner, directly or indirectly, of more than 20% of the Voting Stock of the Company on the Escrow Release Date, measured by voting power rather than number of shares.

"*Permitted Investments*" means:

(1) any Investment in the Company or in any Restricted Subsidiary;

(2) any Investment in cash or Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from (a) an Asset Sale that was made pursuant to and in compliance with Section 4.10 or (b) a disposition of properties or assets that does not constitute an Asset Sale;

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any Investments received in compromise or resolution of obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of the Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer and any Investments obtained in exchange for any such Investments;

(7) Investments represented by Hedging Obligations permitted by clause (7) of Section 4.09(b);

(8) any guarantee of Indebtedness or other obligations of the Company or any Restricted Subsidiary permitted to be incurred under this Indenture;

(9) Investments that are in existence on the Issue Date, and any extension, modification or renewal thereof, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date);

(10) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person in compliance with this Indenture, including by way of a merger, amalgamation or consolidation, to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(11) loans or advances referred to in clause (5) of Section 4.11(b);

(12) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any of its Restricted Subsidiaries; and

(13) any repurchase, redemption, defeasance or other acquisition or retirement for value of the Notes.

"*Permitted Jurisdiction*" means any of Luxembourg, the Republic of the Marshall Islands, the United States of America, any State of the United States or the District of Columbia, the Commonwealth of the Bahamas, the Republic of Liberia, the Republic of Panama, the Commonwealth of Bermuda, the British Virgin Islands, Gibraltar, the Cayman Islands, the Isle of Man, Cyprus, Norway, Greece, Hong Kong, the United Kingdom, Malta, any Member State of the European Union and any other jurisdiction generally acceptable to institutional lenders in the shipping and offshore drilling industries, as determined in good faith by the Board of Directors of the Company.

"*Permitted Liens*" means:

(1) Liens on assets of the Company or the Guarantors securing First Lien Debt or Junior Lien Debt Incurred pursuant to clause (2), (4) or (12) of Section 4.09(b);

(2) Liens in favor of the Company or any Guarantor or, if granted by any Person other than the Company or any Guarantor, Liens in favor of any Restricted Subsidiary;

(3) Liens on property of a Person existing at the time such Person is merged with or into or amalgamated or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens were in existence prior to such merger, amalgamation or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person merged into or amalgamated or consolidated with the Company or any Restricted Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Restricted Subsidiary in compliance with this Indenture; *provided* that such Liens were in existence prior to such acquisition, and not incurred in contemplation of, such acquisition and do not extend to any assets other than those of the Person merged into or amalgamated or consolidated with the Company or any Restricted Subsidiary;

(5) Liens to secure the performance of statutory obligations, surety, customs, importation or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens on cash or Cash Equivalents to secure letters of credit, bank guarantees and similar instruments issued in support of such obligations); *provided* that, in the case of any such Liens on assets of any Collateral Grantor, such Liens shall extend solely to cash and/or Cash Equivalents of such Collateral Grantor;

(6) Liens existing on the Issue Date (other than Liens referred to in clause (1) or (10) of this definition);

(7) Liens for taxes, assessments or governmental charges or claims (i) that are not yet delinquent or (ii) that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which any reserve or other appropriate provision as required in conformity with GAAP has been made therefor;

(8) Liens imposed by law, such as suppliers', carriers', warehousemen's, landlords' and mechanics' Liens, in each case, incurred in the ordinary course of business, for amounts (i) not more than 30 days past due or (ii) that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which any reserve or other appropriate provision as required in conformity with GAAP has been made therefor;

(9) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the applicable Person;

(10) Liens on the Collateral securing the Notes (including Additional Notes issued in accordance with this Indenture) and the Guarantees and the Second Lien PIK Notes, and the guarantees thereof;

(11) Liens to secure Indebtedness permitted to be Incurred under this Indenture to refinance any Indebtedness secured by Liens permitted to exist pursuant to clause (2), (4), (5), (7), (10) or this clause (11) of this definition (or Liens that otherwise replace Liens referred to in such clauses); *provided*, *however*, that;

(a) the new Lien is limited to all or part of the same property and assets covered by the initial Lien (plus improvements and accessions to such property, or proceeds or distributions thereof) or any related after-acquired property that, pursuant to any after-acquired property clauses in written agreements pursuant to which the original Lien arose, is required to be pledged to secure the original Indebtedness (plus improvements and accessions to such property, or proceeds or distributions thereof);

(b) the Indebtedness or other obligation secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the original Indebtedness or obligation and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge; and

(c) if the initial Lien secured Indebtedness that is subordinated in right of payment to the Notes or a Guarantee, then the Indebtedness secured by the new Lien shall be so subordinated on terms at least as favorable to the Holders;

(12) Liens arising by reason of any judgment, attachment, decree or order of any court or other governmental authority not giving rise to an Event of Default that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which any reserve or other appropriate provision as required in conformity with GAAP has been made therefor;

(13) Liens securing Cash Management Obligations owing to a bank and rights of setoff in favor of a bank, imposed by law or granted in the ordinary course of business on deposit accounts maintained with such bank and cash and Cash Equivalents in such accounts;

(14) Liens securing Hedging Obligations entered into in the ordinary course of business and not for speculative purposes;

(15) Liens arising from Vessel chartering, necessaries, drydocking, maintenance, repair, refurbishment, salvage (including contract salvage) or general average, Liens for wages of stevedores employed by the owner of such Vessel, the master of such Vessel or a charterer or lessee of such Vessel, the furnishing of supplies and bunkers to Vessels or masters', officers' or crews' wages and maritime Liens, that, in the case of each of the foregoing, were incurred in the ordinary course of business of the Company or any Restricted Subsidiary, were not Incurred or created to secure the payment of Indebtedness and that in the aggregate do not materially adversely affect the value of the properties subject to such Liens or materially impair the use for the purposes of which such properties are held by the Company and its Restricted Subsidiaries;

(16) Liens arising under a contract over goods, documents of title to goods and related documents and insurances and their proceeds, in each case in respect of documentary credit transactions entered into with customers of the Company and the Restricted Subsidiaries in the ordinary course of business;

(17) Liens arising under any retention of title or conditional sale arrangement or arrangements having similar effect in respect of goods supplied in the ordinary course of business;

(18) Liens representing the interest in title of a lessor;

(19) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness (so long as such defeasance, discharge or redemption is permitted under Section 4.07) or Liens arising under this Indenture in favor of the Trustee for its own benefit and for the benefit of the Collateral Agent and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under this

Indenture, provided that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of such Indebtedness;

(20) Liens securing Indebtedness Incurred pursuant to clause (13) of Section 4.09(b) (including Permitted Refinancing Indebtedness); *provided* that such Liens extend only to the assets purchased with the proceeds of such Indebtedness;

(21) Liens on the assets of Pacific Drilling VIII Limited and Pacific Drilling Services Inc. to secure an arbitration award relating to the Zonda Arbitration; and

(22) Liens with respect to any Vessel for maritime torts with respect to damage resulting from allisions, collisions, cargo damage, property damage, conversion (wrongful possession), pollution, personal injury and death, maintenance and cure, and unseaworthiness, in each case, that are covered by insurance (subject to reasonable deductibles).

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of the Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge, in whole or in part, other Indebtedness of the Company or any of the Restricted Subsidiaries (other than intercompany Indebtedness) (the "*Refinanced Indebtedness*")*; provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of the Refinanced Indebtedness (plus all accrued interest on the Refinanced Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date that is either no earlier than the final maturity date of the Refinanced Indebtedness, or is no earlier than the date that is 90 days after the maturity date of the Notes, and has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Refinanced Indebtedness;

(3) if the Refinanced Indebtedness is (a) subordinated in right of payment to the Notes or a Guarantee, then such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Guarantee, as the case may be, or (b) *pari passu* in right of payment with the Notes or a Guarantee, then such Permitted Refinancing Indebtedness is subordinated to or *pari passu* in right of payment with the Notes or such Guarantee, as the case may be, in the case of each of (a) and (b), on terms at least as favorable to the Holders as those contained in the documentation governing the Refinanced Indebtedness; and

(4) if the Company or a Guarantor is the issuer of, or otherwise an obligor in respect of the Refinanced Indebtedness, such Permitted Refinancing Indebtedness is not Incurred by any Restricted Subsidiary that is not the Company or a Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Plan Equity*" means any Capital Stock or other equity securities contemplated to be issued by the Reorganization Plan.

"*Pledge Agreement*" means each pledge agreement, share charge or similar instrument pursuant to which such Person grants to the Collateral Agent a Lien in Equity Interests in a Subsidiary directly owned by such grantor, in each case, as amended, restated, supplemented or otherwise modified from time to time.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the

distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"*Purchase Agreement*" has the meaning provided in the Appendix.

"*QIB*" means a "*qualified institutional buyer*" as defined in Rule 144A under the Securities Act.

"*Qualified Services Contract*" means, as of any date of determination, with respect to any Vessel acquired by, or committed to be delivered to, the Company or any of its Restricted Subsidiaries, a bona fide contract or series of contracts, together with any amendments, supplements or modifications thereto, that the Board of Directors of the Company, acting in good faith, designates as a "Qualified Services Contract" pursuant to a resolution of the Board of Directors of the Company, which contract or contracts:

(1) are between the Company or one of its Restricted Subsidiaries, on the one hand, and a Person that is not an Affiliate of the Company, on the other hand;

(2) provide for services to be performed by the Company or one or more of its Restricted Subsidiaries involving the use of such Vessel by the Company or one or more of its Restricted Subsidiaries, in either case for a minimum aggregate period of at least one year from (i) the date of determination or (ii) a future date that is no later than the date that is three months from the date of determination (the period during which such services are to be performed, the "*Active Service Period*"); and

(3) provide for a fixed or minimum day rate or fixed rate for such Vessel covering the entire Active Service Period contemplated by clause (2) above.

For the avoidance of doubt, neither a letter of intent nor a letter of award with respect to a Vessel is a Qualified Services Contract.

"*Qualified Vessel"* means a 6th or 7th (or later) generation Vessel that is (i) subject to a Qualified Services Contract and (ii), in the case of any Vessel that is not a Vessel owned by the Company on the Issue Date, of substantially comparable (or better) quality and value as (or than) the Vessels owned by the Company on the Issue Date.

"*Ready for Sea Cost*" means, with respect to a Vessel to be acquired by the Company or any Restricted Subsidiary, the aggregate amount of all expenditures Incurred to acquire or construct and bring such Vessel to the condition and location necessary for its intended use, including any and all inspections, appraisals, repairs, modifications, additions, permits and licenses in connection with such acquisition or lease.

"*Regulation S*" has the meaning provided in the Appendix.

"*Related Assets*" means, with respect to any Collateral Vessel, (i) proceeds of any insurance policies and contracts from time to time in force with respect to such Collateral Vessel, (ii) any requisition compensation payable in respect of any compulsory acquisition of such Collateral Vessel, (iii) any Earnings derived from the use or operation of such Collateral Vessel (other than Earnings payable to a Local Content Subsidiary) and/or any account to which such Earnings are deposited, (iv) any charters, operating leases, Vessel purchase options and related agreements with respect to such Collateral Vessel entered into, and any security or guarantee in respect of the charterer's or lessee's obligations under such charter, lease, Vessel purchase option or agreement and (v) any security interest in, or agreement or assignment relating to, any of the foregoing or any mortgage in respect of such Collateral Vessel; *provided* that Related Assets will not include any Excluded Property.

"*Relevant Business Day*" means, when used in connection with the creation of a Lien on any asset, any Business Day that is not a day on which banking institutions in any jurisdiction the laws of which are relevant to the creation of such Lien are authorized or required by law to close.

"*Reorganization Plan*" means the Company's joint plan of reorganization, dated as of July 31, 2018. For purposes of this Indenture and the Escrow Agreement, the term "Reorganization Plan" shall include any amendments, supplements or modifications to such joint plan of reorganization that are not, in the good faith judgment of the Company, when taken as a whole, materially adverse to the Holders or holders of the Second Lien PIK Notes.

"*Required First Lien Debtholders*" means, at any time, the holders of a majority in aggregate principal amount of all First Lien Debt then outstanding.

"*Responsible Officer*," when used with respect to the Trustee, means any officer within the corporate trust department of the Trustee having direct responsibility for the administration of this Indenture.

"*Restricted Global Note*" has the meaning provided in the Appendix.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Notes Legend*" has the meaning provided in the Appendix.

"*Restricted Subsidiary*" means any Subsidiary of the Company that is not then an Unrestricted Subsidiary; *provided*, *however*, that (i) upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be a Restricted Subsidiary and (ii) notwithstanding anything to the contrary in this Indenture, each Collateral Grantor shall at all times be a Restricted Subsidiary.

"*Rule 144A*" has the meaning provided in the Appendix.

"*S&P*" means Standard & Poor's Rating Services, or any successor to the rating agency business thereof.

"*Sale and Lease-Back Transaction*" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and leases it from such Person.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Second Lien Note Indenture*" means the indenture governing the Second Lien PIK Notes issued prior to or substantially concurrently with the issuance of the Notes on the Issue Date.

"*Second Lien PIK Notes*" means the 11.000% / 12.000% Second Lien PIK Notes due 2024 issued under the Second Lien Note Indenture.

"*Security Agreement*" means, collectively, each security agreement or similar instrument executed by a Collateral Grantor pursuant to which such Person grants to the Collateral Agent a Lien on the assets owned by such Person, in each case, as amended, amended and restated, or supplemented from time to time in accordance with its terms.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the Issue Date, *provided*, *however*, that notwithstanding anything to the contrary in this Indenture, each Restricted Subsidiary that owns an interest in a Collateral Vessel shall be a Significant Subsidiary at all times.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any item or series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date or, if such item or series is Incurred after the Issue Date, the date such item or series is Incurred.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, limited liability company, association or other business entity (other than a partnership) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, limited liability company, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(2) any partnership of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof), whether in the form of general, special or limited partnership interests or otherwise, or (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; and

(3) any corporation, limited liability company, association or other business entity not referred to in clause (1) or (2) above the management of which is controlled, directly or indirectly, by such Person and the accounts of which are consolidated with those of such Person in its consolidated financial statements in accordance with GAAP.

For the avoidance of doubt, as of the Issue Date, PIDWAL and PDNL are Subsidiaries of the Company.

"*Superpriority Debt"* means up to $50 million of First Lien Debt with payment priority pursuant to the Collateral Agency Agreement Incurred pursuant to clause (4) of Section 4.09(b).

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 that has become publicly available at least two Business Days prior to the redemption date (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to October 1, 2020; *provided*, *however*, that if the period from the redemption date to October 1, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Trustee*" means Wilmington Trust, National Association, in its capacity as trustee under this Indenture, until a successor replaces it in accordance with the applicable provisions of this Indenture, and thereafter "Trustee" means each Person who is then a Trustee thereunder.

"*Uniform Commercial Code*" means the Uniform Commercial Code as in effect in any applicable jurisdiction from time to time.

"*Unqualified Vessel*" means any Vessel that is not a Qualified Vessel.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Company, as provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Company may designate any Subsidiary of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors unless such Subsidiary or any of its Subsidiaries owns any Equity

Interests or Indebtedness of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary (other than solely any Subsidiary of the Subsidiary to be so designated); *provided* that :

(1) to the extent any Indebtedness of such Subsidiary is not Non-Recourse Debt, any Guarantee or other credit support thereof by the Company or any Restricted Subsidiary is permitted by Section 4.07 and Section 4.09;

(2) except as permitted by Section 4.11, the Subsidiary to be so designated and each Subsidiary of such Subsidiary is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) the Subsidiary to be so designated and each Subsidiary of such Subsidiary is a Person with respect to which neither the Company nor any of the Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;

(4) the Subsidiary to be so designated and each Subsidiary of such Subsidiary has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of the Restricted Subsidiaries; and

(5) the Subsidiary to be so designated and each Subsidiary of such Subsidiary is neither the owner of any interests in any Collateral Vessel nor (except for a Local Content Subsidiary) a party to a Drilling Contract.

"*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

"*Vessel*" means any drilling rig, drillship or other drilling vessel whose primary purpose is the exploration and production drilling for crude oil or hydrocarbons, in each case together with all related spares, equipment and any additions or improvements thereto to the extent such spares, equipment and additions or improvements are owned by the owner of the Vessel. For the purpose of determining the number of "Vessels" owned by the Company, any such related spares, equipment, additions or improvements shall constitute part of the drilling rig, drillship or other drilling vessel to which they relate and shall not constitute separate "Vessels."

"*Vessel Mortgage*" means each first preferred mortgage and any other instruments, such as statutory mortgages and deeds, over any Collateral Vessel, each duly registered in the Liberian ship registry (or other relevant registry) in favor of the Collateral Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of such Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"Zonda Arbitration" means the arbitration commenced in London, England by Samsung Heavy Industries Co., Ltd. on November 18, 2015 relating to the contract between Samsung Heavy Industries Co., Ltd. and the Company for the construction of the drillship known as the *Pacific Zonda*.

"Zonda Plan" means the potential removal of PDVIII and PDSI from the Reorganization Plan and the filing of a separate plan of reorganization with respect to such entities under Chapter 11 bankruptcy proceedings.

"*Zonda Release Date*" means the date of emergence from Chapter 11 bankruptcy proceeding for PDVIII and PDSI.

SECTION 1.02. Other Definitions.

Term	Defined in Section
"Act"	9.07
"Additional Amounts"	4.22
"Affiliate Transaction"	4.11
"Appendix"	2.01
"Asset Sale Offer"	4.10
"Asset Sale Offer Amount"	3.09
"Asset Sale Offer Period"	3.09
"Asset Sale Offer Settlement Date"	3.09
"Asset Sale Offer Termination Date"	3.09
"Builder Basket Start Date"	4.07
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Code"	4.22
"Covenant Defeasance"	8.03
"Designated Zonda Amount"	3.08
"Discharge"	8.08
"Escrow Account"	3.11
"Escrow Agent"	3.11
"Escrow Agreement"	3.11
"Escrow Release Date"	3.11
"Escrowed Property"	3.11
"Event of Default"	6.01
"Excess Proceeds"	4.10
"Incur"	4.09
"Indemnified Taxes"	4.22
"Insurances"	4.25
"Insurers"	4.25
"Intercompany Transfers"	4.08
"Legal Defeasance"	8.02
"MD&A"	4.03
"Owner's Insurance Broker"	4.25
"Paying Agent"	2.03
"Payment Default"	6.01
"Permitted Debt"	4.09
"Register"	2.03
"Registrar"	2.03
"Restricted Payments"	4.07
"Reversion Date"	4.23
"Special Mandatory Redemption"	3.11
"Specified Tax Jurisdiction"	4.22

Term	Defined in Section
"Successor Company"	5.01
"Successor Guarantor"	5.01
"Suspended Covenants"	4.23
"Suspension Period"	4.23
"Taxes"	4.22
"Zonda Offer"	3.08
"Zonda Offer Period"	3.08
"Zonda Offer Settlement Date"	3.08
"Zonda Offer Termination Date"	3.08
"Zonda Proceeds"	3.08

SECTION 1.03. Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) the meanings of the words "will" and "shall" are the same when used to express an obligation;

(6) references to sections of or rules under the Securities Act or the Exchange Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time;

(7) "herein," "hereof' and other words of similar import refer to this Indenture as a whole (as amended or supplemented from time to time) and not to any particular Article, Section or other subdivision of this Indenture

(8) "including" means "including, without limitation"; and

(9) references herein to Articles, Sections and Exhibits are to be construed as references to articles of sections of, and exhibits to, this Indenture, unless the context otherwise requires.

ARTICLE 2

THE NOTES

SECTION 2.01. Form and Dating.

Provisions relating to the Notes are set forth in the Rule 144A/Regulation S Appendix attached hereto (the "*Appendix*"), which is hereby incorporated in and expressly made part of this Indenture. The Notes and the Trustee's certificate of authentication therefor shall be substantially in the form of Exhibit 1 to the Appendix, which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have other notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The terms of the Notes set forth in the Appendix are part of the terms of this Indenture. The Notes shall be in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The terms and provisions contained in the Appendix and the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Issuer, the Guarantors and the Trustee, by their execution and delivery of this Indenture or a supplemental indenture, as applicable, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any such provision conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

SECTION 2.02. Execution and Authentication.

At least one Officer of the Issuer shall sign the Notes on behalf of the Issuer by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

On the Issue Date, the Trustee shall authenticate and deliver Notes in an aggregate principal amount of $750,000,000 and, at any time and from time to time thereafter, the Trustee shall authenticate and deliver Notes for original issue in an aggregate principal amount specified in an authentication order of the Issuer. Such order shall specify the aggregate principal amount of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated and to whom the Notes shall be registered and delivered and, in the case of an issuance of Additional Notes pursuant to Section 2.14 after the Issue Date, shall certify that such issuance is in compliance with Section 4.09,

The Trustee may appoint an authenticating agent reasonably acceptable to the Issuer to authenticate the Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.03. Registrar and Paying Agent.

The Issuer shall at all times maintain an office or agency in the United States where Notes may be presented for registration of transfer or for exchange (the "*Registrar*") and an office or agency in the contiguous United States where Notes may be presented for payment (the "*Paying Agent*"). The Registrar shall keep a register of the Notes and of their transfer and exchange (the "*Register*"). The Issuer may have one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar, and the term "Paying Agent" includes any additional paying agent.

The Issuer shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture, which shall implement the provisions of this Indenture that relate to such agent. The Issuer shall notify the Trustee in writing of the name and address of any such agent. If the Issuer fails to maintain a Registrar or Paying Agent, the Trustee shall act as such. Other than for purposes of effecting a redemption or an offer to purchase described in Sections 3.07, 3.08, 3.09, 3.11, 4.10 and 4.15 or in connection with Legal Defeasance, Covenant Defeasance or Discharge, the Issuer or any of its Subsidiaries may act as Paying Agent or Registrar.

The Issuer initially appoints the Trustee as Registrar and Paying Agent in connection with the Notes at the Corporate Trust Office of the Trustee.

SECTION 2.04. Paying Agent to Hold Money in Trust.

Prior to 11:00 a.m. New York City time, on each date on which any principal, premium, if any, or interest on any Note is due and payable, the Issuer shall deposit with the Paying Agent a sum sufficient to pay such

principal, premium, if any, and interest when so becoming due. The Issuer shall require each Paying Agent (other than the Trustee) to agree in writing that such Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, or premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes and shall notify the Trustee of any default by the Issuer in making any such payment. If the Issuer or any of its Subsidiaries acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund for the benefit of the Holders. The Issuer at any time may require a Paying Agent (other than the Trustee) to pay all money held by it to the Trustee, and the Trustee may at any time during the continuance of any Event of Default under Section 6.01(a) or (b), upon written request to a Paying Agent, require such Paying Agent to forthwith pay to the Trustee all sums so held in trust by such Paying Agent and, in each case, to account for any funds disbursed by such Paying Agent. Upon complying with this Section, the Paying Agent (if other than the Issuer or any of its Subsidiaries) shall have no further liability for the money delivered to the Trustee. Upon any bankruptcy, reorganization or similar proceeding with respect to the Issuer, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.05. Noteholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Noteholders. If the Trustee is not the Registrar, the Issuer shall furnish to the Trustee in writing, at least five Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Noteholders.

SECTION 2.06. Transfer and Exchange.

The Notes shall be issued in registered form and shall be transferable only upon the surrender of a Note for registration of transfer and in compliance with the Appendix. When a Note is presented to the Registrar or a co-registrar with a request to register a transfer, the Registrar shall register the transfer as requested if the requirements of this Indenture are met. When Notes are presented to the Registrar with a request to exchange them for an equal principal amount of Notes of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. The Issuer may require payment of a sum sufficient to cover any taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section 2.06 (other than any such transfer taxes, assessments or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.08, 3.09, 3.11, 4.10, 4.15 or 9.05).

SECTION 2.07. Replacement Notes.

If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Registrar or the Issuer, such Holder shall furnish an indemnity bond sufficient in the judgment of the Trustee to protect the Registrar, Paying Agent and the Trustee and in the judgment of the Issuer to protect the Issuer from any loss which any of them may suffer if a Note is replaced. The Issuer and the Trustee may charge the Holder for their expenses in replacing a Note.

Every replacement Note is an additional obligation of the Issuer.

SECTION 2.08. Outstanding Notes.

The Notes outstanding at any time are all Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in interests in a Global Note effected by the Trustee in accordance with the provisions hereof and those described in this Section as not outstanding. Except as set forth in Section 2.09, a Note does not cease to be outstanding because the Issuer, any Guarantor or an Affiliate of the Issuer or any Guarantor holds the Note.

If the Paying Agent (other than the Issuer or a Subsidiary thereof) holds in trust, in accordance with this Indenture, by 11:00 a.m. New York City time, on a redemption date or other maturity date money sufficient to pay all principal, interest, premium, if any, and Additional Amounts, if any, payable on that date with respect to the Notes (or portions thereof) to be redeemed or maturing, as the case may be, then on and after that date such Notes (or portions thereof) shall cease to be outstanding and interest on them shall cease to accrue.

SECTION 2.09. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuer or any Guarantor, or by any Affiliate of the Issuer or any Guarantor, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee actually knows are so owned will be so disregarded.

SECTION 2.10. Temporary Notes.

Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Issuer considers appropriate for temporary Notes. Without unreasonable delay, the Issuer shall prepare and the Trustee shall authenticate definitive Notes and deliver them in exchange for Temporary Notes. Holders of temporary Notes shall be entitled to all of the benefits under this Indenture.

SECTION 2.11. Cancellation.

The Issuer at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange, replacement or payment. The Trustee and no one else shall cancel and destroy (subject to the record retention requirements of the Exchange Act) all Notes surrendered for registration of transfer, exchange, replacement, payment or cancellation. Upon written request, the Trustee will deliver a certificate of such cancellation to the Issuer. The Issuer may not issue new Notes to replace Notes it has redeemed, paid or delivered to the Trustee for cancellation.

SECTION 2.12. Defaulted Interest.

If the Issuer defaults in a payment of interest on the Notes, the Issuer shall pay defaulted interest at the rate specified in the second paragraph of Section 4.01 (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Issuer may pay the defaulted interest to the Persons who are Noteholders on a subsequent special record date. The Issuer shall fix or cause to be fixed any such special record date and payment date (which special record date shall not be less than 10 days prior to the related payment date) to the reasonable satisfaction of the Trustee and shall promptly mail to each Noteholder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.13. CUSIP and ISIN Numbers.

The Issuer in issuing the Notes may use "CUSIP" numbers and corresponding "ISINs" (if then generally in use) and, if so, the Trustee shall use "CUSIP" numbers and corresponding "ISINs" in notices of redemption as a convenience to Holders; *provided*, *however*, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Issuer shall promptly notify the Trustee of any changes in "CUSIP" or "ISIN" numbers.

SECTION 2.14. Issuance of Additional Notes.

Following the Escrow Release Date, the Issuer shall be entitled, subject to its compliance with Section 4.09, to issue Additional Notes under this Indenture, which Additional Notes shall have identical terms and conditions as the Initial Notes issued on the Issue Date, other than with respect to the date of issuance, issue price and the date from which interest will accrue. The Initial Notes issued on the Issue Date, and any Additional Notes, will be equally and ratably secured by the Liens granted to the Collateral Agent on the Collateral and shall be treated as a single class for all purposes under this Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase; *provided*, *however*, that in the event any Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, such non-fungible Notes will be issued with a separate CUSIP or ISIN number so they are distinguishable from the Notes issued on the Issue Date.

With respect to any Additional Notes, the Issuer shall set forth in an Officers' Certificate, which shall be delivered to the Trustee, the following information:

(1) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture and the provision of Section 4.09 that the Issuer is relying on to issue such Additional Notes; and

(2) the issue price, the issue date (and the corresponding date from which interest shall accrue thereon and the first Interest Payment Date therefor) and the CUSIP number and any corresponding ISIN of such Additional Notes.

ARTICLE 3

REDEMPTION AND PREPAYMENT

SECTION 3.01. Notices to Trustee.

If the Issuer elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 or is required to redeem, or offer to redeem, Notes pursuant to Section 3.08 or 3.11, it shall furnish to the Trustee, at least five Business Days (unless a shorter period shall be agreeable to the Trustee or, in the case of a redemption under Section 3.11, as required thereby) before the date of giving notice of the redemption pursuant to Section 3.03, an Officers' Certificate setting forth (i) either the clause of Section 3.07 pursuant to which the redemption shall occur or that such redemption shall occur pursuant to Section 3.08 or 3.11, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed, (iv) the redemption price or the method by which it will be determined, and (v) whether the Issuer requests that the Trustee give notice of such redemption.

SECTION 3.02. Selection of Notes to Be Redeemed.

If less than all of the Notes are to be redeemed at any time, the Trustee will select the Notes to be redeemed on a *pro rata* basis, unless otherwise required by law or applicable stock exchange or Depository requirements, from the outstanding Notes not previously called for redemption. In the event of partial redemption other than on a *pro rata* basis, the particular Notes to be redeemed shall be selected, not less than five Business Days (unless a shorter period shall be agreeable to the Trustee) prior to the giving of notice of the redemption pursuant to Section 3.03, by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Issuer in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. No Notes of $2,000 or less can be redeemed in part. Notes and portions of Notes selected shall be in amounts of $2,000 or whole multiples of $1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder shall be redeemed. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.03. Notice of Redemption.

Except as otherwise provided in Section 3.07(f) with respect to an optional redemption by the Escrow Issuer and in Section 3.08 or Section 3.11 in relation to a mandatory offer to redeem or mandatory redemption, at least 30 days but not more than 60 days before a redemption date (except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a Legal Defeasance, Covenant Defeasance or Discharge), the Issuer shall mail or cause to be mailed, by first class mail, or otherwise given in accordance with the procedures of the Depository, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address (with a copy to the Trustee). Except with respect to redemption pursuant to Sections 3.08 and 3.11, notices of redemption may be subject to one or more conditions specified in the notice of redemption.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price or, if the redemption price is not then determinable, the manner in which it is to be determined;

(c) if any Note is to be redeemed in part only, the portion of the principal amount of such Note that is to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in a principal amount equal to the unredeemed portion of the original Note will be issued in the name or transferred by book entry to the applicable Holder upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Issuer defaults in making such redemption payment, interest on Notes called for redemption shall cease to accrue on and after the redemption date and the only remaining right of the Holders of such Notes is to receive payment of the redemption price upon surrender to the Paying Agent of the Notes redeemed;

(g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed;

(h) the CUSIP (or ISIN) number, if any, and that no representation is made as to the correctness or accuracy of the CUSIP (or ISIN) number, if any, listed in such notice or printed on the Notes; and

(i) a description of any conditions to the Issuer's obligations to complete the redemption.

If any of the Notes to be redeemed is in the form of a Global Note, then the Issuer shall modify such notice to the extent necessary to accord with the procedures of the Depository applicable to redemption.

At the Issuer's request, the Trustee shall give the notice of redemption in the Issuer's name and at its expense; *provided*, *however*, that the Issuer shall have delivered to the Trustee, as provided in Section 3.01, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the second preceding paragraph.

SECTION 3.04. Effect of Notice of Redemption.

Once notice of redemption is delivered in accordance with Section 3.03, Notes (or portions thereof) called for redemption become irrevocably due and payable on the applicable redemption date at the

applicable redemption price, subject to the satisfaction of any conditions to the redemption specified in the notice of redemption. If delivered in the manner provided for in Section 3.03, the notice of redemption shall be conclusively presumed to have been given whether or not a Holder receives such notice. Failure to give timely notice or any defect in the notice shall not affect the validity of the redemption.

SECTION 3.05. Deposit of Redemption Price.

Prior to 11:00 a.m., New York City time, on any redemption date, the Issuer shall deposit with the Paying Agent (or, if the Issuer or a Subsidiary thereof is acting as Paying Agent, segregate and hold in trust as provided in Section 2.04) money sufficient in same day funds to pay the redemption price of and accrued interest on all Notes to be redeemed on that date. The Paying Agent shall promptly return to the Issuer any money deposited with the Paying Agent by the Issuer in excess of the amounts necessary to pay the redemption price of and accrued interest on all Notes to be redeemed.

If the Issuer complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption whether or not such Notes are presented for payment, and the only remaining right of the Holders of such Notes shall be to receive payment of the redemption price upon surrender to the Paying Agent of the Notes redeemed. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Issuer to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01.

SECTION 3.06. Notes Redeemed in Part.

Upon surrender of a Note that is redeemed in part, the Issuer shall issue in the name of the applicable Holder and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate and mail to such Holder (or cause to be transferred by book entry) at the expense of the Issuer a new Note equal in principal amount to the unredeemed portion of the Note surrendered representing the same Indebtedness to the extent not redeemed; *provided* that each new Note shall be in a principal amount of $2,000 and integral multiples of $1,000 in excess thereof. It is understood that, notwithstanding anything in this Indenture to the contrary, only an authentication order and not an Opinion of Counsel or Officers' Certificate is required for the Trustee to authenticate such new Note.

SECTION 3.07. Optional Redemption.

(a) At any time prior to October 1, 2020, the Issuer may, at its option, redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) issued under this Indenture, at one time or from time to time, at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in an amount not greater than the net cash proceeds received by the Issuer from one or more Equity Offerings; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes (including any Additional Notes) issued under this Indenture (excluding any Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days after the date of the closing of such Equity Offering.

(b) At any time prior to October 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant

record date to receive interest due on the relevant Interest Payment Date. The Issuer shall calculate, or cause the calculation of, the Applicable Premium and the Trustee shall have no duty to calculate or verify the Issuer's calculations thereof.

(c) At any time prior to October 1, 2020, not more than once in any 12-month period, the Issuer may, at its option, redeem up to $75.0 million in aggregate principal amount of the Notes at a redemption price equal to 103% of the aggregate principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date.

(d) On or after October 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date, if redeemed during the twelve-month period beginning on October 1 of the years indicated below:

YEAR	PERCENTAGE
2020	104.188%
2021	102.094%
2022 and thereafter	100.000%

(e) The Issuer may redeem the Notes, at its option, at any time in whole but not in part, at a redemption price equal to 100% of the outstanding principal amount of Notes, plus accrued and unpaid interest (if any) to, but not including, the applicable redemption date, plus all Additional Amounts, if any, then due and which will become due as a result of the redemption or otherwise (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in the event that the Issuer determines in good faith that the Issuer or any Guarantor has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes or the Guarantees, Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or the relevant Guarantor, as applicable (including making payment through a Paying Agent located in another jurisdiction), as a result of:

(1) a change in or an amendment to the laws or treaties (including any regulations or rulings promulgated thereunder) of any Specified Tax Jurisdiction affecting taxation, which change or amendment is announced or becomes effective on or after the Issue Date (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction); or

(2) any change in or amendment to any official position of a taxing authority in any Specified Tax Jurisdiction regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Issue Date (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction);

provided, *however*, that in the case of Additional Amounts required to be paid as a result of the Issuer or relevant Guarantor conducting business other than in the place of its incorporation or organization, such amendment or change must be announced or become effective on or after the date in which it begins to conduct business giving rise to the relevant withholding or deduction.

Notwithstanding the foregoing, no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor, as applicable, would be obligated to pay Additional Amounts if a payment in respect of the Notes or the Guarantees were then due, and at the time such notice is given, the obligation to pay Additional Amounts must remain in effect. Before the Issuer mails or delivers notice of redemption of the Notes as described above, the Issuer shall deliver to the Trustee and Paying Agent (a) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts

showing that the conditions precedent to the right of the Issuer to so redeem have occurred and (b) an opinion of independent legal counsel of recognized standing that the Issuer or any Guarantor has or will become obligated to pay Additional Amounts as a result of the circumstances referred to in clause (1) or (2) of the preceding paragraph.

The Trustee and Paying Agent will be entitled to conclusively rely upon the Officers' Certificate and opinion of counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which case they will be conclusive and binding on the Holders.

(f) The Issuer may redeem the Notes, at its option, at any time in whole but not in part, prior to the third Business Day following the Escrow End Date, at a redemption price equal to 100% of the principal amount of Notes plus accrued interest to, but not including, the redemption date, if, in the Issuer's reasonable judgment, the Escrow Release Conditions will not be satisfied on or prior to the Escrow End Date on substantially the terms described in the Offering Circular. If the Issuer exercises this option, the Issuer will redeem the Notes with the amounts held in the Escrow Account upon three Business Days' prior notice, or otherwise in accordance with the requirements of the Depository.

(g) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through Section 3.05.

SECTION 3.08. Mandatory Zonda Offer

(a) If the Company or any Restricted Subsidiary receives any cash proceeds ("*Zonda Proceeds*") from a settlement or award in connection with the Zonda Arbitration, the Company shall, within 10 Business Days of the later of (i) receipt thereof and (ii) the emergence of the Company and all of its Restricted Subsidiaries from bankruptcy, make an offer (a "*Zonda Offer*") to all Holders and holders of any other First Lien Debt containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem such First Lien Debt with Zonda Proceeds in an aggregate principal amount equal to the lesser of (i) 50% of the Zonda Proceeds, net of the direct legal fees and expenses and fees and expenses of the arbitration tribunal relating to the Zonda Arbitration, and (ii) $75 million (such lesser amount, the "*Designated Zonda Amount*") on a *pro rata* basis.

(b) The repurchase date in any Zonda Offer (the "*Zonda Offer Settlement Date*") shall be specified by the Company, and shall be no earlier than 30 days and no later than 60 days from the date the notice of such Zonda Offer is delivered pursuant to clause (c) below. The offer price in any Zonda Offer will be equal to 100% of the principal amount of Notes or other First Lien Debt to be repurchased, repaid or redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of repurchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. A Zonda Offer shall remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "*Zonda Offer Period*").

(c) Upon the commencement of a Zonda Offer, the Company shall send, by first class mail, or otherwise in accordance with the requirements of the Depository, a notice to each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Zonda Offer. The notice, which shall govern the terms of the Zonda Offer, shall state:

(i) that the Zonda Offer is being made pursuant to this Section 3.08 and the duration of the Zonda Offer Period, including the time and date the Zonda Offer Period will terminate (the "*Zonda Offer Termination Date*")*;*

(ii) the Designated Zonda Amount and the purchase price;

(iii) that any Note not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Zonda Offer shall cease to accrue interest on and after the Zonda Offer Settlement Date;

(v) that Holders electing to have a Note purchased pursuant to the Zonda Offer shall be required to surrender the Note, properly endorsed for transfer, together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed and such customary documents as the Issuer may reasonably request, to the Issuer or a Paying Agent at the address specified in the notice, before the Zonda Offer Termination Date;

(vi) that Holders shall be entitled to withdraw their election if the Issuer or the Paying Agent, as the case may be, receives, prior to the Zonda Offer Termination Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing its election to have such Note purchased;

(vii) that, if the aggregate principal amount of Notes and other First Lien Debt tendered in such a Zonda Offer collectively exceeds the Designated Zonda Amount, the Issuer will select the Notes and such other First Lien Debt for purchase on a *pro rata* basis unless otherwise required by law or applicable stock exchange or Depository requirements (with such adjustments as may be deemed appropriate by the Issuer so that only Notes and other First Lien Debt in denominations of $2,000 and integral multiples of $1,000 in excess thereof will be outstanding after such repurchase); and

(viii) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $2,000 in principal amount or an integral multiple of $1,000 in excess thereof.

(d) Promptly after the Zonda Offer Termination Date, the Issuer shall, to the extent lawful, accept for payment Notes or portions thereof properly tendered and not withdrawn pursuant to the Zonda Offer in the aggregate principal amount required by this Section 3.08. Prior to 11:00 a.m., New York City time, on the Zonda Offer Settlement Date, the Issuer, the Depository or the Paying Agent, as the case may be, shall mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuer for purchase, and the Issuer shall promptly issue a new Note, and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuer to the Holder thereof. The Issuer shall publicly announce the results of the Zonda Offer on or promptly after the Zonda Offer Termination Date.

(e) Any Zonda Proceeds in excess of the Designated Zonda Amount or that remain after consummation of a Zonda Offer may be used by the Company and the Restricted Subsidiaries for any purpose not otherwise prohibited by this Indenture. For the purposes of this Section 3.08, any Zonda Proceeds not denominated in U.S. dollars shall be converted into their Dollar Equivalent determined as of the Business Day immediately prior to the date on which the Zonda Offer is announced.

(f) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those requirements, laws and regulations are applicable in connection with each repurchase of Notes or any other First Lien Debt pursuant to a Zonda Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 3.08, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached this Section 3.08 by virtue of such compliance.

(g) The provisions of this Section 3.08 may be waived or modified at any time with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

SECTION 3.09. Offer to Purchase by Application of Excess Proceeds.

(a) In the event that, pursuant to Section 4.10, the Company shall be required to commence an Asset Sale Offer, it shall follow the additional procedures specified below.

(b) Each Asset Sale Offer shall remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "*Asset Sale Offer Period*"). No later than five Business Days after the termination of the Asset Sale Offer Period (the "*Asset Sale Offer Settlement Date*"), the Company shall apply all Excess Proceeds (the "*Asset Sale Offer Amount*") to the purchase of the Notes and other Indebtedness of the Company or the applicable Restricted Subsidiary as specified in Section 4.10 or, if less than the Asset Sale Offer Amount has been validly tendered (and not validly withdrawn), all Notes and other Indebtedness of the Company or such Restricted Subsidiary, as applicable, validly tendered (and not validly withdrawn) in response to the Asset Sale Offer.

(c) Upon the commencement of an Asset Sale Offer, the Company shall send, by first class mail, or otherwise in accordance with the requirements of the Depository, a notice to each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(i) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 and the length of time the Asset Sale Offer shall remain open, including the time and date the Asset Sale Offer will terminate (the "*Asset Sale Offer Termination Date*");

(ii) the Asset Sale Offer Amount, the purchase price and the Asset Sale Offer Settlement Date;

(iii) that any Note not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Issuer defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest on and after the Asset Sale Offer Settlement Date;

(v) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, properly endorsed for transfer, together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed and such customary documents as the Issuer may reasonably request, to the Issuer or a Paying Agent at the address specified in the notice, before the Asset Sale Offer Termination Date;

(vi) that Holders shall be entitled to withdraw their election if the Issuer or the Paying Agent, as the case may be, receives, prior to the Asset Sale Offer Termination Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing its election to have such Note purchased;

(vii) that, if the aggregate principal amount of Notes or other First Lien Debt surrendered by Holders and holders of such other First Lien Debt, collectively, exceeds the Asset Sale Offer Amount, the Issuer shall select the Notes and such other First Lien Debt to be purchased from the amount allocated therefor on a *pro rata* basis unless otherwise required by law or applicable stock exchange or Depository requirements (with such adjustments as may be deemed appropriate by the Issuer so that only Notes and First Lien Debt in denominations of $2,000 and integral multiples of $1,000 in excess thereof will be outstanding after such purchase); and

(viii) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $2,000 in principal amount or an integral multiple of $1,000 in excess thereof.

Promptly after the Asset Sale Offer Termination Date, the Issuer shall, to the extent lawful, accept for payment Notes or portions thereof tendered pursuant to the Asset Sale Offer in the aggregate principal amount required by Section 4.10. Prior to 11:00 a.m., New York City time, on the Asset Sale Offer Settlement Date, the Issuer, the Depository or the Paying Agent, as the case may be, shall mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuer for purchase, and the Issuer shall promptly issue a new Note, and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuer to the Holder thereof. The Issuer shall publicly announce the results of the Asset Sale Offer on or before the Asset Sale Offer Settlement Date.

SECTION 3.10. No Mandatory Sinking Fund.

Except as set forth under Sections 3.08, 3.11, 4.10 and 4.15, the Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes or to repurchase the Notes at the option of the Holders.

SECTION 3.11. Escrow of Proceeds; Special Mandatory Redemption.

(a) On the Issue Date, the Escrow Issuer shall enter into an escrow and security agreement (the "*Escrow Agreement*") with the Trustee and Wilmington Trust, National Association, in its capacity as escrow agent (the "*Escrow Agent*"). On the Issue Date, the Escrow Issuer shall deposit into an account or accounts (the "*Escrow Account*") the net proceeds of the offering of the Notes, after deducting the fees payable to the Initial Purchaser, plus an amount in cash determined so that the total escrowed funds will be sufficient to pay the estimated fees and expenses of the Trustee, the Collateral Agent and the Escrow Agent and 100% of the offering price of the Notes plus interest to be accrued on the Notes to, but not including, the third Business Day following the Escrow End Date (collectively, together with any other property from time to time held by the Escrow Agent in the Escrow Account, the "*Escrowed Property*"). All Escrowed Property will be held by the Escrow Agent for the benefit of itself, the Trustee and the Noteholders.

(b) If the satisfaction of the Escrow Release Conditions does not occur on or before the Escrow End Date in accordance with the Escrow Agreement, the Issuer shall redeem all and not less than all of the Notes then outstanding (the "*Special Mandatory Redemption*"), upon three Business Days' notice (or otherwise in accordance with the requirements of the Depository), at a redemption price equal to 100% of the aggregate offering price of the Notes plus accrued and unpaid interest to, but not including, the redemption date.

(c) If the Issuer satisfies the Escrow Release Conditions on or prior to the Escrow End Date, then all Escrowed Property will be released to the Company in accordance with the Escrow Agreement (the date on which such release occurs, the "*Escrow Release Date*"). Upon satisfaction of the Escrow Release Conditions, the provisions regarding the Special Mandatory Redemption in this Section 3.11 will cease to apply.

(d) By its acceptance of a Note, each Holder shall be deemed to authorize and direct the Trustee to enter into and perform its obligations under the Escrow Agreement.

ARTICLE 4

COVENANTS

SECTION 4.01. Payment of Notes.

The Issuer shall pay or cause to be paid the principal of, interest, premium, if any, on, the Notes on the dates and in the manner provided in the Notes. Principal, interest and premium, if any, shall be considered paid on the date due if the Paying Agent, if other than the Issuer or a Subsidiary thereof, holds as of 11:00 a.m., New York City time, on the due date money deposited by the Issuer or a Guarantor in immediately available funds and designated for and sufficient to pay all principal, interest and premium, if any, then due. Subject to Section 4.22, all

payments made by the Issuer under or with respect to the Notes will be made free and clear of and without withholding or deduction for, or on account of, any Taxes, unless the withholding or deduction of such Taxes is then required by law.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at a rate equal to the then-applicable interest rate on the Notes; and it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest, if any (without regard to any applicable grace period), at the same rate as on overdue principal to the extent lawful.

SECTION 4.02. Maintenance of Office or Agency.

The Issuer shall maintain an office or agency (which may be an office of the Trustee, an affiliate of the Trustee, the Registrar or the Paying Agent) in the contiguous United States where Notes may be presented or surrendered for payment and shall maintain an office or agency in the contiguous United States (which may be an office of the Trustee, an affiliate of the Trustee, the Registrar or the Paying Agent) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee; provided that no office of the Trustee shall be an office or agency for the purpose of service of legal process against the Issuer or any Guarantor.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided*, *however*, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency in the contiguous United States for such purposes. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Issuer in accordance with Section 2.03.

SECTION 4.03. Reports.

(a) Whether or not the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, the Company shall furnish to the Trustee and the Holders, so long as any Notes are outstanding:

(1) within 75 days after the end of each of the first three fiscal quarters of each fiscal year (or so long as the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, by the time period required under the rules of the SEC for the filing of any quarterly reports for such fiscal quarter), reports on Form 6-K (for so long as the Company is a "foreign private issuer" subject to Section 13(a) or 15(d) of the Exchange Act) or Form 10-Q (or any successor form) containing, whether or not required, the Company's unaudited quarterly consolidated financial statements (including a balance sheet and statement of income, changes in stockholders' equity and cash flow) and a Management's Discussion and Analysis of Financial Condition and Results of Operations (the "*MD&A*") (or equivalent disclosure) for and as of the end of such fiscal quarter (with comparable financial statements for the corresponding fiscal quarter of the immediately preceding fiscal year);

(2) within 120 days after the end of each fiscal year (or so long as the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, by the time period required under the rules of the SEC for the filing of an annual report for each fiscal year), an annual report on Form 20-F (for so long as the Company is a "foreign private issuer" subject to Section 13(a) or 15(d) of

the Exchange Act) or Form 10-K (or any successor form) containing, whether or not required, the Company's audited consolidated financial statements, a report thereon by the Company's certified independent accountants and an MD&A for such fiscal year; and

(3) (i) for so long as the Company is a "foreign private issuer" subject to Section 13(a) or 15(d) of the Exchange Act, all such other reports and information that the Company is required to file or furnish pursuant thereto; and (ii) at or prior to such times as would be required to be filed or furnished to the SEC if the Company was subject to Section 13(a) or 15(d) of the Exchange Act (whether or not the Company is then subject to such requirements), current reports on Form 8-K that the Company would have been required to file or furnish pursuant thereto.

All such reports shall be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports.

(b) The Company shall electronically file or furnish, as the case may be, a copy of all such information and reports referred to in clauses (1) through (3) in paragraph (a) above with the SEC for public availability within the time periods specified therein at any time the Company is then subject to Section 13(a) or 15(d) of the Exchange Act and make such information available to the Holders, and if the Notes are represented by one or more Global Notes, the beneficial owners, of the Notes and prospective investors upon request.

(c) The Company shall be deemed to have furnished such reports referred to in paragraph (a) above to the Trustee and the Holders if the Company has filed such reports with the SEC via the EDGAR filing system and such reports are publicly available. If, notwithstanding the foregoing, the SEC will not accept the Company's filings for any reason, the Company will post the reports referred to in paragraph (a) above on its website within the time periods that would apply to non-accelerated filers if the Company were required to file those reports with the SEC.

(d) The Company agrees that, for so long as any Notes remain outstanding, it will hold and participate in quarterly conference calls with the Holders and securities analysts relating to the financial condition and results of operations of the Company and the Restricted Subsidiaries.

(e) In addition, for so long as any Notes remain outstanding and are subject to restrictions on transfer by non-Affiliates under U.S. federal securities laws, the Company will furnish to the Holders and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

(f) If the Company has designated any Unrestricted Subsidiaries, then the quarterly and annual financial information required by this Section 4.03 shall include a reasonably detailed presentation of the financial condition and results of operations of the Unrestricted Subsidiaries separate from the financial condition and results of operations of the Company and the Restricted Subsidiaries.

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with the covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officers' Certificate).

SECTION 4.04. Compliance Certificate.

(a) The Issuer shall deliver to the Trustee, within 120 days after the end of each fiscal year ending after the Issue Date, an Officers' Certificate stating (i) that a review of the activities of the Issuer and the Restricted Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuer has kept, observed, performed and fulfilled its obligations under this Indenture and the other Note Documents, and further stating, as to each such Officer signing such certificate, that, to the best of his or her knowledge, the Issuer has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and the other Note Documents applicable to the Issuer and is not in default in the

performance or observance of any of the terms, provisions and conditions thereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuer is taking or proposes to take with respect thereto) and (ii) either (x) that all action has been taken with respect to the recording, filing, re-recording and refiling of this Indenture and all amendments, supplemental indentures, financing statements, continuation statements and other documents, as are necessary to maintain the perfected Liens created under the Collateral Documents under applicable law and reciting the details of such action or referring to prior Officers' Certificates in which such details are given or (y) that no such action is necessary to maintain such Liens.

(b) The Issuer shall, so long as any of the Notes are outstanding, deliver to the Trustee, within 10 Business Days of any of its Officers becoming aware of any Default or Event of Default, a written statement specifying such Default or Event of Default and what action the Issuer is taking or proposes to take with respect thereto.

SECTION 4.05. Taxes.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders.

SECTION 4.06. Stay, Extension and Usury Laws.

Each of the Issuer and the Guarantors covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and each of the Issuer and the Guarantors (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.07. Limitation on Restricted Payments.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of Equity Interests of the Company or any Restricted Subsidiary (including, without limitation, any payment in connection with any merger, consolidation or amalgamation involving the Company or any of the Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of the Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or any other Restricted Subsidiary (and, if such Restricted Subsidiary has holders of Equity Interests other than the Company or other Restricted Subsidiaries, to its other holders of Equity Interests on a pro rata basis or on a basis that is more favorable to the Company and its Restricted Subsidiaries than pro rata));

(2) purchase, repurchase, redeem, retire or otherwise acquire for value (including, without limitation, in connection with any merger, consolidation or amalgamation involving the Company) any Equity Interests of the Company held by any Person (other than any such Equity Interests held by the Company or any Restricted Subsidiary) or any Equity Interests of any Restricted Subsidiary held by an affiliate of the Company (other than Equity Interests held by the Company or any Restricted Subsidiary) (in each case other than in exchange for Equity Interests of the Company that do not constitute Disqualified Stock);

(3) make any cash interest payment on or with respect to, or make any principal or premium payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Material Junior Debt; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

(I) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(II) the Company could Incur, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, at least $1.00 of additional Indebtedness pursuant to clause (2) of Section 4.09(b);

(III) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and the Restricted Subsidiaries since the Escrow Release Date (excluding Restricted Payments permitted by clauses (2) through (13) of Section 4.07(b)), is less than the sum, without duplication, of:

(A) 50% of the Company's Consolidated Net Income on a consolidated basis for the period (taken as one accounting period) beginning on the first day of the first fiscal quarter after the Escrow Release Date during which the Company's Consolidated Net Income is positive (the "*Builder Basket Start Date*") and ending on the last day of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(B) 100% of the aggregate net cash proceeds or the Fair Market Value of assets other than cash, in each case received by the Company or any Restricted Subsidiary from any Person other than the Company or any of its Subsidiaries since the Builder Basket Start Date as a contribution to its common equity capital or from the issue or sale of the Equity Interests (other than Disqualified Stock and other than any Plan Equity) of the Company or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company, in each case that have been converted into or exchanged for Equity Interests (other than Disqualified Stock) of the Company (other than Equity Interests, Disqualified Stock or debt securities sold to a Subsidiary of the Company); *plus*

(C) to the extent that any Restricted Investment that was made after the Builder Basket Start Date pursuant to this paragraph is sold or disposed of for cash or Cash Equivalents or otherwise cancelled, liquidated or repaid for cash or Cash Equivalents, the lesser of (i) the return of capital received in cash or Cash Equivalents with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(D) to the extent that any Unrestricted Subsidiary designated as such after the Builder Basket Start Date pursuant to this paragraph is redesignated as a Restricted Subsidiary, the lesser of (i) the Fair Market Value of the Restricted Investment made by the Company or any of the Restricted Subsidiaries in such Subsidiary as of the date of such redesignation and (ii) such

Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Builder Basket Start Date.

(b) The provisions of Section 4.07(a) will not prohibit:

(1) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or distribution or the date of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend, distribution or redemption payment would have complied with the provisions of this Indenture;

(2) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock and any other Plan Equity) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (III)(B) of Section 4.07(a) above;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Material Junior Debt with the net cash proceeds from a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(4) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, employee stock ownership plan or similar trust, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $2 million in any calendar year (with any portion of such $2 million amount that is unused in any calendar year to be carried forward to successive calendar years and added to such amount);

(5) the purchase, redemption or other acquisition or retirement for value of Equity Interests deemed to occur upon the exercise or conversion of stock options, warrants, rights to acquire Equity Interests or other convertible securities, to the extent such Equity Interests represent a portion of the exercise or conversion price thereof or the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officers, directors or employees of the Company or any of its Restricted Subsidiaries in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy any tax withholding obligation with respect to such exercise or vesting;

(6) any purchase, redemption, defeasance or other acquisition or retirement of any Material Junior Debt from proceeds of an Asset Sale or the Zonda Arbitration or in the event of a Change of Control, in each case only if prior to or simultaneously with such purchase, redemption, defeasance or other acquisition or retirement, the Company or a Restricted Subsidiary has made the Asset Sale Offer, Zonda Offer or Change of Control Offer, as applicable, as provided in this Indenture and has completed the repurchase of all Notes validly tendered for payment in connection with such Asset Sale Offer, Zonda Offer or Change of Control Offer in accordance with the requirements of this Indenture;

(7) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Preferred

Stock of any Restricted Subsidiary of the Company issued on or after the Issue Date in accordance with Section 4.09;

(8) cash payments in lieu of the issuance of fractional shares, or payments to dissenting stockholders (a) pursuant to applicable law or (b) in connection with the settlement or other satisfaction of legal claims made pursuant to or in connection with a consolidation, merger or transfer of assets in connection with a transaction that is not prohibited by this Indenture;

(9) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, any Restricted Payment so long as the amount of such Restricted Payment, together with the aggregate amount of all other Restricted Payments made under this clause (9) since the Issue Date, does not exceed $15 million;

(10) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, any Restricted Payment so long as, at the time of, and after giving effect to, such Restricted Payment, the Company's First Lien Leverage Ratio does not exceed 2.0 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the payment in cash of interest on, or any principal or premium payment with respect to, or the repurchase, redemption, defeasance or other acquisition or retirement for value of, Material Junior Debt; *provided* that the aggregate amount of such payments may not exceed $30 million in any calendar year;

(12) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the payment in cash of interest on Material Junior Debt, so long as, at the time of, and after giving effect to, such payment, the Company's Consolidated Interest Coverage Ratio is at least 1.75 to 1.0; and

(13) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (x) the repurchase, redemption, defeasance or other acquisition or retirement for value of Material Junior Debt and (y) Investments in any Person (including an Unrestricted Subsidiary); *provided* that the sum of (I) the aggregate amount of payments made pursuant to the foregoing clause (x) and (II) the aggregate Fair Market Value of Investments made pursuant to the foregoing clause (y), when taken together with all other Investments made pursuant to such clause (y) that are at the time outstanding (in each case, measured on the date each such Investment was made and without giving effect to subsequent changes in value), shall not exceed $75 million.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or any Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. For purposes of determining compliance with this Section 4.07, in the event that a Restricted Payment meets the criteria of more than one of the categories of Restricted Payments described in Section 4.07(a) or the preceding clauses (1) through (13) of this Section 4.07(b) or as a Permitted Investment, the Company will be permitted to divide or classify (or later divide, classify or reclassify in whole or in part in its sole discretion) such Restricted Payment in any manner that complies with this Section 4.07.

SECTION 4.08. Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create or permit to become effective any consensual encumbrance or restriction on the ability of any of the Restricted Subsidiaries to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of the Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of the Restricted Subsidiaries; *provided* that the priority that any series of preferred stock of a Restricted Subsidiary has in receiving dividends or liquidating distributions before dividends or liquidating distributions are paid in respect of common stock of such Restricted Subsidiary shall not constitute a restriction on the ability to make dividends or distributions on Capital Stock for purposes of this Section 4.08;

(2) make loans or advances to the Company or any of the Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of the Restricted Subsidiaries (all such actions set forth in these clauses (1) through (3) above being collectively referred to as "*Intercompany Transfers*").

(b) The restrictions in Section 4.08(a) will not apply to encumbrances or restrictions on the ability of any of the Restricted Subsidiaries to make Intercompany Transfers existing under or by reason of:

(1) agreements governing Indebtedness as in effect on the Issue Date;

(2) restrictions contained in, or in respect of, Hedging Obligations permitted to be Incurred by this Indenture;

(3) this Indenture, the Intercreditor Agreement, the other Collateral Documents, the Notes and the Guarantees;

(4) applicable law, rule, regulation or order;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of the Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was Incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be Incurred;

(6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business, mortgage financings and Capital Lease Obligations that impose restrictions on the property purchased or mortgaged or leased of the nature described in clause (3) of Section 4.08(a);

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the assets of any Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(9) Liens permitted to be Incurred under the provisions of Section 4.12 that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions limiting the disposition or distribution of assets or property in joint venture agreements, partnership agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements, which limitation is applicable only to the assets that are the subject of such agreements;

(11) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(12) any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1), (3), (5) or (7) of this Section 4.08(b); *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company, not materially more restrictive with respect to such encumbrance and other restrictions taken as a whole than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing;

(13) encumbrances or restrictions of the nature described in clause (3) of Section 4.08(a) with respect to property under a charter, lease or other agreement that has been entered into in the ordinary course for the employment, charter or other hire of such property; and

(14) instruments governing Indebtedness that is permitted to be Incurred subsequent to the Issue Date pursuant to Section 4.09; *provided* that, at the time such Indebtedness is Incurred, either (a) such encumbrance or restriction is customary for financings of the same type, and such restrictions would not reasonably be expected to materially impair the Company's ability to make scheduled payments of interest and principal on the Notes when due or any Guarantor's ability to make payment under its Guarantee, as determined in good faith by the Board of Directors of the Company or a Financial Officer of the Company, or (b) the restrictions therein are not materially more restrictive, taken as a whole, than those contained in this Indenture, the Notes and the Guarantees, as determined in good faith by the Board of Directors or a Financial Officer of the Company.

SECTION 4.09. Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*Incur*," and "*Incurrence*," "*Incurred*" and "*Incurring*" shall have meanings correlative to the foregoing) any Indebtedness (including Acquired Debt) or issue any Disqualified Stock, and the Company will not permit any of the Restricted Subsidiaries to issue any shares of Preferred Stock.

(b) The provisions of Section 4.09(a) will not, however, prohibit the Incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the Incurrence by the Company or any Guarantor of Indebtedness under the Initial Notes, the Second Lien PIK Notes issued on the date of the Second Lien Note Indenture, and the guarantees thereof;

(2) the Incurrence by the Company or any Guarantor of Indebtedness under one or more Credit Facilities (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company or such Guarantor thereunder) or in the form of one or more Guarantees of Indebtedness of one or more Unrestricted Subsidiaries; *provided*, that after giving pro forma effect thereto (including the application of proceeds therefrom), (i) if such Indebtedness is not First Lien Debt, the aggregate amount of Consolidated Total Indebtedness of the Company and the Restricted Subsidiaries (including any outstanding Notes and Second Lien PIK Notes and any Permitted Refinancing Indebtedness in respect thereof, but excluding intercompany Indebtedness permitted by clause (6) below) shall not exceed the product of (x) $250 million and (y) the number of 6th or 7th (or later) generation Vessels owned by the Company or any Guarantor at the time of Incurrence or (ii) if such Indebtedness is First Lien Debt, the aggregate amount of Consolidated Total Indebtedness of the Company and the Restricted Subsidiaries that is First Lien Debt (including any outstanding Notes and any Permitted Refinancing Indebtedness in respect thereof, but excluding intercompany Indebtedness permitted

by clause (6) below) shall not exceed the sum of (1) the product of (x) $50 million and (y) the number of 6th or 7th (or later) generation Unqualified Vessels owned by the Company or any Guarantor at the time of Incurrence and (2) the product of (x) $150 million and (y) the number of Qualified Vessels owned by the Company or any Guarantor at the time of Incurrence;

(3) the Incurrence by the Company or any Guarantor of Indebtedness for the purpose of financing all or any part of the purchase price of the drillship known as the *Pacific Zonda*, and Permitted Refinancing Indebtedness in respect thereof, in an amount, including all such Permitted Refinancing Indebtedness, not to exceed $150 million at any time outstanding;

(4) the Incurrence by the Company or any Guarantor of up to $50 million of First Lien Debt pursuant to one or more Credit Facilities providing revolving credit (including letter of credit availability) to the Company or any Guarantor for working capital or other general corporate purposes;

(5) the Incurrence by the Company or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge, in whole or in part, any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be Incurred under clause (1) or (2) of this paragraph or this clause (5);

(6) the Incurrence by Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company and any of the Restricted Subsidiaries; *provided*, *however*, that:

(A) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Company, or the applicable Guarantees, in the case of a Guarantor; and

(B) upon any (i) subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary, or (ii) sale or other transfer of any such Indebtedness to a Person that is not the Company or a Restricted Subsidiary, the exception provided by this clause (6) shall no longer be applicable to such Indebtedness and such Indebtedness will be deemed to have been Incurred at the time of any such issuance, sale or transfer;

(7) the Incurrence by the Company or any Restricted Subsidiary of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(8) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Guarantee, then the guarantee shall be subordinated *or pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(9) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness in respect of workers' compensation claims, self-insurance obligations, and performance, customs, importation and surety bonds or other Indebtedness of a like nature, in each case in the ordinary course of business;

(10) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar

instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(11) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from agreements providing for indemnification, earn-outs, adjustment of purchase price or similar obligations, or guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Restricted Subsidiary pursuant to such agreements, in each case, Incurred in connection with the acquisition or disposition of any business, assets or the Capital Stock of a Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or the Capital Stock of a Subsidiary for the purpose of financing such acquisition; *provided*, *however*, that, in the case of a disposition, the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value)) actually received by the Company and the Restricted Subsidiaries in connection with such disposition;

(12) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness not otherwise permitted pursuant to clauses (1) through (11) above or clause (13) or (14) below in an amount, together with any other Indebtedness Incurred pursuant to this clause (12) then outstanding, not in excess of $50 million;

(13) Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations (or any guarantee thereof or indemnity with respect thereto), in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or any Restricted Subsidiary, and Permitted Refinancing Indebtedness in respect thereof, in an amount, including all such Permitted Refinancing Indebtedness, not to exceed $50 million at any time outstanding; and

(14) Acquired Debt; *provided* that, after giving pro forma effect to the relevant transaction (A) no Default or Event of Default shall have occurred and be continuing and (B) the Company could Incur at least $1.00 of additional Indebtedness pursuant to clause (2) above.

For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (14) above, the Company or the applicable Restricted Subsidiary will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its Incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09. The accrual of interest or Preferred Stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms (including the payment of "PIK" interest with respect to the Second Lien PIK Notes, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Preferred Stock or Disqualified Stock in the form of additional shares of the same class of Preferred Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness or an issuance of Preferred Stock or Disqualified Stock for purposes of this covenant; *provided*, *in* each such case, that the amount of any such accrual, accretion or payment is included in Consolidated Interest Expense of the Company as accrued.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person; and

(4) in the case of Hedging Obligations, the termination value of the agreement or arrangement giving rise to such Hedging Obligations that would be payable by the specified Person at such date.

(c) Notwithstanding anything to the contrary in this Indenture, the Issuer will not, and will not permit any Guarantor to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) that is subordinated or junior in right of payment to any Indebtedness of the Company or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the Notes or such Guarantor's Guarantee to the extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of the Company or such Guarantor, as the case may be.

For purposes of determining compliance with any dollar-denominated restriction on the Incurrence of Indebtedness, the Dollar Equivalent of the principal amount of Indebtedness denominated in another currency will be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than dollars, and such refinancing would cause the applicable dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that the Company or the applicable Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

SECTION 4.10. Limitation on Asset Sales.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, consummate any Asset Sale unless:

(1) the Company or the Restricted Subsidiary, as the case may be, receives consideration at the time of consummation of such Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in such Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents;

provided, that the foregoing requirements shall not apply with respect to any Involuntary Transfer.

(b) For purposes of Section 4.10(a), each of the following will be deemed to be cash:

(1) any Indebtedness or other liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed, repaid or retired by the transferee of any such assets so long as the Company or such Restricted Subsidiary is released from further liability in respect thereof; and

(2) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are, within 180 days after receipt thereof, converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion.

(c) Within 365 days after the receipt of any Net Proceeds from an Asset Sale (including, without limitation, an Involuntary Transfer), the Issuer or the applicable Restricted Subsidiary, as the case may be, may apply such Net Proceeds at its option to any combination of the following:

(1) (a) to purchase, repay or prepay Superpriority Debt (and, if such Superpriority Debt consists of revolving debt, to correspondingly reduce commitments with respect thereto) or cash collateralize letters of credit in respect of Superpriority Debt or (b) to purchase, repay or prepay First Lien Debt other than Superpriority Debt; *provided* that, to the extent purchases, repayments or prepayments of any First Lien Debt are made pursuant to this clause (1)(b), the Issuer shall equally and ratably repay or offer to repay Notes as provided in Section 3.07, through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or by making an offer to Holders in accordance with the procedures set forth in Section 3.09 and this Section 4.10 for an Asset Sale Offer;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, any Person primarily engaged in a Permitted Business, if, in the case of any such acquisition of Capital Stock, such Person is or becomes a Restricted Subsidiary as a result of such acquisition;

(3) to make a capital expenditure that is used or useful in a Permitted Business; or

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business (including, without limitation, Vessels, related assets and any related Ready for Sea Costs) or make any deposit, installment or progress payment in respect of such assets or payment of any related Ready for Sea Costs,

provided that (x) a binding commitment made within the 365-day period described above by the Issuer or the applicable Restricted Subsidiary to apply Net Proceeds from an Asset Sale in accordance with clauses (2), (3) and/or (4) above shall satisfy the requirements of such clauses with respect to such Net Proceeds so long as such Net Proceeds are actually so applied within 545 days from the receipt thereof from such Asset Sale and (y) if all or any portion of the assets sold or transferred in such Asset Sale constituted Collateral, in the case of any application of Net Proceeds pursuant to clause (2), (3) or (4) above, the Issuer shall, or shall cause the applicable Restricted Subsidiary to, pledge any assets (including, without limitation, any acquired Capital Stock) acquired with such Net Proceeds to secure the Notes Obligations on a first-priority secured basis (subject to the payment priority in favor of the holders of Superpriority Debt, if any, set forth in the Collateral Documents and subject to Permitted Collateral Liens) pursuant to the Collateral Documents in accordance with this Indenture.

(d) Pending the final application of any Net Proceeds, the Issuer or the applicable Restricted Subsidiary may apply the Net Proceeds to temporarily reduce outstanding revolving credit Indebtedness of the Issuer or any of the Restricted Subsidiaries, respectively, or invest the Net Proceeds in cash and Cash Equivalents.

(e) Any Net Proceeds from Asset Sales that are not applied or invested as provided in Section 4.10(c) will constitute "*Excess Proceeds.*" When the aggregate amount of Excess Proceeds exceeds $20 million, the Issuer shall, within 10 Business Days thereof, make an offer (an "*Asset Sale Offer*") in accordance with Section 3.09 to all Holders and holders of any other First Lien Debt containing provisions similar to those set forth in this Indenture with respect to offers to purchase, prepay or redeem such First Lien Debt with the proceeds of sales of assets to purchase, prepay or redeem the Notes and such other First Lien Debt on a *pro rata* basis in an aggregate principal amount equal to the Excess Proceeds. The repurchase date in any Asset Sale Offer shall be specified by the Issuer, which date will be no earlier than 30 days and no later than 60 days from the date the notice of such Asset Sale Offer is delivered. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment

Date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and the Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes or other First Lien Debt tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Issuer will select the Notes and other First Lien Debt for purchase on a *pro rata* basis unless otherwise required by law or applicable stock exchange or Depository requirements (with such adjustments as may be deemed appropriate by the Issuer so that only Notes and other First Lien Debt in denominations of $2,000 and integral multiples of $1,000 in excess thereof will be outstanding after such purchase). For the purposes of calculating the principal amount of any such Indebtedness not denominated in U.S. dollars, such Indebtedness shall be calculated by converting any such principal amounts into their Dollar Equivalent determined as of the Business Day immediately prior to the date on which the Asset Sale Offer is announced. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(f) The Issuer shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those requirements, laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of this Indenture, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.10 by virtue of such compliance.

(g) The provisions of this Section 4.10 with respect to the Issuer's obligation to make an Asset Sale Offer as a result of an Asset Sale may be waived or modified at any time with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

SECTION 4.11. Limitation on Transactions with Affiliates.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "*Affiliate Transaction*") involving, with respect to any such transaction or series of related transactions, payments or consideration in excess of $1 million, unless:

(1) the Affiliate Transaction is on terms that are either (a) no less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable arm's-length transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate of the Company or (b) if, in the good faith judgment of the Company's Board of Directors, no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to the Company or the relevant Restricted Subsidiary from a financial point of view; and

(2) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $25 million, a resolution of the Board of Directors of the Company accompanied by an Officers' Certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this Section 4.11 and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of the Company; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $50 million, an opinion issued to the Board of Directors of the Company by an accounting, appraisal or investment banking firm of international standing or generally recognized in the shipping or offshore drilling industries as qualified to perform the tasks for which such firm has been engaged as to the fairness to the Company or such Restricted Subsidiary of such

Affiliate Transaction from a financial point of view or that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable arm's-length transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate of the Company.

For the avoidance of doubt, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration of $25 million or less, the determination that such Affiliate Transaction or series of Affiliate Transactions complies with this Section 4.11 may be made by a Financial Officer of the Company.

(b) The following items will not be deemed to be Affiliate Transactions, as applicable, and, therefore, will not be subject to the provisions of Section 4.11(a):

(1) any employment agreement, employee benefit plan, compensation plan or arrangement, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) payment of reasonable directors' fees to directors of the Company or any Restricted Subsidiary;

(3) transactions solely between or among the Company and/or any of its Restricted Subsidiaries;

(4) the issuance or sale of Equity Interests (other than Disqualified Stock) of the Company to, or receipt of capital contributions from, Affiliates of the Company;

(5) loans or advances to employees of the Company or any Restricted Subsidiary in the ordinary course of business not to exceed $2 million in the aggregate at any one time outstanding;

(6) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(7) Permitted Investments (other than Investments permitted by clause (3) of the definition thereof) and Restricted Payments that do not violate the provisions of Section 4.07;

(8) transactions between the Company or any of its Restricted Subsidiaries and any Person that would not otherwise constitute an Affiliate Transaction except for the fact that one director of such other Person is also a director of the Company or such Restricted Subsidiary, as applicable; provided that such director abstains from voting as a director of the Company or such Restricted Subsidiary, as applicable, on any matter involving such other Person; and

(9) any agreement as in effect on the Issue Date or any amendments, renewals or extensions of any such agreement (so long as such amendments, renewals or extensions are not less favorable to the Holders).

SECTION 4.12. Limitation on Liens.

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist (i) any Lien of any kind on any Collateral, except for Permitted Collateral Liens, or (ii) any Lien of any kind securing Indebtedness on any of its property or assets that are not Collateral, except for Permitted Liens.

SECTION 4.13. Additional Guarantees.

If, after the Escrow Release Date or the Zonda Release Date, as applicable, (i) the Company acquires or creates any Restricted Subsidiary (other than an Immaterial Subsidiary), (ii) as of the date of any financial statements delivered pursuant to Section 4.03, a Restricted Subsidiary that was previously an Immaterial Subsidiary has ceased to meet the definition thereof (but remains a Restricted Subsidiary), or (iii) a third party consent is no longer required in order for PIDWAL to provide a Guarantee (but PIDWAL remains a Restricted Subsidiary), then the Company will (1) cause PIDWAL or such other Subsidiary, as the case may be, to, within 20 Relevant Business Days of such event, (x) execute and deliver to the Trustee a supplemental indenture substantially in the form of Annex B hereto pursuant to which such Person will become a Guarantor and (y) execute amendments to the Collateral Documents pursuant to which it will grant a Lien on any Collateral held by it in favor of the Collateral Agent, for the benefit of the Holders, and become a Collateral Grantor thereunder, and cause such Liens to be perfected as required thereby and (2) deliver to the Trustee and Collateral Agent one or more opinions of counsel in connection with the foregoing as specified in this Indenture. The Company will not be obligated to seek to obtain any third party consent for PIDWAL to provide a Guarantee.

SECTION 4.14. Existence.

Subject to Article 5, the Issuer shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

SECTION 4.15. Offer to Repurchase Upon Change of Control.

(a) If a Change of Control occurs, the Company shall make an offer (a "*Change of Control Offer*") to each Holder to repurchase all or any part (equal to a minimum amount of $2,000 and integral multiples of $1,000 in excess thereof) of that Holder's Notes at a purchase price in cash (the "*Change of Control Payment*") equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to, but not including, the date of purchase (the "*Change of Control Payment Date*"), subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date. No later than 30 days following any Change of Control, the Company shall deliver a notice to the Trustee and paying agent and each Holder describing the transaction or transactions that constitute the Change of Control and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes properly tendered and not withdrawn pursuant to the Change of Control Offer will be accepted for payment;

(2) the Change of Control Payment and the Change of Control Payment Date, which will be no earlier than 30 days and no later than 60 days from the date such notice is delivered;

(3) that any Note not properly tendered will continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, properly endorsed for transfer, together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed and such customary documents as the Company may reasonably request, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, prior to the close of business on third Business Day preceding the Change of Control

Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing its election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $2,000 in principal amount or an integral multiple of $1,000 in excess thereof.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent those requirements, laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.15, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of such compliance.

(b) On or before the Change of Control Payment Date, the Company shall, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions Notes properly tendered and not withdrawn; and

(3) deliver or cause to be delivered to the Trustee and Paying Agent the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

(c) The paying agent shall deliver to each Holder of Notes properly tendered and not withdrawn the Change of Control Payment for such Notes (or, if all the Notes are then in global form, make such payment through the facilities of the Depository) and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided*, *however*, that each such new Note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) Notwithstanding anything to the contrary in this Section 4.15, the Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under such Change of Control Offer, or (2) notice of redemption of all Notes has been given pursuant to Section 3.07, unless there is a default in payment of the applicable redemption price.

(e) Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

(f) The provisions of this Section 4.15 relating to the Company's obligation to make a Change of Control Offer, including the definition of "Change of Control," may be waived or modified at any time (including after a Change of Control) with the written consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding.

SECTION 4.16. Payments for Consent.

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any cash consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, any Guarantee or the Notes unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

SECTION 4.17. Designation of Restricted and Unrestricted Subsidiaries.

(a) The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if:

(1) the Company would be permitted to make (i) a Permitted Investment or (ii) an Investment pursuant to Section 4.07, in either case, in an amount equal to the Fair Market Value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in such Subsidiary at the time of such designation;

(2) such Restricted Subsidiary meets the definition of an "Unrestricted Subsidiary";

(3) the designation would not constitute or cause (with or without the passage of time) a Default or Event of Default and no Default or Event of Default would be in existence following such designation; and

(4) the Company delivers to the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions.

If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 or under one or more clauses of the definition of Permitted Investments, as determined by the Company.

If, at any time, any Unrestricted Subsidiary designated as such would fail to meet the preceding requirements as an Unrestricted Subsidiary, then such Subsidiary will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary and any Liens on the assets of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary as of such date and, if such Indebtedness or Liens are not permitted to be Incurred as of such date under Section 4.09, the Company or the applicable Restricted Subsidiary will be in default of such Section.

(b) The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary if:

(1) the Company and the Restricted Subsidiaries may Incur the Indebtedness and Liens (and the Company and the Restricted Subsidiaries shall be deemed to Incur such Indebtedness and Liens upon such designation) of such Subsidiary under Sections 4.09 and 4.12;

(2) [reserved]

(3) the designation would not constitute or cause (with or without the passage of time) a Default or Event of Default and no Default or Event of Default would be in existence following such designation; and

(4) the Company delivers to the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions.

SECTION 4.18. Business Activities.

The Company will not, and will not permit any of the Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and the Restricted Subsidiaries taken as a whole.

SECTION 4.19. [Reserved]

SECTION 4.20. Rights to Earnings from the Collateral Vessels.

(a) The Company shall not permit any of its Subsidiaries (other than any Guarantor) to be or become party to a Drilling Contract in respect of a Collateral Vessel (including as a charterer of a Collateral Vessel) or otherwise hold the right to directly receive any Earnings or any other Related Assets with respect to a Collateral Vessel; *provided* that a Local Content Subsidiary may be a party to a Drilling Contract in respect of a Collateral Vessel or otherwise hold the right to receive Earnings or Related Assets with respect to a Collateral Vessel to the extent required by any law or regulation of any applicable jurisdiction, so long as such Local Content Subsidiary does not receive more than 20% of the Earnings or Related Assets with respect to such Collateral Vessel. The Company shall, or shall cause one or more of the Guarantors to, at all times maintain the Earnings Accounts, and each Earnings Account shall at all times be in the name of the Company or a Guarantor.

(b) The Company shall at all times cause all such Earnings (except for the Earnings received by a Local Content Subsidiary to the extent permitted by Section 4.20(a)) from the Drilling Contracts in respect of a Collateral Vessel to be deposited into or forwarded to the Earnings Accounts.

SECTION 4.21. [Reserved]

SECTION 4.22. Payment of Additional Amounts.

(a) All payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge of whatever nature (including penalties, additions to tax, interest and other liabilities related thereto) (hereinafter "*Taxes*") unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of the government of the British Virgin Islands, Gibraltar, Hungary, Luxembourg, Liberia, Nigeria or any political subdivision or any authority or agency therein or thereof having power to tax, or any other jurisdiction in which the Issuer or any Guarantor (including any successor entity) is organized, incorporated, engaged in business or is otherwise resident or treated as resident for tax purposes, or any jurisdiction from or through which payment is made (including, without limitation, the jurisdiction of each Paying Agent) (each a "*Specified Tax Jurisdiction*" and such Taxes, "*Indemnified Taxes*"), will at any time be required to be made from any payments made under or with respect to the Notes or the Guarantees, the Issuer, the relevant Guarantor or other payor, as applicable, will pay such additional amounts (the "*Additional Amounts*") *as* may be necessary so that the net amount received in respect of such payments by each Holder after such withholding or deduction (including any withholding or deduction from Additional Amounts) will not be less than the amount such Holder would have received if such Indemnified Taxes had not been withheld or deducted; *provided*, *however*, that Indemnified Taxes do not include:

(1) any Taxes to the extent such Taxes would not have been so imposed but for the Holder or beneficial owner of the Notes having any present or former connection with the Specified Tax Jurisdiction (other than the mere acquisition, ownership, holding, enforcement, exercise of rights or receipt of payment in respect of the Notes or the Guarantees);

(2) any estate, inheritance, gift, sales, excise, transfer, personal property Tax or similar Taxes;

(3) any Taxes to the extent such Taxes are imposed as a result of the failure of the Holder or beneficial owner of the Notes to complete, execute and deliver to the Issuer or the relevant Guarantor, as applicable, any form or document that such Holder or beneficial owner is legally entitled to complete, execute, and deliver, that may be required by law or by reason of administration of such law and that is reasonably requested in writing to be delivered to the Issuer or the relevant Guarantor in order to enable the Issuer or the relevant Guarantor to make payments on the Notes without deduction or withholding for Taxes, or with deduction or withholding of a lesser amount, which form or document will be delivered within 60 days of a written request therefor by the Issuer or the relevant Guarantor;

(4) any Taxes to the extent such Taxes would not have been so imposed but for the beneficiary of the payment having presented a Note for payment (in cases in which presentation is required) more than 30 days after the date on which such payment or such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(5) any Taxes imposed on or with respect to any payment by the Issuer or any Guarantor to the Holder if such Holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(6) any Taxes to the extent such Taxes are imposed on a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(7) any Taxes to the extent such Taxes are payable other than by deduction or withholding at source;

(8) Taxes imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), any regulations thereunder or official interpretations thereof, any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement), or any agreement entered into pursuant to section 1471(b)(1) of the Code; or

(9) any combination of items (1) through (8) above.

(b) If the Issuer or any Guarantor, as applicable, becomes obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or the Guarantees, the Issuer or the relevant Guarantor, as applicable, will deliver to the Trustee and Paying Agent at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor, as applicable, will deliver to the Trustee and Paying Agent promptly thereafter but in no event later than five Business Days prior to the date of payment) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount so payable. The Officers' Certificate must also set forth any other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date. The Trustee and Paying Agent will be entitled to rely solely on such Officers' Certificate as conclusive proof as to the amount of such payments and that such payments are necessary. The Issuer or the relevant Guarantor, as applicable, will provide the Trustee and Paying Agent with documentation reasonably satisfactory to the Trustee and Paying Agent evidencing the payment of Additional Amounts.

(c) The Issuer or the relevant Guarantor or applicable withholding agent, as applicable, will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant governmental authority on a timely basis in accordance with applicable law. As soon as practicable, the Issuer or the relevant Guarantor or applicable withholding agent, as applicable, will provide the Trustee and Paying Agent with an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee and Paying Agent evidencing the payment of the Taxes so withheld or deducted. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the Issuer to the Holders.

(d) Whenever in this Indenture or the Notes there is referenced, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or any other amount payable under, or with respect to, the Notes or the Guarantees, such reference will be deemed to include payment of Additional Amounts as described in this Section 4.22 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof. For the avoidance of doubt, with respect to Notes represented by a Global Note, a Holder with respect to Additional Amounts and the related provisions of this Indenture shall be deemed to include a Holder representing the interests of a beneficial owner of the Notes or acting on behalf of a beneficial owner of the Notes.

(e) The Issuer or the relevant Guarantor, as applicable, will indemnify the Trustee, Collateral Agent and a Holder within 10 Business Days after written demand therefor, for the full amount of any Indemnified Taxes that were paid by such person to a governmental authority of a Specified Tax Jurisdiction and that were imposed on or with respect to any payment made under or with respect to the Notes or the Guarantees (including any Additional Amounts) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to the Issuer or the relevant Guarantor by a Holder will be conclusive absent manifest error.

(f) The Issuer or the relevant Guarantor, as applicable, will pay any present or future stamp, issue, registration, value added, court or documentary taxes or any other excise or property taxes, charges or similar levies (including penalties, additional amounts, interest and any other liabilities and reasonable expenses related thereto) that arise in any Specified Tax Jurisdiction from the execution, delivery, enforcement or registration of the Notes, the Guarantees, this Indenture or any other document or instrument in relation thereof, or the receipt of any payments with respect to the Notes or the Guarantees, and the Issuer or the relevant Guarantor, as applicable, will indemnify the Trustee, Collateral Agent and the Holders for any such taxes, charges, levies, penalties, amounts, interest, liabilities and expenses paid by such persons.

(g) The obligations of the Issuer and the Guarantors under this Section 4.22 will survive any termination, defeasance or discharge of this Indenture and any transfer by a Holder of its Notes, and will apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer or any Guarantor is organized, incorporated, engaged in business or is otherwise resident or treated as resident for tax purposes or any jurisdiction from or through which payment is made or any political subdivision or authority or agency thereof or therein.

SECTION 4.23. Suspended Covenants.

(a) After the Escrow Release Date, during any period of time (1) the Notes have an Investment Grade Rating and (2) no Default or Event of Default has occurred and is continuing under this Indenture, the Company and its Restricted Subsidiaries will not be subject to the provisions of Sections 3.08, 4.07, 4.08, 4.09, 4.10, 4.11 and 5.01(a)(4) of this Indenture (collectively, the "*Suspended Covenants*").

(b) In the event that the Company and the Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of Section 4.23(a) and, subsequently, Moody's or S&P withdraws its rating or downgrades the rating assigned to the Notes so that the Notes do not have an Investment Grade Rating, or an Event of Default (other than with respect to the Suspended Covenants) occurs and is continuing (the "*Reversion Date*"), then the Company and the Restricted Subsidiaries shall, on and after the Reversion Date, be subject to the Suspended Covenants. The period of time between the date the Suspended Covenants become suspended and the Reversion Date is referred to herein as the "*Suspension Period.*" During the Suspension Period, the Board of Directors of the Company may not designate any of the Restricted Subsidiaries as Unrestricted

Subsidiaries pursuant to Section 4.17. Notwithstanding that the Suspended Covenants may be reinstated, no Default, Event of Default or breach of any kind under this Indenture or the Notes will be deemed to have occurred as a result of a failure of the Company and the Restricted Subsidiaries to comply with a Suspended Covenant during the Suspension Period.

(c) Calculations made on and after the Reversion Date of the amount available to be made as Restricted Payments under Section 4.07 will be made as if Section 4.07 had been in effect at all times since the Escrow Release Date, including during the Suspension Period, except that no Default or Event of Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Period will be classified as having been incurred pursuant to clause (1) of Section 4.09(b).

(d) The Company shall provide the Trustee and Noteholders with prompt written notice of any event or events giving rise to a Suspension Period or a Reversion Date, the date thereof and identifying the Suspended Covenants. The Trustee shall have no duty to monitor the ratings of the Notes or the occurrence of a Suspension Period or a Reversion Date, or to notify Holders of the same.

SECTION 4.24. Activities of Escrow Issuer Prior to the Escrow Release Date.

(a) Prior to the Escrow Release Date, the Escrow Issuer shall not: (1) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to the maintenance of functions incidental to its existence; (2) establish any subsidiaries; (3) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations (other than the Notes issued on the Issue Date); or (4) own, lease, manage or otherwise operate any properties or assets (including cash and Cash Equivalents) other than the Escrowed Property.

(b) For the avoidance of doubt, this Section 4.24 shall no longer apply after the Escrow Release Date.

SECTION 4.25. Maintenance of Property; Insurance.

(a) The Company will, and will cause each of its Restricted Subsidiaries to, (i) keep all material property necessary to the business of the Company and its Restricted Subsidiaries in good working order and condition (ordinary wear and tear and loss or damage by casualty or condemnation excepted) with such exceptions as would not reasonably be expected to have a material adverse effect on the operations, business, properties or financial condition of the Company and its Restricted Subsidiaries, taken as a whole, and (ii) furnish to the Collateral Agent, at the written request of the Collateral Agent, a complete description of the material terms of insurance carried on the Collateral Vessels.

(b) The Company will, and will cause each of its Restricted Subsidiaries to:

(i) insure and keep each Collateral Vessel insured or cause or procure the Collateral Vessel to be insured and to be kept insured at no expense to the Trustee or the Collateral Agent in regard to (collectively, the "*Insurances*"):

(1) hull and machinery (including increased value insurance);

(2) war risks (including common conditions and exclusions);

(3) protection and indemnity risks (including vessel pollution risks);

(4) Mortgagee's interest risks (including additional perils pollution);

(5) loss of hire, to the extent reasonably deemed prudent by the Company in light of the cost of obtaining such insurance; and

(6) such other insurances as a prudent owner of similar vessels of the same age and type would obtain or would legally be required to obtain when operating in the same trade and geographic area as such Collateral Vessel, as well as any insurances required to meet the requirements of the jurisdiction where such Collateral Vessel is employed with named windstorm coverage exclusions while a Collateral Vessel is operating in the Gulf of Mexico;

provided that neither the Company nor any of the Restricted Subsidiaries shall be required to procure or maintain any insurance otherwise required to be procured or maintained under this clause (b), if such insurance is not commercially available in the commercial insurance market.

(ii) effect the Insurances or cause or procure the same to be effected:

(1) in such amounts and upon such terms and with such deductibles as shipowners engaged in the same or similar business and similarly situated would deem commercially prudent under the circumstances; and

(2) through the owner's approved broker (the "*Owner's Insurance Broker*") and reputable independent insurance companies and/or underwriters (including mutual insurance schemes and /or captive insurance schemes) in Europe, North America, the Far East and other established insurance markets except that the insurances against protection and indemnity risks may be effected by the entry of the Collateral Vessels with protection and indemnity associations which are members of the International Group Agreement or, if the International Group Agreement has disbanded and there is no successor or replacement body of associations, other leading protection and indemnity associations and the insurances against war risks may be effected by the entry of the Collateral Vessels with leading war risks associations (hereinafter called the "*Insurers*")*;*

(iii) renew or replace all such Insurances or cause or procure the same to be renewed or replaced before the relevant policies or contracts expire and to procure that the Owners' Insurance Broker and/or the relevant protection and indemnity association or war risks association shall promptly confirm in writing to the Trustee, upon its request, as and when each such renewal or replacement is effected;

(iv) duly and punctually pay, or cause duly and punctually to be paid, all premiums, calls, contributions or other sums payable in respect of all such Insurances, to produce or to cause to be produced all relevant receipts when so required by the Collateral Agent, at the direction of the Holders of a majority in principal amount of the Notes outstanding, and duly and punctually to perform and observe or to cause duly and punctually to be performed and observed any other obligations and conditions under all such Insurances;

(v) procure that all policies, binders, cover notes or other instruments of the Insurances referred to in clauses (1), (2) and (5) of clause (i) above shall be taken out in the name of the Company or any Subsidiary Guarantor or a Restricted Subsidiary, with the Collateral Agent as an additional insured (without liability for premiums), as their respective interests may appear, and shall incorporate a loss payable clause naming the Collateral Agent as loss payee prepared in compliance with the terms of the Insurance Assignment;

(vi) procure that, upon request of the Collateral Agent (at the direction of the Holders of a majority in principal amount of the Notes outstanding), originals or copies of all such

instruments of Insurances shall be from time to time delivered to the Trustee after receipt by a Restricted Subsidiary or the Company thereof;

(vii) not employ any Collateral Vessel or suffer any Collateral Vessel to be employed otherwise than in conformity with the terms of all policies, bindings, cover notes or other instruments of the Insurances (including any warranties express or implied therein) without first obtaining the written consent of the Insurers to such employment (if required by such Insurers) and complying with such requirements as to extra premiums or otherwise as the Insurers may prescribe;

(viii) cause any proceeds in respect of the Insurances referred to in paragraph (i) above (except clauses (3), (4) and, as applicable, (6) of such paragraph) to be paid to the Company or any Subsidiary Guarantor that then owns any Collateral Vessel or is an Internal Charterer (subject to provisions as to named insureds, additional insureds and loss payees in favor of the Collateral Agent as required by this Section 4.25);

(ix) upon the request of the Collateral Agent, do all things necessary, proper and desirable, and execute and deliver all documents and instruments, to enable the Collateral Agent, as applicable, to collect or recover any moneys to become due in respect of the Insurances.

SECTION 4.26. Further Assurances.

The Company shall, and shall cause each other Collateral Grantor to, at the Company's sole cost and expense:

(a) at the request of the Collateral Agent (acting at the direction of the Holders of a majority in principal amount of the Notes than outstanding), execute and deliver all such agreements and instruments and take all further action as may be reasonably necessary or desirable (i) to describe more fully or accurately the property intended to be Collateral or the obligations intended to be secured by any Collateral Document and/or (ii) to continue and maintain the Collateral Agent's first-priority perfected security interest in the Collateral (subject to payment priority in favor of holders of Superpriority Debt, if any, set forth in the Collateral Documents and subject to Permitted Collateral Liens); and

(b) at the request of the Collateral Agent (acting at the direction of Holders of a majority in principal amount of the Notes then outstanding), file any such notice filings or other agreements or instruments as may be reasonably necessary or desirable under applicable law to perfect the Liens created by the Collateral Documents.

SECTION 4.27. Limitation on Certain Agreements.

The Company shall not permit any Collateral Grantor to enter into any agreement that requires the proceeds received from any sale of Collateral to be applied to repay, redeem, defease or otherwise acquire or retire any Indebtedness of any Person, other than (i) the Notes, (ii) any other First Lien Obligations, (iii) the Second Lien PIK Notes or (iv) otherwise as may be permitted or required by this Indenture or the Collateral Documents, including with respect to any Permitted Collateral Liens; *provided* that any such agreement may be entered into to the extent it permits such proceeds to be applied to First Lien Obligations prior to or instead of such other Indebtedness.

ARTICLE 5

SUCCESSORS

SECTION 5.01. Merger, Consolidation, or Sale of Assets.

(a) The Company will not, directly or indirectly: (A) amalgamate, consolidate or merge with or into another Person (whether or not the Company is the Person formed by or surviving any such amalgamation, consolidation or merger); or (B) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and the Restricted Subsidiaries, taken as a whole, in each case, in one transaction or a series of related transactions, including by way of liquidation or dissolution, to another Person, unless:

(1) either (x) the Company will be the surviving or continuing Person or (y) the Person formed by or surviving any such amalgamation, consolidation or merger or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of a Permitted Jurisdiction (the Company or such Person, as the case may be, being herein called the "*Successor Company*");

(2) the Successor Company (if other than the Company) assumes all the obligations of the Company under the Notes and the other Notes Obligations and the Collateral Documents to which the Company is a party, if any, and agrees to be bound by all the provisions of this Indenture and such Collateral Documents pursuant to a supplemental indenture or an amendment thereto, as applicable;

(3) immediately before and after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(4) except with respect to a transaction solely between or among the Company and any of the Restricted Subsidiaries, immediately after giving pro *forma* effect to such transaction, any related financing transactions and the use of proceeds therefrom and treating any Indebtedness that becomes an obligation of the Company or any of the Restricted Subsidiaries as a result of such transaction as having been Incurred by the Company or such Restricted Subsidiary, as the case may be, at the time of the transaction, the Company could Incur at least $1.00 of additional Indebtedness pursuant to clause (2) of Section 4.09(b);

(5) in the event that the Successor Company is organized in a jurisdiction that is different from the jurisdiction in which Company was organized immediately before giving effect to such transaction, the Successor Company has delivered to the Trustee an Opinion of Counsel stating that the obligations of the Successor Company under this Indenture are enforceable under the laws of such Permitted Jurisdiction, subject to customary exceptions;

(6) if applicable, the Successor Company causes such amendments, supplements or other instruments with respect to the Collateral Documents to be executed, delivered, filed and recorded, as applicable, in such jurisdictions as may be required by applicable law to preserve and protect the Lien of the Collateral Agent on any Collateral owned by or transferred to the Successor Company and delivers an opinion of counsel as to the enforceability thereof and such other matters as the Trustee may reasonably request;

(7) any Collateral owned by or transferred to the Successor Company shall (a) continue to constitute Collateral under this Indenture and the Collateral Documents, (b) be subject to the Lien in favor of the Collateral Agent for the benefit of the holders of the First Lien Obligations and (c) not be subject to any other Lien other than Permitted Collateral Liens; and

(8) the Company or Successor Company delivers to the Trustee an Officers' Certificate and Opinion of Counsel, in each case, stating that such amalgamation, consolidation, merger or transfer and any supplemental indentures and each amendment comply with this Section 5.01(a).

For purposes of the foregoing, entry by the Company or any Subsidiary of the Company into one or more Drilling Contracts or other charters, pool agreements or drilling contracts with respect to any Vessels entered into in the ordinary course of business will be deemed not to constitute a sale, assignment, transfer, conveyance or other disposition subject to this Section 5.01(a).

For the avoidance of doubt, this Section 5.01(a) shall not apply to the Assumption.

(b) The Company shall not permit any Guarantor to, directly or indirectly, amalgamate, consolidate or merge with or into (whether or not such Guarantor is the surviving Person), another Person other than the Company or another Guarantor or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor, in one transaction or a series of related transactions, including by way of liquidation or dissolution, to another Person, unless:

(1) (A) immediately after giving effect to such transaction or series of related transactions, no Default or Event of Default exists;

(B) (x) such Guarantor is the surviving Person or (y) the Person formed by or surviving any such amalgamation, consolidation or merger or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of a Permitted Jurisdiction (such Guarantor or such Person, as the case may be, being herein called the "*Successor Guarantor*") and the Successor Guarantor (if other than such Guarantor) expressly assumes all the obligations of such Guarantor under this Indenture and its Guarantee and any Collateral Documents pursuant to a supplemental indenture, amendment or other documents or instruments;

(C) in the event that the Successor Guarantor is organized in a jurisdiction that is different from the jurisdiction in which such Guarantor was organized immediately before giving effect to such transaction, the Successor Guarantor has delivered to the Trustee and Collateral Agent an opinion of counsel stating that the obligations of the Successor Issuer under this Indenture, the Notes and the Collateral Documents are enforceable under the laws such Permitted Jurisdiction, subject to customary exceptions;

(D) if applicable, the Successor Guarantor causes such amendments, supplements or other instruments with respect to the Collateral Documents to be executed, delivered, filed and recorded, as applicable, in such jurisdictions as may be required by applicable law to preserve and protect the Lien of the Collateral Agent on any Collateral owned by or transferred to the Successor Guarantor and delivers an Opinion of Counsel as to the enforceability thereof and such other matters as the Trustee may reasonably request;

(E) any Collateral owned by or transferred to the Successor Guarantor shall (a) continue to constitute Collateral under this Indenture and the Collateral Documents, (b) be subject to the Lien in favor of the Collateral Agent for the benefit of the holders of the First Lien Obligations and (c) not be subject to any other Lien other than Permitted Collateral Liens; and

(F) the Company delivers to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that such amalgamation, merger, consolidation or transfer and any supplemental indentures and amendments delivered in connection therewith comply with this Section 5.01(b); or

(2) such consolidation or merger does not violate the provisions of Section 4.10.

SECTION 5.02. Successor Substituted.

Upon any amalgamation, consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Company in accordance with Section 5.01 in which the Company is not the surviving entity, the Successor Company shall succeed to, and be substituted for (so that from and after the date of such amalgamation, consolidation or merger, sale, assignment, transfer, conveyance or other disposition, the provisions of this Indenture referring to the "Company" and, after the Escrow Release Date, the "Issuer" shall refer instead to the Successor Company and not to the Company), and may exercise every right and power of, the Company under this Indenture with the same effect as if the Successor Company had been named as the Company in this Indenture, and thereafter, the Company will be relieved of all obligations and covenants under this Indenture and the Notes and the Collateral Documents to which the Company is a party.

SECTION 5.03. Assumption.

In connection with the Assumption, the Company shall (i) execute and deliver to the Trustee a supplemental indenture substantially in the form of Annex A and (ii) deliver to the Trustee an Opinion or Opinions of Counsel (which may contain customary exceptions) that such supplemental indenture complies with the requirements of this Section 5.03 and has been duly authorized, executed and delivered by the Company and constitutes a legal, valid, binding and enforceable obligation of the Company.

On the Escrow Release Date, the merger of the Escrow Issuer with and into the Company shall be completed, whereupon the Company shall be the surviving entity and shall succeed to, and be substituted for, and may exercise every right and power of, the Escrow Issuer under this Indenture. Notwithstanding anything in this Indenture to the contrary, the merger of the Escrow Issuer with and into the Company in connection with the consummation of the Assumption shall be permitted under this Indenture.

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default.

Each of the following is an "*Event of Default*"*:*

(a) default in any payment of interest or any Additional Amounts with respect to the Notes when due, which default continues for 30 days;

(b) default in the payment when due (at maturity, upon optional redemption, upon declaration of acceleration or otherwise) of the principal of, or premium, if any, on, the Notes or failure by the Issuer to redeem or repurchase the Notes when required pursuant to this Indenture or the Notes;

(c) failure by the Issuer or any Guarantor to comply with Section 5.01;

(d) (1) except with respect to Section 4.03, failure by the Issuer or any of the Restricted Subsidiaries for 30 days after notice to the Issuer by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any covenant or agreement (other than a default referred to in clauses (a), (b) and (c) above) contained in this Indenture, the Collateral Documents or the Notes, or (2) failure by the Issuer for 30 days (or, in the case of the Issuer's first fiscal quarter and first fiscal year after the Escrow Release Date, 60 days) after notice to the Issuer by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with Section 4.03;

(e) a default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer or any of the Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of the Restricted Subsidiaries), whether such Indebtedness or guarantee now exists or is created after the Issue Date, if that default:

(1) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(2) results in the acceleration of such Indebtedness prior to its Stated Maturity,

and, in either case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25 million or more; *provided*, however, that if any such default is cured or waived or any such acceleration rescinded, or such Indebtedness is repaid, within a period of 60 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment or decree;

(f) failure by the Issuer or any of the Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25 million, which judgments are not paid, discharged or stayed for a period of 60 days, other than judgments against PDVIII and PDSI resulting from the Zonda Arbitration;

(g) (1) the Collateral Documents shall for any reason cease to create a valid and perfected first-priority Lien (subject to payment priority in favor of holders of Superpriority Debt pursuant to the terms of the Collateral Documents and subject to Permitted Collateral Liens) on any portion of the Collateral having a Fair Market Value in excess of $25 million (in each case, other than in accordance with the terms of this Indenture, the Intercreditor Agreement or the terms of the Collateral Documents) or (2) the Issuer or any Restricted Subsidiary asserts in writing that any Lien created under the Collateral Documents is invalid or unenforceable;

(h) except as permitted by this Indenture or any Guarantee, any Guarantee of a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary, or any Person duly acting on behalf of any such Guarantor, denies or disaffirms its obligations under its Guarantee;

(i) other than as contemplated by the Zonda Plan with respect to PDVIII and PDSI, the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, pursuant to or within the meaning of Bankruptcy Law:

(1) commences a voluntary case,

(2) consents in writing to the entry of an order for relief against it in an involuntary case,

(3) consents in writing to the appointment of a Custodian of it or for all or substantially all of its property,

(4) makes a general assignment for the benefit of its creditors, or

(5) admits in writing it generally is not paying its debts as they become due; or

(j) other than as contemplated by the Zonda Plan with respect to PDVIII and PDSI, a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(1) is for relief against the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, in an involuntary case;

(2) appoints a Custodian (x) of the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, or (y) for all or substantially all of the property of the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary; or

(3) orders the liquidation of the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; and

(k) (a) failure by the Escrow Issuer to comply with any material term of the Escrow Agreement that is not cured within 10 days after the occurrence of such failure or (b) the Escrow Agreement or any Lien purported to be granted on the Escrow Account or the cash or investments therein is held in any judicial proceeding to be unenforceable or invalid, in whole or in part, or ceases for any reason to be fully enforceable and perfected.

For the avoidance of doubt, any failure by the Company to comply with any covenant or agreement contained in this Indenture and referred to as a covenant or agreement of the Company that is applicable from and after the date of this Indenture, if continuing on the Escrow Release Date, shall be deemed a Default hereunder on the Escrow Release Date.

SECTION 6.02. Acceleration.

Subject to the succeeding sentence, if any Event of Default occurs and is continuing, the Trustee, by written notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes, by written notice to the Issuer and the Trustee, may declare all the Notes to be due and payable immediately and, upon any such declaration, all outstanding Notes and an amount equal to the Applicable Premium or optional redemption premium, if any, that would have been payable in connection with an optional redemption of the Notes pursuant to Section 3.07(b) or Section 3.07(d), as applicable, at the time of such declaration will become and be immediately due and payable with respect to all Notes. Notwithstanding the preceding sentence, if an Event of Default specified in clause (i) or (j) of Section 6.01 occurs, all outstanding Notes shall become due and payable immediately without further action or notice, and an amount equal to the Applicable Premium or optional redemption premium, if any, that would have been payable in connection with an optional redemption of the Notes pursuant to Section 3.07(b) or Section 3.07(d), as applicable, at the time of the occurrence of such Event of Default will become and be immediately due and payable with respect to all Notes without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except with respect to nonpayment of principal, interest, premium or Additional Amounts, if any, that have become due solely because of the acceleration) have been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereon.

SECTION 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of and interest, premium, if any, and Additional Amounts, if any, on, the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04. Waiver of Past Defaults.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, waive any existing Default or Event of Default and its consequences under this Indenture except a continuing Default or Event of Default in the payment of principal of, premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes (other than a Payment Default or payment Event of Default that resulted from an acceleration that has been rescinded). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05. Control by Majority.

The Holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in any financial or personal liability. In case an Event of Default has occurred and is continuing, prior to taking any action hereunder, the Trustee and Collateral Agent shall be entitled to indemnification or security (or both) satisfactory to the Trustee and Collateral Agent, respectively, against all loss, liability and expenses caused by the taking or not taking of such action.

SECTION 6.06. Limitation on Suits.

Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts, if any, when due, pursuant to Section 6.07, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

(a) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(b) Holders of at least 25% in aggregate principal amount of the then outstanding Notes have made a written request to the Trustee to pursue the remedy;

(c) such Holders have offered the Trustee, and the Trustee has received (if requested), security or indemnity (or both) satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee has not complied with such request within 60 days after its receipt of the request and the offer of security or indemnity (or both) satisfactory to it; and

(e) Holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.07. Rights of Holders of Notes to Receive Payment.

Notwithstanding any other provision of this Indenture, the rights of any Holder to receive payment of principal of, premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes, on or after the respective due dates expressed in the Notes (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuer and the Guarantors for the whole amount of principal of, interest, premium, if any, and Additional Amounts, if any, remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and Additional Amounts, if any, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. Trustee is Authorized to File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and Collateral Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, Collateral Agent, and each of their agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuer (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims, and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee and Collateral Agent any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee and Collateral Agent under Section 7.06. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, Collateral Agent, and each of their agents and counsel, and any other amounts due the Trustee and Collateral Agent under Section 7.06 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. Priorities.

If the Trustee collects any money pursuant to this Article, subject to the Intercreditor Agreement and the Collateral Agency Agreement, it shall pay out the money in the following order:

(a) *First:* to the Trustee and its agents and attorneys for amounts due under Section 7.06, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and costs and expenses of collection incurred by the Trustee;

(b) *Second:* to the Holders for amounts due and unpaid on the Notes for principal, premium, if any, interest, if any, and Additional Amounts, if any, ratably, without preference or priority of any kind,

according to the amounts due and payable on the Notes for principal, premium, if any, interest, if any, and Additional Amounts, if any, respectively; and

(c) *Third:* to the Issuer or to such other Person as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

SECTION 6.12. The Collateral Agent.

Whenever in the exercise of any remedy available to the Trustee or the exercise of any trust or power conferred on it with respect to the Notes, the Trustee may also direct the Collateral Agent in the exercise of any of the rights and remedies available to the Collateral Agent pursuant to the Collateral Documents.

ARTICLE 7

TRUSTEE

SECTION 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

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

facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (f) of this Section 7.01.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability.

(g) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its rights to be indemnified, are extended to, and shall be enforceable by, the Trustee, the Collateral Agent and the other Agents, in each of its capacities hereunder and in its capacity as Trustee and Collateral Agent under any other agreement executed in connection with this Indenture to which the Trustee or Collateral Agent is a party.

SECTION 7.02. Rights of Trustee.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel of its own selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed by it with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture; *provided* that the Trustee's conduct does not constitute willful misconduct or gross negligence.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer shall be sufficient if signed by an Officer of the Issuer.

(f) If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity or security (or both) satisfactory to the Trustee against any loss, liability or expense that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be deemed to have knowledge of any Default or Event of Default except: (1) any Event of Default occurring pursuant to Section 6.01(a) or 6.01(b), if the Trustee is also the Paying Agent; or (2) any Default or Event of Default of which a Responsible Officer of the Trustee shall have received written notification or obtained actual knowledge.

(h) The permissive rights of the Trustee to act hereunder shall not be construed as a duty.

(i) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(j) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and titles of officers authorized at such times to take specified actions pursuant to this Indenture.

SECTION 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer, any Guarantor or any of their Affiliates with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest (as defined in the Trust Indenture Act of 1939, amended), it must eliminate that conflict within 90 days or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Section 7.09.

SECTION 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Notes or any other Note Document, it shall not be accountable for the Issuer's use of the proceeds from the Notes or any money paid to the Issuer or upon the Issuer's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if, in accordance with Section 7.02(g), the Trustee has knowledge thereof, the Trustee shall deliver to the Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, or interest, premium, or Additional Amounts, if any, on, any Note, the Trustee may withhold the notice if and so long as the Trustee in good faith determines that withholding the notice is in the interests of the Holders.

SECTION 7.06. Compensation and Indemnity.

The Issuer shall pay to the Trustee from time to time such reasonable compensation as the Issuer and the Trustee may agree in writing for the Trustee's acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Issuer and the Guarantors shall indemnify the Trustee, jointly and severally, against any and all losses, liabilities, damages, claims or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses (including, without limitation, fees and expenses of counsel) of enforcing this Indenture against the Issuer and the Guarantors (including this Section 7.06) and defending itself against any claim (whether asserted by the Issuer, any Guarantor or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability, damage, claim or expense may be attributable to its gross negligence or willful misconduct. The Trustee shall notify the Issuer and the Guarantors promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer and the Guarantors shall not relieve the Issuer or the Guarantors of their obligations hereunder. The Issuer and the Guarantors shall defend the claim and the

Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Issuer and the Guarantors shall pay the reasonable fees and expenses of such counsel. Neither the Issuer nor any Guarantor need pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Issuer and the Guarantors under this Section 7.06 shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

To secure the Issuer's and the Guarantors' payment obligations in this Section 7.06, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest or Additional Amounts, if any, on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(i) or 6.01(j) occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The immunities, protections and exculpations available to the Trustee under this Indenture shall also be available to the Collateral Agent and each other Agent, and the Issuer's and each Guarantor's obligations under this Section 7.06 to compensate and indemnify the Trustee shall extend likewise to the Collateral Agent and each other Agent.

SECTION 7.07. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07.

The Trustee may resign in writing upon thirty (30) days' notice at any time and be discharged from the trust hereby created by so notifying the Issuer. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuer in writing and may appoint a successor trustee with the consent of the Issuer. The Issuer may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.09;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a receiver, Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of at least 10% of the aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction, at the expense of the Issuer, for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.09, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to the Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.06. Notwithstanding replacement of the Trustee pursuant to this Section 7.07, the Issuer's and the Guarantors' obligations under Section 7.06 shall continue for the benefit of the retiring Trustee.

SECTION 7.08. Successor Trustee by Merger, etc.

If the Trustee consolidates with, or merges or converts into, or transfers or sells all or substantially all of its corporate trust business or assets to, another corporation or banking association, the successor corporation or banking association without any further act shall be the successor Trustee. As soon as practicable, the successor Trustee shall mail a notice of its succession to the Issuer and the Holders.

SECTION 7.09. Eligibility; Disqualification.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $100 million as set forth in its most recent published annual report of condition. No obligor upon the Notes shall serve as a Trustee.

ARTICLE 8

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.01. Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at any time, elect to have either Section 8.02 or Section 8.03 be applied with respect to all outstanding Notes and all obligations of the Guarantors upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02. Legal Defeasance and Discharge.

Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.02, subject to the satisfaction of the conditions set forth in Section 8.04, the Company shall be deemed to have discharged its obligations with respect to all outstanding Notes and, to the extent related to the Notes and the Guarantees, the Collateral Documents to which it is a party, each Guarantor shall be deemed to have discharged its obligations with respect to its Guarantee and, to the extent related to the Notes and the Guarantees, the Collateral Documents to which it is a party and each other Collateral Grantor shall be deemed to have discharged its obligations with respect to the Collateral Documents, to the extent related to the Notes and the Guarantees, to which it is a party, on the date the conditions set forth in Section 8.04 below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, and each Guarantor shall be deemed to have paid and discharged its Guarantee (which in each case shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 and the other Sections of this Indenture referred to in clauses (a) and (b) below) and to have satisfied all its other obligations under the Notes or such Guarantees and this Indenture, and the Company and the other Collateral Grantors shall be deemed to have satisfied all of their obligations under the Collateral Documents, to the extent related to the Notes and the Guarantees (and the Trustee, on demand of and at the expense of the Company, shall execute such instruments reasonably requested by the Issuer acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

(a) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, and premium, interest and Additional Amounts, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04;

(b) the Company's obligations with respect to the Notes under Sections 2.03, 2.04, 2.06, 2.07, 2.10 and 4.02 and the Appendix;

(c) the rights, powers, trusts, duties, indemnities and immunities of the Agents, and the Company's and the Guarantors' obligations in connection therewith and under Section 7.06; and

(d) the Legal Defeasance and Covenant Defeasance provisions of this Article 8.

Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03.

SECTION 8.03. Covenant Defeasance.

Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, the Company and each of the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04, be released from their respective obligations under the covenants contained in Article 4 (other than those in Sections 4.01, 4.02, 4.04, 4.06, 4.14, and 4.22) and in Article 11 and under all Collateral Documents, to the extent related to the Notes and the Guarantees, to which it is a party on and after the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Guarantees, the Company and any Guarantor may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04, Section 6.01(d)(2) and Sections 6.01(e) through 6.01(h) shall not constitute Events of Default.

SECTION 8.04. Conditions to Legal or Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, and premium, if any, and interest and Additional Amounts, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(b) in the case of an election under Section 8.02, the Company shall have delivered to the Trustee, the Registrar and the Paying Agent an Opinion of Counsel confirming that:

(1) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(2) since the Issue Date, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03, the Company shall have delivered to the Trustee, the Registrar and the Paying Agent an Opinion of Counsel confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from, or otherwise in connection with, the borrowing of funds to be applied to such deposit pursuant to this Section 8.04 (and any similar concurrent deposit relating to other Indebtedness) or the grant of any Lien securing such borrowing);

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(f) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over the other creditors of the Company or any Guarantor with the intent of defeating, hindering, delaying or defrauding any creditors of the Company, any Guarantor or others; and

(g) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

SECTION 8.05. Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.06, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee pursuant to Section 8.04 or 8.08 in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or any of its Subsidiaries acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, interest, premium, if any, and Additional Amounts, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 or 8.08 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the written request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 or 8.08 which, in the opinion of a nationally recognized investment banking, appraisal firm or firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a)), are in excess of the amount

thereof that would then be required to be deposited to effect an equivalent Legal Defeasance, Covenant Defeasance or Discharge, as the case may be.

SECTION 8.06. Repayment to the Company.

Subject to applicable escheat and abandoned property laws, any money or non-callable Government Securities deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, or interest, premium, if any, or Additional Amounts, if any, on, any Note and remaining unclaimed for two years after such principal, interest, premium, if any, or Additional Amounts, if any, has become due and payable shall be paid to the Company on its written request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter be permitted to look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money or non-callable Government Securities, and all liability of the Company as trustee thereof, shall thereupon cease; *provided*, *however*, that the Trustee or such Paying Agent, before being required to make any such repayment, shall at the written request and expense of the Company cause to be published once, in the *New York Times* or *The Wall Street Journal* (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.07. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money or non-callable Government Securities in accordance with Section 8.05, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Guarantors' obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 until such time as the Trustee or the Paying Agent is permitted to apply all such money in accordance with Section 8.05; *provided*, *however*, that, if the Company or any Guarantor makes any payment of principal of, interest, premium, if any, or Additional Amounts, if any, on, any Note following the reinstatement of its obligations, the Company or such Guarantor, as applicable, shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities deposited with or held by the Trustee or the Paying Agent.

SECTION 8.08. Discharge.

This Indenture, the Guarantees and, to the extent related to the Notes and the Guarantees, all Collateral Documents shall be discharged and shall cease to be of further effect as to all Notes issued hereunder (except as to (x) the rights of Holders of outstanding Notes to receive solely from the trust fund described in clause (1)(b) of this Section 8.08, and as more fully set forth in such clause (1)(b), payments in respect of the principal of and interest, premium, if any, and Additional Amounts, if any, on, such Notes when such payments are due, (y) the Issuer's obligations with respect to such Notes under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.10 and 4.02 and the Appendix and (z) the rights of the Trustee and each Agent under Section 7.06 and the Issuer's obligations in connection therewith), and the Trustee, at the expense of the Issuer, shall execute such instruments reasonably requested by the Issuer acknowledging satisfaction and discharge of this Indenture with respect to all the Notes, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable or will become due and payable within one year by reason of the mailing of a notice of redemption or otherwise and the Issuer or any Guarantor has

irrevocably deposited or caused to be deposited with the Paying Agent as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, accrued interest, premium, if any, interest, if any, and Additional Amounts, if any, to the date of fixed maturity or redemption;

(2) in respect of clause (1)(b) of this Section 8.08, the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture;

(4) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and

(5) the Issuer has delivered (a) an Officers' Certificate to the Trustee stating that all conditions precedent to satisfaction and discharge of this Indenture ("*Discharge*") have been satisfied and (b) an Opinion of Counsel to the Trustee stating that all conditions precedent to Discharge have been satisfied.

ARTICLE 9

AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. Without Consent of Holders of Notes.

Notwithstanding the provisions of Section 9.02, without the consent of any Holder, the Issuer, the Guarantors, the Trustee and, if any amendment relates to any Collateral Document, the Collateral Agent, may amend or supplement this Indenture, the Notes, the Guarantees, the Escrow Agreement and the Collateral Documents in the following circumstances:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the Issuer's or a Guarantor's obligations to the Holders in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;

(d) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Indenture of any such Holder in any material respect;

(e) to conform the text of this Indenture, the Notes, the Guarantees, the Escrow Agreement or the Collateral Documents to any provision of the "Description of First Lien Notes" in the Offering Circular to the extent that such provision in such "Description of First Lien Notes" was intended to set forth, verbatim or in substance, a provision of this Indenture, the Escrow Agreement, the Notes, the

Guarantees or the Collateral Documents, which intent may be evidenced by an Officers' Certificate to that effect;

(f) to evidence and provide for the acceptance of the appointment under this Indenture and the Collateral Documents of a successor Trustee or Collateral Agent;

(g) to enter into additional or supplemental Collateral Documents and to add additional assets as Collateral to secure the Notes and the Guarantees;

(h) to release Collateral or any Guarantee when permitted or required by this Indenture, the other Collateral Documents, or to amend or supplement any Collateral Document in accordance its terms;

(i) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes and to add any additional Guarantor;

(j) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture;

(k) to enter into any and all Collateral Documents and the transactions contemplated thereby respecting the registration and mortgaging of the Collateral Vessels and to perfect the security interests and Liens granted therein;

(l) to accept and consent to, and to take, any and all steps to perfect a security interest in any of the Collateral Vessels and other Collateral granted pursuant to the Collateral Documents; or

(m) to comply with requirements of the Trust Indenture Act of 1939, as amended, if applicable, or any securities exchange on which the Notes are listed for trading or quotation.

In addition, the Intercreditor Agreement and the Collateral Agency Agreement may be amended in accordance with their terms and without the consent of any Holder or the Trustee with the consent of the parties thereto or otherwise in accordance with their terms, including to add additional Indebtedness as First Lien Obligations or Junior Lien Obligations and to add as parties thereto persons holding such Indebtedness (or any authorized agent thereof or trustee thereof) and to establish that the Liens on any Collateral securing such Indebtedness shall rank equally with the Liens on such Collateral securing the First Lien Obligations or Junior Lien Obligations, as applicable, then outstanding, in each case to the extent permitted by the First Lien Documents.

Upon the request of the Issuer, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall join with the Issuer and the Guarantors in the execution of any amendment or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into any such amendment or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. With Consent of Holders of Notes.

Except as provided above in Section 9.01 and below in this Section 9.02, the Issuer, the Guarantors, the Trustee and the Collateral Agent may amend or supplement this Indenture, the Notes and the Collateral Documents by the execution of a supplemental indenture or, in the case of any amendment or supplement to the Collateral Documents, by the execution of an appropriate amendment or supplement thereto, with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to Sections 6.04 and 6.07, any existing Default or Event of Default or compliance with any provision of this Indenture, the Notes, the Guarantees or any Collateral Document may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), in each case in addition to

any required consent of holders of other First Lien Obligations that may be required with respect to an amendment of or waiver under a Collateral Document. However, without the consent of each Holder of an outstanding Note affected thereby, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the percentage of principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of, or change the fixed maturity of, any Note or alter the provisions with respect to the redemption of the Notes (other than with respect to minimum notice required for redemption), including any provision relating to the premium payable upon any such redemption;

(c) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(d) impair the rights of any Holder of Notes to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption or repurchase, on or after the redemption or repurchase date);

(e) waive a Default or Event of Default in the payment of principal of, or premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(f) make any Note payable in money other than that stated in the Notes;

(g) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, or premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes;

(h) waive a redemption or repurchase payment with respect to any Note (other than a payment required by Section 3.08, 3.09, 4.10 or 4.15);

(i) release any Guarantor from any of its obligations under its Guarantee or this Indenture, except in accordance with the terms of this Indenture;

(j) subordinate the Notes or the Guarantees in right of payment to any other Indebtedness;

(k) make any change to, or extend the time for performance related to, the Escrow Release Conditions or the Special Mandatory Redemption provisions of Section 3.11; or

(l) make any change in the preceding amendment, supplement and waiver provisions.

In addition, except as otherwise provided in this Indenture or any Collateral Document, the consent of Holders of at least 75% in aggregate principal amount of the then outstanding Notes will be required to release Liens for the benefit of the Holders on all or substantially all of the Collateral, other than in accordance with this Indenture, the Intercreditor Agreement and the other Collateral Documents.

Upon the request of the Issuer and upon the receipt by the Trustee of evidence satisfactory to the Trustee of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall join with the Issuer and the Guarantors in the execution of such amendment, supplement or waiver, unless such amendment, supplement or waiver affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amendment, supplemental indenture or waiver.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer shall deliver to the Holders a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

SECTION 9.03. Consents in Connection with Purchase, Tender or Exchange.

A consent to any amendment, supplement or waiver under this Indenture by any Holder given in connection with a purchase, tender or exchange of such Holder's Notes shall not be rendered invalid by such purchase, tender or exchange.

SECTION 9.04. Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of such Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and, except as provided in the second succeeding paragraph, thereafter binds every Holder.

The Issuer may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the second to last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date except to the extent that the requisite number of consents to the amendment, supplement or waiver have been obtained within such 90-day period or as set forth in the next paragraph of this Section 9.04.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (a) through (l) of Section 9.02, in which case, the amendment, supplement or waiver shall bind only each Holder of a Note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same indebtedness as the consenting Holder's Note.

SECTION 9.05. Notation on or Exchange of Notes.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuer, in exchange for all Notes, may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. Trustee to Sign Amendments, etc.

The Trustee shall sign any amendment or supplemental indenture or grant any waiver authorized pursuant to this Article 9 if the amendment or supplemental indenture or waiver does not adversely affect its rights, duties, liabilities or immunities. If any such amendment, supplemental indenture or waiver does adversely affect the rights, duties, liabilities or immunities of the Trustee, the Trustee may, but need not, sign such amendment, supplemental indenture or grant such waiver. In executing any such amendment, supplemental indenture or waiver, the Trustee shall be entitled to receive and (subject to Section 7.01) shall be fully protected in relying upon, an

Officers' Certificate and an Opinion of Counsel stating that the execution of such amendment, supplemental indenture or waiver is authorized or permitted by this Indenture.

SECTION 9.07. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given, made or taken by Holders shall be in writing may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "*Act*" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 7.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

Without limiting the generality of this Section, unless otherwise provided in or pursuant to this Indenture, (i) a Holder, including the Depository or its nominee that is a Holder of a Global Note, may give, make or take, by an agent or agents duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be given, made or taken by Holders, and the Depository or its nominee that is a Holder of a Global Note may duly appoint in writing as its agent or agents members of, or participants in, the Depository holding interests in such Global Note in the records of the Depository; and (ii) with respect to any Global Note, any consent or other action given, made or taken by an Agent Member by electronic means in accordance with the "Automated Tender Offer Procedures" system or other customary procedures of, and pursuant to authorization by, the Depository shall be deemed to constitute the Act of the Holder of such Global Note, and such Act shall be deemed to have been delivered to the Issuer and the Trustee upon the delivery by the Depository of an "agent's message" or other notice of such consent or other action having been so given, made or taken in accordance with the applicable policies and procedures of the Depository.

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

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

(d) Without limiting the foregoing, a Holder entitled hereunder to give, make or take any action hereunder with regard to any particular Note may do so, or duly appoint in writing any Person or Persons as its agent or agents to do so, with regard to all or any part of the principal amount of such Note.

ARTICLE 10

GUARANTEES OF NOTES

SECTION 10.01. Subsidiary Guarantees.

Subject to this Article 10, upon consummation of the Assumption and the Escrow Release Date, or (in the case of PDVIII and PDSI) the Zonda Release Date, each of the Guarantors hereby absolutely and unconditionally guarantees, jointly with the other Guarantors and severally, as primary obligor and not merely as surety, on a senior basis to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and

their respective successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the Obligations of the Company hereunder and thereunder, that:

(a) the principal of, and premium, if any, interest, if any, on, or Additional Amounts, if any, on, the Notes will be promptly paid in full when due, whether at Stated Maturity, by acceleration, upon repurchase or redemption or otherwise, and interest on the overdue principal of, and premium, if any, and (to the extent permitted by law) interest, if any, on, and Additional Amounts, if any, on, the Notes, and all other payment Obligations of the Company to the Holders, the Trustee or the Collateral Agent under this Indenture or the Notes will be promptly paid in full and performed, all in accordance with the terms hereof and thereof; and

(b) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at Stated Maturity, by acceleration, upon repurchase or redemption or otherwise.

Failing payment when so due of any amount so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is an absolute, unconditional, present and continuing guarantee of payment and performance (and not a guarantee of collection) and is in no way conditioned upon any attempt to collect from the Company or any other Guarantor or any other action, occurrence or circumstance whatsoever.

The Guarantors hereby agree that their obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that its Subsidiary Guarantee will not be discharged except by complete performance of the Obligations contained in the Notes and this Indenture.

If any Holder, the Trustee or the Collateral Agent is required by any court or otherwise to return to the Company, the Guarantors, or any Custodian, trustee or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by the Company or any Guarantor to the Trustee, Collateral Agent or such Holder, the Subsidiary Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect.

Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders, the Trustee and the Collateral Agent, on the other hand, (a) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of its Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed thereby, and (b) in the event of any declaration of acceleration of such Obligations as provided in Article 6, such Obligations (whether or not due and payable) shall forthwith become due and payable by each Guarantor for the purpose of its Subsidiary Guarantee. The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Guarantees.

SECTION 10.02. Releases of Guarantees.

The Guarantee of a Guarantor will be automatically and unconditionally released: (1) in connection with any sale or other disposition of all or substantially all of the assets of such Guarantor (including by way of merger, consolidation or amalgamation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition is conducted in accordance with Sections 4.10 and 5.01(b), as applicable; (2) in connection with any sale or other disposition of the Capital Stock of such Guarantor, following which such Guarantor is no longer a Restricted Subsidiary of the Company, if the sale or other disposition is conducted in accordance with Sections 4.10 and 5.01(b), as applicable; (3) upon Legal

Defeasance, Covenant Defeasance or Discharge in accordance with Article 8; (4) unless an Event of Default has occurred and is continuing, upon the dissolution or liquidation of such Guarantor in compliance with Section 5.01(b); or (5) if the Company designates such Guarantor as an Unrestricted Subsidiary or an Immaterial Subsidiary in accordance with this Indenture.

Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that any of the conditions described in the foregoing clauses (1) through (5) has occurred, the Trustee shall execute any documents reasonably requested by the Company at the Company's expense in order to evidence the release of any Guarantor from its obligations under its Guarantee. Any Guarantor not released from its obligations under its Guarantee shall remain liable for the full amount of principal of and interest, premium, if any, and Additional Amounts, if any, on, the Notes and for the other obligations of such Guarantor under this Indenture as provided in this Article 10.

SECTION 10.03. Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state or foreign law to the extent applicable to any Guarantee. The obligations of each Guarantor under its Guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to its contribution obligations under this Indenture, result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state or foreign law and not otherwise being void or voidable under any similar laws affecting the rights of creditors generally. Each Guarantor that makes a payment under its Guarantee shall be entitled, upon payment in full of all guaranteed Obligations under this Indenture, to seek contribution from each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all Guarantors at the time of such payment determined in accordance with GAAP.

Notwithstanding anything to the contrary in the Notes and under this Indenture, the payment undertaking of any Guarantor incorporated in Luxembourg under any Guarantee shall be limited at any time without double counting to an aggregate amount not exceeding the higher of 90 per cent of: (i) the sum of that Luxembourg Guarantor's own funds (*capitaux propres*) (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended) and its subordinated debts (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended), as reflected in its last annual accounts (approved by shareholders' meeting) available on the date the guarantee is called or the security interest is enforced; and (ii) the sum of that Luxembourg Guarantor's own funds (*capitaux propres*) (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended) and its subordinated debts (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended), as reflected in its last annual accounts (approved by shareholders' meeting) available as the date of this Indenture.

SECTION 10.04. "Trustee" to Include Paying Agent.

In case at any time any Paying Agent other than the Trustee shall have been appointed and be then acting hereunder, the term "Trustee" as used in this Article 10 shall in each case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Article 10 in place of the Trustee.

SECTION 10.05. Execution and Delivery.

The execution by each Guarantor of this Indenture (or a supplemental indenture hereto) evidences the Guarantee of such Guarantor, whether or not the person signing as an Officer of the Guarantor still holds that

office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee set forth in this Indenture on behalf of each Guarantor.

SECTION 10.06. Subrogation.

Each Guarantor shall be subrogated to all rights of Holders against the Company in respect of any amounts paid by the Guarantor pursuant to the provisions of Section 10.01; *provided* that no Guarantor shall be entitled to enforce or receive any payments arising out of, or based upon, such right of subrogation until all amounts then due and payable by the Company under this Indenture or the Notes shall have been paid in full.

ARTICLE 11

SECURITY

SECTION 11.01. Collateral Documents; Additional Collateral.

(a) Security Agreements. In order to secure the due and punctual payment of the First Lien Obligations, (i) upon the Escrow Release Date or the Zonda Release Date, as applicable, the Guarantors shall execute Collateral Documents granting to the Collateral Agent for the benefit of the Holders and holders of other First Lien Obligations (in accordance with the Collateral Documents) a first-priority perfected Lien in the Collateral, and (ii) after the Escrow Release Date or the Zonda Release Date, as applicable, in accordance with the provisions of Sections 4.13 and 4.26 and this Article 11, if (I) any asset of the type which is required to constitute Collateral pursuant to this Indenture or the Collateral Documents is acquired by any Guarantor and such asset is not automatically subject to a first-priority perfected Lien in favor of the Collateral Agent or (II) a Subsidiary of the Company that is not already a Guarantor is required to become a Guarantor pursuant to Section 4.13, then such Guarantor or such other Subsidiary shall, as soon as practicable after the acquisition of the applicable asset or the occurrence of the event requiring such Subsidiary to become a Guarantor (and, in any event, within 20 Relevant Business Days after such acquisition or event), execute and deliver the necessary Collateral Documents in order to grant to the Collateral Agent a first-priority perfected Lien in all assets of such Guarantor or such other Subsidiary that are required to, but do not already, constitute Collateral. In each case described above, each Guarantor shall execute and deliver such other Collateral Documents, deliver any certificates to the Collateral Agent in respect of the applicable Collateral as required by this Indenture and the applicable Collateral Documents and take all other appropriate actions to ensure the Collateral Agent, for the benefit of the Holders and holders of other First Lien Obligations, has a first-priority perfected Lien therein. For the avoidance of doubt, the Guarantors shall not be required to grant a security interest in, and the Collateral shall not include, any Excluded Property, the Guarantors shall not be required to execute an assignment of any Drilling Contract to the extent that the grant of a security interest therein would constitute a breach of a valid and enforceable restriction on the granting of a security interest therein or assignment thereof in favor of a third-party, and in no event shall any Guarantor be required to take actions to perfect the Collateral Agent's security interest in trucks, trailers or other motor vehicles covered by a certificate of title under the law of any state.

The Company shall cause every Guarantor to make all filings (including filings of continuation statements and amendments to Uniform Commercial Code financing statements in the United States (or the applicable political subdivision, territory or possession thereof) that may be necessary to continue the effectiveness of such Uniform Commercial Code financing statements) and take all other actions as are reasonably necessary or required by the Collateral Documents to maintain (at the sole cost and expense of the Guarantors) the security interest created by the Collateral Documents in the Collateral as a first-priority perfected Lien.

All references to a "first-priority perfected Lien" in this Section 11.01(a) shall be understood to be subject to Permitted Collateral Liens, if any and the terms of the Intercreditor Agreement.

(b) Additional Collateral. The Company shall, and shall cause every other Collateral Grantor to, from time to time take the actions required by Section 4.26.

(c) Notwithstanding Section 11.01(a), to the extent any security interest in the Collateral or any deliverable related to the perfection of security interests in the Collateral (other than Collateral the security interest in which may be perfected by the filing of a UCC financing statement or the delivery of certificated securities (if any)) cannot be provided and/or perfected on the Escrow Release Date (x) without undue burden or expense or (y) after the Company and the Guarantors' use of commercially reasonable efforts to do so, then perfection of such security interest(s) and/or delivery of such deliverables may be completed after the Escrow Release Date, but no later than (i) December 22, 2018 or (ii), if later, promptly following the Zonda Release Date with respect to PDVIII and PDSI, as applicable.

SECTION 11.02. [Reserved].

SECTION 11.03. Releases of Collateral.

The Notes Obligations will no longer be required to be secured by Liens on Collateral, and subject to the terms of the Intercreditor Agreement and the other Collateral Documents, the Liens securing the Notes Obligations will be released:

(1) in whole, upon the full and final payment and performance of all Notes Obligations;

(2) in part, with respect to any asset constituting Collateral, if such Collateral is sold or otherwise disposed of (x) to the Company or a Guarantor in a transaction permitted by the terms of this Indenture; *provided* that such Collateral shall be pledged as Collateral under the Collateral Documents contemporaneously with such partial release of Liens and sale or disposition to the Company or a Guarantor, in accordance with the requirements of this Indenture and the Collateral Documents; or (y) to a Person that is not (either before or after giving effect to such transaction) the Company or a Guarantor in a transaction that is not prohibited by this Indenture, subject to compliance with Section 4.10 (other than the provisions thereof relating to the future use of the proceeds of such sale or other disposition), and, in each case, the Company has delivered to the Collateral Agent and the Trustee an Officers' Certificate and Opinion of Counsel (with customary assumptions and qualifications for such types of opinion) certifying to such effect; provided that (i) pending its application or use in compliance with Section 4.10, any cash received from a disposition of Collateral shall be deposited in a deposit account controlled by the Collateral Agent and held as Collateral and, from such deposit account, the applicable Collateral Grantor may withdraw funds to deploy the proceeds of an Asset Sale in compliance with Section 4.10, and (ii) to the extent that any Collateral is sold or otherwise disposed of in accordance with the terms of Section 4.10, the non-cash consideration received shall be pledged as Collateral under the Collateral Documents contemporaneously with such sale or disposition, in accordance with the requirements of this Indenture and the Collateral Documents;

(3) in whole, upon Legal Defeasance pursuant to Section 8.02, Covenant Defeasance pursuant to Section 8.03 or Discharge pursuant to Section 8.08;

(4) in part, with respect to the assets of any Guarantor that is released from its Guarantee in accordance with Section 10.02;

(5) in whole or in part, with the consent of the requisite Holders as provided in Section 9.02; or

(6) in whole or in part, as provided in the Intercreditor Agreement or the other Collateral Documents.

SECTION 11.04. Release Documentation.

Upon compliance with the conditions to release of all or any portion of the Collateral set forth in Section 11.03, the Collateral Agent and the Trustee shall forthwith take all action reasonably requested by the Company (at the expense of the Company, and accompanied by an Officers' Certificate and Opinion of Counsel that the conditions precedent to such release have been satisfied) to release and re-convey to the applicable Collateral Grantor the applicable portion of the Collateral, without recourse or warranty of any kind or nature, that is authorized to be released pursuant to Section 11.03, and shall deliver such Collateral in its possession to the applicable Collateral Grantor, including, without limitation, executing and delivering releases and satisfactions wherever required. Notwithstanding anything herein to the contrary, in the event of any transfer, sale or other disposition of all or any part of the assets of a Collateral Grantor constituting Collateral to the Company or any other Collateral Grantor (including by way of merger, consolidation or amalgamation) in a transaction permitted by the terms of this Indenture, the Trustee and the Collateral Agent shall forthwith take all action reasonably requested by the Company (at the expense of the Company, and accompanied by an Officers' Certificate and Opinion of Counsel that the conditions precedent to such release have been satisfied) to release such Collateral if and to the extent necessary to consummate such transfer, sale or disposition; provided that arrangements satisfactory to the Trustee and the Collateral Agent have been made for the contemporaneous pledge of such Collateral by the successor in accordance with the terms of the Collateral Documents and this Indenture.

SECTION 11.05. Possession and Use of Collateral; No Impairment of the Security Interests.

(a) So long as no Default or Event of Default has occurred and is continuing, and subject to the terms of this Indenture and the Collateral Documents, each Collateral Grantor will be entitled to freely operate the property and assets constituting the Collateral pledged by it and to receive, invest and dispose of all cash dividends, principal, interest and other payments made upon or with respect to the Collateral pledged by it and to exercise any voting and other consensual rights pertaining to the Collateral pledged by it.

(b) The Company shall not, and shall not permit any other Collateral Grantor to, take any action, or knowingly omit to take any action, which action or omission would have the result of materially impairing the validity, perfection or priority of the security interests in the Collateral created by the Documents, (except as expressly set forth in this Indenture and the Collateral Documents, including any action that would result in a Permitted Collateral Lien).

(c) No Collateral Grantor will take any action or otherwise attempt to enforce any claim or maritime Lien held by it against any Collateral Vessel that has priority over any claim or Lien of the Collateral Agent in respect of such Collateral Vessel, including any claims or Liens arising under the Vessel Mortgages.

(d) Subject to any conditions in the Collateral Documents (including any requirement for affirmative election by the Collateral Agent), upon the occurrence and during the continuance of an Event of Default:

(1) all rights of each Collateral Grantor to exercise such voting or other consensual rights pertaining to its Collateral will cease, and all such rights will become vested in the Collateral Agent, which, to the extent permitted by law, will have the sole right to exercise such voting and other consensual rights in accordance with the Collateral Documents;

(2) all rights of each Collateral Grantor to receive all cash dividends, principal, interest and other payments made upon or with respect to its Collateral will cease and such cash dividends, principal, interest and other payments will be paid to the Collateral Agent in accordance with the terms of the Collateral Documents;

(3) the Collateral Agent may sell the Collateral or any part of the Collateral in accordance with the terms of the Collateral Documents; and

(4) the Collateral Agent may exercise any rights under deposit account control agreements in respect of the Collateral constituting deposit accounts, including Earnings Accounts.

The Collateral Agent will distribute all funds received by it in accordance with the provisions of the Collateral Documents, and the Trustee will distribute all funds received by it from the Collateral Agent for the benefit of the Trustee and the Holders of the Notes in accordance with the provisions of this Indenture.

The Collateral Agent will be permitted to release all or any portion of the Collateral from the Liens created by the Collateral Documents and foreclose on the Collateral following an Event of Default, in each case in accordance with the applicable provisions of the Collateral Documents.

SECTION 11.06. Collateral Agent.

The Trustee and each of the Holders by acceptance of the Notes hereby designate and appoint the Collateral Agent as the Trustee's and the Holders' collateral agent under the Collateral Documents, and the Trustee and each of the Holders by acceptance of the Notes hereby irrevocably authorize the Collateral Agent to execute and deliver the Collateral Documents and to take such action on their behalf under the provisions of the Collateral Documents and to exercise such powers and perform such duties as are expressly delegated to the Collateral Agent by the terms of this Indenture and the Collateral Documents, together with such powers as are reasonably incidental thereto. The Collateral Agent hereby accepts such designation and appointment and agrees to act as the Collateral Agent on the conditions contained in this Section 11.06. Each Holder agrees that any action taken by the Collateral Agent in accordance with the provisions of this Indenture and the Collateral Documents, and the exercise by the Collateral Agent of any rights or remedies set forth herein and therein, shall be authorized and binding upon all Holders.

The Collateral Agent may resign and its successor appointed in accordance with the terms of Section 7.07.

The Trustee is authorized and directed by the Holders and the Holders by acquiring the Notes are deemed to have authorized the Trustee, as applicable, to (i) enter into the Intercreditor Agreement and the Collateral Agency Agreement, (ii) bind the Holders on the terms as set forth in the Intercreditor Agreement and the Collateral Agency Agreement, (iii) perform and observe its obligations and exercise its rights and powers under the Intercreditor Agreement and the Collateral Agency Agreement, including entering into amendments permitted by the terms of this Indenture, the Intercreditor Agreement and the other Collateral Documents and (iv) cause the Collateral Agent to enter into and perform its obligations under the Collateral Documents. The Collateral Agent is authorized and directed by the Trustee and the Holders and the Holders by acquiring the Notes are deemed to have authorized the Collateral Agent, to (i) enter into the Collateral Documents to which it is a party, (ii) bind the Trustee and the Holders on the terms as set forth in such Collateral Documents and (iii) perform and observe its obligations and exercise its rights and powers under such Collateral Documents, including entering into amendments permitted by the terms of this Indenture or the Collateral Documents. Each Holder, by its acceptance of a Note, is deemed to have consented and agreed to the terms of the Intercreditor Agreement and each other Collateral Document, as originally in effect and as amended, restated, replaced, supplemented or modified from time to time in accordance with its terms or the terms of this Indenture. Each of the Trustee and the Holders by acquiring the Notes is hereby deemed to (i) agree that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement and (ii) acknowledge that it has received a copy of the Intercreditor Agreement and that the exercise of certain of the Trustee's rights and remedies hereunder may be subject to, and restricted by, the provisions of the Intercreditor Agreement. Each of the Holders by acquiring the Notes is hereby deemed to direct the Trustee to appoint, and by the Collateral Agent's acceptance of each Mortgage is deemed to appoint on behalf of each of the Holders with respect to each such Mortgage, the Collateral Agent as its mortgagee trustee to (i) receive, hold, administer and enforce the Mortgages covering the Collateral Vessels, and (ii) act on its behalf with regard to (a) the security, powers, rights, titles, benefits and interests (both present and future) constituted by and conferred thereon under, or pursuant to each such Mortgage (including, without limitation, the benefit of all covenants, undertakings, representations, warranties and obligations given, made or undertaken by the Company or the relevant Restricted Subsidiaries in each such Mortgage), (b) all monies, property and other assets paid or transferred thereto or vested therein or in any agent thereof or received or recovered thereby or by any agent thereof pursuant to, or in connection with, each such Mortgage, whether from the Company, a Restricted Subsidiaries or any other person, and (c) all

monies, investments, property or other assets at any time representing or deriving from any of the foregoing, including all interest, income and other sums at any time received or receivable thereby or by any agent thereof in respect of the same (or any part thereof), all as contemplated under the Intercreditor Agreement.

The Collateral Agent shall have no obligation whatsoever to the Trustee or any of the Holders to assure that the Collateral exists or is owned by the Company or any of the Collateral Grantors or is cared for, protected or insured or has been encumbered, or that the Collateral Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, maintained or enforced or are entitled to any particular priority, or to determine whether all of the Collateral Grantors' property constituting Collateral intended to be subject to the Lien and security interest of the Collateral Documents has been properly and completely listed or delivered, as the case may be, or the genuineness, validity, marketability or sufficiency thereof or title thereto. The Collateral Agent shall have no obligation to exercise in any particular manner or under any duty of disclosure or fidelity, any of the rights, authorities and powers granted or available to the Collateral Agent pursuant to this Indenture or any Collateral Document.

The grant of permissive rights or powers to the Collateral Agent shall not be construed to impose duties to act. For the avoidance of doubt, nothing herein shall require the Collateral Agent or Trustee to file financing statements or continuation statements or filing or recording any document or instrument, or be responsible for perfecting or maintaining the security interests purported to be created by the Collateral Documents and such responsibility shall be solely that of the Company, nor shall the Collateral Agent or the Trustee be responsible for, and neither the Collateral Agent nor the Trustee makes any representation regarding, the validity, effectiveness or priority of any of the Collateral Documents or the security interests or Liens intended to be created thereby. Notwithstanding anything to the contrary set forth in any Collateral Document, the Collateral Agent shall not be required to take any enforcement action outside of the United States; *provided* that the Collateral Agent will cooperate with the Holders and the Company in the appointment of a sub-agent with respect to enforcement actions outside of the United States.

Notwithstanding anything else to the contrary herein, the Collateral Agent shall not have any duty to take any discretionary action or exercise any discretionary powers.

Whether or not expressly stated therein, in acting under any Collateral Document, the Collateral Agent shall be entitled to all of the rights, privileges, immunities and indemnities granted to it under this Indenture, as if such rights, privileges, immunities or indemnities were set forth in such Collateral Document. The Collateral Agent shall be entitled to all of the rights, privileges, immunities and indemnities granted to the Trustee.

Neither the Trustee nor the Collateral Agent shall be liable or responsible for the failure of the Issuer or any Guarantors to maintain insurance on the Collateral, nor shall either of them be responsible for any loss due to the insufficiency of such insurance or by reason of the failure of any insurer to pay the full amount of any loss against which it may have insured to the Issuer, the Guarantors, the Trustee, the Collateral Agent or any other Person.

Upon the receipt by the Collateral Agent of a written request of the Issuer in the form of an Officers' Certificate, the Collateral Agent is hereby authorized to execute and enter into, and shall execute and enter into, without the further consent of any Holder or the Trustee, any Collateral Document to be executed after the Issue Date that is permitted or authorized by the terms of this Indenture. Such Officers' Certificate shall (i) state that it is being delivered to the Collateral Agent pursuant to this Section 11.06, (ii) instruct the Collateral Agent to execute and enter into such Collateral Document, and (iii) certify, where applicable, that such Collateral Document conforms to the description thereof set forth in the Offering Circular. Any such execution of a Collateral Document shall be at the direction and expense of the Issuer, upon delivery to the Collateral Agent of an Officers' Certificate and Opinion of Counsel stating that all conditions precedent to the execution and delivery of the Collateral Document have been satisfied.

SECTION 11.07. Purchaser Protected.

No purchaser or grantee of any property or rights purporting to be released from the Liens in favor of the Collateral Agent shall be bound to ascertain the authority of the Collateral Agent or Trustee to execute the

release or to inquire as to the existence of any conditions herein prescribed for the exercise of such authority so long as the conditions set forth in Section 11.03 have been satisfied.

SECTION 11.08. [Reserved].

SECTION 11.09. Authorization of Receipt of Funds by the Trustee Under the Collateral Documents.

The Trustee is authorized to receive any funds for the benefit of Holders distributed under the Collateral Documents and to apply such funds as provided in Section 6.10.

SECTION 11.10. Powers Exercisable by Receiver or Trustee.

In case the Collateral shall be in the possession of a receiver or trustee, lawfully appointed, the powers conferred in this Article 11 upon the Company or any Collateral Grantor, as applicable, with respect to the release, sale or other disposition of such property may be exercised by such receiver or trustee, and an instrument signed by such receiver or trustee shall be deemed the equivalent of any similar instrument of the Company or any Collateral Grantor, as applicable, or of any officer or officers thereof required by the provisions of this Article 11.

SECTION 11.11. Compensation and Indemnification.

The Collateral Agent shall be entitled to the compensation and indemnification set forth in Section 7.06 (with the references to the Trustee therein being deemed to refer to the Collateral Agent).

ARTICLE 12

MISCELLANEOUS

SECTION 12.01. Notices.

All notices and other communications by the Issuer, any Guarantor or the Trustee to the other parties hereto shall be duly given if in writing in the English language and delivered in person or mailed by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to their respective addresses set forth below:

If to the Company or any Guarantor:

Pacific Drilling S.A.
11700 Katy Fwy, #175
Houston, TX 77079
Attention: Chief Financial Officer
Email: j.boots@pacificdrilling.com
Telephone: (713) 334-6662

with a copy to:

Pacific Drilling Services, Inc.
11700 Katy Fwy, #175
Houston, TX 77079
Attention: Treasurer
Email: k.niemietz@pacificdrilling.com
Telephone: (832) 255-0628

If to the Trustee or Collateral Agent:

Wilmington Trust, National Association
15950 North Dallas Parkway, Suite 550
Dallas, Texas 75248
Attention: Pacific Drilling Administrator
Facsimile: 888-316-6238

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given (a) at the time delivered by hand, if personally delivered, (b) five Business Days after being deposited in the mail, postage prepaid, if mailed, (c) when receipt is acknowledged, if transmitted by facsimile, and (d) the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery, in each case to the address shown above or to such other address or addresses as the Issuer, any Guarantor or the Trustee, by written notice to the other parties hereto, may designate from time to time.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the Register kept by the Registrar. All notices and communications to a Holder shall be deemed to have been duly given (a) five Business Days after being deposited in the mail, postage prepaid, if mailed, and (b) the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery, in each case to the address of the Holder shown on the Register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If either the Company or any Guarantor mails a notice or communication to any Holder, it shall mail a copy to the Trustee and each Agent at the same time.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by any Holder shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Notwithstanding anything to the contrary contained herein, as long as the Notes are in the form of a Global Note, notice to the Holders thereof may be made electronically in accordance with the applicable procedures of the Depository.

SECTION 12.02. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Issuer to the Trustee or any Agent to take any action or refrain from taking any action under this Indenture, the Trustee or such Agent shall be entitled to receive from the Issuer:

(a) an Officers' Certificate (which shall include the statements set forth in Section 12.03) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel (which shall include the statements set forth in Section 12.03) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 12.03. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that the person making such certificate or opinion has read such condition or covenant;

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

(c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such condition or covenant has been satisfied; and

(d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been satisfied.

SECTION 12.04. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 12.05. No Personal Liability of Directors, Officers, Employees and Stockholders.

No present, past or future director, officer, employee, incorporator or stockholder of the Issuer, the Company or any Guarantor, as such, will have any liability for any obligations of the Issuer, the Company or any Guarantor under this Indenture, the Notes, the Guarantees or the Collateral Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder, by accepting a Note, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 12.06. Governing Law.

THIS INDENTURE, THE NOTES AND THE GUARANTEES WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. Articles 470-3 through 470-19 (inclusive) of the Luxembourg law of 10 August 1915 concerning commercial companies, as amended, shall be expressly excluded.

SECTION 12.07. Jurisdiction.

The Issuer and Guarantors agree that any suit, action or proceeding against the Issuer or any Guarantors brought by any Holder or the Trustee arising out of or based upon this Indenture, the Notes or the Guarantees may be instituted in any state or Federal court in the Borough of Manhattan, New York, New York, and any appellate court thereof, and each of them irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding. The Issuer and any Guarantors irrevocably waive, to the fullest extent permitted by law, any objection to any suit, action, or proceeding that may be brought in connection with this Indenture, the Notes or the Guarantees, if any, including such actions, suits or proceedings relating to the securities laws of the United States of America or any state thereof, in such courts whether on the grounds of venue, residence or domicile or on the ground that any such suit, action or proceeding has been brought in an inconvenient forum. The Issuer and any Guarantors agree that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Issuer or such Guarantors, as the case may be, in the manner provided by this Indenture or by any other legal means. Each of the Issuer and any Guarantors have appointed CT Corporation System (the "Authorized Agent"), for service of process in any suit, action or proceeding arising out of or based upon this Indenture, the Notes and any Guarantees which may be instituted in any U.S. federal or New York state court located in the City of New York, New York, by any Holder or the Trustee, and expressly accepts the non-exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. Each of the Issuers and any Guarantor hereby represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Issuer and any Guarantors agree to take any and all action, including the filing of any and all documents that may be necessary to continue such respective appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect,

effective service of process upon the Issuers and the Guarantors. Notwithstanding the foregoing, any action involving the Issuer or such Guarantor arising out of or based upon this Indenture, the Notes or any Guarantees may be instituted by any Holder or the Trustee in any court of competent jurisdiction in New York, New York. Each of the Issuer and any Guarantor agrees to take any and all action as may be necessary to maintain the designation and appointment of an agent in full force and effect until the Notes are paid in full.

SECTION 12.08. WAIVER OF JURY TRIAL.

EACH OF THE ISSUER, THE GUARANTORS, THE COLLATERAL AGENT AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES, THE GUARANTEES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 12.09. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuer, the Issuer or their respective Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.10. Successors.

All agreements of the Issuer and the Guarantors in this Indenture and the Notes shall bind their respective successors. All agreements of the Trustee and the Collateral Agent in this Indenture shall bind their respective successors.

SECTION 12.11. Severability.

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

SECTION 12.12. Table of Contents, Headings, etc.

The Table of Contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 12.13. Counterparts.

The parties hereto may sign any number of copies of this Indenture. This Indenture may be signed in counterparts and by the different parties hereto in separate counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or portable document format (.pdf) transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signature of the parties hereto transmitted by facsimile or .pdf shall be deemed to be their original signatures for all purposes.

SECTION 12.14. Language of Notices, Etc.

Any request, demand, authorization, direction, notice, consent, waiver or Act required or permitted under this Indenture shall be in writing and in the English language, except that any published notice may be in an official language of the country of publication.

SECTION 12.15. U.S.A. PATRIOT Act.

The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to Federal regulations that became effective on October 1, 2003 (Section 326 of the USA PATRIOT Act), all financial institutions are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Indenture agree that they will provide to the Trustee and Collateral Agent such information as it may request, from time to time, in order for the Trustee and Collateral Agent to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

SECTION 12.16. Force Majeure.

Neither the Trustee nor any Agent shall incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Trustee or such Agent that prevents the Trustee or such Agent from performing such act or fulfilling such duty, obligation or responsibility hereunder (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism, or the unavailability of the Federal Reserve Bank wire, facsimile or other wire or communication facility).

SECTION 12.17. Foreign Sanction Regulations.

The Company agrees to comply in all material respects with applicable foreign sanctions regulations, including but not limited to, those administered by the Office of Foreign Assets Control of the U.S. Treasury Department, it being understood that this covenant is for the benefit of the Trustee only, no Holder or other Person shall have rights under this covenant as a third party beneficiary, and any breach of this covenant shall not be the basis for a Default or Event of Default under Section 6.01.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed and delivered as of the date first set forth above.

ESCROW ISSUER:

PACIFIC DRILLING FIRST LIEN ESCROW ISSUER LIMITED

by 

Name: Paul T. Reese
Title: Director

TRUSTEE AND COLLATERAL AGENT:

WILMINGTON TRUST, NATIONAL ASSOCIATION

By: _____

Name: Shawn Goffinet

Title: Assistant Vice President

RULE 144A/REGULATION S APPENDIX

PROVISIONS RELATING TO NOTES

1. Definitions

1.1 For the purposes of this Appendix the following terms shall have the meanings indicated below:

"*Accredited Investor*" means an "*accredited investor*" as defined in Rule 501 under the Securities Act.

"*Depository*" means The Depository Trust Company, its nominees and their respective successors and assigns, or such other depository institution hereinafter appointed by the Issuer.

"*Initial Purchaser*" means (1) with respect to the Initial Notes, Credit Suisse Securities (USA) LLC and (2) with respect to each issuance of Additional Notes, the Person or Persons purchasing or underwriting such Additional Notes under the related purchase agreement or underwriting agreement.

"*Notes Custodian*" means the custodian with respect to a Global Note (as appointed by the Depository), or any successor Person thereto and shall initially be the Trustee.

"*Purchase Agreement*" means (1) with respect to the Initial Notes, the Purchase Agreement dated September 12, 2018 among the Escrow Issuer, the Company, the guarantors party thereto and the Initial Purchaser, and (2) with respect to each issuance of Additional Notes, the purchase agreement or underwriting agreement among the Company, the Guarantors and the Persons purchasing or underwriting such Additional Notes.

"*Transfer Restricted Securities*" means Notes that bear or are required to bear the legend set forth in Section 2.2(b)(i) hereof.

"*Unrestricted Notes*" means any Notes that are not Transfer Restricted Securities.

1.2 Other Definitions.

Term	Defined in Section:
"Agent Members"	2.1(b)
"Global Note"	2.1(a)
"Regulation S"	2.1(a)
"Regulation S Notes"	2.1(a)
"Resale Restriction Termination Date"	2.2(b)
"Restricted Global Note"	2.1(a)
"Restricted Notes Legend"	2.2(b)
"Restricted Period"	2.1(b)
"Rule 144A"	2.1(a)
"Rule 144A Notes"	2.1(a)

2.1 The Notes.

(a) Form and Dating. Initial Notes offered and sold in reliance on Rule 144A ("*Rule 144A Notes*") under the U.S. Securities Act ("*Rule 144A*") or in reliance on Regulation S ("*Regulation S Notes*") under the U.S. Securities Act ("*Regulation S*"), in each case as provided in a Purchase Agreement, shall be issued initially in the form of one or more permanent global Notes in definitive, fully registered form without interest coupons with the global Notes legend and Restricted Notes Legend (each, unless and until becoming an Unrestricted Note in accordance with Section 2.2(b)(ii) below, a "*Restricted Global Note*"), which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, as Notes Custodian for the Depository (or with such other custodian as the Depository may direct), and registered in the name of the Depository or a nominee of the

Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. Beneficial interests in a Restricted Global Note representing Initial Notes sold in reliance on either Rule 144A or Regulation S may be held through Euroclear or Clearstream, as indirect participants in the Depository. The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided. Unrestricted Notes issued in global form and Restricted Global Notes are each referred to herein as a "*Global Note*" and are collectively referred to herein as "*Global Notes*."

(b) Book-Entry Provisions. This Section 2.1(b) shall apply only to a Global Note deposited with or on behalf of the Depository.

The Issuer shall execute and the Trustee shall, in accordance with this Section 2.1(b) and Section 2.02 of the Indenture, authenticate and deliver initially one or more Global Notes that (a) shall be registered in the name of the Depository for such Global Note or Global Notes or the nominee of such Depository and (b) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions or held by the Trustee as Notes Custodian for the Depository.

Members of, or participants in, the Depository ("*Agent Members*") shall have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository or by the Trustee as the custodian of the Depository or under such Global Note, and the Issuer, the Trustee and any agent of the Issuer or the Trustee shall be entitled to treat the Depository as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

Prior to the expiration of the period through and including the 40th day after the later of the commencement of the offering of any Initial Notes and the closing of such offering (such period, the "*Restricted Period*"), beneficial interests in the Restricted Global Note representing Regulation S Notes may be transferred or exchanged for beneficial interests in the Restricted Global Note representing Rule 144A Notes only if (i) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A, (ii) the transferor first delivers to the Trustee a written certificate (in the form provided in Exhibit 1 hereto) to the effect that the Notes are being transferred to a Person who the transferor reasonably believes to be a QIB within the meaning of Rule 144A and is purchasing for its own account or the account of a QIB, in each case in a transaction meeting the requirements of Rule 144A, and (iii) the transfer is in accordance with all applicable securities laws of the states of the United States and other jurisdictions. After the expiration of the Restricted Period, such certification requirements shall not apply to such transfers of beneficial interests in a Restricted Global Note representing Regulation S Notes.

Beneficial interests in a Restricted Global Note representing Rule 144A Notes may be transferred to a Person who takes delivery in the form of an interest in the Restricted Global Note representing Regulation S Notes, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Registrar a written certificate (in the form provided in Exhibit 1 hereto) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available).

(c) Certificated Notes. Except as provided in Section 2.3, owners of beneficial interests in Global Notes shall not be entitled to receive physical delivery of certificated Notes. Certificated Notes shall not be exchangeable for beneficial interests in Global Notes.

2.2 Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. (i) The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depository, in accordance with the Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor. A transferor of a beneficial interest in a Global Note shall deliver to the Trustee a written order given in accordance with the Depository's procedures containing information regarding the participant account of the Depository to be credited with a beneficial interest in the Global Note. The Trustee shall, in accordance with such instructions instruct the

Depository to credit to the account of the Person specified in such instructions a beneficial interest in the Global Note and to debit the account of the Person making the transfer the beneficial interest in the Global Note being transferred.

(ii) If the proposed transfer is a transfer of a beneficial interest in one Global Note to a beneficial interest in another Global Note, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Note to which such interest is being transferred in an amount equal to the principal amount of the interest to be so transferred, and the Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount of the Global Note from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix, a Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(b) Legend.

(i) Except as permitted by the following paragraphs (ii) and (iii), each Note certificate evidencing the Global Notes and the certificated Notes (and all Notes issued in exchange therefor or in substitution thereof) shall bear the applicable legend in substantially the following form ("*Restricted Notes Legend*"):

If the Note is a Rule 144A Note:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, OR (C) IT IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT, ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, (D) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (E) PURSUANT TO A

REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S, OR REGISTRAR'S, AS APPLICABLE, RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE OR REGISTRAR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT.

If the Note is a Regulation S Note:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

(ii) Upon a sale or transfer after, in the case of (A) any Note acquired pursuant to Rule 144A, the applicable holding period under Rule 144A under the Securities Act (the "*Resale Restriction Termination Date*") therefor, or (B) any Note acquired pursuant to Regulation S, the expiration of the Restricted Period, all requirements that such Note bear a Restricted Notes Legend shall cease to apply and a Global Note without the applicable Restricted Notes Legend may be issued to the transferee of such Note. The applicable Restricted Notes Legend on any Note shall be removed at the written request of the Company on or after the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable. Without limiting the generality of the preceding sentence, the Issuer may effect such removal by issuing and delivering, in exchange for such Transfer Restricted Security, an Unrestricted Note without such legend, registered to the same Holder and in an equal principal amount and in the case of Global Notes, complying with the Depository's procedures, and (A) upon receipt by the Trustee of a written order of the Issuer stating that the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable, to such Transfer Restricted Security has occurred and requesting the authentication and delivery of an Unrestricted Note in exchange therefor (which order shall not be required to be accompanied by any Opinion of Counsel or any other document) given at least three Business Days in advance of the proposed date of exchange specified therein (which shall be no earlier than such Resale Restriction Termination Date or termination of the Restricted Period, as applicable) and (B) approval by the Depository, the Trustee shall authenticate and deliver such Unrestricted Note to the Depository or pursuant to such Depository's instructions or hold such Note as Note Custodian for the Depository and shall request the Depository to, or, if the Trustee is Note Custodian of such Transfer Restricted Security, shall itself, surrender such Transfer Restricted Security in exchange for such Unrestricted Note without such legend and thereupon cancel such Transfer Restricted Security so surrendered, all as directed in such order. For purposes of determining whether the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable, has occurred with respect to any Notes evidenced by a Transfer Restricted Security or delivering any order pursuant to this Section 2.2(b)(ii) with respect to such Notes, (i) only those Notes which a Principal Officer of the Issuer actually knows (after reasonable inquiry) to be or to have been owned by an Affiliate of the Issuer shall be deemed to be or to have been, respectively, owned by an Affiliate of the Issuer; and (ii) "Principal Officer" means the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Issuer.

For purposes of this Section 2.2(b)(ii), all provisions relating to the removal of the legend set forth in paragraph (i) above shall relate, if the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable, has occurred only with respect to a portion of the Notes evidenced by a Transfer Restricted Security, to such portion of the Notes so evidenced as to which the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable has occurred.

Each Holder of any Note evidenced by any Restricted Global Note, by its acceptance thereof, (A) authorizes and consents to, (B) appoints the Issuer as its agent for the sole purpose of delivering such electronic messages, executing and delivering such instruments and taking such other actions, on such Holder's behalf, as the Depository or the Trustee may require to effect, and (C) upon the request of the Issuer, agrees to deliver such electronic messages, execute and deliver such instruments and take such other actions as the Depository or the Trustee may require, or as shall otherwise be necessary to effect, the removal of the legend set forth in Section 2.2(b)(i) (including by means of the exchange of all or the portion of such Restricted Global Note evidencing such Note for a certificate evidencing such Note that does not bear such legend) at any time after the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable.

(iii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Restricted Global Note) pursuant to Rule 144 under the Securities Act, the Registrar shall permit the transferee thereof to exchange such Transfer Restricted Security for a Note that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the transferor thereof certifies in writing to the Registrar that such sale or transfer was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Note).

(iv) Notes issued upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Restricted Global Note) to an Accredited Investor pursuant to Rule 501 under the Securities Act shall be issued in definitive, fully registered non-global form without interest coupons and shall not be issued as Global Notes; provided, however, that certificated Notes may be transferred to QIBs in accordance with Rule 144A or acquired in reliance on Regulation S and exchanged for interests in Global Notes pursuant to this Section 2.2.

(v) In the event that a Global Note is exchanged for certificated Notes pursuant this Appendix A, such Notes may be transferred or exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.2 (including the certification requirements set forth on the reverse of the Notes intended to ensure that such transfers comply with Rule 144A, Regulation S or such other applicable exemption from registration under the Securities Act, as the case may be) and such other reasonable procedures as may from time to time be adopted by the Issuer and notified to the Trustee in writing.

(c) Cancellation or Adjustment of Global Note. At such time as all beneficial interests in a Global Note have either been exchanged for certificated Notes, redeemed, purchased or canceled, such Global Note shall be returned to the Trustee for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for certificated Notes, redeemed, purchased or canceled, or if any certificated Note is exchanged for such a beneficial interest, the principal amount of Notes represented by such Global Note shall be reduced or increased, as appropriate, and an adjustment shall be made on the books and records of the Trustee (if it is then the Notes Custodian for such Global Note) with respect to such Global Note, by the Trustee or the Notes Custodian, to reflect such reduction or increase, as the case may be.

(d) Obligations with Respect to Transfers and Exchanges of Notes.

(i) To permit registrations of transfers and exchanges, the Issuer shall execute and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate certificated Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon any exchange or transfer pursuant to Sections 2.10, 3.06, 3.08, 3.09, 3.11, 4.10, 4.15 and 9.05 of the Indenture).

(iii) The Registrar shall not be required to register the transfer or exchange of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before selection of Notes to be redeemed.

(iv) Prior to the due presentation for registration of transfer of any Note, the Issuer, the Guarantors, the Trustee, the Paying Agent or the Registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of, premium, if any, interest, if any, on, or Additional Amounts, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuer, the Guarantors, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

(v) All Notes issued upon any transfer or exchange pursuant to the terms of the Indenture shall evidence the same debt and shall be entitled to the same benefits under the Indenture as the Notes surrendered upon such transfer or exchange. Accordingly, for purposes of clause (1) of Section 4.09(b) of the Indenture, "the Notes issued on the Issue Date" shall be deemed to refer to and include any Notes issued in exchange for, or upon registration of transfer of, or in lieu of, any such Notes (or any predecessor Notes thereof) pursuant to the Indenture.

(e) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Note, a member of, or a participant in the Depository or other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of optional redemption) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

2.3 Certificated Notes.

(a) A Global Note deposited with the Depository or with the Trustee as custodian for the Depository pursuant to Section 2.1 shall be transferred to the beneficial owners thereof in the form of certificated Notes in an aggregate principal amount equal to the principal amount of such Global Note, in exchange for such Global Note, only if such transfer complies with Section 2.2 of this Appendix and (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Note or if at any time such Depository ceases to be a "clearing agency" registered under the Exchange Act and in either case the Issuer fails to appoint a successor

depository within 90 days, (ii) the Issuer, at its option, but subject to the Depository's requirements, notifies the Trustee in writing that it elects to cause the issuance of the certificated Notes, or (iii) an Event of Default has occurred and is continuing and the Depository notifies the Trustee of its decision to exchange the Global Notes for certificated Notes.

(b) Any Global Note that is transferable to the beneficial owners thereof pursuant to this Section shall be surrendered by the Depository or the Notes Custodian to the Trustee located at its Corporate Trust Office to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Note, an equal aggregate principal amount of certificated Notes of authorized denominations. Any portion of a Global Note transferred pursuant to this Section shall be executed, authenticated and delivered only in minimum denominations equal to $2,000 or an integral multiple of $1,000 in excess thereof, and registered in such names as the Depository shall direct. Any certificated Note delivered in exchange for an interest in a Global Note shall, except as otherwise provided by Section 2.2(b), bear a Restricted Notes Legend.

(c) Subject to the provisions of Section 2.3(b), the Holder of a Global Note shall be entitled to grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under the Indenture or the Notes.

(d) In the event of the occurrence of any of the events specified in Section 2.3(a), the Issuer shall promptly make available to the Trustee a reasonable supply of certificated Notes in definitive, fully registered form without interest coupons.

EXHIBIT I TO RULE 144A/REGULATION S APPENDIX

[Global Notes Legend]

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

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Notes Legend-Rule 144A Notes]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, OR (C) IT IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT, ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, (D) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (E) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S, OR REGISTRAR'S, AS APPLICABLE, RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE OR REGISTRAR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT.

[Restricted Notes Legend-Regulation S Notes]

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

No. [ ] Principal Amount $[ ]

144A ISIN: US694183AA23

144A CUSIP: 694183 AA2

Regulation S ISIN: USG6868TAA54

Regulation S CUSIP: G6868T AA5

Pacific Drilling First Lien Escrow Issuer Limited

8.375% First Lien Notes due 2023

Pacific Drilling First Lien Escrow Issuer Limited, a private company limited by shares incorporated in the British Virgin Islands (company number 1990684) (together with its successors and assigns under the Indenture hereinafter referred to), promises to pay to CEDE & CO., or registered assigns, the principal sum of [ ] Dollars on October 1, 2023 or such greater or lesser amount as may be indicated on Schedule A hereto

Interest Payment Dates: April 1 and October 1. Record Dates: March 15 and September 15. Additional provisions of this Note are set forth on the other side of this Note.

IN WITNESS WHEREOF, Pacific Drilling First Lien Escrow Issuer Limited has caused this instrument to be duly executed.

PACIFIC DRILLING FIRST LIEN ESCROW ISSUER LIMITED

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee, certifies that this is one of the
Notes referred to in the Indenture.

By: _____
Authorized Signatory

Dated: September 26, 2018

[FORM OF REVERSE SIDE OF NOTE]

8.375% First Lien Notes due 2023

Capitalized terms used herein but not defined shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Interest. Pacific Drilling First Lien Escrow Issuer Limited, a private company limited by shares incorporated in the British Virgin Islands (such company, prior to the Escrow Release Date, the "*Issuer*", which term shall, upon the Escrow Release Date, thereafter refer to Pacific Drilling S.A., a public limited liability company (société anonyme) organized under the laws of the Grand Duchy of Luxembourg), promises to pay interest on the unpaid principal amount of this Note at 8.375% per annum. The Issuer will pay interest semi-annually in arrears on April 1 and October 1 of each year (each an "*Interest Payment Date*"), commencing April 1, 2019. In certain circumstances specified in the Indenture, the Company may be required to pay Additional Amounts with respect to the Notes. Whenever in this Note there is mentioned, in any context, the payment of amounts based upon the principal amount of this Note or of principal, interest or of any other amount payable under, or with respect to, this Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof. If any date for payment on the Notes falls on a day that is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no additional interest will accrue solely as a result of such delayed payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; *provided* that if there is no existing Default or Event of Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from the date of authentication. The Issuer shall pay (i) interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is equal to the then applicable interest rate on the Notes and (ii) interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Additional Amounts, if any (without regard to any applicable grace periods), from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the March 15 or September 15 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. Holders must surrender Notes to the Paying Agent to collect payments of principal and premium, if any, together with accrued and unpaid interest and Additional Amounts, if any, due at maturity. Any Notes in certificated form will be payable as to principal, premium, if any, interest, if any, and Additional Amounts, if any, at the office or agency of the Paying Agent and Registrar maintained for such purpose within the contiguous United States, or, at the option of the Issuer, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds to an account in the United States will be required with respect to any amounts due on all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Issuer or the Paying Agent. Notwithstanding the foregoing, if this Note is a Global Note, payment may be made pursuant to the applicable procedures of the Depository as permitted in the Indenture. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar. Initially, Wilmington Trust, National Association, the trustee (the "*Trustee*") under the Indenture, will act as Paying Agent and Registrar at its corporate trust office at 15950 N. Dallas Parkway, Suite 550, Dallas, Texas 75248. The Issuer may appoint and change any Paying Agent or Registrar without notice to any Holder. Other than for purposes of effecting a redemption or an offer to purchase described in Sections 3.07, 3.08, 3.09, 3.11, 4.10 and 4.15 of the Indenture or in connection with a Legal Defeasance, Covenant Defeasance or Discharge, the Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. Pacific Drilling First Lien Escrow Issuer Limited issued the Notes under an Indenture dated as of September 26, 2018 ("*Indenture*") between Pacific Drilling First Lien Escrow Issuer Limited and the Trustee. The Notes are subject to the terms of the Indenture, and Holders are referred to the Indenture for a statement of such terms. The Notes are first-lien senior secured obligations of the Issuer. The Issuer shall be entitled, subject to its compliance with Section 4.09 of the Indenture, to issue Additional Notes pursuant to Section 2.14 of the Indenture. In the event of a conflict between the Indenture and this Note, the terms of the Indenture shall control.

5. Optional Redemption.

(a) At any time prior to October 1, 2020, the Issuer may, at its option, redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) issued under the Indenture, at one time or from time to time, at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, thereon to, but not including, the applicable redemption date (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in an amount not greater than the net cash proceeds received by the Company of one or more Equity Offerings; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes (including any Additional Notes) issued under the Indenture (excluding any Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days after the date of the closing of such Equity Offering.

(b) At any time prior to October 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at a redemption price equal to 100% of the principal amount of the Notes received, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date.

(c) At any time prior to October 1, 2020, not more than once in any 12-month period, the Issuer may, at its option, redeem up to $75 million in principal amount of the Notes at a redemption price equal to 103% of the aggregate principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date.

(d) On or after October 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date, if redeemed during the twelve-month period beginning on October 1 of the years indicated below:

YEAR	PERCENTAGE
2020	104.188%
2021	102.094%
2022 and thereafter	100.000%

(e) The Issuer may redeem the Notes, at its option, at any time in whole but not in part, at a redemption price equal to 100% of the outstanding principal amount of Notes, plus accrued and unpaid interest (if any) to, but not including, the applicable redemption date, plus all Additional Amounts, if any, then due and which will become due as a result of the redemption or otherwise (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in the event that the Issuer determines in good faith that the Issuer or any Guarantor has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes or the Guarantees, Additional Amounts, and such obligation

cannot be avoided by taking reasonable measures available to the Issuer or the relevant Guarantor, as applicable (including making payment through a Paying Agent located in another jurisdiction), as a result of:

(1) a change in or an amendment to the laws or treaties (including any regulations or rulings promulgated thereunder) of any Specified Tax Jurisdiction affecting taxation, which change or amendment is announced or becomes effective on or after the Issue Date (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction); or

(2) any change in or amendment to any official position of a taxing authority in any Specified Tax Jurisdiction regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Issue Date (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction);

provided, *however*, that in the case of Additional Amounts required to be paid as a result of the Issuer or relevant Guarantor conducting business other than in the place of its incorporation or organization, such amendment or change must be announced or become effective on or after the date in which it begins to conduct business giving rise to the relevant withholding or deduction.

(f) The Issuer may, at its option, redeem the Notes, at any time prior to the third Business Day following the Escrow End Date in whole but not in part, at a redemption price equal to 100% of the principal amount of Notes plus accrued interest to, but not including, the redemption date, if, in the Issuer's reasonable judgment, the Escrow Release Conditions will not be satisfied on or prior to the Escrow End Date on substantially the terms described in the Offering Circular. If the Issuer exercises this option, the Issuer will redeem the Notes with the amounts held in the Escrow Account upon three Business Days' prior notice, or otherwise in accordance with the requirements of the Depository.

6. Notice of Redemption. Except in the case of a redemption pursuant to clause (f) of Paragraph 5 above, notice of optional redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address (except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a Legal Defeasance, Covenant Defeasance or Discharge). Notes and portions of Notes selected shall be in amounts of $2,000 or whole multiples of $1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder shall be redeemed. No Notes of $2,000 or less can be redeemed in part. On and after the redemption date, interest ceases to accrue on the Notes or portions thereof called for redemption, subject to satisfaction of any conditions thereto.

7. Mandatory Redemption.

Except as set forth in this Paragraph 7 and in Paragraph 8 below, the Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes or to repurchase the Notes at the option of the Holders.

If the satisfaction of the Escrow Release Conditions does not occur on or before December 22, 2018 (the "*Escrow End Date*") in accordance with the Escrow Agreement, the Issuer shall redeem all and not less than all of the Notes then outstanding (the "*Special Mandatory Redemption*"), upon three Business Days' notice (or otherwise in accordance with the requirements of the Depository), at a redemption price equal to 100% of the aggregate offering price of the Notes plus accrued and unpaid interest to, but not including, the redemption date. If the Issuer satisfies the Escrow Release Conditions on or prior to the Escrow End Date on substantially the terms described in the Offering Circular, the Notes will not thereafter be subject to the Special Mandatory Redemption.

8. Repurchase at Option of Holder.

(a) If a Change of Control occurs, the Company will be required to make an offer (a "*Change of Control Offer*") to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of each Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (the "*Change of Control Payment Date*"), subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date. Within 30 days following a Change of Control, the Company shall mail a notice of the Change of Control Offer to each Holder and the Trustee and the Paying Agent describing the transaction or transactions that constitutes the Change of Control and setting forth the procedures governing the Change of Control Offer as required by Section 4.15 of the Indenture.

(b) If the Company or any Restricted Subsidiary consummates an Asset Sale, within 10 Business Days of each date on which the aggregate amount of Excess Proceeds exceeds $20 million, the Company may be required to make an Asset Sale Offer in accordance with Sections 3.09 and 4.10 of the Indenture.

(c) If the Company or any Restricted Subsidiaries receive any cash proceeds from a settlement or award in connection with the Zonda Arbitration, within 10 Business Days of the later of (i) receipt thereof and (ii) the emergence of the Company and all of its Restricted Subsidiaries from bankruptcy, the Company will be required to make a Zonda Offer in accordance with Section 3.08 of the Indenture.

9. Guarantees. Upon the Escrow Release Date, or (in the case of PDVIII and PDSI) the Zonda Release Date, the payment by the Issuer of the principal of, and premium, if any, interest, if any, on, or Additional Amounts, if any, on, the Notes will be absolutely and unconditionally guaranteed on a joint and several basis by the Guarantors, as primary obligor and not merely as a surety, to the extent set forth in the Indenture.

10. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and the Issuer may require a Holder to pay any taxes due on transfer or exchange. The Registrar need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuer and the Registrar need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed.

11. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

12. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Notes and the Collateral Documents may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange for, the Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes or the Collateral Documents may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange for, Notes). Without the consent of any Holder of, the Indenture, the Notes and the Collateral Documents may be amended or supplemented with respect to certain matters specified in the Indenture.

13. Defaults and Remedies. If any Event of Default occurs and is continuing, the Trustee, by notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes, by notice to the Issuer and the Trustee, may declare all the Notes to be due and payable immediately. Notwithstanding the preceding, in the case of an Event of Default arising from such events of bankruptcy, insolvency or reorganization described in Section 6.01(i) or 6.01(j) of the Indenture with respect to the Issuer or a Guarantor, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture, the Notes or the Collateral Documents except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power conferred on it with respect to the Notes. The Trustee may withhold from Holder notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest,

except a Default or Event of Default relating to the payment of principal of, or interest or premium, if any, on, the Notes. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, except as provided in the Indenture. The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and within 10 Business Days of any of its Officers or any of the Issuer's Officers becoming aware of any Default or Event of Default, the Issuer is required to deliver to the Trustee a statement specifying such Default or Event of Default.

14. Defeasance and Discharge. The Notes are subject to defeasance and discharge upon the terms and conditions specified in the Indenture.

15. No Recourse Against Others. No present, past or future director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or any Guarantor under the Notes, the Indenture, the Guarantees or the Collateral Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder, by accepting a Note, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. Collateral Documents. On or after the Escrow Release Date, the obligations of the Issuer and the Guarantors under the Indenture, the Notes and the Guarantees and the other First Lien Obligations will be secured by a Lien granted to the Collateral Agent, subject to the terms of the Collateral Documents.

17. Authentication. This Note shall not be valid until authenticated by the manual signature of an authorized signatory of the Trustee or an authenticating agent.

18. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), TT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

19. Removal of Restricted Notes Legend. Each Holder of any Note evidenced by any Restricted Global Note, by its acceptance thereof, (A) authorizes and consents to, (B) appoints the Issuer as its agent for the sole purpose of delivering such electronic messages, executing and delivering such instruments and taking such other actions, on such Holder's behalf, as the Depository or the Trustee may require to effect, and (C) upon the request of the Issuer, agrees to deliver such electronic messages, execute and deliver such instruments and take such other actions as the Depository or the Trustee may require, or as shall otherwise be necessary to effect, the removal of the Restricted Notes Legend set forth on the face of such Note (including by means of the exchange of all or the portion of such Restricted Global Note evidencing such Note for a certificate evidencing such Note that does not bear such Restricted Notes Legend) at any time after the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable.

20. CUSIP and ISIN Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers and corresponding ISIN numbers to be printed on the Notes and the Trustee may use CUSIP numbers and corresponding ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

21. Governing Law. THE INDENTURE AND THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

22. Successors. In the event a successor entity assumes all the obligations of its predecessor under the Notes and the Indenture, in accordance with the terms thereof, the predecessor entity will be released from all such obligations.

The Issuer will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Pacific Drilling S.A.
11700 Katy Fwy, #175
Houston, TX 77079
Attention: Chief Financial Officer
Email: j.boots@pacificdrilling.com
Telephone: (713) 334-6662

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

_____

(Print or type assignee's name address and zip code)

_____

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint _ agent to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date:_____ Your Signature:_____
Sign exactly as your name appears on the other side of this Note.

Signature Guarantee:

_____
(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

_____

[Include the following only if a Restricted Notes Legend is included hereon]

[In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to one year after the later of the date of original issuance of such Notes and the last date, if any, on which such Notes were owned by the Issuer or any Affiliate of the Issuer (or, in the case of Regulation S Notes, prior to the expiration of the Restricted Period), the undersigned confirms that such Notes are being transferred in accordance with their terms:

CHECK ONE BOX BELOW

1. ☐ to the Issuer; or

2. ☐ pursuant to an effective registration statement under the Securities Act of 1933; or

3. ☐ to a person who the undersigned reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that is purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

4. ☐ pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act of 1933; or

5. ☐ pursuant to Rule 144 under the Securities Act of 1933; or

6. ☐ pursuant to Rule 501 under the Securities Act to an "accredited investor" that is acquiring the Note for its own account, or for the account of such an accredited investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act; or

7. ☐ pursuant to another available exemption from the registration requirements of the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if box (6) or (7) is checked, the Trustee shall be entitled to require, prior to registering any such transfer of the Notes, such legal opinions, certifications and other information as the Issuer has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

_____
Signature

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

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

Dated: _____ _____
Notice: To be executed by an executive officer

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuer pursuant to Section 3.08, 4.10 or 4.15 of the Indenture, check the box below:

❑ Section 3.08 ❑ Section 4.10 ❑ Section 4.15

If you want to elect to have only part of this Note purchased by the Issuer pursuant to Section 3.08, Section 4.10 or Section 4.15 of the Indenture, state the amount (in minimum denomination of $2,000 or integral multiples of $1,000 in excess thereof) you elect to have purchased: $

Date: Your Signature _____
(Sign exactly as your name appears on the other side of this Note)

Soc. Sec. or Identification No.: _____

Signature Guarantee: _____

(signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

[TO BE ATTACHED TO GLOBAL NOTE]

SCHEDULE A

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee or Notes Custodian

ANNEX A

[**FORM OF SUPPLEMENTAL INDENTURE – ASSUMPTION**]

PACIFIC DRILLING S.A.

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,

As Trustee and Collateral Agent

8.375% FIRST LIEN NOTES DUE 2023

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF [●], 2018

This FIRST SUPPLEMENTAL INDENTURE, dated as of [●], 2018 (this "*Supplemental Indenture*"), is between Pacific Drilling S.A., (the "*Company*"), and Wilmington Trust, National Association, as Trustee (the "*Trustee*") and as Collateral Agent (the "*Collateral Agent*").

RECITALS

WHEREAS, Pacific Drilling First Lien Escrow Issuer Limited (the "*Escrow Issuer*") and the Trustee entered into an Indenture, dated as of September 26, 2018 (as heretofore amended, supplemented or otherwise modified, the "*Indenture*"), providing for the issuance of the Escrow Issuer's 8.375% First Lien Notes due 2023 (the "*Notes*");

WHEREAS, Section 5.03 of the Indenture requires the Company to execute this Supplemental Indenture in connection with the Assumption (as defined in the Indenture);

WHEREAS, pursuant to Section 9.01(c) of the Indenture the Issuer, the Trustee and the Collateral Agent are each authorized to execute and deliver this Supplemental Indenture, without the consent of Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Articles of Association of the Company and of the Trustee and Collateral Agent necessary to make this Supplemental Indenture a valid instrument legally binding on the Company, the Trustee and the Collateral Agent, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Trustee and the Collateral Agent covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

Section 1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture.

Section 2. Relation to Indenture. This Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 3. Effectiveness of Supplemental Indenture. This Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company and the Trustee.

Section 4. Agreement to be Bound. The Company hereby assumes all obligations of the Issuer and the Company under the Indenture and the Notes for the due and punctual payment of the principal of and interest and any Applicable Premium, if applicable, on all Notes issued pursuant to the Indenture and the performance and observance of each other obligation and covenant set forth in the Indenture to be performed or observed on the part of the Issuer or the Company (except with respect to any obligation and covenant that is expressly specified to be performed or observed solely by the Escrow Issuer). The Company is hereby substituted for, and may exercise every right and power of, the Issuer under the Indenture with the same effect as if the Company had been named as the Issuer in the Indenture, and the Company is a successor company under the Indenture.

Section 5. Ratification of Obligations. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms.

Section 6. The Trustee. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee or Collateral Agent by reason of this Supplemental Indenture. This Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were

repeated at length herein and made applicable to the Trustee with respect hereto. Neither the Trustee nor Collateral Agent makes any representation as to the validity or sufficiency of this Supplemental Indenture.

Section 7. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement. Signature of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

PACIFIC DRILLING S.A.,

by

_____

Name:
Title:

TRUSTEE AND COLLATERAL AGENT:

WILMINGTON TRUST, NATIONAL ASSOCIATION

by

_____

Name:
Title:

ANNEX B

[**FORM OF SUPPLEMENTAL INDENTURE – GUARANTOR**]

PACIFIC DRILLING S.A.

and

the Guarantors named herein

8.375% FIRST LIEN NOTES DUE 2023

[] SUPPLEMENTAL INDENTURE

DATED AS OF [●], 2018,

WILMINGTON TRUST, NATIONAL ASSOCIATION,

As Trustee

This [/]SUPPLEMENTAL INDENTURE, dated as of [●], 2018, (this "*Supplemental Indenture*") is among Pacific Drilling S.A., (the "*Company*"),*[]* (the "*Guaranteeing Subsidiary*"), which is a subsidiary of the Company, [each of the existing Guarantors (as defined in the Indenture referred to below)] and Wilmington Trust, National Association, as trustee (the "*Trustee*").

RECITALS

WHEREAS, Pacific Drilling First Lien Escrow Issuer Limited (the "*Escrow Issuer*") and the Trustee entered into an Indenture, dated as of September 26, 2018 (the "*Original Indenture*"), providing for the issuance of the Escrow Issuer's 8.375% First Lien Notes due 2023 (the "*Notes*");

WHEREAS, the Company has heretofore executed and delivered to the Trustee the First Supplemental Indenture to the Original Indenture dated as of [●], 2018 (the Original Indenture, as supplemented by such First Supplemental Indenture, the "*Indenture*"), whereby the Company agreed to assume all of the obligations of the Issuer under the Notes and the Original Indenture;

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall become a Guarantor;

WHEREAS, Section 9.01(i) of the Indenture provides that the Company, the Guarantors and the Trustee may amend or supplement the Indenture in order to add any additional Guarantor with respect to the Notes, without the consent of the Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Certificate of Incorporation, Articles of Association and the Bylaws (or comparable constituent documents) of the Company, of the Guarantors and of the Trustee necessary to make this Supplemental Indenture a valid instrument legally binding on the Company, the Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Guaranteeing Subsidiary, the other Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

Section 1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture.

Section 2. Relation to Indenture. This Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 3. Effectiveness of Supplemental Indenture. This Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Guaranteeing Subsidiary, the other Guarantors and the Trustee.

Section 4. Agreement to Guarantee. The Guaranteeing Subsidiary hereby agrees, by its execution of this Supplemental Indenture, to be bound by the provisions of the Indenture applicable to Guarantors to the extent provided for and subject to the limitations therein, including Article 10 thereof.

Section 5. Ratification of Obligations. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms.

Section 6. The Trustee. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Supplemental Indenture. This Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth

in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

Section 7. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement. Signature of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

PACIFIC DRILLING S.A.

by

_____

Name:
Title:

GUARANTEEING SUBSIDIARY:

[●]

by

_____

Name:
Title:

[EXISTING GUARANTORS:

[●]

by

_____

Name:
Title:]

TRUSTEE:

WILMINGTON TRUST, NATIONAL ASSOCIATION

by

_____

Name:
Title:

APPENDIX E

NEW SECOND LIEN PIK TOGGLE NOTES INDENTURE

EXECUTION VERSION

PACIFIC DRILLING SECOND LIEN ESCROW ISSUER LIMITED,

11.000% / 12.000% SECOND LIEN PIK NOTES DUE 2024

INDENTURE

Dated as of September 26, 2018

WILMINGTON TRUST, NATIONAL ASSOCIATION,

as Trustee and Junior Lien Collateral Agent

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APPENDIX AND ANNEX

This INDENTURE, dated as of September 26, 2018 is between PACIFIC DRILLING SECOND LIEN ESCROW ISSUER LIMITED, a private company limited by shares incorporated in the British Virgin Islands (company number 1990678) (the "*Escrow Issuer*") and WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee and as Junior Lien Collateral Agent.

If the Escrow Release Conditions (as defined herein) are satisfied on or before December 22, 2018 (the "*Escrow End Date*"), Pacific Drilling S.A. (the "*Company*"), a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg ("*Luxembourg*"), will consummate a series of transactions whereby (1) the Escrow Issuer will merge with and into the Company, (2) the Company will assume all of the obligations of the Escrow Issuer under this Indenture and the Note Documents (as defined herein) and (3) on the Escrow Release Date or the Zonda Release Date (each, as defined herein), as applicable, each of the Guarantors (as defined herein) will guarantee the Notes Obligations (as defined herein) and become a party to the Note Documents (collectively, the "*Assumption*"). Prior to the Escrow Release Date the term "*Issuer*" shall refer to the Escrow Issuer, and, after the Escrow Release Date, the term "*Issuer*" shall refer to the Company.

The Issuer and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined herein) of (a) the Issuer's 11.000% / 12.000% Second Lien PIK Notes due 2024 issued on the Issue Date (the "*Initial Notes*") and (b) any Additional Notes (as defined herein) that may be issued after the Issue Date (all such Notes in clauses (a) and (b) being referred to collectively as the "*Notes*"):

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person (regardless of the form of the applicable transaction by which such Person became a Subsidiary) or expressly assumed in connection with the acquisition of assets from any other such Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person;

provided, in each such case, that such Indebtedness is not Incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person in connection with, or in contemplation of, the acquisition of assets.

Acquired Debt will be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary of such Person or the date of the acquisition of assets from such Person, as applicable.

"*Additional Notes*" means Notes issued under this Indenture after the Issue Date and in compliance with Sections 2.14 and 4.09, it being understood that any Notes issued in replacement of any Initial Note shall not be an Additional Note.

"*Additional Secured Debt Designation*" means the written agreement of the First Lien Representative of holders of any series of First Lien Debt or the Junior Lien Representative of holders of any series of Junior Lien Debt, as applicable, as set forth in the indenture, credit agreement or other agreement governing such series of First Lien Debt or series of Junior Lien Debt, for the benefit of (i) all holders of existing and future First Lien Debt, the Collateral Agent and each existing and future holder of First Liens, in the case of each additional series of First Lien Debt and (ii) all holders of each existing and future series of Junior Lien Debt, the applicable Junior Lien Collateral Agent and each existing and future holder of Junior Liens, in the case of each series of Junior Lien Debt:

(1) in the case of any additional series of First Lien Debt, that all such First Lien Obligations will be and are secured equally and ratably by all First Liens at any time granted by the Company or any Guarantor to secure any Obligations in respect of such series of First Lien Debt, whether or not upon property otherwise constituting collateral for such series of First Lien Debt, and that all such First Liens will be enforceable by the Collateral Agent for the benefit of all holders of First Lien Obligations, equally and ratably, in each case subject to the exceptions that are applicable to Indebtedness incurred pursuant to clause (4) of Section 4.09(b);

(2) in the case of any additional series of Junior Lien Debt, that all such Junior Lien Obligations will be and are secured equally and ratably by all Junior Liens at any time granted by the Company or any Guarantor to secure any Obligations in respect of such series of Junior Lien Debt, whether or not upon property otherwise constituting collateral for such series of Junior Lien Debt, and that all such Junior Liens will be enforceable by the Junior Lien Collateral Agent for the benefit of all holders of Junior Lien Obligations, equally and ratably;

(3) that such First Lien Representative or Junior Lien Representative, as applicable, and the holders of Obligations in respect of such series of First Lien Debt or series of Junior Lien Debt, as applicable, are bound by the provisions of the Intercreditor Agreement, including the provisions relating to the ranking of First Liens and Junior Liens and the order of application of proceeds from the enforcement of First Liens and Junior Liens; and

(4) appointing the Collateral Agent or the Junior Lien Collateral Agent, as applicable, and consenting to the terms of the Intercreditor Agreement and, in the case of any additional series of First Lien Debt, the Collateral Agency Agreement, and the performance by the Collateral Agent or the Junior Lien Collateral Agent, as applicable, of, and directing the Collateral Agent or the Junior Lien Collateral Agent, as applicable, to perform, its obligations under the Collateral Agency Agreement (if applicable) and any other applicable security documents and the Intercreditor Agreement, together with all such powers as are reasonably incidental thereto.

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

"*Agents*" shall mean, collectively, the Trustee, the Junior Lien Collateral Agent, the Registrar, the Paying Agent and any other agents under the Note Documents from time to time.

"*All PIK Rate*" has the meaning provided in Exhibit 1 to the Appendix.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; and

(2) the excess of: (a) the present value at such redemption date of (i) the redemption price of the Note at April 1, 2020 (such redemption price being set forth in the table appearing in Section 3.07(d), excluding accrued and unpaid interest and Additional Amounts to the redemption date), plus (ii) all required interest payments due on the Note through April 1, 2020 (excluding accrued but unpaid interest and Additional Amounts to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (b) the principal amount of the Note.

"*Agent Members*" has the meaning provided in the Appendix.

"*Asset Sale*" means:

(1) any sale, transfer, lease, conveyance or other disposition, whether in a single transaction or a series of related transactions, of property or assets of the Company or any of the Restricted

Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company and the Restricted Subsidiaries, taken as a whole, will not be an "Asset Sale," but will be governed by the provisions of Section 4.15 and/or the provisions of Section 5.01 and not by the provisions of Section 4.10;

(2) the issuance or sale of Equity Interests of any Restricted Subsidiary, other than directors' qualifying shares and/or other Equity Interests that are required to be held by any Persons other than the Company or another Restricted Subsidiary under applicable law or regulation (including local content regulations or requirements), whether in a single transaction or a series of related transactions; and

(3) an Involuntary Transfer.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale under clause (1) or (2) above:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $11 million (and the sale of such assets generates Net Proceeds of less than $11 million);

(2) a transfer of Equity Interests or other assets between or among the Company and the Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale, transfer, lease or other disposition of products, services or accounts receivable or any charter, pool agreement, drilling contract or lease of a Vessel and any related assets in the ordinary course of business and any sale or conveyance or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;

(5) sales of assets to any customer purchased on behalf of or at the request of such customer in the ordinary course of business;

(6) the sale or other disposition of cash or Cash Equivalents, hedging contracts or other financial instruments;

(7) licenses and sublicenses by the Company or any of the Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(8) a Restricted Payment that does not violate Section 4.07 or a Permitted Investment;

(9) the creation or perfection of any Lien permitted under this Indenture, and any disposition of assets constituting Collateral resulting from foreclosure under any such Lien by the Junior Lien Collateral Agent, or any disposition of assets not constituting Collateral resulting from foreclosure under any such Lien;

(10) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims; and

(11) any surrender, forfeiture or similar disposition of assets by PDVIII or PDSI in connection with the Zonda Arbitration.

"*Assignments*" means, collectively, each Insurance Assignment and each Earnings Assignment.

"*Assumption*" has the meaning provided in the recitals hereto.

"*Attributable Indebtedness*" in respect of a Sale and Lease-Back Transaction means, at the time any determination is to be made, the present value (discounted according to GAAP at the cost of indebtedness implied in the lease; *provided* that if such discount rate cannot be determined in accordance with GAAP, the present value shall be discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Lease-Back Transaction (including any period for which such lease has been extended); *provided*, *however*, that if such Sale and Lease-Back Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"*Bankruptcy Cases*" means the jointly administered chapter 11 cases *In re Pacific Drilling S.A., et al.* (Case No. 17-13193 (MEW), Bankr. SDNY).

"*Bankruptcy Law*" means Title 11 of the United States Code, as may be amended from time to time, or any similar federal, state or foreign law for the relief of debtors.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have corresponding meanings.

"*Board of Directors*" means:

(1) with respect to a corporation, the Board of Directors of the corporation or any committee thereof duly authorized to act on behalf of such Board of Directors;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof or the manager or any committee of managers; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means any day other than a Saturday, Sunday or any other day on which banking institutions in New York, New York, Houston, Texas, Luxembourg or any place of payment under this Indenture are authorized or required by law to close.

"*Calculation Principles*" means, with respect to calculations under this Indenture for any period, the following principles:

(1) if the Company or any of the Restricted Subsidiaries has Incurred any Indebtedness since the beginning of such period that remains outstanding on the date a determination under this Indenture to which the Calculation Principles apply is to be made, or if the transaction giving rise to the need to make such determination is an Incurrence of Indebtedness, or both (in each case other than working capital borrowings under a revolving credit facility), Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;

(2) if the Company or any of the Restricted Subsidiaries has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period that is no longer outstanding on

such date of determination, or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment has been terminated) on the date of the transaction giving rise to the occasion to apply the Calculation Principles, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such repayment, repurchase, defeasance or discharge had occurred on the first day of such period;

(3) if, since the beginning of such period, the Company or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Cash Flow for such period shall be reduced by an amount equal to the Consolidated Cash Flow (if positive) directly attributable to the assets that are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated Cash Flow (if negative) directly attributable thereto for such period;

(4) if, since the beginning of such period, any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period shall have made any Asset Sale, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) above or (7) or (8) below if made by the Company or a Restricted Subsidiary during such period, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Sale, Investment or acquisition had occurred on the first day of such period;

(5) if, since the beginning of such period, any Person was designated as an Unrestricted Subsidiary or redesignated as or otherwise became a Restricted Subsidiary, Consolidated Cash Flow and Consolidated Interest Expense shall be calculated as if such event had occurred on the first day of such period;

(6) Consolidated Cash Flow and Consolidated Interest Expense of discontinued operations recorded on or after the date such operations are classified as discontinued in accordance with GAAP shall be excluded;

(7) if, since the beginning of such period, the Company or any Restricted Subsidiary shall have (i) by merger or otherwise, made an Investment in any Restricted Subsidiary (or any Person becomes a Restricted Subsidiary or is merged with or into the Company or a Restricted Subsidiary), or (ii) acquired assets constituting all or substantially all of an operating unit of a business or a Qualified Vessel, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto, as determined in good faith by a Financial Officer of the Company (including, without limitation, the Incurrence of any Indebtedness) as if such Investment or acquisition had occurred on the first day of such period; and

(8) if the Company or any Restricted Subsidiary shall have entered into an agreement to acquire a Qualified Vessel that is scheduled for delivery no later than the date that is one year from the time of calculation, then Consolidated Cash Flow and Consolidated Interest Expense for such period may, at the Company's election, be calculated giving pro forma effect to the delivery of such Qualified Vessel as of the first day of such period.

Any pro forma calculations giving effect to the acquisition of a Qualified Vessel or to a committed construction contract with respect to a Qualified Vessel shall be made as follows:

(a) the amount of Consolidated Cash Flow attributable to such Qualified Vessel shall be calculated in good faith by a Financial Officer of the Company;

(b) in the case of Consolidated Cash Flow under a Qualified Services Contract, the Consolidated Cash Flow shall be based on revenues actually earned pursuant to the Qualified Services Contract relating to such Qualified Vessel or Qualified Vessels, and shall take into account, where applicable, only actual expenses Incurred without duplication in any measurement period;

(c) the amount of Consolidated Cash Flow shall be the lesser of the Consolidated Cash Flow derived on a pro forma basis from revenues for (i) the first full year of the Qualified Services Contract and (ii) the average of the Consolidated Cash Flow of each year of such Qualified Services Contract for the term of the Qualified Services Contract; and

(d) with respect to any expenses attributable to an Qualified Vessel, if the actual expenses differ from the estimate, the actual amount shall be used in such calculation.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP as in effect on the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty; *provided* that in no event will any lease that would have been categorized as an operating lease as determined in accordance with GAAP as of the Issue Date be considered a capital lease, regardless of any change in GAAP following the Issue Date that would otherwise require such obligations to be recharacterized (on a prospective or retroactive basis or otherwise) as a capital lease.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the government of the United States or any other country whose sovereign debt has a rating of at least A3 from Moody's and at least A- from S&P or any agency or instrumentality thereof having maturities of not more than twelve months from the date of acquisition;

(2) certificates of deposit, demand deposits and Eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank organized under the laws of any country that is a member of the Organization for Economic Cooperation and Development having capital and surplus in excess of $500 million (or the equivalent thereof in any other currency or currency unit);

(3) marketable general obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition thereof, having a credit rating of "A" or better from either S&P or Moody's;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's or S&P, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings or investments, and, in each case, maturing within one year after the date of acquisition;

(6) money market mutual funds substantially all of the assets of which are of the type described in the foregoing clauses (1) through (5) of this definition; and

(7) in the case of the Company or any Subsidiary of the Company organized or having its principal place of business outside the United States, investments denominated in the currency of the jurisdiction in which such Person is organized or has its principal place of business or conducts business which are similar to the items specified in clauses (1) through (6) of this definition.

"*Cash Interest*" has the meaning provided in Exhibit 1 to the Appendix.

"*Cash Management Arrangement*" means with respect to any Person, any obligations of such person in respect of treasury management arrangements including any of the following products, services or facilities: (a) demand deposit or operating account relationships or other cash management services including, without limitation, any services provided in connection with operating, collections, payroll, trust, or other depository or disbursement accounts, including automated clearinghouse fund transfer services, e-payable, electronic funds transfer, wire transfer, controlled disbursement, overdraft, depository, information reporting, automated clearinghouse transactions, return items, overdrafts, interstate depository network services, lockbox and stop payment services; and (b) treasury management line of credit, commercial credit card, merchant card services, purchase or debit cards, including, without limitation, stored value cards and non-card e-payables services.

"*Cash Management Obligations*" means obligations with respect to any Cash Management Arrangement.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease (other than pursuant to any Drilling Contract entered into in the ordinary course of business), transfer, conveyance or other disposition (other than by way of amalgamation, merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and the Restricted Subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Permitted Holder;

(2) the Company is liquidated or dissolved, or a plan relating to the liquidation or dissolution of the Company is adopted; or

(3) the consummation of any transaction or any series of transactions (including, without limitation, any merger, consolidation or other business combination), the result of which is that any Person (including any "person" (as defined above)), other than one or more Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares.

"*Clearstream*" means Clearstream Banking, *Société Anonyme*, or any successor securities clearing agency.

"*Collateral*" means all rights, assets and properties, whether owned on the Issue Date or thereafter acquired, upon which a Lien is granted or purported to be granted under any Collateral Document. Collateral shall not include Excluded Property.

"*Collateral Agency Agreement*" means the collateral agency agreement to be entered into prior to the incurrence of any series of First Lien Debt (other than the First Lien Notes) by the Company, the Collateral

Agent and other representatives for First Lien Debt, which shall be substantially consistent with the description thereof in the Offering Circular under "Description of Second Lien PIK Notes—The Collateral Agency Agreement."

"*Collateral Agent*" means the collateral agent for all holders of First Lien Obligations. Wilmington Trust, National Association will initially serve as the Collateral Agent.

"*Collateral Documents*" means, collectively, each Assignment, Mortgage, Pledge Agreement and Security Agreement, the Intercreditor Agreement, any future collateral agency or intercreditor agreement, control agreements and each other instrument creating a Lien or Liens in favor of the Junior Lien Collateral Agent as required by the Junior Lien Documents or the Intercreditor Agreement, in each case, as the same may be in effect from time to time.

"*Collateral Grantor*" means the Company and each Guarantor.

"*Collateral Vessels*" means, collectively, the Liberian flag (or other applicable future flag) vessels the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco,* the *Pacific Santa Ana,* the *Pacific Sharav*, the *Pacific Khamsin,* the *Pacific Meltem* and any additional Vessels acquired or owned by the Company or any of its Restricted Subsidiaries after the Issue Date.

"*Company*" has the meaning provided in the recitals hereto.

"*Consolidated Cash Flow*" means, with respect to any period, the Consolidated Net Income of the Company for such period plus, without duplication:

(1) provision for taxes based on income or profits of the Company and the Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(2) Consolidated Interest Expense of the Company and the Restricted Subsidiaries for such period to the extent that such Consolidated Interest Expense was deducted in computing such Consolidated Net Income; *plus*

(3) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of the Company and the Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *minus*

(4) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business, in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Interest Coverage Ratio*" means, as of any date of determination, the ratio of (i) Consolidated Cash Flow of the Company and its Restricted Subsidiaries for the Company's most recently completed four quarter period for which internal financial statements are available to (ii) Consolidated Interest Expense of the Company and its Restricted Subsidiaries for such period, subject to the Calculation Principles.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component

of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Indebtedness, commissions, discounts and other fees and charges Incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to interest rate Hedging Obligations, but excluding:

(a) amortization of debt issuance costs; and

(b) any nonrecurring charges relating to any premium or penalty paid, write-off of deferred finance costs or original issue discount or other charges in connection with redeeming or otherwise retiring any Indebtedness prior to its Stated Maturity, to the extent that any of such nonrecurring charges constitute interest expense;

(2) the consolidated interest expense of such Person and any Restricted Subsidiaries that was capitalized during such period; and

(3) all dividends, whether paid or accrued and whether or not in cash, in respect of any Preferred Stock of any Restricted Subsidiary or any Disqualified Stock of the Company or any Restricted Subsidiary, other than (x) dividends payable solely in Equity Interests (other than Disqualified Stock) and (y) dividends payable to the Company or any Restricted Subsidiary.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person during such period;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (III)(A) of Section 4.07(a), the Net Income (but not loss) of any Restricted Subsidiary of such Person (other than a Restricted Subsidiary that is a Guarantor) will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any applicable agreement, instrument, judgment, decree, order, statute, rule or governmental regulation; *provided* that if Net Income is excluded by operation of this provision with respect to a period because of restrictions on dividends or distributions applicable during such period that cease to apply in a subsequent period, such restrictions shall be deemed not to have applied during the initial period for subsequent calculations under this definition;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) non-cash gains and losses due solely to fluctuations in currency values will be excluded;

(5) in the case of a successor to the referenced Person by consolidation or merger or as a transferee of the referenced Person's assets, any earnings (or losses) of the successor corporation prior to such consolidation, merger or transfer of assets will be excluded;

(6) the effects resulting from the application of purchase accounting in relation to any acquisition that is consummated after the Issue Date will be excluded;

(7) any unrealized gain (or loss) in respect of Hedging Obligations will be excluded;

(8) non-cash charges or expenses with respect to the grant of stock options, restricted stock or other equity compensation awards will be excluded; and

(9) any gains resulting from settlement of, or awards received in connection with, the Zonda Arbitration will be excluded.

"*Consolidated Total Indebtedness*" means, with respect to any Person as of any date of determination, the sum, without duplication, of:

(1) the total amount of Indebtedness (other than Hedging Obligations) of such Person and its Restricted Subsidiaries, plus

(2) the aggregate liquidation value of all Disqualified Stock of such Person and all Preferred Stock of the Restricted Subsidiaries of such Person,

in each case, determined on a consolidated basis in accordance with GAAP.

"*Corporate Trust Office of the Trustee*" means the office of the Trustee in the United States at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 15950 N. Dallas Parkway, Suite 550, Dallas, Texas 75248, or such other address in the United States as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office in the United States of any successor Trustee (or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company).

"*Credit Facilities*" means one or more debt facilities, commercial paper facilities, loan agreements, indentures or agreements of the Company or any Restricted Subsidiary with banks, other institutional lenders, commercial finance companies or other lenders or investors providing for revolving credit loans, term loans, bonds, debentures or letters of credit, pursuant to agreements or indentures, in each case, as amended, restated, modified, renewed, refunded, replaced, increased or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time (and without limitation as to amount, terms, conditions, covenants and other provisions, including increasing the amount of available borrowings thereunder, changing or replacing agent banks and lenders thereunder or adding, removing or reclassifying Subsidiaries of the Company as borrowers or guarantors thereunder).

"*Custodian*" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"*Declined Zonda Amount*" means the amount of Zonda Proceeds up to the Designated First Lien Zonda Amount that is not applied to purchase First Lien Notes or any other First Lien Debt in connection with a Zonda First Lien Offer.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Depository*" has the meaning provided in the Appendix.

"*Designated First Lien Zonda Amount*" means an aggregate principal amount equal to the lesser of (i) 50% of any Zonda Proceeds, net of the direct legal fees and expenses and fees and expenses of the arbitration tribunal relating to the Zonda Arbitration, and (ii) $75 million.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable (in each case other than in exchange for or conversion into Capital Stock that is not Disqualified Stock), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the

date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that the Company and the Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time of determination thereof, the amount of U.S. dollars obtained by converting such other currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with such other currency as published in the "Currency Rates" section of the *Financial Times* entitled "Currencies, Bonds & Interest Rates" (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether the Company or any of its Restricted Subsidiaries has complied with any covenant or other provision in this Indenture or if there has occurred an Event of Default and an amount is expressed in a currency other than U.S. Dollars, such amount will be treated as the Dollar Equivalent determined as of the date such amount is initially determined in such non-dollar currency.

"*Drilling Contract*" means any charterparty, pool agreement or drilling contract in respect of any Collateral Vessel or other contract for use of any Collateral Vessel.

"*Earnings*" means, with respect to any Collateral Vessel, (i) all freight, hire and passage moneys payable to the Company or any of its Subsidiaries as a consequence of the operation of such Collateral Vessel, including, without limitation, payments under any Drilling Contract in respect of such Collateral Vessel, (ii) any claim under any guarantee in respect of any Drilling Contract or otherwise related to freight, hire or passage moneys, in each case payable to the Company or any of its Subsidiaries as a consequence of the operation of such Collateral Vessel; (iii) compensation payable to the Company or any of its Subsidiaries in the event of any requisition of such Collateral Vessel; (iv) remuneration for salvage, towage and other services performed by such Collateral Vessel and payable to the Company or any of its Subsidiaries; (v) demurrage and retention money receivable by the Company or any of its Subsidiaries in relation to such Collateral Vessel; (vi) all moneys that are at any time payable under insurance in respect of loss of Earnings with respect to such Collateral Vessel; (vii) if and whenever such Collateral Vessel is employed on terms whereby any moneys falling within items (i) through (vi) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement that is attributable to such Collateral Vessel; and (viii) other money whatsoever due or to become due to any of the Company or any of its Subsidiaries in relation to such Collateral Vessel.

"*Earnings Account*" means, with respect to any Collateral Vessel, an interest bearing account into which all Earnings derived from any Drilling Contract with respect to such Collateral Vessel (other than Earnings payable to a Local Content Subsidiary) shall be deposited or forwarded that is subject to an account control agreement, except to the extent prohibited by applicable law.

"*Earnings Assignments*" means, collectively, the assignments of Earnings in favor of the Junior Lien Collateral Agent given by the Collateral Grantors in respect of all Earnings derived from a Collateral Vessel and its operations, as the same may be amended, restated, supplemented or modified from time to time.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security or loan that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means a public or private offering of Capital Stock (other than Disqualified Stock) of the Company made for cash on a primary basis by the Company after the Issue Date, other than (1) public offerings with respect to the Company's common stock registered on Form S-8, (2) issuances to any Subsidiary of the Company and (3) any offering of Plan Equity.

"*Escrow End Date*" has the meaning provided in the recitals hereto.

"*Escrow Release Conditions*" shall mean the Escrow Conditions (as defined in the Escrow Agreement).

"*Euroclear*" means the Euroclear System or any successor securities clearing agency.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

"*Excluded Property*" means the following, whether now owned or at any time hereafter acquired by any Collateral Grantor or in which such Collateral Grantor now has or at any time in the future may acquire any right, title or interest and whether now existing or hereafter coming into existence: (i)(x) all leasehold real property and (y) all fee simple real property with a Fair Market Value at the time of acquisition less than $25 million; (ii) each Drilling Contract if (but only to the extent that) the grant of a security interest therein would constitute a breach of a valid and enforceable restriction on the granting of a security interest therein or assignment thereof in favor of a third party; (iii) all accounts receivable; (iv) all deposit accounts that are (A) established solely as payroll accounts, (B) zero balance accounts or (C) located in foreign jurisdictions with a balance at all times less than $500,000 individually and $5,000,000 in the aggregate; (v) all Equity Interests of Unrestricted Subsidiaries and Immaterial Subsidiaries; (vi) any general intangibles, governmental approvals or other rights arising under any contracts, instruments, permits, licenses or other documents if (but only to the extent that) the grant of a security interest therein would constitute a breach of a valid and enforceable restriction on the granting of a security interest therein or assignment thereof in favor of a third party (other than (A) to the extent that any such restriction or prohibition would be rendered ineffective pursuant to the Uniform Commercial Code or any other applicable law (including Bankruptcy Law) or principles of equity or (B) to the extent that the other party has consented to the granting of a security interest therein or assignment thereof pursuant to the terms of the Collateral Documents or pursuant to a grant or assignment for security purposes generally); (vii) any assets as to which the Required First Lien Debtholders reasonably determine that the cost or burden of obtaining a security interest therein is excessive in relation to the value of the security to be afforded thereby; (viii) cash if (but only to the extent) required to serve as cash collateral for any Indebtedness incurred pursuant to clause (4) of Section 4.09(b); and (ix) any and all proceeds of any of the Excluded Property to the extent constituting Excluded Property described in clauses (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) above (other than proceeds of a Drilling Contract assigned pursuant to an Earnings Assignment and proceeds of accounts receivable); *provided* that no property or assets securing any First Lien Obligations or any Junior Lien Obligations (other than the Notes) shall constitute Excluded Property (except that Indebtedness incurred pursuant to clause (4) of Section 4.09(b) may be secured by any assets listed under clause (iii), (iv)(C) or (viii) above).

"*Fair Market Value*" means the value that would be paid by an informed and willing buyer to an unaffiliated, informed and willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by the an officer of the Company, or, with respect to such values in excess of $11 million, the Board of Directors of the Company (unless otherwise provided in this Indenture).

"*Financial Officer*" means, with respect to any Person, the chief executive officer, chief financial officer, chief accounting officer or treasurer of such Person; provided that, with respect to the Escrow Issuer, "Financial Officer" means any director of the Escrow Issuer.

"First Lien" means a Lien granted by the Company or any other Guarantor in favor of the Collateral Agent, at any time, upon any property of the Company or such other Guarantor to secure First Lien Obligations.

"*First Lien Cash Management Obligations*" means Cash Management Obligations owed to any provider or arranger of, or agent with respect to, any First Lien Debt to the extent secured by First Liens.

"*First Lien Collateral Documents*" means, collectively, each Assignment, Mortgage, Pledge Agreement and Security Agreement, the Intercreditor Agreement, the Collateral Agency Agreement, any future

collateral agency or intercreditor agreement, control agreement and each other instrument creating a Lien or Liens in favor of the Collateral Agent as required by the First Lien Note Documents or the Intercreditor Agreement, in each case, as the same may be in effect from time to time.

"*First Lien Debt*" means (a) the First Lien Notes issued on the Date of the First Lien Note Indenture and the related guarantees thereof and (b) any other Indebtedness secured by a Lien on Collateral that is pari passu with the Liens securing the First Lien Notes and that is permitted to be incurred and so secured under this Indenture and the First Lien Note Indenture (including any additional First Lien Notes issued under the First Lien Note Indenture); *provided* that:

(1) any such Indebtedness (other than the First Lien Notes (including any additional First Lien Notes issued under the First Lien Note Indenture) and other than Indebtedness incurred pursuant to clause (4) of Section 4.09(b)) does not mature and does not have any mandatory or scheduled payments or sinking fund obligations prior to the maturity date of the First Lien Notes,

(2) on or prior to the date of incurrence of such Indebtedness by the Company or any Guarantor, such Indebtedness (other than the First Lien Notes, including any additional First Lien Notes issued under the First Lien Note Indenture) is designated by the Company, in an Officers' Certificate delivered to each First Lien Representative and the Collateral Agent, as "First Lien Debt" for the purposes of the First Lien Documents,

(3) a First Lien Representative is designated with respect to such Indebtedness (other than the First Lien Notes, including any additional First Lien Notes issued under the First Lien Note Indenture) and executes and delivers to the Collateral Agent (i) an Additional Secured Debt Designation on behalf of itself and all holders of such Indebtedness and (ii) a joinder to the Collateral Agency Agreement on behalf of itself and all holders of such Indebtedness,

(4) such Indebtedness is pari passu in right of payment with the First Lien Notes and does not have any senior or junior rights related to the First Lien Notes with respect to the application of proceeds from Collateral (other than any DIP Financing that is permitted by the Intercreditor Agreement and other than any Indebtedness incurred pursuant to clause (4) of Section 4.09(b)),

(5) such Indebtedness shall not be an obligation of any person other than the Company or any Guarantor, and

(6) such Indebtedness shall not be secured by any assets other than assets that constitute Collateral; *provided* that Indebtedness incurred pursuant to clause (4) of Section 4.09(b) may be secured by Liens on any assets listed under clause (iii), (iv)(C) or (viii) in the definition of "Excluded Property".

"*First Lien Documents*" means the First Lien Note Documents and any additional indenture, credit agreement or other agreement pursuant to which any other First Lien Debt is incurred and secured in accordance with the terms of each applicable First Lien Document and the First Lien Collateral Documents related thereto.

"*First Lien Hedging Obligations*" means Hedging Obligations owed to any provider or arranger of, or agent with respect to, any First Lien Debt to the extent secured by First Liens.

"*First Lien Leverage Ratio*" means, as of any date of determination, the ratio of (i) the aggregate amount of Consolidated Total Indebtedness that is First Lien Debt as of the end of the Company's most recently completed four quarter period for which internal financial statements are available to (ii) Consolidated Cash Flow of the Company and its Restricted Subsidiaries for such four quarter period, subject to the Calculation Principles.

"*First Lien Note Documents*" means the First Lien Note Indenture, the First Lien Notes, the First Lien Collateral Documents, the guarantees of the First Lien Notes and any agreement, instrument or other document evidencing or governing any First Lien Note Obligations.

"*First Lien Note Indenture*" means the indenture governing the First Lien Notes issued prior to or substantially concurrently with the issuance of the Notes on the Issue Date.

"*First Lien Note Obligations*" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Issuer or any guarantor of the First Lien Notes arising under the First Lien Note Indenture, the First Lien Notes, the guarantees thereof or the First Lien Collateral Documents (including all principal, premium, interest, penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees and other liabilities or amounts payable or arising thereunder), whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the issuer of the First Lien Notes or any guarantor thereof of any proceeding in bankruptcy or insolvency law naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"*First Lien Notes*" means the 8.375% First Lien Notes due 2023 issued under the First Lien Note Indenture.

"*First Lien Note Trustee*" means the trustee under the First Lien Note Indenture.

"*First Lien Obligations*" means all First Lien Debt and all other Obligations in respect thereof (including First Lien Hedging Obligations and First Lien Cash Management Obligations).

"*First Lien Representative*" means (1) in the case of the First Lien Notes, the First Lien Note Trustee, or (2) in the case of any other series of First Lien Debt, the trustee, agent or representative of the holders of such series of First Lien Debt who (A) is appointed as a First Lien Representative of such series of First Lien Debt (for purposes related to the administration of the applicable First Lien Collateral Documents) pursuant to the indenture, credit agreement or other agreement governing such series of First Lien Debt, together with its successors in such capacity, and (B) has executed and delivered an Additional Secured Debt Designation and a joinder to the Collateral Agency Agreement.

"*First Lien Zonda Offer*" means an offer made to holders of First Lien Notes and any other First Lien Debt with Zonda Proceeds as may be required by the First Lien Note Indenture.

"*GAAP*" means generally accepted accounting principles set forth in the Accounting Standards Codification of the Financial Accounting Standards Board (or successor codifications, opinions, pronouncements or statements thereto) in the United States, which are in effect from time to time.

"*Global Note*" has the meaning provided in the Appendix.

"*Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"*guarantee*" means a guarantee other than by endorsement of negotiable instrument for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement obligations in respect thereof, of all or any part of any Indebtedness or other Obligations.

"*Guarantee*" means a guarantee of the Notes Obligations granted pursuant to the provisions of this Indenture. For the avoidance of doubt, PDVIII and PDSI shall not constitute guarantors prior to the Zonda Release Date.

"*Guarantor*" means each Person that provides a Guarantee, together with its successors and assigns, until the Guarantee of such Person has been released in accordance with the provisions of this Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements designed to protect the Person or any of its Restricted Subsidiaries entering into the agreement against, or manage exposure to, fluctuations in interest rates, or to otherwise reduce the cost of borrowing of such Person or any of such Restricted Subsidiaries, with respect to Indebtedness Incurred;

(2) foreign exchange contracts and currency protection agreements designed to protect the Person or any of its Restricted Subsidiaries entering into the agreement against, or manage exposure to, fluctuations in currency exchanges rates;

(3) any commodity futures contract, commodity swap, commodity option, commodity forward sale or other similar agreement or arrangement designed to protect against, or manage exposure to, fluctuations in the price of commodities used by that Person or any of its Restricted Subsidiaries at the time; and

(4) other agreements or arrangements designed to protect such Person or any of its Restricted Subsidiaries against, or manage exposure to, fluctuations in interest rates, commodity prices or currency exchange rates.

"*Holder*" or "*Noteholder*" means a Person in whose name a Note is registered.

"*Immaterial Junior Debt*" means Consolidated Total Indebtedness of the Company or any Guarantor (in one or more issuances or tranches) with an aggregate outstanding amount (prior to any proposed repayment thereof on the applicable date of determination, and excluding any intercompany Indebtedness between or among the Company and any Guarantors) of no more than $50 million that is contractually subordinated in right of payment to the Notes or any Guarantee or that is unsecured or secured on a junior lien basis to the Notes or any Guarantee.

"*Immaterial Subsidiary*" means, at any date of determination, any Restricted Subsidiary that (1) has total assets with a Fair Market Value that (when combined with the assets of such Restricted Subsidiary's Restricted Subsidiaries and after intercompany eliminations), as of the date of any financial statements delivered pursuant to Section 4.03, were less than 2.0%, with respect to such Restricted Subsidiary individually, and less than 5.0%, in the aggregate for such Restricted Subsidiary and all other Immaterial Subsidiaries (calculated on the same basis), of the consolidated total assets of the Company and the Restricted Subsidiaries at such date, determined in accordance with GAAP, (2) generates gross revenues (excluding intercompany revenue) that (when combined with the gross revenues (excluding intercompany revenue) of such Restricted Subsidiary's Restricted Subsidiaries), for the most recent four fiscal quarter period ending prior to the date on which any financial statements are delivered pursuant to Section 4.03,were less than 2.0%, with respect to any such Restricted Subsidiary individually, and less than 5.0%, in the aggregate for such Restricted Subsidiary and all other Immaterial Subsidiaries (calculated on the same basis), of the consolidated gross revenues (excluding intercompany revenue) of the Company and the Restricted Subsidiaries for such period, determined in accordance with GAAP, (3) does not own any interest in any Collateral Vessel or any Subsidiary that owns a Collateral Vessel, (4) other than a Local Content Subsidiary, is not party to any Drilling Contract in respect of a Collateral Vessel or entitled to receive Earnings thereunder and (5) does not guarantee or otherwise directly or indirectly provide credit support for any Consolidated Total Indebtedness of the Company or any Guarantor.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables (or intercompany reimbursement obligations in respect thereof) in the ordinary course of business), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments, other than such reimbursement obligations that relate to trade payables or other obligations that are not themselves Indebtedness, in each case, that were entered into in the ordinary course of business of such Person to the extent such reimbursement obligations are satisfied within 10 Business Days following payment on the letter of credit, bankers' acceptance or similar instrument;

(4) representing Capital Lease Obligations of such Person;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed;

(6) representing Hedging Obligations of such Person; or

(7) representing Attributable Indebtedness of such Person in respect of Sale and Leaseback Transactions,

if and to the extent any of the preceding items (other than letters of credit, Hedging Obligations and Attributable Indebtedness) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

"*Indenture*" means this Indenture, as amended or supplemented from time to time.

"*Initial Notes*" has the meaning provided in the recitals hereto.

"*Initial Purchaser*" has the meaning provided in the Appendix.

"*Insurance Assignments*" means, collectively, the assignments of insurance proceeds in favor of the Junior Lien Collateral Agent given by the Collateral Grantors respecting all hull and machinery and loss of hire insurance covering each Collateral Vessel or its operations, as the same may be amended, restated, supplemented or modified from time to time.

"*Intercreditor Agreement*" means (i) the Intercreditor Agreement among the Collateral Agent, the Junior Lien Collateral Agent, the Company, each other Collateral Grantor and the other parties from time to time party thereto, to be entered into on the Escrow Release Date which shall be substantially consistent with the description thereof in the Offering Circular under "Description of Second Lien PIK Notes—The Intercreditor Agreement," as it may be amended, restated, supplemented or otherwise modified from time to time in accordance with this Indenture and (ii) any replacement thereof that contains terms not less favorable to the Holders than the Intercreditor Agreement referred to in clause (i).

"*Interest Payment Date*" has the meaning provided in Exhibit 1 to the Appendix.

"*Internal Charterer*" means any direct or indirect Subsidiary of the Company (other than a Local Content Subsidiary) that is not the owner of the relevant Collateral Vessel and that is party to any Drilling Contract in respect of a Collateral Vessel and entitled to receive Earnings thereunder.

"*Investment Grade Rating*" means both (i) a rating of "Baa3" or higher by Moody's and (ii) a rating of "BBB-" or higher by S&P.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or

capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business, and excluding extensions of trade credit or other advances to customers on commercially reasonable terms in accordance with normal trade practices or otherwise in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any of the Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07. The acquisition by the Company or any of its Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person that is not a Subsidiary of such Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 4.07. Except as otherwise provided in this Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Involuntary Transfer*" means, with respect to any property or asset of the Company or any Restricted Subsidiary, (a) any damage to such property or asset that results in an insurance settlement with respect thereto on the basis of a total loss or a constructive or compromised total loss, (b) the confiscation, condemnation, requisition, appropriation or similar taking of such property or asset by any government or instrumentality or agency thereof, including by deed in lieu of condemnation, or (c) foreclosure or other enforcement of a Lien or the exercise by a holder of a Lien of any rights with respect to it.

"*Issue Date*" means the first date on which Notes are issued under this Indenture.

"*Issuer*" has the meaning provided in the recitals hereto.

"*Junior Lien Collateral Agent*" means the collateral agent or agents or other representative of lenders or holders of Junior Lien Obligations designated pursuant to the terms of the Junior Lien Documents and the Intercreditor Agreement, in each case, together with its successors and assigns. Initially, the Junior Lien Collateral Agent will be Wilmington Trust, National Association.

"*Junior Lien Debt*" means (a) the Notes and (b) any other Indebtedness secured by a Lien that is junior in priority to First Lien Debt that is permitted to be incurred and so secured under this Indenture; *provided* that:

(1) such Indebtedness does not mature and does not have any mandatory or scheduled payments or sinking fund obligations prior to the date that is 91 days after the maturity date of the First Lien Notes;

(2) on or before the date on which such Indebtedness is incurred by the Company or any Guarantor, the Company shall deliver to each First Lien Representative and Junior Lien Representative complete copies of each applicable Junior Lien Document (which shall provide that each secured party with respect to such Indebtedness shall be subject to and bound by the Intercreditor Agreement), along with an Officers' Certificate identifying the obligations constituting Junior Lien Obligations;

(3) on or before the date on which any such Indebtedness is incurred by the Company or any Guarantor, such Indebtedness is designated by the Company, in an Officers' Certificate delivered to each Junior Lien Representative and Junior Lien Collateral Agent as "Junior Lien Debt," and such Officers' Certificate also certifies that such Indebtedness is permitted and with respect to any other requirements set forth in the Intercreditor Agreement;

(4) a Junior Lien Representative is designated with respect to such Indebtedness and executes and delivers an Additional Secured Debt Designation on behalf of itself and all holders of such Indebtedness;

(5) such Indebtedness shall not be an obligation of any person other than the Company or any Guarantor;

(6) such Indebtedness is not secured by a Lien on any collateral other than collateral securing First Lien Obligations;

(7) such Indebtedness does not provide for "cross-default" (as opposed to "cross-acceleration") provisions to the First Lien Obligations; and

(8) the definitive documents for such Indebtedness do not have any term, covenant or default or event of default provisions that are more restrictive than the terms, covenants and default and event of default provisions with respect to the First Lien Obligations (other than any more restrictive provisions with respect to additional Junior Lien Debt) and do not contain any financial maintenance covenant.

"*Junior Lien Documents*" means, collectively, the Note Documents and any other indenture, credit agreement or other agreement or instrument pursuant to which Junior Lien Debt is incurred and secured.

"*Junior Lien Obligations*" means Junior Lien Debt and all other Obligations in respect thereof.

"*Junior Lien Representative*" means, in the case of the Notes, Wilmington Trust, National Association, in its capacity as Trustee, and in the case of any other series of Junior Lien Debt, the trustee, agent or representative of the holders of such series of Junior Lien Debt who is appointed as a representative of the Junior Lien Debt (for purposes related to the administration of the security documents) pursuant to the indenture, credit agreement or other agreement governing such series of Junior Lien Debt, in each case together with its successors in such capacity.

"*Junior Lien Secured Parties*" means each holder of a Junior Lien Obligation, including each Junior Lien Representative and Junior Lien Collateral Agent.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in such asset and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Local Content Subsidiary*" shall mean any Subsidiary of the Company that is a party to a Drilling Contract or otherwise holds the right to receive Earnings attributable to a Collateral Vessel or any Related Assets for the purpose of satisfying any local content law or regulation or similar law or regulation.

"*Material Junior Debt*" means any Consolidated Total Indebtedness of the Company or any Guarantor that is contractually subordinated in right of payment to the Notes or any Guarantee or that is unsecured or secured on a junior lien basis to the Notes or any Guarantee (excluding any intercompany Indebtedness between or among the Company and any of the Guarantors) and is not Immaterial Junior Debt.

"*Moody's*" means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"*Mortgage*" means each Vessel Mortgage, each other mortgage, deed of trust, deed to secure debt and any other document or instrument under which any Lien on property owned or leased by any Collateral Grantor is granted to secure Junior Lien Obligations under any Junior Lien Document or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, supplemented or modified from time to time.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with (a) any Asset Sale or other asset dispositions (other than in the ordinary course of business) or (b) the disposition of any securities by such Person or any of the Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of the Restricted Subsidiaries; and

(2) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

"*Net Proceeds*" means the aggregate cash proceeds and Cash Equivalents received by the Company or any Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (1) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commissions, relocation expenses incurred as a result of the Asset Sale, and taxes paid or payable as a result of the Asset Sale after taking into account any available tax credits or deductions and any tax-sharing arrangements, (2) amounts required to be applied to the repayment of Indebtedness secured by a Lien on the properties or assets that were the subject of such Asset Sale (which Lien is and is permitted to be senior to the Liens securing the Notes and the Guarantees or is on property or assets that do not constitute Collateral), or Indebtedness (other than Indebtedness that is subordinated in right of payment to the Notes or the Guarantees or that is secured by a Lien that is junior in priority to the Liens securing the Notes) which must by its terms, in order to obtain a necessary consent to such Asset Sale or by applicable law, be repaid out of the proceeds from such Asset Sale, and (3) any amounts to be set aside in any reserve established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such properties or assets, for indemnification obligations of the Company or any Restricted Subsidiaries in connection with such Asset Sale or for other liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiaries until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to the Company or the Restricted Subsidiaries from such escrow arrangement, as the case may be.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of the Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of the Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the governing documentation provides that the lenders will not have any recourse to the stock or assets of the Company or any of the Restricted Subsidiaries.

"*Notes*" has the meaning provided in the recitals hereto.

"*Notes Custodian*" has the meaning provided in the Appendix.

"*Note Documents*" means this Indenture, the Notes, the Collateral Documents, the Guarantees and any agreement, instrument or other document evidencing or governing any Notes Obligations.

"*Notes Obligations*" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Issuer or any Guarantor arising under this Indenture, the Notes, the Guarantees or the Collateral Documents (including all principal, premium, interest, penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees and other liabilities or amounts payable or arising thereunder), whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or

hereafter arising and including interest and fees that accrue after the commencement by or against the Issuer or any Guarantor of any proceeding in bankruptcy or insolvency law naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"*Obligations*" means any principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages, guarantees, and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereto.

"*Offering Circular*" means the final Offering Circular, dated September 12, 2018, of the Escrow Issuer relating to the offering of the Initial Notes.

"*Officer*" means, with respect to any Person, the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, the Controller, the Secretary, any Manager, any Director, any Managing Director, or any Vice President of such Person.

"*Officers' Certificate*" means a certificate signed on behalf of any Person by two Officers and/or directors, one of whom must be a Financial Officer of such Person.

"*Opinion of Counsel*" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 12.03. The counsel may be an employee of, or counsel to, the Company or any Subsidiary of the Company.

"*PDNL*" means Pacific Drillship Nigeria Limited, a private company limited by shares incorporated in the British Virgin Islands (company number 1852481), which is a wholly-owned Subsidiary of PIDWAL on the Issue Date.

"*PDSI*" means Pacific Drilling Services, Inc. a Delaware corporation and a Subsidiary of the Company.

"*PDVIII*" means Pacific Drilling VIII Limited, a private company limited by shares incorporated in the British Virgin Islands and a Subsidiary of the Company.

"*PIDWAL*" means Pacific International Drilling West Africa Ltd., a Nigeria limited liability company, which is indirectly 49% owned by the Company as of the Issue Date.

"*Permitted Business*" means a business in which the Company and the Restricted Subsidiaries were engaged on the Issue Date, as described in the Offering Circular, and any business reasonably related or complementary thereto.

"*Permitted Collateral Liens*" means Liens described in clauses (1), (5), (7), (8), (9), (10), (11), (12), (13), (14), (15) and (20) of the definition of "Permitted Liens."

"*Permitted Holder*" means any Person that, together with any of its affiliates (but excluding any of its operating portfolio companies), is the Beneficial Owner, directly or indirectly, of more than 20% of the Voting Stock of the Company on the Escrow Release Date, measured by voting power rather than number of shares.

"*Permitted Investments*" means:

(1) any Investment in the Company or in any Restricted Subsidiary;

(2) any Investment in cash or Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from (a) an Asset Sale that was made pursuant to and in compliance with Section 4.10 or (b) a disposition of properties or assets that does not constitute an Asset Sale;

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any Investments received in compromise or resolution of obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of the Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer and any Investments obtained in exchange for any such Investments;

(7) Investments represented by Hedging Obligations permitted by clause (7) of Section 4.09(b);

(8) any guarantee of Indebtedness or other obligations of the Company or any Restricted Subsidiary permitted to be incurred under this Indenture;

(9) Investments that are in existence on the Issue Date, and any extension, modification or renewal thereof, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date);

(10) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person in compliance with this Indenture, including by way of a merger, amalgamation or consolidation, to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(11) loans or advances referred to in clause (5) of Section 4.11(b);

(12) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any of its Restricted Subsidiaries; and

(13) any repurchase, redemption, defeasance or other acquisition or retirement for value of the Notes or the First Lien Notes.

"*Permitted Jurisdiction*" means any of Luxembourg, the Republic of the Marshall Islands, the United States of America, any State of the United States or the District of Columbia, the Commonwealth of the Bahamas, the Republic of Liberia, the Republic of Panama, the Commonwealth of Bermuda, the British Virgin Islands, Gibraltar, the Cayman Islands, the Isle of Man, Cyprus, Norway, Greece, Hong Kong, the United Kingdom, Malta, any Member State of the European Union and any other jurisdiction generally acceptable to institutional

lenders in the shipping and offshore drilling industries, as determined in good faith by the Board of Directors of the Company.

"*Permitted Liens*" means:

(1) Liens on assets of the Company or the Guarantors securing First Lien Debt or Junior Lien Debt Incurred pursuant to clause (2), (4) or (12) of Section 4.09(b);

(2) Liens in favor of the Company or any Guarantor or, if granted by any Person other than the Company or any Guarantor, Liens in favor of any Restricted Subsidiary;

(3) Liens on property of a Person existing at the time such Person is merged with or into or amalgamated or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens were in existence prior to such merger, amalgamation or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person merged into or amalgamated or consolidated with the Company or any Restricted Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Restricted Subsidiary in compliance with this Indenture; *provided* that such Liens were in existence prior to such acquisition, and not incurred in contemplation of, such acquisition and do not extend to any assets other than those of the Person merged into or amalgamated or consolidated with the Company or any Restricted Subsidiary;

(5) Liens to secure the performance of statutory obligations, surety, customs, importation or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens on cash or Cash Equivalents to secure letters of credit, bank guarantees and similar instruments issued in support of such obligations); *provided* that, in the case of any such Liens on assets of any Collateral Grantor, such Liens shall extend solely to cash and/or Cash Equivalents of such Collateral Grantor;

(6) Liens existing on the Issue Date (other than Liens referred to in clause (1) or (10) of this definition);

(7) Liens for taxes, assessments or governmental charges or claims (i) that are not yet delinquent or (ii) that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which any reserve or other appropriate provision as required in conformity with GAAP has been made therefor;

(8) Liens imposed by law, such as suppliers', carriers', warehousemen's, landlords' and mechanics' Liens, in each case, incurred in the ordinary course of business, for amounts (i) not more than 30 days past due or (ii) that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which any reserve or other appropriate provision as required in conformity with GAAP has been made therefor;

(9) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the applicable Person;

(10) Liens on the Collateral securing the Notes (including Additional Notes issued in accordance with this Indenture) and the Guarantees and the First Lien Notes, and the guarantees thereof;

(11) Liens to secure Indebtedness permitted to be Incurred under this Indenture to refinance any Indebtedness secured by Liens permitted to exist pursuant to clause (2), (4), (5), (7), (10) or this clause

(11) of this definition (or Liens that otherwise replace Liens referred to in such clauses); *provided*, *however*, that;

(a) the new Lien is limited to all or part of the same property and assets covered by the initial Lien (plus improvements and accessions to such property, or proceeds or distributions thereof) or any related after-acquired property that, pursuant to any after-acquired property clauses in written agreements pursuant to which the original Lien arose, is required to be pledged to secure the original Indebtedness (plus improvements and accessions to such property, or proceeds or distributions thereof);

(b) the Indebtedness or other obligation secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the original Indebtedness or obligation and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge; and

(c) if the initial Lien secured Indebtedness that is subordinated in right of payment to the Notes or a Guarantee, then the Indebtedness secured by the new Lien shall be so subordinated on terms at least as favorable to the Holders;

(12) Liens arising by reason of any judgment, attachment, decree or order of any court or other governmental authority not giving rise to an Event of Default that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which any reserve or other appropriate provision as required in conformity with GAAP has been made therefor;

(13) Liens securing Cash Management Obligations owing to a bank and rights of setoff in favor of a bank, imposed by law or granted in the ordinary course of business on deposit accounts maintained with such bank and cash and Cash Equivalents in such accounts;

(14) Liens securing Hedging Obligations entered into in the ordinary course of business and not for speculative purposes;

(15) Liens arising from Vessel chartering, necessaries, drydocking, maintenance, repair, refurbishment, salvage (including contract salvage) or general average, Liens for wages of stevedores employed by the owner of such Vessel, the master of such Vessel or a charterer or lessee of such Vessel, the furnishing of supplies and bunkers to Vessels or masters', officers' or crews' wages and maritime Liens, that, in the case of each of the foregoing, were incurred in the ordinary course of business of the Company or any Restricted Subsidiary, were not Incurred or created to secure the payment of Indebtedness and that in the aggregate do not materially adversely affect the value of the properties subject to such Liens or materially impair the use for the purposes of which such properties are held by the Company and its Restricted Subsidiaries;

(16) Liens arising under a contract over goods, documents of title to goods and related documents and insurances and their proceeds, in each case in respect of documentary credit transactions entered into with customers of the Company and the Restricted Subsidiaries in the ordinary course of business;

(17) Liens arising under any retention of title or conditional sale arrangement or arrangements having similar effect in respect of goods supplied in the ordinary course of business;

(18) Liens representing the interest in title of a lessor;

(19) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness (so long as such defeasance, discharge or redemption is permitted under Section 4.07) or Liens arising under this Indenture in favor of the Trustee for its own

benefit and for the benefit of the Junior Lien Collateral Agent and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under this Indenture, provided that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of such Indebtedness;

(20) Liens securing Indebtedness Incurred pursuant to clause (13) of Section 4.09(b) (including Permitted Refinancing Indebtedness); *provided* that such Liens extend only to the assets purchased with the proceeds of such Indebtedness;

(21) Liens on the assets of Pacific Drilling VIII Limited and Pacific Drilling Services Inc. to secure an arbitration award relating to the Zonda Arbitration; and

(22) Liens with respect to any Vessel for maritime torts with respect to damage resulting from allisions, collisions, cargo damage, property damage, conversion (wrongful possession), pollution, personal injury and death, maintenance and cure, and unseaworthiness, in each case, that are covered by insurance (subject to reasonable deductibles).

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of the Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge, in whole or in part, other Indebtedness of the Company or any of the Restricted Subsidiaries (other than intercompany Indebtedness) (the "*Refinanced Indebtedness*")*; provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of the Refinanced Indebtedness (plus all accrued interest on the Refinanced Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date that is either no earlier than the final maturity date of the Refinanced Indebtedness, or is no earlier than the date that is 90 days after the maturity date of the Notes, and has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Refinanced Indebtedness;

(3) if the Refinanced Indebtedness is (a) subordinated in right of payment to the Notes or a Guarantee, then such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Guarantee, as the case may be, or (b) *pari passu* in right of payment with the Notes or a Guarantee, then such Permitted Refinancing Indebtedness is subordinated to or *pari passu* in right of payment with the Notes or such Guarantee, as the case may be, in the case of each of (a) and (b), on terms at least as favorable to the Holders as those contained in the documentation governing the Refinanced Indebtedness;

(4) in the case of Permitted Refinancing Indebtedness in respect of secured indebtedness, the Liens securing such Permitted Refinancing Indebtedness have a Lien priority equal to or junior to the Liens securing the Indebtedness being refinanced; and

(5) if the Company or a Guarantor is the issuer of, or otherwise an obligor in respect of the Refinanced Indebtedness, such Permitted Refinancing Indebtedness is not Incurred by any Restricted Subsidiary that is not the Company or a Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Plan Equity*" means any Capital Stock or other equity securities contemplated to be issued by the Reorganization Plan.

"*Pledge Agreement*" means each pledge agreement, share charge or similar instrument pursuant to which such Person grants to the Junior Lien Collateral Agent a Lien in Equity Interests in a Subsidiary directly owned by such grantor, in each case, as amended, restated, supplemented or otherwise modified from time to time.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"*PIK Interest*" has the meaning provided in Exhibit 1 to the Appendix.

"*PIK Notes*" has the meaning provided in Exhibit 1 to the Appendix.

"*Priority Lien Debt*" means (i) First Lien Debt and (ii) any Junior Lien Debt that is secured by a Lien that is senior in priority to Second Lien Debt.

"*Purchase Agreement*" has the meaning provided in the Appendix.

"*QIB*" means a "*qualified institutional buyer*" as defined in Rule 144A under the Securities Act.

"*Qualified Services Contract*" means, as of any date of determination, with respect to any Vessel acquired by, or committed to be delivered to, the Company or any of its Restricted Subsidiaries, a bona fide contract or series of contracts, together with any amendments, supplements or modifications thereto, that the Board of Directors of the Company, acting in good faith, designates as a "Qualified Services Contract" pursuant to a resolution of the Board of Directors of the Company, which contract or contracts:

(1) are between the Company or one of its Restricted Subsidiaries, on the one hand, and a Person that is not an Affiliate of the Company, on the other hand;

(2) provide for services to be performed by the Company or one or more of its Restricted Subsidiaries involving the use of such Vessel by the Company or one or more of its Restricted Subsidiaries, in either case for a minimum aggregate period of at least one year from (i) the date of determination or (ii) a future date that is no later than the date that is three months from the date of determination (the period during which such services are to be performed, the "*Active Service Period*"); and

(3) provide for a fixed or minimum day rate or fixed rate for such Vessel covering the entire Active Service Period contemplated by clause (2) above.

For the avoidance of doubt, neither a letter of intent nor a letter of award with respect to a Vessel is a Qualified Services Contract.

"*Qualified Vessel"* means a 6th or 7th (or later) generation Vessel that is (i) subject to a Qualified Services Contract and (ii), in the case of any Vessel that is not a Vessel owned by the Company on the Issue Date, of substantially comparable (or better) quality and value as (or than) the Vessels owned by the Company on the Issue Date.

"*Ready for Sea Cost*" means, with respect to a Vessel to be acquired by the Company or any Restricted Subsidiary, the aggregate amount of all expenditures Incurred to acquire or construct and bring such Vessel to the condition and location necessary for its intended use, including any and all inspections, appraisals, repairs, modifications, additions, permits and licenses in connection with such acquisition or lease.

"*Regulation S*" has the meaning provided in the Appendix.

"*Related Assets*" means, with respect to any Collateral Vessel, (i) proceeds of any insurance policies and contracts from time to time in force with respect to such Collateral Vessel, (ii) any requisition

compensation payable in respect of any compulsory acquisition of such Collateral Vessel, (iii) any Earnings derived from the use or operation of such Collateral Vessel (other than Earnings payable to a Local Content Subsidiary) and/or any account to which such Earnings are deposited, (iv) any charters, operating leases, Vessel purchase options and related agreements with respect to such Collateral Vessel entered into, and any security or guarantee in respect of the charterer's or lessee's obligations under such charter, lease, Vessel purchase option or agreement and (v) any security interest in, or agreement or assignment relating to, any of the foregoing or any mortgage in respect of such Collateral Vessel; *provided* that Related Assets will not include any Excluded Property.

"*Relevant Business Day*" means, when used in connection with the creation of a Lien on any asset, any Business Day that is not a day on which banking institutions in any jurisdiction the laws of which are relevant to the creation of such Lien are authorized or required by law to close.

"*Reorganization Plan*" means the Company's joint plan of reorganization, dated as of July 31, 2018. For purposes of this Indenture and the Junior Lien Escrow Agreement, the term "Reorganization Plan" shall include any amendments, supplements or modifications to such joint plan of reorganization that are not, in the good faith judgment of the Company, when taken as a whole, materially adverse to the Holders or holders of the First Lien Notes.

"*Required First Lien Debtholders*" means, at any time, the holders of a majority in aggregate principal amount of all First Lien Debt then outstanding. For purposes of this definition, First Lien Debt registered in the name of, or beneficially owned by, the Company or any Affiliate of the Company will be deemed not to be outstanding.

"*Responsible Officer*," when used with respect to the Trustee, means any officer within the corporate trust department of the Trustee having direct responsibility for the administration of this Indenture.

"*Restricted Global Note*" has the meaning provided in the Appendix.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Notes Legend*" has the meaning provided in the Appendix.

"*Restricted Subsidiary*" means any Subsidiary of the Company that is not then an Unrestricted Subsidiary; *provided*, *however*, that (i) upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be a Restricted Subsidiary and (ii) notwithstanding anything to the contrary in this Indenture, each Collateral Grantor shall at all times be a Restricted Subsidiary.

"*Rule 144A*" has the meaning provided in the Appendix.

"*S&P*" means Standard & Poor's Rating Services, or any successor to the rating agency business thereof.

"*Sale and Lease-Back Transaction*" means an arrangement relating to property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such property to a Person and leases it from such Person.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Second Lien Debt*" means Junior Lien Debt that is secured by Liens that are *pari passu* in priority with the Liens securing the Notes.

"*Second Lien Obligations*" means Second Lien Debt and all other Obligations in respect thereof.

"*Security Agreement*" means, collectively, each security agreement or similar instrument executed by a Collateral Grantor pursuant to which such Person grants to the Junior Lien Collateral Agent a Lien on the assets

owned by such Person, in each case, as amended, amended and restated, or supplemented from time to time in accordance with its terms.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the Issue Date, *provided*, *however*, that notwithstanding anything to the contrary in this Indenture, each Restricted Subsidiary that owns an interest in a Collateral Vessel shall be a Significant Subsidiary at all times.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any item or series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date or, if such item or series is Incurred after the Issue Date, the date such item or series is Incurred.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, limited liability company, association or other business entity (other than a partnership) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, limited liability company, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(2) any partnership of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof), whether in the form of general, special or limited partnership interests or otherwise, or (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; and

(3) any corporation, limited liability company, association or other business entity not referred to in clause (1) or (2) above the management of which is controlled, directly or indirectly, by such Person and the accounts of which are consolidated with those of such Person in its consolidated financial statements in accordance with GAAP.

For the avoidance of doubt, as of the Issue Date, PIDWAL and PDNL are Subsidiaries of the Company.

"*Superpriority Debt"* means up to $55 million of First Lien Debt with payment priority pursuant to the Collateral Agency Agreement Incurred pursuant to clause (4) of Section 4.09(b).

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 that has become publicly available at least two Business Days prior to the redemption date (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to April 1, 2020; *provided*, *however*, that if the period from the redemption date to April 1, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Trustee*" means Wilmington Trust, National Association, in its capacity as trustee under this Indenture, until a successor replaces it in accordance with the applicable provisions of this Indenture, and thereafter "Trustee" means each Person who is then a Trustee thereunder.

"*Uniform Commercial Code*" means the Uniform Commercial Code as in effect in any applicable jurisdiction from time to time.

"*Unqualified Vessel*" means any Vessel that is not a Qualified Vessel.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Company, as provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Company may designate any Subsidiary of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, the Company or any Restricted Subsidiary (other than solely any Subsidiary of the Subsidiary to be so designated); *provided* that :

(1) to the extent any Indebtedness of such Subsidiary is not Non-Recourse Debt, any Guarantee or other credit support thereof by the Company or any Restricted Subsidiary is permitted by Section 4.07 and Section 4.09;

(2) except as permitted by Section 4.11, the Subsidiary to be so designated and each Subsidiary of such Subsidiary is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) the Subsidiary to be so designated and each Subsidiary of such Subsidiary is a Person with respect to which neither the Company nor any of the Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;

(4) the Subsidiary to be so designated and each Subsidiary of such Subsidiary has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of the Restricted Subsidiaries; and

(5) the Subsidiary to be so designated and each Subsidiary of such Subsidiary is neither the owner of any interests in any Collateral Vessel nor (except for a Local Content Subsidiary) a party to a Drilling Contract.

"*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

"*Vessel*" means any drilling rig, drillship or other drilling vessel whose primary purpose is the exploration and production drilling for crude oil or hydrocarbons, in each case together with all related spares, equipment and any additions or improvements thereto to the extent such spares, equipment and additions or improvements are owned by the owner of the Vessel. For the purpose of determining the number of "Vessels" owned by the Company, any such related spares, equipment, additions or improvements shall constitute part of the drilling rig, drillship or other drilling vessel to which they relate and shall not constitute separate "Vessels."

"*Vessel Mortgage*" means each first preferred mortgage and any other instruments, such as statutory mortgages and deeds, over any Collateral Vessel, each duly registered in the Liberian ship registry (or other relevant registry) in favor of the Junior Lien Collateral Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of such Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"Zonda Arbitration" means the arbitration commenced in London, England by Samsung Heavy Industries Co., Ltd. on November 18, 2015 relating to the contract between Samsung Heavy Industries Co., Ltd. and the Company for the construction of the drillship known as the *Pacific Zonda*.

"*Zonda Plan*" means the potential removal of PDVIII and PDSI from the Reorganization Plan and the filing of a separate plan of reorganization with respect to such entities under Chapter 11 bankruptcy proceedings.

"*Zonda Proceeds*" means any cash proceeds received by the Company or any Restricted Subsidiary from a settlement or award in connection with the Zonda Arbitration.

"*Zonda Release Date*" means the date of emergence from Chapter 11 bankruptcy proceeding for PDVIII and PDSI.

SECTION 1.02. Other Definitions.

Term	Defined in Section
"Act"	9.07
"Additional Amounts"	4.22
"Affiliate Transaction"	4.11
"Appendix"	2.01
"Asset Sale Offer"	4.10
"Asset Sale Offer Amount"	3.09
"Asset Sale Offer Period"	3.09
"Asset Sale Offer Settlement Date"	3.09
"Asset Sale Offer Termination Date"	3.09
"Builder Basket Start Date"	4.07
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Change of Control Redemption"	3.07
"Code"	4.22
"Covenant Defeasance"	8.03
"Declined Zonda Amount"	3.08
"Designated First Lien Zonda Amount"	3.08
"Discharge"	8.08
"Escrow Account"	3.11
"Escrow Release Date"	3.11
"Escrowed Property"	3.11
"Event of Default"	6.01
"Excess Proceeds"	4.10
"Incur"	4.09

Term	Defined in Section
"Indemnified Taxes"	4.22
"Insurances"	4.25
"Insurers"	4.25
"Intercompany Transfers"	4.08
"Junior Lien Escrow Agent"	3.11
"Junior Lien Escrow Agreement"	3.11
"Legal Defeasance"	8.02
"MD&A"	4.03
"Owner's Insurance Broker"	4.25
"Paying Agent"	2.03
"Payment Default"	6.01
"Permitted Debt"	4.09
"Register"	2.03
"Registrar"	2.03
"Restricted Payments"	4.07
"Reversion Date"	4.23
"Special Mandatory Redemption"	3.11
"Specified Tax Jurisdiction"	4.22
"Successor Company"	5.01
"Successor Guarantor"	5.01
"Suspended Covenants"	4.23
"Suspension Period"	4.23
"Taxes"	4.22
"Zonda Offer"	3.08
"Zonda Offer Period"	3.08
"Zonda Offer Settlement Date"	3.08
"Zonda Offer Termination Date"	3.08
"Zonda Proceeds"	3.08

SECTION 1.03. Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) the meanings of the words "will" and "shall" are the same when used to express an obligation;

(6) references to sections of or rules under the Securities Act or the Exchange Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time;

(7) "herein," "hereof" and other words of similar import refer to this Indenture as a whole (as amended or supplemented from time to time) and not to any particular Article, Section or other subdivision of this Indenture

(8) "including" means "including, without limitation";

(9) references herein to "principal amount" of the Notes include any increase in the principal amount of such Notes as a result of a payment of PIK Interest;

(10) obligations to pay accrued and unpaid interest in connection with any redemption or repurchase of the Notes shall be payable entirely in the form of Cash Interest and at the then prevailing interest rate at the time of such redemption or repurchase; and

(11) references herein to Articles, Sections and Exhibits are to be construed as references to articles of sections of, and exhibits to, this Indenture, unless the context otherwise requires.

ARTICLE 2

THE NOTES

SECTION 2.01. Form and Dating.

Provisions relating to the Notes are set forth in the Rule 144A/Regulation S Appendix attached hereto (the "*Appendix*"), which is hereby incorporated in and expressly made part of this Indenture. The Notes and the Trustee's certificate of authentication therefor shall be substantially in the form of Exhibit 1 to the Appendix, which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have other notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The terms of the Notes set forth in the Appendix are part of the terms of this Indenture. The Notes shall be in minimum denominations of $1.00 and integral multiples of $1.00 in excess thereof. On any Interest Payment Date on which a PIK Interest payment is made, with respect to a Global Note, the Trustee will increase the principal amount of such Global Note by an amount equal to the PIK Interest payable (rounded up to the nearest $1.00) for the relevant interest period on the principal amount of such Global Note, to the credit of the Holders on the relevant record date and an adjustment will be made on the books and records of the Trustee with respect to such Global Note to reflect such increase. On any Interest Payment Date on which a PIK Interest payment is made by issuing definitive Notes under this Indenture having the same terms as the Notes, the principal amount of any such definitive Notes issued to any Holder, for the relevant interest period as of the relevant record date for such Interest Payment Date, will be rounded up to the nearest $1.00.

The terms and provisions contained in the Appendix and the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Issuer, the Guarantors and the Trustee, by their execution and delivery of this Indenture or a supplemental indenture, as applicable, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any such provision conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

SECTION 2.02. Execution and Authentication.

At least one Officer of the Issuer shall sign the Notes on behalf of the Issuer by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

On the Issue Date, the Trustee shall authenticate and deliver Notes in an aggregate principal amount of $273,614,300 and, at any time and from time to time thereafter, the Trustee shall authenticate and deliver

Notes for original issue in an aggregate principal amount specified in an authentication order of the Issuer and, as applicable, increase the principal amount of any Global Note as a result of any PIK Interest payment in the amount set forth in such authentication order. Such order shall specify the aggregate principal amount of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated and to whom the Notes shall be registered and delivered and, in the case of an issuance of Additional Notes pursuant to Section 2.14 after the Issue Date, shall certify that such issuance is in compliance with Section 4.09.

The Trustee may appoint an authenticating agent reasonably acceptable to the Issuer to authenticate the Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.03. Registrar and Paying Agent.

The Issuer shall at all times maintain an office or agency in the United States where Notes may be presented for registration of transfer or for exchange (the "*Registrar*") and an office or agency in the contiguous United States where Notes may be presented for payment (the "*Paying Agent*"). The Registrar shall keep a register of the Notes and of their transfer and exchange (the "*Register*"). The Issuer may have one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar, and the term "Paying Agent" includes any additional paying agent.

The Issuer shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture, which shall implement the provisions of this Indenture that relate to such agent. The Issuer shall notify the Trustee in writing of the name and address of any such agent. If the Issuer fails to maintain a Registrar or Paying Agent, the Trustee shall act as such. Other than for purposes of effecting a redemption or an offer to purchase described in Sections 3.07, 3.08, 3.09, 3.11, 4.10 and 4.15 or in connection with Legal Defeasance, Covenant Defeasance or Discharge, the Issuer or any of its Subsidiaries may act as Paying Agent or Registrar.

The Issuer initially appoints the Trustee as Registrar and Paying Agent in connection with the Notes at the Corporate Trust Office of the Trustee.

SECTION 2.04. Paying Agent to Hold Money in Trust.

Prior to 11:00 a.m. New York City time, on each date on which any principal, premium, if any, or interest on any Note is due and payable, the Issuer shall deposit with the Paying Agent a sum sufficient to pay such principal, premium, if any, and interest when so becoming due. The Issuer shall require each Paying Agent (other than the Trustee) to agree in writing that such Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, or premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes and shall notify the Trustee of any default by the Issuer in making any such payment. If the Issuer or any of its Subsidiaries acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund for the benefit of the Holders. The Issuer at any time may require a Paying Agent (other than the Trustee) to pay all money held by it to the Trustee, and the Trustee may at any time during the continuance of any Event of Default under Section 6.01(a) or (b), upon written request to a Paying Agent, require such Paying Agent to forthwith pay to the Trustee all sums so held in trust by such Paying Agent and, in each case, to account for any funds disbursed by such Paying Agent. Upon complying with this Section, the Paying Agent (if other than the Issuer or any of its Subsidiaries) shall have no further liability for the money delivered to the Trustee. Upon any bankruptcy, reorganization or similar proceeding with respect to the Issuer, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.05. Noteholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Noteholders. If the Trustee is not the Registrar, the Issuer shall furnish to the Trustee in writing, at least five Business Days before each Interest Payment Date and at such other times as

the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Noteholders.

SECTION 2.06. Transfer and Exchange.

The Notes shall be issued in registered form and shall be transferable only upon the surrender of a Note for registration of transfer and in compliance with the Appendix. When a Note is presented to the Registrar or a co-registrar with a request to register a transfer, the Registrar shall register the transfer as requested if the requirements of this Indenture are met. When Notes are presented to the Registrar with a request to exchange them for an equal principal amount of Notes of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. The Issuer may require payment of a sum sufficient to cover any taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section 2.06 (other than any such transfer taxes, assessments or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.08, 3.09, 3.11, 4.10, 4.15 or 9.05).

SECTION 2.07. Replacement Notes.

If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Registrar or the Issuer, such Holder shall furnish an indemnity bond sufficient in the judgment of the Trustee to protect the Registrar, Paying Agent and the Trustee and in the judgment of the Issuer to protect the Issuer from any loss which any of them may suffer if a Note is replaced. The Issuer and the Trustee may charge the Holder for their expenses in replacing a Note.

Every replacement Note is an additional obligation of the Issuer.

SECTION 2.08. Outstanding Notes.

The Notes outstanding at any time are all Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in interests in a Global Note effected by the Trustee in accordance with the provisions hereof and those described in this Section as not outstanding. Except as set forth in Section 2.09, a Note does not cease to be outstanding because the Issuer, any Guarantor or an Affiliate of the Issuer or any Guarantor holds the Note.

If the Paying Agent (other than the Issuer or a Subsidiary thereof) holds in trust, in accordance with this Indenture, by 11:00 a.m. New York City time, on a redemption date or other maturity date money sufficient to pay all principal, interest, premium, if any, and Additional Amounts, if any, payable on that date with respect to the Notes (or portions thereof) to be redeemed or maturing, as the case may be, then on and after that date such Notes (or portions thereof) shall cease to be outstanding and interest on them shall cease to accrue.

SECTION 2.09. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuer or any Guarantor, or by any Affiliate of the Issuer or any Guarantor, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee actually knows are so owned will be so disregarded.

SECTION 2.10. Temporary Notes.

Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Issuer considers appropriate for

temporary Notes. Without unreasonable delay, the Issuer shall prepare and the Trustee shall authenticate definitive Notes and deliver them in exchange for Temporary Notes. Holders of temporary Notes shall be entitled to all of the benefits under this Indenture.

SECTION 2.11. Cancellation.

The Issuer at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange, replacement or payment. The Trustee and no one else shall cancel and destroy (subject to the record retention requirements of the Exchange Act) all Notes surrendered for registration of transfer, exchange, replacement, payment or cancellation. Upon written request, the Trustee will deliver a certificate of such cancellation to the Issuer. The Issuer may not issue new Notes to replace Notes it has redeemed, paid or delivered to the Trustee for cancellation.

SECTION 2.12. Defaulted Interest.

If the Issuer defaults in a payment of interest on the Notes, the Issuer shall pay defaulted interest at the rate specified in the second paragraph of Section 4.01 (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Issuer may pay the defaulted interest to the Persons who are Noteholders on a subsequent special record date. The Issuer shall fix or cause to be fixed any such special record date and payment date (which special record date shall not be less than 10 days prior to the related payment date) to the reasonable satisfaction of the Trustee and shall promptly mail to each Noteholder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.13. CUSIP and ISIN Numbers.

The Issuer in issuing the Notes may use "CUSIP" numbers and corresponding "ISINs" (if then generally in use) and, if so, the Trustee shall use "CUSIP" numbers and corresponding "ISINs" in notices of redemption as a convenience to Holders; *provided*, *however*, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Issuer shall promptly notify the Trustee of any changes in "CUSIP" or "ISIN" numbers.

SECTION 2.14. Issuance of Additional Notes.

Following the Escrow Release Date, the Issuer shall be entitled, subject to its compliance with Section 4.09, to issue Additional Notes under this Indenture, which Additional Notes shall have identical terms and conditions as the Initial Notes issued on the Issue Date, other than with respect to the date of issuance, issue price and the date from which interest will accrue. The Initial Notes issued on the Issue Date, and any Additional Notes, will be equally and ratably secured by the Liens granted to the Collateral Agent on the Collateral and shall be treated as a single class for all purposes under this Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase; *provided*, *however*, that in the event any Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, such non-fungible Notes will be issued with a separate CUSIP or ISIN number so they are distinguishable from the Notes issued on the Issue Date.

With respect to any Additional Notes, the Issuer shall set forth in an Officers' Certificate, which shall be delivered to the Trustee, the following information:

(1) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture and the provision of Section 4.09 that the Issuer is relying on to issue such Additional Notes; and

(2) the issue price, the issue date (and the corresponding date from which interest shall accrue thereon and the first Interest Payment Date therefor) and the CUSIP number and any corresponding ISIN of such Additional Notes.

ARTICLE 3

REDEMPTION AND PREPAYMENT

SECTION 3.01. Notices to Trustee.

If the Issuer elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 or is required to redeem, or offer to redeem, Notes pursuant to Section 3.08 or 3.11, it shall furnish to the Trustee, at least five Business Days (unless a shorter period shall be agreeable to the Trustee or, in the case of a redemption under Section 3.11, as required thereby) before the date of giving notice of the redemption pursuant to Section 3.03, an Officers' Certificate setting forth (i) either the clause of Section 3.07 pursuant to which the redemption shall occur or that such redemption shall occur pursuant to Section 3.08 or 3.11, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed, (iv) the redemption price or the method by which it will be determined, and (v) whether the Issuer requests that the Trustee give notice of such redemption.

SECTION 3.02. Selection of Notes to Be Redeemed.

If less than all of the Notes are to be redeemed at any time, the Trustee will select the Notes to be redeemed on a *pro rata* basis, unless otherwise required by law or applicable stock exchange or Depository requirements, from the outstanding Notes not previously called for redemption. In the event of partial redemption other than on a *pro rata* basis, the particular Notes to be redeemed shall be selected, not less than five Business Days (unless a shorter period shall be agreeable to the Trustee) prior to the giving of notice of the redemption pursuant to Section 3.03, by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Issuer in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. No Notes of $1.00 or less can be redeemed in part. Notes and portions of Notes selected shall be in amounts of $1.00 or whole multiples of $1.00 in excess thereof; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder shall be redeemed. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.03. Notice of Redemption.

Except as otherwise provided in Section 3.07(f) with respect to an optional redemption by the Escrow Issuer and in Section 3.08 or Section 3.11 in relation to a mandatory offer to redeem or mandatory redemption, at least 30 days but not more than 60 days before a redemption date (except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a Legal Defeasance, Covenant Defeasance or Discharge), the Issuer shall mail or cause to be mailed, by first class mail, or otherwise given in accordance with the procedures of the Depository, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address (with a copy to the Trustee). Except with respect to redemption pursuant to Sections 3.08 and 3.11, notices of redemption may be subject to one or more conditions specified in the notice of redemption.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price or, if the redemption price is not then determinable, the manner in which it is to be determined;

(c) if any Note is to be redeemed in part only, the portion of the principal amount of such Note that is to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in a principal amount equal to the unredeemed portion of the original Note will be issued in the name or transferred by book entry to the applicable Holder upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Issuer defaults in making such redemption payment, interest on Notes called for redemption shall cease to accrue on and after the redemption date and the only remaining right of the Holders of such Notes is to receive payment of the redemption price upon surrender to the Paying Agent of the Notes redeemed;

(g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed;

(h) the CUSIP (or ISIN) number, if any, and that no representation is made as to the correctness or accuracy of the CUSIP (or ISIN) number, if any, listed in such notice or printed on the Notes; and

(i) a description of any conditions to the Issuer's obligations to complete the redemption.

If any of the Notes to be redeemed is in the form of a Global Note, then the Issuer shall modify such notice to the extent necessary to accord with the procedures of the Depository applicable to redemption.

At the Issuer's request, the Trustee shall give the notice of redemption in the Issuer's name and at its expense; *provided*, *however*, that the Issuer shall have delivered to the Trustee, as provided in Section 3.01, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the second preceding paragraph.

SECTION 3.04. Effect of Notice of Redemption.

Once notice of redemption is delivered in accordance with Section 3.03, Notes (or portions thereof) called for redemption become irrevocably due and payable on the applicable redemption date at the applicable redemption price, subject to the satisfaction of any conditions to the redemption specified in the notice of redemption. If delivered in the manner provided for in Section 3.03, the notice of redemption shall be conclusively presumed to have been given whether or not a Holder receives such notice. Failure to give timely notice or any defect in the notice shall not affect the validity of the redemption.

SECTION 3.05. Deposit of Redemption Price.

Prior to 11:00 a.m., New York City time, on any redemption date, the Issuer shall deposit with the Paying Agent (or, if the Issuer or a Subsidiary thereof is acting as Paying Agent, segregate and hold in trust as provided in Section 2.04) money sufficient in same day funds to pay the redemption price of and accrued interest on all Notes to be redeemed on that date. The Paying Agent shall promptly return to the Issuer any money deposited with the Paying Agent by the Issuer in excess of the amounts necessary to pay the redemption price of and accrued interest on all Notes to be redeemed.

If the Issuer complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption whether or not such Notes are presented for payment, and the only remaining right of the Holders of such Notes shall be to receive payment of the redemption price upon surrender to the Paying Agent of the Notes redeemed. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Issuer to comply with

the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01.

SECTION 3.06. Notes Redeemed in Part.

Upon surrender of a Note that is redeemed in part, the Issuer shall issue in the name of the applicable Holder and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate and mail to such Holder (or cause to be transferred by book entry) at the expense of the Issuer a new Note equal in principal amount to the unredeemed portion of the Note surrendered representing the same Indebtedness to the extent not redeemed; *provided* that each new Note shall be in a principal amount of $1.00 and integral multiples of $1.00 in excess thereof. It is understood that, notwithstanding anything in this Indenture to the contrary, only an authentication order and not an Opinion of Counsel or Officers' Certificate is required for the Trustee to authenticate such new Note.

SECTION 3.07. Optional Redemption.

(a) At any time prior to April 1, 2020, the Issuer may, at its option, redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) issued under this Indenture, at one time or from time to time, at a redemption price equal to 112.000% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in an amount not greater than the net cash proceeds received by the Issuer from one or more Equity Offerings; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes (including any Additional Notes) issued under this Indenture (excluding any Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days after the date of the closing of such Equity Offering.

(b) At any time prior to April 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date. The Issuer shall calculate, or cause the calculation of, the Applicable Premium and the Trustee shall have no duty to calculate or verify the Issuer's calculations thereof.

(c) At any time a Change of Control occurs, the Issuer (or a third party on behalf of the Issuer) may, at its option; redeem all, but not less than all, of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date, if redeemed during the six-month period beginning on the dates indicated below (a "*Change of Control Redemption*"):

DATE	PERCENTAGE
April 1, 2020	106.000%
October 1, 2020	109.000%
April 1, 2021	106.000%
October 1, 2021	103.000%
April 1, 2022 and thereafter	100.000%

If the Issuer (or such third party) elects to exercise this redemption right, it must do so by sending a redemption notice to each Holder with a copy to the Trustee within 30 days following the Change of Control (or, at the Issuer's option, prior to such Change of Control but after the transaction giving rise to such Change of Control is publicly announced). Any such redemption may be conditioned upon the Change of Control occurring if the notice is mailed prior to the Change of Control. If the Issuer (or such third party) exercises the Change of Control Redemption right, the Issuer may elect not to make the Change of Control Offer pursuant Section 4.10 unless it defaults in payments due upon redemption.

(d) On or after April 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date, if redeemed during the six-month period beginning on the dates indicated below:

DATE	PERCENTAGE
April 1, 2020	112.000%
October 1, 2020	109.000%
April 1, 2021	106.000%
October 1, 2021	103.000%
April 1, 2022 and thereafter	100.000%

(e) The Issuer may redeem the Notes, at its option, at any time in whole but not in part, at a redemption price equal to 100% of the outstanding principal amount of Notes, plus accrued and unpaid interest (if any) to, but not including, the applicable redemption date, plus all Additional Amounts, if any, then due and which will become due as a result of the redemption or otherwise (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in the event that the Issuer determines in good faith that the Issuer or any Guarantor has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes or the Guarantees, Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or the relevant Guarantor, as applicable (including making payment through a Paying Agent located in another jurisdiction), as a result of:

(1) a change in or an amendment to the laws or treaties (including any regulations or rulings promulgated thereunder) of any Specified Tax Jurisdiction affecting taxation, which change or amendment is announced or becomes effective on or after the Issue Date, (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction); or

(2) any change in or amendment to any official position of a taxing authority in any Specified Tax Jurisdiction regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Issue Date (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction);

provided, *however*, that in the case of Additional Amounts required to be paid as a result of the Issuer or relevant Guarantor conducting business other than in the place of its incorporation or organization, such amendment or change must be announced or become effective on or after the date in which it begins to conduct business giving rise to the relevant withholding or deduction.

Notwithstanding the foregoing, no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor, as applicable, would be obligated to pay Additional Amounts if a payment in respect of the Notes or the Guarantees were then due, and at the time such notice is given, the obligation to pay Additional Amounts must remain in effect. Before the Issuer mails or delivers notice of redemption of the Notes as described above, the Issuer shall deliver to the Trustee and Paying Agent (a) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts

showing that the conditions precedent to the right of the Issuer to so redeem have occurred and (b) an opinion of independent legal counsel of recognized standing that the Issuer or any Guarantor has or will become obligated to pay Additional Amounts as a result of the circumstances referred to in clause (1) or (2) of the preceding paragraph.

The Trustee and Paying Agent will be entitled to conclusively rely upon the Officers' Certificate and opinion of counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which case they will be conclusive and binding on the Holders.

(f) The Issuer may redeem the Notes, at its option, at any time in whole but not in part, prior to the third Business Day following the Escrow End Date, at a redemption price equal to 100% of the principal amount of Notes plus accrued interest to, but not including, the redemption date, if, in the Issuer's reasonable judgment, the Escrow Release Conditions will not be satisfied on or prior to the Escrow End Date on substantially the terms described in the Offering Circular. If the Issuer exercises this option, the Issuer will redeem the Notes with the amounts held in the Escrow Account upon three Business Days' prior notice, or otherwise in accordance with the requirements of the Depository.

(g) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through Section 3.05.

SECTION 3.08. Mandatory Zonda Offer

(a) The Company will be required, within 10 Business Days of the expiration of a First Lien Zonda Offer or a waiver of the First Lien Zonda Offer provisions under the First Lien Note Indenture, to make an offer (a "*Zonda Offer*") to all Holders and holders of any other Second Lien Debt containing provisions similar to those set forth in this Indenture with respect to offers to purchase, prepay or redeem such Second Lien Debt with Zonda Proceeds in an aggregate principal amount equal to 100% of the Declined Zonda Amount.

(b) The repurchase date in any Zonda Offer (the "*Zonda Offer Settlement Date*") shall be specified by the Company, and shall be no earlier than 30 days and no later than 60 days from the date the notice of such Zonda Offer is delivered pursuant to clause (c) below. The offer price in any Zonda Offer will be equal to 100% of the principal amount of Notes or other Second Lien Debt to be repurchased, repaid or redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of repurchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. A Zonda Offer shall remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "*Zonda Offer Period*").

(c) Upon the commencement of a Zonda Offer, the Company shall send, by first class mail, or otherwise in accordance with the requirements of the Depository, a notice to each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Zonda Offer. The notice, which shall govern the terms of the Zonda Offer, shall state:

(i) that the Zonda Offer is being made pursuant to this Section 3.08 and the duration of the Zonda Offer Period, including the time and date the Zonda Offer Period will terminate (the "*Zonda Offer Termination Date*");

(ii) the Declined Zonda Amount and the purchase price;

(iii) that any Note not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Zonda Offer shall cease to accrue interest on and after the Zonda Offer Settlement Date;

(v) that Holders electing to have a Note purchased pursuant to the Zonda Offer shall be required to surrender the Note, properly endorsed for transfer, together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed and such customary documents as the Issuer may reasonably request, to the Issuer or a Paying Agent at the address specified in the notice, before the Zonda Offer Termination Date;

(vi) that Holders shall be entitled to withdraw their election if the Issuer or the Paying Agent, as the case may be, receives, prior to the Zonda Offer Termination Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing its election to have such Note purchased;

(vii) that, if the aggregate principal amount of Notes and other Second Lien Debt tendered in such a Zonda Offer collectively exceeds the Declined Zonda Amount, the Issuer will select the Notes and such other Second Lien Debt for purchase on a *pro rata* basis unless otherwise required by law or applicable stock exchange or Depository requirements (with such adjustments as may be deemed appropriate by the Issuer so that only Notes and other Second Lien Debt in denominations of $1.00 and integral multiples of $1.00 in excess thereof will be outstanding after such repurchase); and

(viii) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1.00 in principal amount or an integral multiple of $1.00 in excess thereof.

(d) Promptly after the Zonda Offer Termination Date, the Issuer shall, to the extent lawful, accept for payment Notes or portions thereof properly tendered and not withdrawn pursuant to the Zonda Offer in the aggregate principal amount required by this Section 3.08. Prior to 11:00 a.m., New York City time, on the Zonda Offer Settlement Date, the Issuer, the Depository or the Paying Agent, as the case may be, shall mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuer for purchase, and the Issuer shall promptly issue a new Note, and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuer to the Holder thereof. The Issuer shall publicly announce the results of the Zonda Offer on or promptly after the Zonda Offer Termination Date.

(e) Any Zonda Proceeds in excess of the Declined Zonda Amount or that remain after consummation of a Zonda Offer may be used by the Company and the Restricted Subsidiaries for any purpose not otherwise prohibited by this Indenture. For the purposes of this Section 3.08, any Zonda Proceeds not denominated in U.S. dollars shall be converted into their Dollar Equivalent determined as of the Business Day immediately prior to the date on which the First Lien Zonda Offer is announced.

(f) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those requirements, laws and regulations are applicable in connection with each repurchase of Notes or any other Second Lien Debt pursuant to a Zonda Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 3.08, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached this Section 3.08 by virtue of such compliance.

(g) The provisions of this Section 3.08 may be waived or modified at any time with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

SECTION 3.09. Offer to Purchase by Application of Excess Proceeds.

(a) In the event that, pursuant to Section 4.10, the Company shall be required to commence an Asset Sale Offer, it shall follow the additional procedures specified below.

(b) Each Asset Sale Offer shall remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "*Asset Sale Offer Period*"). No later than five Business Days after the termination of the Asset Sale Offer Period (the "*Asset Sale Offer Settlement Date*"), the Company shall apply all Excess Proceeds (the "*Asset Sale Offer Amount*") to the purchase of the Notes and other Indebtedness of the Company or the applicable Restricted Subsidiary as specified in Section 4.10 or, if less than the Asset Sale Offer Amount has been validly tendered (and not validly withdrawn), all Notes and other Indebtedness of the Company or such Restricted Subsidiary, as applicable, validly tendered (and not validly withdrawn) in response to the Asset Sale Offer.

(c) Upon the commencement of an Asset Sale Offer, the Company shall send, by first class mail, or otherwise in accordance with the requirements of the Depository, a notice to each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(i) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 and the length of time the Asset Sale Offer shall remain open, including the time and date the Asset Sale Offer will terminate (the "*Asset Sale Offer Termination Date*");

(ii) the Asset Sale Offer Amount, the purchase price and the Asset Sale Offer Settlement Date;

(iii) that any Note not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Issuer defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest on and after the Asset Sale Offer Settlement Date;

(v) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, properly endorsed for transfer, together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed and such customary documents as the Issuer may reasonably request, to the Issuer or a Paying Agent at the address specified in the notice, before the Asset Sale Offer Termination Date;

(vi) that Holders shall be entitled to withdraw their election if the Issuer or the Paying Agent, as the case may be, receives, prior to the Asset Sale Offer Termination Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing its election to have such Note purchased;

(vii) that, if the aggregate principal amount of Notes or other Second Lien Debt surrendered by Holders and holders of such other Second Lien Debt, collectively, exceeds the Asset Sale Offer Amount, the Issuer shall select the Notes and such other Second Lien Debt to be purchased from the amount allocated therefor on a *pro rata* basis unless otherwise required by law or applicable stock exchange or Depository requirements (with such adjustments as may be deemed appropriate by the Issuer so that only Notes and Second Lien Debt in denominations of $1.00 and integral multiples of $1.00 in excess thereof will be outstanding after such purchase); and

(viii) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1.00 in principal amount or an integral multiple of $1.00 in excess thereof.

Promptly after the Asset Sale Offer Termination Date, the Issuer shall, to the extent lawful, accept for payment Notes or portions thereof tendered pursuant to the Asset Sale Offer in the aggregate principal amount required by Section 4.10. Prior to 11:00 a.m., New York City time, on the Asset Sale Offer Settlement Date, the Issuer, the Depository or the Paying Agent, as the case may be, shall mail or deliver to each tendering Holder an

amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuer for purchase, and the Issuer shall promptly issue a new Note, and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuer to the Holder thereof. The Issuer shall publicly announce the results of the Asset Sale Offer on or before the Asset Sale Offer Settlement Date.

SECTION 3.10. No Mandatory Sinking Fund.

Except as set forth under Sections 3.08, 3.11, 4.10 and 4.15, the Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes or to repurchase the Notes at the option of the Holders.

SECTION 3.11. Escrow of Proceeds; Special Mandatory Redemption.

(a) On the Issue Date, the Escrow Issuer shall enter into an escrow and security agreement (the "*Junior Lien Escrow Agreement*") with the Trustee and Wilmington Trust, National Association, in its capacity as escrow agent (the "*Junior Lien Escrow Agent*"). On the Issue Date, the Escrow Issuer shall deposit into an account or accounts (the "*Escrow Account*") the net proceeds of the offering of the Notes, after deducting the fees payable to the Initial Purchaser, plus an amount in cash determined so that the total escrowed funds will be sufficient to pay the estimated fees and expenses of the Trustee, the Junior Lien Collateral Agent and the Junior Lien Escrow Agent and 100% of the offering price of the Notes plus interest to be accrued on the Notes to, but not including, the third Business Day following the Escrow End Date (collectively, together with any other property from time to time held by the Junior Lien Escrow Agent in the Escrow Account, the "*Escrowed Property*"). For the avoidance of doubt, all amounts to be deposited in the Escrow Account (including amounts in respect of accrued interest) shall be deposited in cash. All Escrowed Property will be held by the Junior Lien Escrow Agent for the benefit of itself, the Trustee and the Noteholders.

(b) If the satisfaction of the Escrow Release Conditions does not occur on or before the Escrow End Date in accordance with the Junior Lien Escrow Agreement, the Issuer shall redeem all and not less than all of the Notes then outstanding (the "*Special Mandatory Redemption*"), upon three Business Days' notice (or otherwise in accordance with the requirements of the Depository), at a redemption price equal to 100% of the aggregate offering price of the Notes plus accrued and unpaid interest to, but not including, the redemption date.

(c) If the Issuer satisfies the Escrow Release Conditions on or prior to the Escrow End Date, then all Escrowed Property will be released to the Company in accordance with the Junior Lien Escrow Agreement (the date on which such release occurs, the "*Escrow Release Date*"). Upon satisfaction of the Escrow Release Conditions, the provisions regarding the Special Mandatory Redemption in this Section 3.11 will cease to apply.

(d) By its acceptance of a Note, each Holder shall be deemed to authorize and direct the Trustee to enter into and perform its obligations under the Junior Lien Escrow Agreement.

ARTICLE 4

COVENANTS

SECTION 4.01. Payment of Notes.

The Issuer shall pay or cause to be paid the principal of, interest, premium, if any, on, the Notes on the dates and in the manner provided in the Notes. Principal, interest and premium, if any, shall be considered paid on the date due if the Paying Agent, if other than the Issuer or a Subsidiary thereof, holds as of 11:00 a.m., New York City time, on the due date money deposited by the Issuer or a Guarantor in immediately available funds and designated for and sufficient to pay all principal, Cash Interest and premium, if any, then due and, in the event the Issuer elects to make an interest payment in the form of PIK Interest, the Trustee has received (i) in the case of definitive Notes, PIK Notes duly executed by the Issuer together with an authentication order pursuant to Section

2.02 from the Issuer signed by an Officer of the Issuer requesting authentication of such PIK Notes by the Trustee or (ii) in the case of Global Notes, a written order pursuant to Section 2.02 from the Issuer signed by an Officer of the Issuer requesting an increase in the principal amount of such Global Notes by the Trustee. Subject to Section 4.22, all payments made by the Issuer under or with respect to the Notes will be made free and clear of and without withholding or deduction for, or on account of, any Taxes, unless the withholding or deduction of such Taxes is then required by law.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at a rate equal to the then-applicable interest rate on the Notes; and it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest, if any (without regard to any applicable grace period), at the same rate as on overdue principal to the extent lawful.

SECTION 4.02. Maintenance of Office or Agency.

The Issuer shall maintain an office or agency (which may be an office of the Trustee, an affiliate of the Trustee, the Registrar or the Paying Agent) in the contiguous United States where Notes may be presented or surrendered for payment and shall maintain an office or agency in the contiguous United States (which may be an office of the Trustee, an affiliate of the Trustee, the Registrar or the Paying Agent) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee; *provided* that no office of the Trustee shall be an office or agency for the purpose of service of legal process against the Issuer or any Guarantor.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided*, *however*, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency in the contiguous United States for such purposes. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Issuer in accordance with Section 2.03.

SECTION 4.03. Reports.

(a) Whether or not the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, the Company shall furnish to the Trustee and the Holders, so long as any Notes are outstanding:

(1) within 75 days after the end of each of the first three fiscal quarters of each fiscal year (or so long as the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, by the time period required under the rules of the SEC for the filing of any quarterly reports for such fiscal quarter), reports on Form 6-K (for so long as the Company is a "foreign private issuer" subject to Section 13(a) or 15(d) of the Exchange Act) or Form 10-Q (or any successor form) containing, whether or not required, the Company's unaudited quarterly consolidated financial statements (including a balance sheet and statement of income, changes in stockholders' equity and cash flow) and a Management's Discussion and Analysis of Financial Condition and Results of Operations (the "*MD&A*") (or equivalent disclosure) for and as of the end of such fiscal quarter (with comparable financial statements for the corresponding fiscal quarter of the immediately preceding fiscal year);

(2) within 120 days after the end of each fiscal year (or so long as the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, by the time period required under the rules of the SEC for the filing of an annual report for each fiscal year), an annual report on Form 20-F (for so long as the Company is a "foreign private issuer" subject to Section 13(a) or 15(d) of the Exchange Act) or Form 10-K (or any successor form) containing, whether or not required, the Company's audited consolidated financial statements, a report thereon by the Company's certified independent accountants and an MD&A for such fiscal year; and

(3) (i) for so long as the Company is a "foreign private issuer" subject to Section 13(a) or 15(d) of the Exchange Act, all such other reports and information that the Company is required to file or furnish pursuant thereto; and (ii) at or prior to such times as would be required to be filed or furnished to the SEC if the Company was subject to Section 13(a) or 15(d) of the Exchange Act (whether or not the Company is then subject to such requirements), current reports on Form 8-K that the Company would have been required to file or furnish pursuant thereto.

All such reports shall be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports.

(b) The Company shall electronically file or furnish, as the case may be, a copy of all such information and reports referred to in clauses (1) through (3) in paragraph (a) above with the SEC for public availability within the time periods specified therein at any time the Company is then subject to Section 13(a) or 15(d) of the Exchange Act and make such information available to the Holders, and if the Notes are represented by one or more Global Notes, the beneficial owners, of the Notes and prospective investors upon request.

(c) The Company shall be deemed to have furnished such reports referred to in paragraph (a) above to the Trustee and the Holders if the Company has filed such reports with the SEC via the EDGAR filing system and such reports are publicly available. If, notwithstanding the foregoing, the SEC will not accept the Company's filings for any reason, the Company will post the reports referred to in paragraph (a) above on its website within the time periods that would apply to non-accelerated filers if the Company were required to file those reports with the SEC.

(d) The Company agrees that, for so long as any Notes remain outstanding, it will hold and participate in quarterly conference calls with the Holders and securities analysts relating to the financial condition and results of operations of the Company and the Restricted Subsidiaries.

(e) In addition, for so long as any Notes remain outstanding and are subject to restrictions on transfer by non-Affiliates under U.S. federal securities laws, the Company will furnish to the Holders and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

(f) If the Company has designated any Unrestricted Subsidiaries, then the quarterly and annual financial information required by this Section 4.03 shall include a reasonably detailed presentation of the financial condition and results of operations of the Unrestricted Subsidiaries separate from the financial condition and results of operations of the Company and the Restricted Subsidiaries.

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with the covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officers' Certificate).

SECTION 4.04. Compliance Certificate.

(a) The Issuer shall deliver to the Trustee, within 120 days after the end of each fiscal year ending after the Issue Date, an Officers' Certificate stating (i) that a review of the activities of the Issuer and the Restricted Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers

with a view to determining whether the Issuer has kept, observed, performed and fulfilled its obligations under this Indenture and the other Note Documents, and further stating, as to each such Officer signing such certificate, that, to the best of his or her knowledge, the Issuer has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and the other Note Documents applicable to the Issuer and is not in default in the performance or observance of any of the terms, provisions and conditions thereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuer is taking or proposes to take with respect thereto) and (ii) either (x) that all action has been taken with respect to the recording, filing, re-recording and refiling of this Indenture and all amendments, supplemental indentures, financing statements, continuation statements and other documents, as are necessary to maintain the perfected Liens created under the Collateral Documents under applicable law and reciting the details of such action or referring to prior Officers' Certificates in which such details are given or (y) that no such action is necessary to maintain such Liens.

(b) The Issuer shall, so long as any of the Notes are outstanding, deliver to the Trustee, within 10 Business Days of any of its Officers becoming aware of any Default or Event of Default, a written statement specifying such Default or Event of Default and what action the Issuer is taking or proposes to take with respect thereto.

SECTION 4.05. Taxes.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders.

SECTION 4.06. Stay, Extension and Usury Laws.

Each of the Issuer and the Guarantors covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and each of the Issuer and the Guarantors (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.07. Limitation on Restricted Payments.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of Equity Interests of the Company or any Restricted Subsidiary (including, without limitation, any payment in connection with any merger, consolidation or amalgamation involving the Company or any of the Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of the Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or any other Restricted Subsidiary (and, if such Restricted Subsidiary has holders of Equity Interests other than the Company or other Restricted Subsidiaries, to its other holders of Equity Interests on a pro rata basis or on a basis that is more favorable to the Company and its Restricted Subsidiaries than pro rata));

(2) purchase, repurchase, redeem, retire or otherwise acquire for value (including, without limitation, in connection with any merger, consolidation or amalgamation involving the Company) any Equity Interests of the Company held by any Person (other than any such Equity Interests held by the Company or any Restricted Subsidiary) or any Equity Interests of any Restricted Subsidiary held by an affiliate of the Company (other than Equity Interests held by the

Company or any Restricted Subsidiary) (in each case other than in exchange for Equity Interests of the Company that do not constitute Disqualified Stock);

(3) make any cash interest payment on or with respect to, or make any principal or premium payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Material Junior Debt; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

(I) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(II) the Company could Incur, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, at least $1.00 of additional Indebtedness pursuant to clause (2) of Section 4.09(b);

(III) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and the Restricted Subsidiaries since the Escrow Release Date (excluding Restricted Payments permitted by clauses (2) through (13) of Section 4.07(b)), is less than the sum, without duplication, of:

(A) 50% of the Company's Consolidated Net Income on a consolidated basis for the period (taken as one accounting period) beginning on the first day of the first fiscal quarter after the Escrow Release Date during which the Company's Consolidated Net Income is positive (the "*Builder Basket Start Date*") and ending on the last day of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(B) 100% of the aggregate net cash proceeds or the Fair Market Value of assets other than cash, in each case received by the Company or any Restricted Subsidiary from any Person other than the Company or any of its Subsidiaries since the Builder Basket Start Date as a contribution to its common equity capital or from the issue or sale of the Equity Interests (other than Disqualified Stock and other than any Plan Equity) of the Company or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company, in each case that have been converted into or exchanged for Equity Interests (other than Disqualified Stock) of the Company (other than Equity Interests, Disqualified Stock or debt securities sold to a Subsidiary of the Company); *plus*

(C) to the extent that any Restricted Investment that was made after the Builder Basket Start Date pursuant to this paragraph is sold or disposed of for cash or Cash Equivalents or otherwise cancelled, liquidated or repaid for cash or Cash Equivalents, the lesser of (i) the return of capital received in cash or Cash Equivalents with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(D) to the extent that any Unrestricted Subsidiary designated as such after the Builder Basket Start Date pursuant to this paragraph is

redesignated as a Restricted Subsidiary, the lesser of (i) the Fair Market Value of the Restricted Investment made by the Company or any of the Restricted Subsidiaries in such Subsidiary as of the date of such redesignation and (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Builder Basket Start Date.

(b) The provisions of Section 4.07(a) will not prohibit:

(1) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or distribution or the date of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend, distribution or redemption payment would have complied with the provisions of this Indenture;

(2) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock and any other Plan Equity) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (III)(B) of Section 4.07(a) above;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Material Junior Debt with the net cash proceeds from a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(4) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, employee stock ownership plan or similar trust, shareholders' agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $3 million in any calendar year (with any portion of such $3 million amount that is unused in any calendar year to be carried forward to successive calendar years and added to such amount);

(5) the purchase, redemption or other acquisition or retirement for value of Equity Interests deemed to occur upon the exercise or conversion of stock options, warrants, rights to acquire Equity Interests or other convertible securities, to the extent such Equity Interests represent a portion of the exercise or conversion price thereof or the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officers, directors or employees of the Company or any of its Restricted Subsidiaries in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy any tax withholding obligation with respect to such exercise or vesting;

(6) any purchase, redemption, defeasance or other acquisition or retirement of any Material Junior Debt from proceeds of an Asset Sale or the Zonda Arbitration or in the event of a Change of Control, in each case only if prior to or simultaneously with such purchase, redemption, defeasance or other acquisition or retirement, the Company or a Restricted Subsidiary has made the Asset Sale Offer, Zonda Offer or Change of Control Offer, as applicable, as provided in this Indenture and has completed the repurchase of all Notes validly tendered for payment in connection with such Asset Sale Offer, Zonda Offer or Change of Control Offer in accordance with the requirements of this Indenture;

(7) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Preferred Stock of any Restricted Subsidiary of the Company issued on or after the Issue Date in accordance with Section 4.09;

(8) cash payments in lieu of the issuance of fractional shares, or payments to dissenting stockholders (a) pursuant to applicable law or (b) in connection with the settlement or other satisfaction of legal claims made pursuant to or in connection with a consolidation, merger or transfer of assets in connection with a transaction that is not prohibited by this Indenture;

(9) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, any Restricted Payment so long as the amount of such Restricted Payment, together with the aggregate amount of all other Restricted Payments made under this clause (9) since the Issue Date, does not exceed $16.5 million;

(10) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, any Restricted Payment so long as, at the time of, and after giving effect to, such Restricted Payment, the Company's First Lien Leverage Ratio does not exceed 2.2 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the payment in cash of interest on, or any principal or premium payment with respect to, or the repurchase, redemption, defeasance or other acquisition or retirement for value of, Material Junior Debt; *provided* that the aggregate amount of such payments may not exceed $33 million in any calendar year;

(12) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, the payment in cash of interest on Material Junior Debt, so long as, at the time of, and after giving effect to, such payment, the Company's Consolidated Interest Coverage Ratio is at least 1.575 to 1.0; and

(13) so long as no Default or Event of Default has occurred and is continuing or would occur as a result thereof, (x) the repurchase, redemption, defeasance or other acquisition or retirement for value of Material Junior Debt and (y) Investments in any Person (including an Unrestricted Subsidiary); *provided* that the sum of (I) the aggregate amount of payments made pursuant to the foregoing clause (x) and (II) the aggregate Fair Market Value of Investments made pursuant to the foregoing clause (y), when taken together with all other Investments made pursuant to such clause (y) that are at the time outstanding (in each case, measured on the date each such Investment was made and without giving effect to subsequent changes in value), shall not exceed $82.5 million.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or any Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. For purposes of determining compliance with this Section 4.07, in the event that a Restricted Payment meets the criteria of more than one of the categories of Restricted Payments described in Section 4.07(a) or the preceding clauses (1) through (13) of this Section 4.07(b) or as a Permitted Investment, the Company will be permitted to divide or classify (or later divide, classify or reclassify in whole or in part in its sole discretion) such Restricted Payment in any manner that complies with this Section 4.07.

SECTION 4.08. Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create or permit to become effective any consensual encumbrance or restriction on the ability of any of the Restricted Subsidiaries to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of the Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of the Restricted Subsidiaries; *provided* that the priority that any series of preferred stock of a Restricted Subsidiary has in receiving dividends or liquidating distributions before dividends or liquidating distributions are paid in respect of common stock of such Restricted Subsidiary shall not constitute a restriction on the ability to make dividends or distributions on Capital Stock for purposes of this Section 4.08;

(2) make loans or advances to the Company or any of the Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of the Restricted Subsidiaries (all such actions set forth in these clauses (1) through (3) above being collectively referred to as "*Intercompany Transfers*").

(b) The restrictions in Section 4.08(a) will not apply to encumbrances or restrictions on the ability of any of the Restricted Subsidiaries to make Intercompany Transfers existing under or by reason of:

(1) agreements governing Indebtedness as in effect on the Issue Date;

(2) restrictions contained in, or in respect of, Hedging Obligations permitted to be Incurred by this Indenture;

(3) this Indenture, the Intercreditor Agreement, the other Collateral Documents, the Notes and the Guarantees;

(4) applicable law, rule, regulation or order;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of the Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was Incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be Incurred;

(6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business, mortgage financings and Capital Lease Obligations that impose restrictions on the property purchased or mortgaged or leased of the nature described in clause (3) of Section 4.08(a);

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the assets of any Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(9) Liens permitted to be Incurred under the provisions of Section 4.12 that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions limiting the disposition or distribution of assets or property in joint venture agreements, partnership agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements, which limitation is applicable only to the assets that are the subject of such agreements;

(11) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(12) any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1), (3), (5) or (7) of this Section 4.08(b); *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company, not materially more restrictive with respect to such encumbrance and other restrictions taken as a whole than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing;

(13) encumbrances or restrictions of the nature described in clause (3) of Section 4.08(a) with respect to property under a charter, lease or other agreement that has been entered into in the ordinary course for the employment, charter or other hire of such property; and

(14) instruments governing Indebtedness that is permitted to be Incurred subsequent to the Issue Date pursuant to Section 4.09; *provided* that, at the time such Indebtedness is Incurred, either (a) such encumbrance or restriction is customary for financings of the same type, and such restrictions would not reasonably be expected to materially impair the Company's ability to make scheduled payments of interest and principal on the Notes when due or any Guarantor's ability to make payment under its Guarantee, as determined in good faith by the Board of Directors of the Company or a Financial Officer of the Company, or (b) the restrictions therein are not materially more restrictive, taken as a whole, than those contained in this Indenture, the Notes and the Guarantees, as determined in good faith by the Board of Directors or a Financial Officer of the Company.

SECTION 4.09. Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*Incur*," and "*Incurrence*," "*Incurred*" and "*Incurring*" shall have meanings correlative to the foregoing) any Indebtedness (including Acquired Debt) or issue any Disqualified Stock, and the Company will not permit any of the Restricted Subsidiaries to issue any shares of Preferred Stock.

(b) The provisions of Section 4.09(a) will not, however, prohibit the Incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the Incurrence by the Company or any Guarantor of Indebtedness under the Initial Notes, the First Lien Notes issued on the date of the First Lien Note Indenture, and the guarantees thereof;

(2) the Incurrence by the Company or any Guarantor of Indebtedness under one or more Credit Facilities (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company or such Guarantor thereunder) or in the form of one or more Guarantees of Indebtedness of one or more Unrestricted Subsidiaries; *provided*, that after giving pro forma effect thereto (including the application of proceeds therefrom), (i) if such

Indebtedness is not Priority Lien Debt, the aggregate amount of Consolidated Total Indebtedness of the Company and the Restricted Subsidiaries (including any outstanding Notes and First Lien Notes and any Permitted Refinancing Indebtedness in respect thereof, but excluding intercompany Indebtedness permitted by clause (6) below) shall not exceed the product of (x) $275 million and (y) the number of 6th or 7th (or later) generation Vessels owned by the Company or any Guarantor at the time of Incurrence (*provided* that, in the case of Second Lien Debt, the aggregate amount of Consolidated Total Indebtedness that is secured by Liens shall not exceed the sum of (1) the product of (x) $100 million and (y) the number of 6th or 7th (or later) generation Unqualified Vessels owned by the Company or any Guarantor at the time of Incurrence and (2) the product of (x) $225 million and (y) the number of Qualified Vessels owned by the Company or any Guarantor at the time of Incurrence) or (ii) if such Indebtedness is Priority Lien Debt, the aggregate amount of such Consolidated Total Indebtedness of the Company and the Restricted Subsidiaries that is Priority Lien Debt (including any outstanding First Lien Notes and any Permitted Refinancing Indebtedness in respect thereof, but excluding intercompany Indebtedness permitted by clause (6) below) shall not exceed the sum of (1) the product of (x) $55 million and (y) the number of 6th or 7th (or later) generation Unqualified Vessels owned by the Company or any Guarantor at the time of Incurrence and (2) the product of (x) $165 million and (y) the number of Qualified Vessels owned by the Company or any Guarantor at the time of Incurrence;

(3) the Incurrence by the Company or any Guarantor of Indebtedness for the purpose of financing all or any part of the purchase price of the drillship known as the *Pacific Zonda*, and Permitted Refinancing Indebtedness in respect thereof, in an amount, including all such Permitted Refinancing Indebtedness, not to exceed $150 million at any time outstanding;

(4) the Incurrence by the Company or any Guarantor of up to $55 million of First Lien Debt pursuant to one or more Credit Facilities providing revolving credit (including letter of credit availability) to the Company or any Guarantor for working capital or other general corporate purposes;

(5) the Incurrence by the Company or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge, in whole or in part, any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be Incurred under clause (1) or (2) of this paragraph or this clause (5);

(6) the Incurrence by Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company and any of the Restricted Subsidiaries; *provided*, *however*, that:

(A) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Company, or the applicable Guarantees, in the case of a Guarantor; and

(B) upon any (i) subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary, or (ii) sale or other transfer of any such Indebtedness to a Person that is not the Company or a Restricted Subsidiary, the exception provided by this clause (6) shall no longer be applicable to such Indebtedness and such Indebtedness will be deemed to have been Incurred at the time of any such issuance, sale or transfer;

(7) the Incurrence by the Company or any Restricted Subsidiary of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(8) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Guarantee, then the guarantee shall be subordinated *or pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(9) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness in respect of workers' compensation claims, self-insurance obligations, and performance, customs, importation and surety bonds or other Indebtedness of a like nature, in each case in the ordinary course of business;

(10) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(11) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from agreements providing for indemnification, earn-outs, adjustment of purchase price or similar obligations, or guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Restricted Subsidiary pursuant to such agreements, in each case, Incurred in connection with the acquisition or disposition of any business, assets or the Capital Stock of a Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or the Capital Stock of a Subsidiary for the purpose of financing such acquisition; *provided*, *however*, that, in the case of a disposition, the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value)) actually received by the Company and the Restricted Subsidiaries in connection with such disposition;

(12) the Incurrence by the Company or any Restricted Subsidiary of Indebtedness not otherwise permitted pursuant to clauses (1) through (11) above or clause (13) or (14) below in an amount, together with any other Indebtedness Incurred pursuant to this clause (12) then outstanding, not in excess of $100 million;

(13) Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations (or any guarantee thereof or indemnity with respect thereto), in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or any Restricted Subsidiary, and Permitted Refinancing Indebtedness in respect thereof, in an amount, including all such Permitted Refinancing Indebtedness, not to exceed $50 million at any time outstanding; and

(14) Acquired Debt; *provided* that, after giving pro forma effect to the relevant transaction (A) no Default or Event of Default shall have occurred and be continuing and (B) the Company could Incur at least $1.00 of additional Indebtedness pursuant to clause (2) above.

For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (14) above, the Company or the applicable Restricted Subsidiary will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its Incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09. The accrual of interest or Preferred Stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms (including PIK Interest with respect to the Notes), the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Preferred Stock or Disqualified Stock in the form of additional shares of the same class of Preferred

Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness or an issuance of Preferred Stock or Disqualified Stock for purposes of this covenant; *provided*, *in* each such case, that the amount of any such accrual, accretion or payment is included in Consolidated Interest Expense of the Company as accrued.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person; and

(4) in the case of Hedging Obligations, the termination value of the agreement or arrangement giving rise to such Hedging Obligations that would be payable by the specified Person at such date.

(c) Notwithstanding anything to the contrary in this Indenture, the Issuer will not, and will not permit any Guarantor to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) that is subordinated or junior in right of payment to any Indebtedness of the Company or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the Notes or such Guarantor's Guarantee to the extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of the Company or such Guarantor, as the case may be.

For purposes of determining compliance with any dollar-denominated restriction on the Incurrence of Indebtedness, the Dollar Equivalent of the principal amount of Indebtedness denominated in another currency will be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than dollars, and such refinancing would cause the applicable dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that the Company or the applicable Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

If the Company or any Guarantor Incurs any Junior Lien Debt (other than the Notes) that is secured by Liens that are pari passu in priority with the Liens securing the Notes (other than Additional Notes) or that are expressly subordinated to the Liens securing the Notes, the Junior Lien Collateral Agent and the Junior Lien Representative for such other Junior Lien Debt will enter into an intercreditor, collateral agency or similar agreement governing the relationship between Holders and such other Junior Lien Debt with respect to collateral substantially consistent with the terms of the Intercreditor Agreement or the Collateral Agency Agreement, or on terms that, taken as a whole, are not less favorable to the Holders in any material respect, or on such other terms as the Junior Lien Collateral Agent (acting at the direction of Holders of a majority in principal amount of the Notes then outstanding) and such other Junior Lien Representative may agree. Holders will be deemed to have agreed to and accepted the terms of any such intercreditor, collateral agency or similar agreement by their acceptance of the

Notes and to have directed the Junior Lien Collateral Agent (and Trustee, if applicable) to enter into and perform their obligations under such agreement.

SECTION 4.10. Limitation on Asset Sales.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, consummate any Asset Sale unless:

(1) the Company or the Restricted Subsidiary, as the case may be, receives consideration at the time of consummation of such Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in such Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents;

provided, that the foregoing requirements shall not apply with respect to any Involuntary Transfer.

(b) For purposes of Section 4.10(a), each of the following will be deemed to be cash:

(1) any Indebtedness or other liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed, repaid or retired by the transferee of any such assets so long as the Company or such Restricted Subsidiary is released from further liability in respect thereof; and

(2) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are, within 180 days after receipt thereof, converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion.

(c) Within 365 days after the receipt of any Net Proceeds from an Asset Sale (including, without limitation, an Involuntary Transfer), the Issuer or the applicable Restricted Subsidiary, as the case may be, may apply such Net Proceeds at its option to any combination of the following:

(1) (a) to purchase, repay or prepay First Lien Debt (and, if such First Lien Debt consists of revolving debt, to correspondingly reduce commitments with respect thereto) or cash collateralize letters of credit in respect thereof or (b) to purchase, repay or prepay Second Lien Debt (and, if such Second Lien Debt consists of revolving debt, to correspondingly reduce commitments with respect thereto); *provided* that, to the extent purchases, repayments or prepayments of any Second Lien Debt are made pursuant to this clause (1)(b), the Issuer shall equally and ratably repay or offer to repay Notes as provided in Section 3.07, through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or by making an offer to Holders in accordance with the procedures set forth in Section 3.09 and this Section 4.10 for an Asset Sale Offer;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, any Person primarily engaged in a Permitted Business, if, in the case of any such acquisition of Capital Stock, such Person is or becomes a Restricted Subsidiary as a result of such acquisition;

(3) to make a capital expenditure that is used or useful in a Permitted Business; or

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business (including, without limitation, Vessels, related assets and any related Ready for Sea Costs) or make any deposit, installment or progress payment in respect of such assets or payment of any related Ready for Sea Costs,

provided that (x) a binding commitment made within the 365-day period described above by the Issuer or the applicable Restricted Subsidiary to apply Net Proceeds from an Asset Sale in accordance with clauses (2), (3) and/or (4) above shall satisfy the requirements of such clauses with respect to such Net Proceeds so long as such Net Proceeds are actually so applied within 545 days from the receipt thereof from such Asset Sale and (y) if all or any portion of the assets sold or transferred in such Asset Sale constituted Collateral, in the case of any application of Net Proceeds pursuant to clause (2), (3) or (4) above, the Issuer shall, or shall cause the applicable Restricted Subsidiary to, pledge any assets (including, without limitation, any acquired Capital Stock) acquired with such Net Proceeds to secure the Notes Obligations on a second-priority secured basis (subject to Permitted Collateral Liens) pursuant to the Collateral Documents in accordance with this Indenture.

(d) Pending the final application of any Net Proceeds, the Issuer or the applicable Restricted Subsidiary may apply the Net Proceeds to temporarily reduce outstanding revolving credit Indebtedness of the Issuer or any of the Restricted Subsidiaries, respectively, or invest the Net Proceeds in cash and Cash Equivalents.

(e) Any Net Proceeds from Asset Sales that are not applied or invested as provided in Section 4.10(c) will constitute "*Excess Proceeds.*" When the aggregate amount of Excess Proceeds exceeds $22 million, the Issuer shall, within 10 Business Days thereof, make an offer (an "*Asset Sale Offer*") in accordance with Section 3.09 to all Holders and holders of any other Second Lien Debt containing provisions similar to those set forth in this Indenture with respect to offers to purchase, prepay or redeem such Second Lien Debt with the proceeds of sales of assets to purchase, prepay or redeem the Notes and such other Second Lien Debt on a *pro rata* basis in an aggregate principal amount equal to the Excess Proceeds. The repurchase date in any Asset Sale Offer shall be specified by the Issuer, which date will be no earlier than 30 days and no later than 60 days from the date the notice of such Asset Sale Offer is delivered. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and the Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes or other Second Lien Debt tendered in such Asset Sale Offer exceeds the amount of Excess Proceeds, the Issuer will select the Notes and other Second Lien Debt for purchase on a *pro rata* basis unless otherwise required by law or applicable stock exchange or Depository requirements (with such adjustments as may be deemed appropriate by the Issuer so that only Notes and other Second Lien Debt in denominations of $1.00 and integral multiples of $1.00 in excess thereof will be outstanding after such purchase). For the purposes of calculating the principal amount of any such Indebtedness not denominated in U.S. dollars, such Indebtedness shall be calculated by converting any such principal amounts into their Dollar Equivalent determined as of the Business Day immediately prior to the date on which the Asset Sale Offer is announced. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(f) The Issuer shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those requirements, laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of this Indenture, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.10 by virtue of such compliance.

(g) The provisions of this Section 4.10 with respect to the Issuer's obligation to make an Asset Sale Offer as a result of an Asset Sale may be waived or modified at any time with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

SECTION 4.11. Limitation on Transactions with Affiliates.

(a) The Company will not, and will not permit any of the Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "*Affiliate Transaction*") involving, with respect to any such transaction or series of related transactions, payments or consideration in excess of $1 million, unless:

(1) the Affiliate Transaction is on terms that are either (a) no less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable arm's-length transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate of the Company or (b) if, in the good faith judgment of the Company's Board of Directors, no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to the Company or the relevant Restricted Subsidiary from a financial point of view; and

(2) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $27.5 million, a resolution of the Board of Directors of the Company accompanied by an Officers' Certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this Section 4.11 and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of the Company; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $55 million, an opinion issued to the Board of Directors of the Company by an accounting, appraisal or investment banking firm of international standing or generally recognized in the shipping or offshore drilling industries as qualified to perform the tasks for which such firm has been engaged as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view or that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable arm's-length transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate of the Company.

For the avoidance of doubt, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration of $27.5 million or less, the determination that such Affiliate Transaction or series of Affiliate Transactions complies with this Section 4.11 may be made by a Financial Officer of the Company.

(b) The following items will not be deemed to be Affiliate Transactions, as applicable, and, therefore, will not be subject to the provisions of Section 4.11(a):

(1) any employment agreement, employee benefit plan, compensation plan or arrangement, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) payment of reasonable directors' fees to directors of the Company or any Restricted Subsidiary;

(3) transactions solely between or among the Company and/or any of its Restricted Subsidiaries;

(4) the issuance or sale of Equity Interests (other than Disqualified Stock) of the Company to, or receipt of capital contributions from, Affiliates of the Company;

(5) loans or advances to employees of the Company or any Restricted Subsidiary in the ordinary course of business not to exceed $2 million in the aggregate at any one time outstanding;

(6) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(7) Permitted Investments (other than Investments permitted by clause (3) of the definition thereof) and Restricted Payments that do not violate the provisions of Section 4.07;

(8) transactions between the Company or any of its Restricted Subsidiaries and any Person that would not otherwise constitute an Affiliate Transaction except for the fact that one director of such other Person is also a director of the Company or such Restricted Subsidiary, as applicable; provided that such director abstains from voting as a director of the Company or such Restricted Subsidiary, as applicable, on any matter involving such other Person; and

(9) any agreement as in effect on the Issue Date or any amendments, renewals or extensions of any such agreement (so long as such amendments, renewals or extensions are not less favorable to the Holders).

SECTION 4.12. Limitation on Liens.

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist (i) any Lien of any kind on any Collateral, except for Permitted Collateral Liens, or (ii) any Lien of any kind securing Indebtedness on any of its property or assets that are not Collateral, except for Permitted Liens.

SECTION 4.13. Additional Guarantees.

If, after the Escrow Release Date or the Zonda Release Date, as applicable, (i) the Company acquires or creates any Restricted Subsidiary (other than an Immaterial Subsidiary), (ii) as of the date of any financial statements delivered pursuant to Section 4.03, a Restricted Subsidiary that was previously an Immaterial Subsidiary has ceased to meet the definition thereof (but remains a Restricted Subsidiary), or (iii) a third party consent is no longer required in order for PIDWAL to provide a Guarantee (but PIDWAL remains a Restricted Subsidiary), then the Company will (1) cause PIDWAL or such other Subsidiary, as the case may be, to, within 20 Relevant Business Days of such event, (x) execute and deliver to the Trustee a supplemental indenture substantially in the form of Annex B hereto pursuant to which such Person will become a Guarantor and (y) execute amendments to the Collateral Documents pursuant to which it will grant a Lien on any Collateral held by it in favor of the Junior Lien Collateral Agent, for the benefit of the Holders, and become a Collateral Grantor thereunder, and cause such Liens to be perfected as required thereby and (2) deliver to the Trustee and Junior Lien Collateral Agent one or more opinions of counsel in connection with the foregoing as specified in this Indenture. The Company will not be obligated to seek to obtain any third party consent for PIDWAL to provide a Guarantee.

SECTION 4.14. Existence.

Subject to Article 5, the Issuer shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

SECTION 4.15. Offer to Repurchase Upon Change of Control.

(a) If a Change of Control occurs, the Company shall make an offer (a "*Change of Control Offer*") to each Holder to repurchase all or any part (equal to a minimum amount of $1.00 and integral multiples of $1.00 in excess thereof) of that Holder's Notes at a purchase price in cash (the "*Change of Control Payment*") equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to, but not including, the date of purchase (the "*Change of Control Payment Date*"), subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date. No later than 30 days following any Change of Control, the Company shall deliver a

notice to the Trustee and paying agent and each Holder describing the transaction or transactions that constitute the Change of Control and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes properly tendered and not withdrawn pursuant to the Change of Control Offer will be accepted for payment;

(2) the Change of Control Payment and the Change of Control Payment Date, which will be no earlier than 30 days and no later than 60 days from the date such notice is delivered;

(3) that any Note not properly tendered will continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest on and after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, properly endorsed for transfer, together with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed and such customary documents as the Company may reasonably request, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, prior to the close of business on third Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing its election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1.00 in principal amount or an integral multiple of $1.00 in excess thereof.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent those requirements, laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.15, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of such compliance.

(b) On or before the Change of Control Payment Date, the Company shall, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions Notes properly tendered and not withdrawn; and

(3) deliver or cause to be delivered to the Trustee and Paying Agent the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

(c) The paying agent shall deliver to each Holder of Notes properly tendered and not withdrawn the Change of Control Payment for such Notes (or, if all the Notes are then in global form, make such payment through the facilities of the Depository) and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided*, *however*, that each such new Note will be in a principal amount of $1.00 or an integral multiple of $1.00 in excess thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) Notwithstanding anything to the contrary in this Section 4.15, the Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under such Change of Control Offer, or (2) notice of redemption of all Notes has been given pursuant to Section 3.07, unless there is a default in payment of the applicable redemption price.

(e) Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

(f) The provisions of this Section 4.15 relating to the Company's obligation to make a Change of Control Offer, including the definition of "Change of Control," may be waived or modified at any time (including after a Change of Control) with the written consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding.

SECTION 4.16. Payments for Consent.

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any cash consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, any Guarantee or the Notes unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

SECTION 4.17. Designation of Restricted and Unrestricted Subsidiaries.

(a) The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if:

(1) the Company would be permitted to make (i) a Permitted Investment or (ii) an Investment pursuant to Section 4.07, in either case, in an amount equal to the Fair Market Value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in such Subsidiary at the time of such designation;

(2) such Restricted Subsidiary meets the definition of an "Unrestricted Subsidiary";

(3) the designation would not constitute or cause (with or without the passage of time) a Default or Event of Default and no Default or Event of Default would be in existence following such designation; and

(4) the Company delivers to the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions.

If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation

and will reduce the amount available for Restricted Payments under Section 4.07 or under one or more clauses of the definition of Permitted Investments, as determined by the Company.

If, at any time, any Unrestricted Subsidiary designated as such would fail to meet the preceding requirements as an Unrestricted Subsidiary, then such Subsidiary will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary and any Liens on the assets of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary as of such date and, if such Indebtedness or Liens are not permitted to be Incurred as of such date under Section 4.09, the Company or the applicable Restricted Subsidiary will be in default of such Section.

(b) The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary if:

(1) the Company and the Restricted Subsidiaries may Incur the Indebtedness and Liens (and the Company and the Restricted Subsidiaries shall be deemed to Incur such Indebtedness and Liens upon such designation) of such Subsidiary under Sections 4.09 and 4.12;

(2) [reserved]

(3) the designation would not constitute or cause (with or without the passage of time) a Default or Event of Default and no Default or Event of Default would be in existence following such designation; and

(4) the Company delivers to the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions.

SECTION 4.18. Business Activities.

The Company will not, and will not permit any of the Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and the Restricted Subsidiaries taken as a whole.

SECTION 4.19. [Reserved]

SECTION 4.20. Rights to Earnings from the Collateral Vessels.

(a) The Company shall not permit any of its Subsidiaries (other than any Guarantor) to be or become party to a Drilling Contract in respect of a Collateral Vessel (including as a charterer of a Collateral Vessel) or otherwise hold the right to directly receive any Earnings or any other Related Assets with respect to a Collateral Vessel; *provided* that a Local Content Subsidiary may be a party to a Drilling Contract in respect of a Collateral Vessel or otherwise hold the right to receive Earnings or Related Assets with respect to a Collateral Vessel to the extent required by any law or regulation of any applicable jurisdiction, so long as such Local Content Subsidiary does not receive more than 20% of the Earnings or Related Assets with respect to such Collateral Vessel. The Company shall, or shall cause one or more of the Guarantors to, at all times maintain the Earnings Accounts, and each Earnings Account shall at all times be in the name of the Company or a Guarantor.

(b) The Company shall at all times cause all such Earnings (except for the Earnings received by a Local Content Subsidiary to the extent permitted by Section 4.20(a)) from the Drilling Contracts in respect of a Collateral Vessel to be deposited into or forwarded to the Earnings Accounts.

SECTION 4.21. [Reserved]

SECTION 4.22. Payment of Additional Amounts.

(a) All payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge of whatever nature (including penalties, additions to tax, interest and other liabilities related thereto) (hereinafter "*Taxes*") unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of the government of the British Virgin Islands, Gibraltar, Hungary, Luxembourg, Liberia, Nigeria or any political subdivision or any authority or agency therein or thereof having power to tax, or any other jurisdiction in which the Issuer or any Guarantor (including any successor entity) is organized, incorporated, engaged in business or is otherwise resident or treated as resident for tax purposes, or any jurisdiction from or through which payment is made (including, without limitation, the jurisdiction of each Paying Agent) (each a "*Specified Tax Jurisdiction*" and such Taxes, "*Indemnified Taxes*"), will at any time be required to be made from any payments made under or with respect to the Notes or the Guarantees, the Issuer, the relevant Guarantor or other payor, as applicable, will pay such additional amounts (the "*Additional Amounts*") *as* may be necessary so that the net amount received in respect of such payments by each Holder after such withholding or deduction (including any withholding or deduction from Additional Amounts) will not be less than the amount such Holder would have received if such Indemnified Taxes had not been withheld or deducted; *provided*, *however*, that Indemnified Taxes do not include:

(1) any Taxes to the extent such Taxes would not have been so imposed but for the Holder or beneficial owner of the Notes having any present or former connection with the Specified Tax Jurisdiction (other than the mere acquisition, ownership, holding, enforcement, exercise of rights or receipt of payment in respect of the Notes or the Guarantees);

(2) any estate, inheritance, gift, sales, excise, transfer, personal property Tax or similar Taxes;

(3) any Taxes to the extent such Taxes are imposed as a result of the failure of the Holder or beneficial owner of the Notes to complete, execute and deliver to the Issuer or the relevant Guarantor, as applicable, any form or document that such Holder or beneficial owner is legally entitled to complete, execute, and deliver, that may be required by law or by reason of administration of such law and that is reasonably requested in writing to be delivered to the Issuer or the relevant Guarantor in order to enable the Issuer or the relevant Guarantor to make payments on the Notes without deduction or withholding for Taxes, or with deduction or withholding of a lesser amount, which form or document will be delivered within 60 days of a written request therefor by the Issuer or the relevant Guarantor;

(4) any Taxes to the extent such Taxes would not have been so imposed but for the beneficiary of the payment having presented a Note for payment (in cases in which presentation is required) more than 30 days after the date on which such payment or such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(5) any Taxes imposed on or with respect to any payment by the Issuer or any Guarantor to the Holder if such Holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(6) any Taxes to the extent such Taxes are imposed on a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such

Tax by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(7) any Taxes to the extent such Taxes are payable other than by deduction or withholding at source;

(8) Taxes imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any regulations thereunder or official interpretations thereof, any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement), or any agreement entered into pursuant to section 1471(b)(1) of the Code; or

(9) any combination of items (1) through (8) above.

(b) If the Issuer or any Guarantor, as applicable, becomes obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or the Guarantees, the Issuer or the relevant Guarantor, as applicable, will deliver to the Trustee and Paying Agent at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor, as applicable, will deliver to the Trustee and Paying Agent promptly thereafter but in no event later than five Business Days prior to the date of payment) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount so payable. The Officers' Certificate must also set forth any other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date. The Trustee and Paying Agent will be entitled to rely solely on such Officers' Certificate as conclusive proof as to the amount of such payments and that such payments are necessary. The Issuer or the relevant Guarantor, as applicable, will provide the Trustee and Paying Agent with documentation reasonably satisfactory to the Trustee and Paying Agent evidencing the payment of Additional Amounts.

(c) The Issuer or the relevant Guarantor or applicable withholding agent, as applicable, will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant governmental authority on a timely basis in accordance with applicable law. As soon as practicable, the Issuer or the relevant Guarantor or applicable withholding agent, as applicable, will provide the Trustee and Paying Agent with an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee and Paying Agent evidencing the payment of the Taxes so withheld or deducted. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the Issuer to the Holders.

(d) Whenever in this Indenture or the Notes there is referenced, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or any other amount payable under, or with respect to, the Notes or the Guarantees, such reference will be deemed to include payment of Additional Amounts as described in this Section 4.22 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof. For the avoidance of doubt, with respect to Notes represented by a Global Note, a Holder with respect to Additional Amounts and the related provisions of this Indenture shall be deemed to include a Holder representing the interests of a beneficial owner of the Notes or acting on behalf of a beneficial owner of the Notes.

(e) The Issuer or the relevant Guarantor, as applicable, will indemnify the Trustee, Junior Lien Collateral Agent and a Holder within 10 Business Days after written demand therefor, for the full amount of any Indemnified Taxes that were paid by such person to a governmental authority of a Specified Tax Jurisdiction and that were imposed on or with respect to any payment made under or with respect to the Notes or the Guarantees (including any Additional Amounts) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to the Issuer or the relevant Guarantor by a Holder will be conclusive absent manifest error.

(f) The Issuer or the relevant Guarantor, as applicable, will pay any present or future stamp, issue, registration, value added, court or documentary taxes or any other excise or property taxes, charges or similar

levies (including penalties, additional amounts, interest and any other liabilities and reasonable expenses related thereto) that arise in any Specified Tax Jurisdiction from the execution, delivery, enforcement or registration of the Notes, the Guarantees, this Indenture or any other document or instrument in relation thereof, or the receipt of any payments with respect to the Notes or the Guarantees, and the Issuer or the relevant Guarantor, as applicable, will indemnify the Trustee, Junior Lien Collateral Agent and the Holders for any such taxes, charges, levies, penalties, amounts, interest, liabilities and expenses paid by such persons.

(g) The obligations of the Issuer and the Guarantors under this Section 4.22 will survive any termination, defeasance or discharge of this Indenture and any transfer by a Holder of its Notes, and will apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer or any Guarantor is organized, incorporated, engaged in business or is otherwise resident or treated as resident for tax purposes or any jurisdiction from or through which payment is made or any political subdivision or authority or agency thereof or therein.

SECTION 4.23. Suspended Covenants.

(a) After the Escrow Release Date, during any period of time (1) the Notes have an Investment Grade Rating and (2) no Default or Event of Default has occurred and is continuing under this Indenture, the Company and its Restricted Subsidiaries will not be subject to the provisions of Sections 3.08, 4.07, 4.08, 4.09, 4.10, 4.11 and 5.01(a)(4) of this Indenture (collectively, the "*Suspended Covenants*").

(b) In the event that the Company and the Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of Section 4.23(a) and, subsequently, Moody's or S&P withdraws its rating or downgrades the rating assigned to the Notes so that the Notes do not have an Investment Grade Rating, or an Event of Default (other than with respect to the Suspended Covenants) occurs and is continuing (the "*Reversion Date*"), then the Company and the Restricted Subsidiaries shall, on and after the Reversion Date, be subject to the Suspended Covenants. The period of time between the date the Suspended Covenants become suspended and the Reversion Date is referred to herein as the "*Suspension Period.*" During the Suspension Period, the Board of Directors of the Company may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to Section 4.17. Notwithstanding that the Suspended Covenants may be reinstated, no Default, Event of Default or breach of any kind under this Indenture or the Notes will be deemed to have occurred as a result of a failure of the Company and the Restricted Subsidiaries to comply with a Suspended Covenant during the Suspension Period.

(c) Calculations made on and after the Reversion Date of the amount available to be made as Restricted Payments under Section 4.07 will be made as if Section 4.07 had been in effect at all times since the Escrow Release Date, including during the Suspension Period, except that no Default or Event of Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Period will be classified as having been incurred pursuant to clause (1) of Section 4.09(b).

(d) The Company shall provide the Trustee and Noteholders with prompt written notice of any event or events giving rise to a Suspension Period or a Reversion Date, the date thereof and identifying the Suspended Covenants. The Trustee shall have no duty to monitor the ratings of the Notes or the occurrence of a Suspension Period or a Reversion Date, or to notify Holders of the same.

SECTION 4.24. Activities of Escrow Issuer Prior to the Escrow Release Date.

(a) Prior to the Escrow Release Date, the Escrow Issuer shall not: (1) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to the maintenance of functions incidental to its existence; (2) establish any subsidiaries; (3) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations (other than the Notes issued on the Issue Date); or (4) own, lease, manage or otherwise operate any properties or assets (including cash and Cash Equivalents) other than the Escrowed Property.

(b) For the avoidance of doubt, this Section 4.24 shall no longer apply after the Escrow Release Date.

SECTION 4.25. Maintenance of Property; Insurance.

(a) The Company will, and will cause each of its Restricted Subsidiaries to, (i) keep all material property necessary to the business of the Company and its Restricted Subsidiaries in good working order and condition (ordinary wear and tear and loss or damage by casualty or condemnation excepted) with such exceptions as would not reasonably be expected to have a material adverse effect on the operations, business, properties or financial condition of the Company and its Restricted Subsidiaries, taken as a whole, and (ii) furnish to the Junior Lien Collateral Agent, at the written request of the Junior Lien Collateral Agent, a complete description of the material terms of insurance carried on the Collateral Vessels.

(b) The Company will, and will cause each of its Restricted Subsidiaries to:

(i) insure and keep each Collateral Vessel insured or cause or procure the Collateral Vessel to be insured and to be kept insured at no expense to the Trustee or the Junior Lien Collateral Agent in regard to (collectively, the "*Insurances*"):

(1) hull and machinery (including increased value insurance);

(2) war risks (including common conditions and exclusions);

(3) protection and indemnity risks (including vessel pollution risks);

(4) Mortgagee's interest risks (including additional perils pollution);

(5) loss of hire, to the extent reasonably deemed prudent by the Company in light of the cost of obtaining such insurance; and

(6) such other insurances as a prudent owner of similar vessels of the same age and type would obtain or would legally be required to obtain when operating in the same trade and geographic area as such Collateral Vessel, as well as any insurances required to meet the requirements of the jurisdiction where such Collateral Vessel is employed with named windstorm coverage exclusions while a Collateral Vessel is operating in the Gulf of Mexico;

provided that neither the Company nor any of the Restricted Subsidiaries shall be required to procure or maintain any insurance otherwise required to be procured or maintained under this clause (b), if such insurance is not commercially available in the commercial insurance market.

(ii) effect the Insurances or cause or procure the same to be effected:

(1) in such amounts and upon such terms and with such deductibles as shipowners engaged in the same or similar business and similarly situated would deem commercially prudent under the circumstances; and

(2) through the owner's approved broker (the "*Owner's Insurance Broker*") and reputable independent insurance companies and/or underwriters (including mutual insurance schemes and /or captive insurance schemes) in Europe, North America, the Far East and other established insurance markets except that the insurances against

protection and indemnity risks may be effected by the entry of the Collateral Vessels with protection and indemnity associations which are members of the International Group Agreement or, if the International Group Agreement has disbanded and there is no successor or replacement body of associations, other leading protection and indemnity associations and the insurances against war risks may be effected by the entry of the Collateral Vessels with leading war risks associations (hereinafter called the "*Insurers*")*;*

(iii) renew or replace all such Insurances or cause or procure the same to be renewed or replaced before the relevant policies or contracts expire and to procure that the Owners' Insurance Broker and/or the relevant protection and indemnity association or war risks association shall promptly confirm in writing to the Trustee, upon its request, as and when each such renewal or replacement is effected;

(iv) duly and punctually pay, or cause duly and punctually to be paid, all premiums, calls, contributions or other sums payable in respect of all such Insurances, to produce or to cause to be produced all relevant receipts when so required by the Junior Lien Collateral Agent, at the direction of the Holders of a majority in principal amount of the Notes outstanding, and duly and punctually to perform and observe or to cause duly and punctually to be performed and observed any other obligations and conditions under all such Insurances;

(v) procure that all policies, binders, cover notes or other instruments of the Insurances referred to in clauses (1), (2) and (5) of clause (i) above shall be taken out in the name of the Company or any Subsidiary Guarantor or a Restricted Subsidiary, with the Junior Lien Collateral Agent as an additional insured (without liability for premiums), as their respective interests may appear, and shall incorporate a loss payable clause naming the Junior Lien Collateral Agent as loss payee prepared in compliance with the terms of the Insurance Assignment;

(vi) procure that, upon request of the Junior Lien Collateral Agent (at the direction of the Holders of a majority in principal amount of the Notes outstanding), originals or copies of all such instruments of Insurances shall be from time to time delivered to the Trustee after receipt by a Restricted Subsidiary or the Company thereof;

(vii) not employ any Collateral Vessel or suffer any Collateral Vessel to be employed otherwise than in conformity with the terms of all policies, bindings, cover notes or other instruments of the Insurances (including any warranties express or implied therein) without first obtaining the written consent of the Insurers to such employment (if required by such Insurers) and complying with such requirements as to extra premiums or otherwise as the Insurers may prescribe;

(viii) cause any proceeds in respect of the Insurances referred to in paragraph (i) above (except clauses (3), (4) and, as applicable, (6) of such paragraph) to be paid to the Company or any Subsidiary Guarantor that then owns any Collateral Vessel or is an Internal Charterer (subject to provisions as to named insureds, additional insureds and loss payees in favor of the Junior Lien Collateral Agent as required by this Section 4.25);

(ix) upon the request of the Junior Lien Collateral Agent, do all things necessary, proper and desirable, and execute and deliver all documents and instruments, to enable the Junior Lien Collateral Agent, as applicable, to collect or recover any moneys to become due in respect of the Insurances.

SECTION 4.26. Further Assurances.

The Company shall, and shall cause each other Collateral Grantor to, at the Company's sole cost and expense:

(a) at the request of the Junior Lien Collateral Agent (acting at the direction of the Holders of a majority in principal amount of the Notes than outstanding), execute and deliver all such agreements and instruments and take all further action as may be reasonably necessary or desirable (i) to describe more fully or accurately the property intended to be Collateral or the obligations intended to be secured by any Collateral Document and/or (ii) to continue and maintain the Junior Lien Collateral Agent's second-priority perfected security interest in the Collateral (subject to Permitted Collateral Liens); and

(b) at the request of the Junior Lien Collateral Agent (acting at the direction of Holders of a majority in principal amount of the Notes then outstanding), file any such notice filings or other agreements or instruments as may be reasonably necessary or desirable under applicable law to perfect the Liens created by the Collateral Documents.

SECTION 4.27. Limitation on Certain Agreements.

The Company shall not permit any Collateral Grantor to enter into any agreement that requires the proceeds received from any sale of Collateral to be applied to repay, redeem, defease or otherwise acquire or retire any Indebtedness of any Person, other than (i) any First Lien Obligations, (ii) the Notes or (iii) otherwise as may be permitted or required by this Indenture or the Collateral Documents, including with respect to any Permitted Collateral Liens; *provided* that any such agreement may be entered into to the extent it permits such proceeds to be applied to First Lien Obligations or Second Lien Obligations prior to or instead of such other Indebtedness.

ARTICLE 5

SUCCESSORS

SECTION 5.01. Merger, Consolidation, or Sale of Assets.

(a) The Company will not, directly or indirectly: (A) amalgamate, consolidate or merge with or into another Person (whether or not the Company is the Person formed by or surviving any such amalgamation, consolidation or merger); or (B) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and the Restricted Subsidiaries, taken as a whole, in each case, in one transaction or a series of related transactions, including by way of liquidation or dissolution, to another Person, unless:

(1) either (x) the Company will be the surviving or continuing Person or (y) the Person formed by or surviving any such amalgamation, consolidation or merger or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of a Permitted Jurisdiction (the Company or such Person, as the case may be, being herein called the "*Successor Company*");

(2) the Successor Company (if other than the Company) assumes all the obligations of the Company under the Notes and the other Notes Obligations and the Collateral Documents to which the Company is a party, if any, and agrees to be bound by all the provisions of this Indenture and such Collateral Documents pursuant to a supplemental indenture or an amendment thereto, as applicable;

(3) immediately before and after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(4) except with respect to a transaction solely between or among the Company and any of the Restricted Subsidiaries, immediately after giving pro *forma* effect to such transaction, any related financing transactions and the use of proceeds therefrom and treating any Indebtedness that becomes an obligation of the Company or any of the Restricted Subsidiaries as a result of such transaction as having been Incurred by the Company or such Restricted Subsidiary, as the case may be, at the time of the transaction, the Company could Incur at least $1.00 of additional Indebtedness pursuant to clause (2) of Section 4.09(b);

(5) in the event that the Successor Company is organized in a jurisdiction that is different from the jurisdiction in which Company was organized immediately before giving effect to such transaction, the Successor Company has delivered to the Trustee an Opinion of Counsel stating that the obligations of the Successor Company under this Indenture are enforceable under the laws of such Permitted Jurisdiction, subject to customary exceptions;

(6) if applicable, the Successor Company causes such amendments, supplements or other instruments with respect to the Collateral Documents to be executed, delivered, filed and recorded, as applicable, in such jurisdictions as may be required by applicable law to preserve and protect the Lien of the Junior Lien Collateral Agent on any Collateral owned by or transferred to the Successor Company and delivers an opinion of counsel as to the enforceability thereof and such other matters as the Trustee may reasonably request;

(7) any Collateral owned by or transferred to the Successor Company shall (a) continue to constitute Collateral under this Indenture and the Collateral Documents, (b) be subject to the Lien in favor of the Junior Lien Collateral Agent for the benefit of the holders of the First Lien Obligations and (c) not be subject to any other Lien other than Permitted Collateral Liens; and

(8) the Company or Successor Company delivers to the Trustee an Officers' Certificate and Opinion of Counsel, in each case, stating that such amalgamation, consolidation, merger or transfer and any supplemental indentures and each amendment comply with this Section 5.01(a).

For purposes of the foregoing, entry by the Company or any Subsidiary of the Company into one or more Drilling Contracts or other charters, pool agreements or drilling contracts with respect to any Vessels entered into in the ordinary course of business will be deemed not to constitute a sale, assignment, transfer, conveyance or other disposition subject to this Section 5.01(a).

For the avoidance of doubt, this Section 5.01(a) shall not apply to the Assumption.

(b) The Company shall not permit any Guarantor to, directly or indirectly, amalgamate, consolidate or merge with or into (whether or not such Guarantor is the surviving Person), another Person other than the Company or another Guarantor or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor, in one transaction or a series of related transactions, including by way of liquidation or dissolution, to another Person, unless:

(1) (A) immediately after giving effect to such transaction or series of related transactions, no Default or Event of Default exists;

(B) (x) such Guarantor is the surviving Person or (y) the Person formed by or surviving any such amalgamation, consolidation or merger or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of a Permitted Jurisdiction (such Guarantor or such Person, as the case may be, being herein called the "*Successor Guarantor*") and the Successor Guarantor (if other than such Guarantor) expressly assumes all the obligations

of such Guarantor under this Indenture and its Guarantee and any Collateral Documents pursuant to a supplemental indenture, amendment or other documents or instruments;

(C) in the event that the Successor Guarantor is organized in a jurisdiction that is different from the jurisdiction in which such Guarantor was organized immediately before giving effect to such transaction, the Successor Guarantor has delivered to the Trustee and Junior Lien Collateral Agent an opinion of counsel stating that the obligations of the Successor Issuer under this Indenture, the Notes and the Collateral Documents are enforceable under the laws such Permitted Jurisdiction, subject to customary exceptions;

(D) if applicable, the Successor Guarantor causes such amendments, supplements or other instruments with respect to the Collateral Documents to be executed, delivered, filed and recorded, as applicable, in such jurisdictions as may be required by applicable law to preserve and protect the Lien of the Junior Lien Collateral Agent on any Collateral owned by or transferred to the Successor Guarantor and delivers an Opinion of Counsel as to the enforceability thereof and such other matters as the Trustee may reasonably request;

(E) any Collateral owned by or transferred to the Successor Guarantor shall (a) continue to constitute Collateral under this Indenture and the Collateral Documents, (b) be subject to the Lien in favor of the Junior Lien Collateral Agent for the benefit of the holders of the First Lien Obligations and (c) not be subject to any other Lien other than Permitted Collateral Liens; and

(F) the Company delivers to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that such amalgamation, merger, consolidation or transfer and any supplemental indentures and amendments delivered in connection therewith comply with this Section 5.01(b); or

(2) such consolidation or merger does not violate the provisions of Section 4.10.

SECTION 5.02. Successor Substituted.

Upon any amalgamation, consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Company in accordance with Section 5.01 in which the Company is not the surviving entity, the Successor Company shall succeed to, and be substituted for (so that from and after the date of such amalgamation, consolidation or merger, sale, assignment, transfer, conveyance or other disposition, the provisions of this Indenture referring to the "Company" and, after the Escrow Release Date, the "Issuer" shall refer instead to the Successor Company and not to the Company), and may exercise every right and power of, the Company under this Indenture with the same effect as if the Successor Company had been named as the Company in this Indenture, and thereafter, the Company will be relieved of all obligations and covenants under this Indenture and the Notes and the Collateral Documents to which the Company is a party.

SECTION 5.03. Assumption.

In connection with the Assumption, the Company shall (i) execute and deliver to the Trustee a supplemental indenture substantially in the form of Annex A and (ii) deliver to the Trustee an Opinion or Opinions of Counsel (which may contain customary exceptions) that such supplemental indenture complies with the requirements of this Section 5.03 and has been duly authorized, executed and delivered by the Company and constitutes a legal, valid, binding and enforceable obligation of the Company.

On the Escrow Release Date, the merger of the Escrow Issuer with and into the Company shall be completed, whereupon the Company shall be the surviving entity and shall succeed to, and be substituted for, and may exercise every right and power of, the Escrow Issuer under this Indenture. Notwithstanding anything in this

Indenture to the contrary, the merger of the Escrow Issuer with and into the Company in connection with the consummation of the Assumption shall be permitted under this Indenture.

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default.

Each of the following is an "*Event of Default*"*:*

(a) default in any payment of interest or any Additional Amounts with respect to the Notes when due, which default continues for 30 days;

(b) default in the payment when due (at maturity, upon optional redemption, upon declaration of acceleration or otherwise) of the principal of, or premium, if any, on, the Notes or failure by the Issuer to redeem or repurchase the Notes when required pursuant to this Indenture or the Notes;

(c) failure by the Issuer or any Guarantor to comply with Section 5.01;

(d) (1) except with respect to Section 4.03, failure by the Issuer or any of the Restricted Subsidiaries for 30 days after notice to the Issuer by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any covenant or agreement (other than a default referred to in clauses (a), (b) and (c) above) contained in this Indenture, the Collateral Documents or the Notes, or (2) failure by the Issuer for 30 days (or, in the case of the Issuer's first fiscal quarter and first fiscal year after the Escrow Release Date, 60 days) after notice to the Issuer by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with Section 4.03;

(e) a default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer or any of the Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of the Restricted Subsidiaries), whether such Indebtedness or guarantee now exists or is created after the Issue Date, if that default:

(1) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*")*;* or

(2) results in the acceleration of such Indebtedness prior to its Stated Maturity,

and, in either case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $27.5 million or more; *provided*, however, that if any such default is cured or waived or any such acceleration rescinded, or such Indebtedness is repaid, within a period of 60 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment or decree;

(f) failure by the Issuer or any of the Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $27.5 million, which judgments are not paid, discharged or stayed for a period of 60 days, other than judgments against PDVIII and PDSI resulting from the Zonda Arbitration;

(g) (1) the Collateral Documents shall for any reason cease to create a valid and perfected second-priority Lien (subject Permitted Collateral Liens) on any portion of the Collateral having a Fair Market Value in excess of $30 million (in each case, other than in accordance with the terms of this Indenture, the Intercreditor Agreement or the terms of the Collateral Documents) or (2) the Issuer or any Restricted Subsidiary asserts in writing that any Lien created under the Collateral Documents is invalid or unenforceable;

(h) except as permitted by this Indenture or any Guarantee, any Guarantee of a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary, or any Person duly acting on behalf of any such Guarantor, denies or disaffirms its obligations under its Guarantee;

(i) other than as contemplated by the Zonda Plan with respect to PDVIII and PDSI, the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, pursuant to or within the meaning of Bankruptcy Law:

(1) commences a voluntary case,

(2) consents in writing to the entry of an order for relief against it in an involuntary case,

(3) consents in writing to the appointment of a Custodian of it or for all or substantially all of its property,

(4) makes a general assignment for the benefit of its creditors, or

(5) admits in writing it generally is not paying its debts as they become due; or

(j) other than as contemplated by the Zonda Plan with respect to PDVIII and PDSI, a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(1) is for relief against the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, in an involuntary case;

(2) appoints a Custodian (x) of the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, or (y) for all or substantially all of the property of the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary; or

(3) orders the liquidation of the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; and

(k) (a) failure by the Escrow Issuer to comply with any material term of the Junior Lien Escrow Agreement that is not cured within 10 days after the occurrence of such failure or (b) the Junior Lien Escrow Agreement or any Lien purported to be granted on the Escrow Account or the cash or investments therein is held in any judicial proceeding to be unenforceable or invalid, in whole or in part, or ceases for any reason to be fully enforceable and perfected.

For the avoidance of doubt, any failure by the Company to comply with any covenant or agreement contained in this Indenture and referred to as a covenant or agreement of the Company that is applicable from and after the date of this Indenture, if continuing on the Escrow Release Date, shall be deemed a Default hereunder on the Escrow Release Date.

SECTION 6.02. Acceleration.

Subject to the succeeding sentence, if any Event of Default occurs and is continuing, the Trustee, by written notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes, by written notice to the Issuer and the Trustee, may declare all the Notes to be due and payable immediately and, upon any such declaration, all outstanding Notes and an amount equal to the Applicable Premium or optional redemption premium, if any, that would have been payable in connection with an optional redemption of the Notes pursuant to Section 3.07(b) or Section 3.07(d), as applicable, at the time of such declaration will become and be immediately due and payable with respect to all Notes. Notwithstanding the preceding sentence, if an Event of Default specified in clause (i) or (j) of Section 6.01 occurs, all outstanding Notes shall become due and payable immediately without further action or notice, and an amount equal to the Applicable Premium or optional redemption premium, if any, that would have been payable in connection with an optional redemption of the Notes pursuant to Section 3.07(b) or Section 3.07(d), as applicable, at the time of the occurrence of such Event of Default will become and be immediately due and payable with respect to all Notes without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except with respect to nonpayment of principal, interest, premium or Additional Amounts, if any, that have become due solely because of the acceleration) have been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereon.

SECTION 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of and interest, premium, if any, and Additional Amounts, if any, on, the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04. Waiver of Past Defaults.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, waive any existing Default or Event of Default and its consequences under this Indenture except a continuing Default or Event of Default in the payment of principal of, premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes (other than a Payment Default or payment Event of Default that resulted from an acceleration that has been rescinded). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05. Control by Majority.

The Holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction

that conflicts with law or this Indenture or that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in any financial or personal liability. In case an Event of Default has occurred and is continuing, prior to taking any action hereunder, the Trustee and Junior Lien Collateral Agent shall be entitled to indemnification or security (or both) satisfactory to the Trustee and the Junior Lien Collateral Agent, respectively, against all loss, liability and expenses caused by the taking or not taking of such action.

SECTION 6.06. Limitation on Suits.

Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts, if any, when due, pursuant to Section 6.07, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

(a) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(b) Holders of at least 25% in aggregate principal amount of the then outstanding Notes have made a written request to the Trustee to pursue the remedy;

(c) such Holders have offered the Trustee, and the Trustee has received (if requested), security or indemnity (or both) satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee has not complied with such request within 60 days after its receipt of the request and the offer of security or indemnity (or both) satisfactory to it; and

(e) Holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.07. Rights of Holders of Notes to Receive Payment.

Notwithstanding any other provision of this Indenture, the rights of any Holder to receive payment of principal of, premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes, on or after the respective due dates expressed in the Notes (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuer and the Guarantors for the whole amount of principal of, interest, premium, if any, and Additional Amounts, if any, remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and Additional Amounts, if any, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. Trustee is Authorized to File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and Junior Lien Collateral Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, Junior Lien Collateral Agent, and each of their agents and counsel) and the Holders of the Notes allowed in any judicial proceedings

relative to the Issuer (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims, and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee and Junior Lien Collateral Agent any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee and Junior Lien Collateral Agent under Section 7.06. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, Junior Lien Collateral Agent, and each of their agents and counsel, and any other amounts due the Trustee and Junior Lien Collateral Agent under Section 7.06 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. Priorities.

If the Trustee collects any money pursuant to this Article, subject to the Intercreditor Agreement it shall pay out the money in the following order:

(a) *First:* to the Trustee and its agents and attorneys for amounts due under Section 7.06, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and costs and expenses of collection incurred by the Trustee;

(b) *Second:* to the Holders for amounts due and unpaid on the Notes for principal, premium, if any, interest, if any, and Additional Amounts, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, interest, if any, and Additional Amounts, if any, respectively; and

(c) *Third:* to the Issuer or to such other Person as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

SECTION 6.12. The Junior Lien Collateral Agent.

Whenever in the exercise of any remedy available to the Trustee or the exercise of any trust or power conferred on it with respect to the Notes, the Trustee may also direct the Junior Lien Collateral Agent in the exercise of any of the rights and remedies available to the Junior Lien Collateral Agent pursuant to the Collateral Documents.

ARTICLE 7

TRUSTEE

SECTION 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

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

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (f) of this Section 7.01.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability.

(g) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its rights to be indemnified, are extended to, and shall be enforceable by, the Trustee, the Junior Lien Collateral Agent and the other Agents, in each of its capacities hereunder and in its capacity as Trustee and Junior Lien Collateral Agent under any other agreement executed in connection with this Indenture to which the Trustee or Junior Lien Collateral Agent is a party.

SECTION 7.02. Rights of Trustee.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel of its own selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed by it with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture; *provided* that the Trustee's conduct does not constitute willful misconduct or gross negligence.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer shall be sufficient if signed by an Officer of the Issuer.

(f) If an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity or security (or both) satisfactory to the Trustee against any loss, liability or expense that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be deemed to have knowledge of any Default or Event of Default except: (1) any Event of Default occurring pursuant to Section 6.01(a) or 6.01(b), if the Trustee is also the Paying Agent; or (2) any Default or Event of Default of which a Responsible Officer of the Trustee shall have received written notification or obtained actual knowledge.

(h) The permissive rights of the Trustee to act hereunder shall not be construed as a duty.

(i) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(j) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and titles of officers authorized at such times to take specified actions pursuant to this Indenture.

SECTION 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer, any Guarantor or any of their Affiliates with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest (as defined in the Trust Indenture Act of 1939, amended), it must eliminate that conflict within 90 days or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Section 7.09.

SECTION 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Notes or any other Note Document, it shall not be accountable for the Issuer's use of the proceeds from the Notes or any money paid to the Issuer or upon the Issuer's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if, in accordance with Section 7.02(g), the Trustee has knowledge thereof, the Trustee shall deliver to the Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, or interest, premium, or Additional Amounts, if any, on, any Note, the Trustee may withhold the notice if and so long as the Trustee in good faith determines that withholding the notice is in the interests of the Holders.

SECTION 7.06. Compensation and Indemnity.

The Issuer shall pay to the Trustee from time to time such reasonable compensation as the Issuer and the Trustee may agree in writing for the Trustee's acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Issuer and the Guarantors shall indemnify the Trustee, jointly and severally, against any and all losses, liabilities, damages, claims or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses (including, without limitation, fees and expenses of counsel) of enforcing this Indenture against the Issuer and the Guarantors (including this Section 7.06) and defending itself against any claim (whether asserted by the Issuer, any Guarantor or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability, damage, claim or expense may be attributable to its gross negligence or willful misconduct. The Trustee shall notify the Issuer and the Guarantors promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer and the Guarantors shall not relieve the Issuer or the Guarantors of their obligations hereunder. The Issuer and the Guarantors shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Issuer and the Guarantors shall pay the reasonable fees and expenses of such counsel. Neither the Issuer nor any Guarantor need pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Issuer and the Guarantors under this Section 7.06 shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

To secure the Issuer's and the Guarantors' payment obligations in this Section 7.06, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest or Additional Amounts, if any, on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(i) or 6.01(j) occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The immunities, protections and exculpations available to the Trustee under this Indenture shall also be available to the Junior Lien Collateral Agent and each other Agent, and the Issuer's and each Guarantor's

obligations under this Section 7.06 to compensate and indemnify the Trustee shall extend likewise to the Junior Lien Collateral Agent and each other Agent.

SECTION 7.07. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07.

The Trustee may resign in writing upon thirty (30) days notice at any time and be discharged from the trust hereby created by so notifying the Issuer. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuer in writing and may appoint a successor trustee with the consent of the Issuer. The Issuer may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.09;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a receiver, Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of at least 10% of the aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction, at the expense of the Issuer, for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.09, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to the Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.06. Notwithstanding replacement of the Trustee pursuant to this Section 7.07, the Issuer's and the Guarantors' obligations under Section 7.06 shall continue for the benefit of the retiring Trustee.

SECTION 7.08. Successor Trustee by Merger, etc.

If the Trustee consolidates with, or merges or converts into, or transfers or sells all or substantially all of its corporate trust business or assets to, another corporation or banking association, the successor corporation or banking association without any further act shall be the successor Trustee. As soon as practicable, the successor Trustee shall mail a notice of its succession to the Issuer and the Holders.

SECTION 7.09. Eligibility; Disqualification.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $100 million as set forth in its most recent published annual report of condition. No obligor upon the Notes shall serve as a Trustee.

ARTICLE 8

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.01. Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at any time, elect to have either Section 8.02 or Section 8.03 be applied with respect to all outstanding Notes and all obligations of the Guarantors upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02. Legal Defeasance and Discharge.

Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.02, subject to the satisfaction of the conditions set forth in Section 8.04, the Company shall be deemed to have discharged its obligations with respect to all outstanding Notes and, to the extent related to the Notes and the Guarantees, the Collateral Documents to which it is a party, each Guarantor shall be deemed to have discharged its obligations with respect to its Guarantee and, to the extent related to the Notes and the Guarantees, the Collateral Documents to which it is a party and each other Collateral Grantor shall be deemed to have discharged its obligations with respect to the Collateral Documents, to the extent related to the Notes and the Guarantees, to which it is a party, on the date the conditions set forth in Section 8.04 below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, and each Guarantor shall be deemed to have paid and discharged its Guarantee (which in each case shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 and the other Sections of this Indenture referred to in clauses (a) and (b) below) and to have satisfied all its other obligations under the Notes or such Guarantees and this Indenture, and the Company and the other Collateral Grantors shall be deemed to have satisfied all of their obligations under the Collateral Documents, to the extent related to the Notes and the Guarantees (and the Trustee, on demand of and at the expense of the Company, shall execute such instruments reasonably requested by the Issuer acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

(a) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, and premium, interest and Additional Amounts, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04;

(b) the Company's obligations with respect to the Notes under Sections 2.03, 2.04, 2.06, 2.07, 2.10 and 4.02 and the Appendix;

(c) the rights, powers, trusts, duties, indemnities and immunities of the Agents, and the Company's and the Guarantors' obligations in connection therewith and under Section 7.06; and

(d) the Legal Defeasance and Covenant Defeasance provisions of this Article 8.

Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03.

SECTION 8.03. Covenant Defeasance.

Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, the Company and each of the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04, be released from their respective obligations under the covenants contained in Article 4 (other than those in Sections 4.01, 4.02, 4.04, 4.06, 4.14, and 4.22) and in Article 11 and under all Collateral Documents, to the extent related to the Notes and the Guarantees, to which it is a party on and after the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Guarantees, the Company and any Guarantor may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04, Section 6.01(d)(2) and Sections 6.01(e) through 6.01(h) shall not constitute Events of Default.

SECTION 8.04. Conditions to Legal or Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, and premium, if any, and interest and Additional Amounts, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(b) in the case of an election under Section 8.02, the Company shall have delivered to the Trustee, the Registrar and the Paying Agent an Opinion of Counsel confirming that:

(1) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(2) since the Issue Date, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03, the Company shall have delivered to the Trustee, the Registrar and the Paying Agent an Opinion of Counsel confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from, or otherwise in connection with, the borrowing of

funds to be applied to such deposit pursuant to this Section 8.04 (and any similar concurrent deposit relating to other Indebtedness) or the grant of any Lien securing such borrowing);

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(f) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over the other creditors of the Company or any Guarantor with the intent of defeating, hindering, delaying or defrauding any creditors of the Company, any Guarantor or others; and

(g) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

SECTION 8.05. Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.06, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee pursuant to Section 8.04 or 8.08 in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or any of its Subsidiaries acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, interest, premium, if any, and Additional Amounts, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 or 8.08 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the written request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 or 8.08 which, in the opinion of a nationally recognized investment banking, appraisal firm or firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a)), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance, Covenant Defeasance or Discharge, as the case may be.

SECTION 8.06. Repayment to the Company.

Subject to applicable escheat and abandoned property laws, any money or non-callable Government Securities deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, or interest, premium, if any, or Additional Amounts, if any, on, any Note and remaining unclaimed for two years after such principal, interest, premium, if any, or Additional Amounts, if any, has become due and payable shall be paid to the Company on its written request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter be permitted to look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money or non-callable Government Securities, and all liability of the Company as trustee thereof, shall thereupon cease; *provided*, *however*, that the Trustee or such Paying Agent, before being required to make any such repayment, shall at the written request and expense of the Company cause to be published once, in the *New York Times* or *The Wall Street Journal* (national edition), notice that such money remains unclaimed and that, after a date specified therein,

which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.07. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money or non-callable Government Securities in accordance with Section 8.05, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Guarantors' obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 until such time as the Trustee or the Paying Agent is permitted to apply all such money in accordance with Section 8.05; *provided*, *however*, that, if the Company or any Guarantor makes any payment of principal of, interest, premium, if any, or Additional Amounts, if any, on, any Note following the reinstatement of its obligations, the Company or such Guarantor, as applicable, shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities deposited with or held by the Trustee or the Paying Agent.

SECTION 8.08. Discharge.

This Indenture, the Guarantees and, to the extent related to the Notes and the Guarantees, all Collateral Documents shall be discharged and shall cease to be of further effect as to all Notes issued hereunder (except as to (x) the rights of Holders of outstanding Notes to receive solely from the trust fund described in clause (1)(b) of this Section 8.08, and as more fully set forth in such clause (1)(b), payments in respect of the principal of and interest, premium, if any, and Additional Amounts, if any, on, such Notes when such payments are due, (y) the Issuer's obligations with respect to such Notes under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.10 and 4.02 and the Appendix and (z) the rights of the Trustee and each Agent under Section 7.06 and the Issuer's obligations in connection therewith), and the Trustee, at the expense of the Issuer, shall execute such instruments reasonably requested by the Issuer acknowledging satisfaction and discharge of this Indenture with respect to all the Notes, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable or will become due and payable within one year by reason of the mailing of a notice of redemption or otherwise and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Paying Agent as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, accrued interest, premium, if any, interest, if any, and Additional Amounts, if any, to the date of fixed maturity or redemption;

(2) in respect of clause (1)(b) of this Section 8.08, the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture;

(4) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and

(5) the Issuer has delivered (a) an Officers' Certificate to the Trustee stating that all conditions precedent to satisfaction and discharge of this Indenture ("*Discharge*") have been satisfied and (b) an Opinion of Counsel to the Trustee stating that all conditions precedent to Discharge have been satisfied.

ARTICLE 9

AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. Without Consent of Holders of Notes.

Notwithstanding the provisions of Section 9.02, without the consent of any Holder, the Issuer, the Guarantors, the Trustee and, if any amendment relates to any Collateral Document, the Junior Lien Collateral Agent, may amend or supplement this Indenture, the Notes, the Guarantees, the Junior Lien Escrow Agreement and the Collateral Documents in the following circumstances:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the Issuer's or a Guarantor's obligations to the Holders in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;

(d) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Indenture of any such Holder in any material respect;

(e) to conform the text of this Indenture, the Notes, the Guarantees, the Junior Lien Escrow Agreement or the Collateral Documents to any provision of the "Description of Second Lien PIK Notes" in the Offering Circular to the extent that such provision in such "Description of Second Lien PIK Notes" was intended to set forth, verbatim or in substance, a provision of this Indenture, the Junior Lien Escrow Agreement, the Notes, the Guarantees or the Collateral Documents, which intent may be evidenced by an Officers' Certificate to that effect;

(f) to evidence and provide for the acceptance of the appointment under this Indenture and the Collateral Documents of a successor Trustee or Junior Lien Collateral Agent;

(g) to enter into additional or supplemental Collateral Documents and to add additional assets as Collateral to secure the Notes and the Guarantees;

(h) to release Collateral or any Guarantee when permitted or required by this Indenture the other Collateral Documents, or to amend or supplement any Collateral Document in accordance its terms;

(i) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes and to add any additional Guarantor;

(j) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture;

(k) to enter into any and all Collateral Documents and the transactions contemplated thereby respecting the registration and mortgaging of the Collateral Vessels and to perfect the security interests and Liens granted therein;

(l) to accept and consent to, and to take, any and all steps to perfect a security interest in any of the Collateral Vessels and other Collateral granted pursuant to the Collateral Documents; or

(m) to comply with requirements of the Trust Indenture Act of 1939, as amended, if applicable, or any securities exchange on which the Notes are listed for trading or quotation.

In addition, the Intercreditor Agreement and the Collateral Agency Agreement may be amended in accordance with their terms and without the consent of any Holder or the Trustee with the consent of the parties thereto or otherwise in accordance with their terms, including to add additional Indebtedness as First Lien Obligations or Junior Lien Obligations and to add as parties thereto persons holding such Indebtedness (or any authorized agent thereof or trustee thereof) and to establish that the Liens on any Collateral securing such Indebtedness shall rank equally with the Liens on such Collateral securing the First Lien Obligations or Junior Lien Obligations, as applicable, then outstanding, in each case to the extent permitted by the First Lien Documents.

Upon the request of the Issuer, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall join with the Issuer and the Guarantors in the execution of any amendment or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into any such amendment or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. With Consent of Holders of Notes.

Except as provided above in Section 9.01 and below in this Section 9.02, the Issuer, the Guarantors, the Trustee and the Junior Lien Collateral Agent may amend or supplement this Indenture, the Notes and the Collateral Documents by the execution of a supplemental indenture or, in the case of any amendment or supplement to the Collateral Documents, by the execution of an appropriate amendment or supplement thereto, with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to Sections 6.04 and 6.07, any existing Default or Event of Default or compliance with any provision of this Indenture, the Notes, the Guarantees or any Collateral Document may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), in each case in addition to any required consent of holders of First Lien Obligations or holders of Second Lien Obligations that may be required with respect to an amendment of or waiver under a Collateral Document. However, without the consent of each Holder of an outstanding Note affected thereby, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the percentage of principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of, or change the fixed maturity of, any Note or alter the provisions with respect to the redemption of the Notes (other than with respect to minimum notice required for redemption), including any provision relating to the premium payable upon any such redemption;

(c) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(d) impair the rights of any Holder of Notes to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption or repurchase, on or after the redemption or repurchase date);

(e) waive a Default or Event of Default in the payment of principal of, or premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(f) make any Note payable in money other than that stated in the Notes;

(g) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, or premium, if any, interest, if any, or Additional Amounts, if any, on, the Notes;

(h) waive a redemption or repurchase payment with respect to any Note (other than a payment required by Section 3.08, 3.09, 4.10 or 4.15);

(i) release any Guarantor from any of its obligations under its Guarantee or this Indenture, except in accordance with the terms of this Indenture;

(j) subordinate the Notes or the Guarantees in right of payment to any other Indebtedness;

(k) make any change to, or extend the time for performance related to, the Escrow Release Conditions or the Special Mandatory Redemption provisions of Section 3.11; or

(l) make any change in the preceding amendment, supplement and waiver provisions.

In addition, except as otherwise provided in this Indenture or any Collateral Document, the consent of Holders of at least 75% in aggregate principal amount of the then outstanding Notes will be required to release Liens for the benefit of the Holders on all or substantially all of the Collateral, other than in accordance with this Indenture, the Intercreditor Agreement and the other Collateral Documents.

Upon the request of the Issuer and upon the receipt by the Trustee of evidence satisfactory to the Trustee of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall join with the Issuer and the Guarantors in the execution of such amendment, supplement or waiver, unless such amendment, supplement or waiver affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amendment, supplemental indenture or waiver.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer shall deliver to the Holders a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

SECTION 9.03. Consents in Connection with Purchase, Tender or Exchange.

A consent to any amendment, supplement or waiver under this Indenture by any Holder given in connection with a purchase, tender or exchange of such Holder's Notes shall not be rendered invalid by such purchase, tender or exchange.

SECTION 9.04. Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of such Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and, except as provided in the second succeeding paragraph, thereafter binds every Holder.

The Issuer may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the second to last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date except to the extent that the requisite number of consents to the amendment, supplement or waiver have been obtained within such 90-day period or as set forth in the next paragraph of this Section 9.04.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (a) through (l) of Section 9.02, in which case, the amendment, supplement or waiver shall bind only each Holder of a Note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same indebtedness as the consenting Holder's Note.

SECTION 9.05. Notation on or Exchange of Notes.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuer, in exchange for all Notes, may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. Trustee to Sign Amendments, etc.

The Trustee shall sign any amendment or supplemental indenture or grant any waiver authorized pursuant to this Article 9 if the amendment or supplemental indenture or waiver does not adversely affect its rights, duties, liabilities or immunities. If any such amendment, supplemental indenture or waiver does adversely affect the rights, duties, liabilities or immunities of the Trustee, the Trustee may, but need not, sign such amendment, supplemental indenture or grant such waiver. In executing any such amendment, supplemental indenture or waiver, the Trustee shall be entitled to receive and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution of such amendment, supplemental indenture or waiver is authorized or permitted by this Indenture.

SECTION 9.07. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given, made or taken by Holders shall be in writing may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "*Act*" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 7.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

Without limiting the generality of this Section, unless otherwise provided in or pursuant to this Indenture, (i) a Holder, including the Depository or its nominee that is a Holder of a Global Note, may give, make or take, by an agent or agents duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be given, made or taken by Holders, and the Depository or its nominee that is a Holder of a Global Note may duly appoint in writing as its agent or agents members of, or participants in, the Depository holding interests in such Global Note in the records of the Depository; and (ii) with respect to any Global Note, any consent or other action given, made or taken by an Agent Member by electronic means in accordance with the "Automated Tender Offer Procedures" system or other customary procedures of, and pursuant to authorization by, the Depository shall be deemed to constitute the Act of the Holder of such Global Note, and such Act shall be deemed to have been delivered to the Issuer and the Trustee upon the delivery by the Depository of an "agent's message" or other notice of such consent or other action having been so given, made or taken in accordance with the applicable policies and procedures of the Depository.

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

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

(d) Without limiting the foregoing, a Holder entitled hereunder to give, make or take any action hereunder with regard to any particular Note may do so, or duly appoint in writing any Person or Persons as its agent or agents to do so, with regard to all or any part of the principal amount of such Note.

ARTICLE 10

GUARANTEES OF NOTES

SECTION 10.01. Subsidiary Guarantees.

Subject to this Article 10, upon consummation of the Assumption and the Escrow Release Date, or (in the case of PDVIII and PDSI) the Zonda Release Date, each of the Guarantors hereby absolutely and unconditionally guarantees, jointly with the other Guarantors and severally, as primary obligor and not merely as surety, on a senior basis to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and their respective successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the Obligations of the Company hereunder and thereunder, that:

(a) the principal of, and premium, if any, interest, if any, on, or Additional Amounts, if any, on, the Notes will be promptly paid in full when due, whether at Stated Maturity, by acceleration, upon repurchase or redemption or otherwise, and interest on the overdue principal of, and premium, if any, and (to the extent permitted by law) interest, if any, on, and Additional Amounts, if any, on, the Notes, and all other payment Obligations of the Company to the Holders, the Trustee or the Junior Lien Collateral Agent under this Indenture or the Notes will be promptly paid in full and performed, all in accordance with the terms hereof and thereof; and

(b) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at Stated Maturity, by acceleration, upon repurchase or redemption or otherwise.

Failing payment when so due of any amount so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is an absolute, unconditional, present and continuing guarantee of payment and performance (and not a guarantee of collection) and is in no way conditioned upon any attempt to collect from the Company or any other Guarantor or any other action, occurrence or circumstance whatsoever.

The Guarantors hereby agree that their obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that its Subsidiary Guarantee will not be discharged except by complete performance of the Obligations contained in the Notes and this Indenture.

If any Holder, the Trustee or the Junior Lien Collateral Agent is required by any court or otherwise to return to the Company, the Guarantors, or any Custodian, trustee or other similar official acting in relation to any of the Company or the Guarantors, any amount paid by the Company or any Guarantor to the Trustee, Junior Lien Collateral Agent or such Holder, the Subsidiary Guarantees, to the extent theretofore discharged, shall be reinstated in full force and effect.

Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders, the Trustee and the Junior Lien Collateral Agent, on the other hand, (a) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of its Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed thereby, and (b) in the event of any declaration of acceleration of such Obligations as provided in Article 6, such Obligations (whether or not due and payable) shall forthwith become due and payable by each Guarantor for the purpose of its Subsidiary Guarantee. The Guarantors shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Guarantees.

SECTION 10.02. Releases of Guarantees.

The Guarantee of a Guarantor will be automatically and unconditionally released: (1) in connection with any sale or other disposition of all or substantially all of the assets of such Guarantor (including by way of merger, consolidation or amalgamation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition is conducted in accordance with Sections 4.10 and 5.01(b), as applicable; (2) in connection with any sale or other disposition of the Capital Stock of such Guarantor, following which such Guarantor is no longer a Restricted Subsidiary of the Company, if the sale or other disposition is conducted in accordance with Sections 4.10 and 5.01(b), as applicable; (3) upon Legal Defeasance, Covenant Defeasance or Discharge in accordance with Article 8; (4) unless an Event of Default has occurred and is continuing, upon the dissolution or liquidation of such Guarantor in compliance with Section 5.01(b); or (5) if the Company designates such Guarantor as an Unrestricted Subsidiary or an Immaterial Subsidiary in accordance with this Indenture.

Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that any of the conditions described in the foregoing clauses (1) through (5) has occurred, the Trustee shall execute any documents reasonably requested by the Company at the Company's expense in order to evidence the release of any Guarantor from its obligations under its Guarantee. Any Guarantor not released from its obligations under its Guarantee shall remain liable for the full amount of principal of and interest, premium, if any, and Additional Amounts, if any, on, the Notes and for the other obligations of such Guarantor under this Indenture as provided in this Article 10.

SECTION 10.03. Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state or foreign law to the extent applicable to any Guarantee. The obligations of each Guarantor under its Guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to its contribution obligations under this Indenture, result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state or foreign law and not otherwise being void or voidable under any similar laws affecting the rights of creditors generally. Each Guarantor that makes a payment under its Guarantee shall be entitled, upon payment in full of all guaranteed Obligations under this Indenture, to seek contribution from each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all Guarantors at the time of such payment determined in accordance with GAAP.

Notwithstanding anything to the contrary in the Notes and under this Indenture, the payment undertaking of any Guarantor incorporated in Luxembourg under any Guarantee shall be limited at any time without double counting to an aggregate amount not exceeding the higher of 90 per cent of: (i) the sum of that Luxembourg Guarantor's own funds (capitaux propres) (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended) and its subordinated debts (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended), as reflected in its last annual accounts (approved by shareholders' meeting) available on the date the guarantee is called or the security interest is enforced; and (ii) the sum of that Luxembourg Guarantor's own funds (capitaux propres) (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended) and its subordinated debts (as referred to in article 34 of the Luxembourg law dated 19 December 2002 concerning the trade and companies register and the accounting and annual accounts of undertakings, as amended), as reflected in its last annual accounts (approved by shareholders' meeting) available as the date of this Indenture.

SECTION 10.04. "Trustee" to Include Paying Agent.

In case at any time any Paying Agent other than the Trustee shall have been appointed and be then acting hereunder, the term "Trustee" as used in this Article 10 shall in each case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Article 10 in place of the Trustee.

SECTION 10.05. Execution and Delivery.

The execution by each Guarantor of this Indenture (or a supplemental indenture hereto) evidences the Guarantee of such Guarantor, whether or not the person signing as an Officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee set forth in this Indenture on behalf of each Guarantor.

SECTION 10.06. Subrogation.

Each Guarantor shall be subrogated to all rights of Holders against the Company in respect of any amounts paid by the Guarantor pursuant to the provisions of Section 10.01; *provided* that no Guarantor shall be entitled to enforce or receive any payments arising out of, or based upon, such right of subrogation until all amounts then due and payable by the Company under this Indenture or the Notes shall have been paid in full.

ARTICLE 11

SECURITY

SECTION 11.01. Collateral Documents; Additional Collateral.

(a) Security Agreements. In order to secure the due and punctual payment of the Second Lien Obligations, (i) upon the Escrow Release Date or the Zonda Release Date, as applicable, the Guarantors shall execute Collateral Documents granting to the Junior Lien Collateral Agent for the benefit of the Holders and holders of other Junior Lien Obligations (in accordance with the Collateral Documents) a second-priority perfected Lien in the Collateral, and (ii) after the Escrow Release Date or the Zonda Release Date, as applicable, in accordance with the provisions of Sections 4.13 and 4.26 and this Article 11, if (I) any asset of the type which is required to constitute Collateral pursuant to this Indenture or the Collateral Documents is acquired by any Guarantor and such asset is not automatically subject to a second-priority perfected Lien in favor of the Junior Lien Collateral Agent or (II) a Subsidiary of the Company that is not already a Guarantor is required to become a Guarantor pursuant to Section 4.13, then such Guarantor or such other Subsidiary shall, as soon as practicable after the acquisition of the applicable asset or the occurrence of the event requiring such Subsidiary to become a Guarantor (and, in any event, within 20 Relevant Business Days after such acquisition or event), execute and deliver the necessary Collateral Documents in order to grant to the Junior Lien Collateral Agent a second-priority perfected Lien in all assets of such Guarantor or such other Subsidiary that are required to, but do not already, constitute Collateral. In each case described above, each Guarantor shall execute and deliver such other Collateral Documents, deliver any certificates to the Junior Lien Collateral Agent in respect of the applicable Collateral as required by this Indenture and the applicable Collateral Documents and take all other appropriate actions to ensure the Junior Lien Collateral Agent, for the benefit of the Holders and holders of other Junior Lien Obligations, has a second-priority perfected Lien therein. For the avoidance of doubt, the Guarantors shall not be required to grant a security interest in, and the Collateral shall not include, any Excluded Property, the Guarantors shall not be required to execute an assignment of any Drilling Contract to the extent that the grant of a security interest therein would constitute a breach of a valid and enforceable restriction on the granting of a security interest therein or assignment thereof in favor of a third-party, and in no event shall any Guarantor be required to take actions to perfect the Junior Lien Collateral Agent's security interest in trucks, trailers or other motor vehicles covered by a certificate of title under the law of any state.

The Company shall cause every Guarantor to make all filings (including filings of continuation statements and amendments to Uniform Commercial Code financing statements in the United States (or the applicable political subdivision, territory or possession thereof) that may be necessary to continue the effectiveness of such Uniform Commercial Code financing statements) and take all other actions as are reasonably necessary or required by the Collateral Documents to maintain (at the sole cost and expense of the Guarantors) the security interest created by the Collateral Documents in the Collateral as a second-priority perfected Lien.

All references to a "second-priority perfected Lien" in this Section 11.01(a) shall be understood to be subject to Permitted Collateral Liens, if any and the terms of the Intercreditor Agreement.

(b) Additional Collateral. The Company shall, and shall cause every other Collateral Grantor to, from time to time take the actions required by Section 4.26.

(c) Notwithstanding Section 11.01(a), to the extent any security interest in the Collateral or any deliverable related to the perfection of security interests in the Collateral (other than Collateral the security interest in which may be perfected by the filing of a UCC financing statement or the delivery of certificated securities (if any)) cannot be provided and/or perfected on the Escrow Release Date (x) without undue burden or expense or (y) after the Company and the Guarantors' use of commercially reasonable efforts to do so, then perfection of such security interest(s) and/or delivery of such deliverables may be completed after the Escrow Release Date, but no later than (i) December 22, 2018 or (ii) if later, promptly following the Zonda Release Date with respect to PDVIII and PDSI, as applicable.

SECTION 11.02. [Reserved].

SECTION 11.03. Releases of Collateral.

The Notes Obligations will no longer be required to be secured by Liens on Collateral, and subject to the terms of the Intercreditor Agreement and the other Collateral Documents, the Liens securing the Notes Obligations will be released:

(1) in whole, upon the full and final payment and performance of all Notes Obligations;

(2) in part, with respect to any asset constituting Collateral, if such Collateral is sold or otherwise disposed of (x) to the Company or a Guarantor in a transaction permitted by the terms of this Indenture; provided that such Collateral shall be pledged as Collateral under the Collateral Documents contemporaneously with such partial release of Liens and sale or disposition to the Company or a Guarantor, in accordance with the requirements of this Indenture and the Collateral Documents; or (y) to a Person that is not (either before or after giving effect to such transaction) the Company or a Guarantor in a transaction that is not prohibited by this Indenture, subject to compliance with Section 4.10 (other than the provisions thereof relating to the future use of the proceeds of such sale or other disposition), and, in each case, the Company has delivered to the Junior Lien Collateral Agent and the Trustee an Officers' Certificate and Opinion of Counsel (with customary assumptions and qualifications for such types of opinion) certifying to such effect; *provided* that (i) pending its application or use in compliance with Section 4.10, any cash received from a disposition of Collateral shall be deposited in a deposit account controlled by the Collateral Agent and held as Collateral and, from such deposit account, the applicable Collateral Grantor may withdraw funds to deploy the proceeds of an Asset Sale in compliance with Section 4.10, and (ii) to the extent that any Collateral is sold or otherwise disposed of in accordance with the terms of Section 4.10, the non-cash consideration received shall be pledged as Collateral under the Collateral Documents contemporaneously with such sale or disposition, in accordance with the requirements of this Indenture and the Collateral Documents;

(3) in whole, upon Legal Defeasance pursuant to Section 8.02, Covenant Defeasance pursuant to Section 8.03 or Discharge pursuant to Section 8.08;

(4) in part, with respect to the assets of any Guarantor that is released from its Guarantee in accordance with Section 10.02;

(5) in whole or in part, with the consent of the requisite Holders as provided in Section 9.02; or

(6) in whole or in part, as provided in the Intercreditor Agreement or the other Collateral Documents.

SECTION 11.04. Release Documentation.

Upon compliance with the conditions to release of all or any portion of the Collateral set forth in Section 11.03, the Junior Lien Collateral Agent and the Trustee shall forthwith take all action reasonably requested by the Company (at the expense of the Company, and accompanied by an Officers' Certificate and Opinion of Counsel that the conditions precedent to such release have been satisfied) to release and re-convey to the applicable Collateral Grantor the applicable portion of the Collateral, without recourse or warranty of any kind or nature, that is authorized to be released pursuant to Section 11.03, and shall deliver such Collateral in its possession to the applicable Collateral Grantor, including, without limitation, executing and delivering releases and satisfactions wherever required. Notwithstanding anything herein to the contrary, in the event of any transfer, sale or other disposition of all or any part of the assets of a Collateral Grantor constituting Collateral to the Company or any other Collateral Grantor (including by way of merger, consolidation or amalgamation) in a transaction permitted by the

terms of this Indenture, the Trustee and the Junior Lien Collateral Agent shall forthwith take all action reasonably requested by the Company (at the expense of the Company, and accompanied by an Officers' Certificate and Opinion of Counsel that the conditions precedent to such release have been satisfied) to release such Collateral if and to the extent necessary to consummate such transfer, sale or disposition; provided that arrangements satisfactory to the Trustee and the Junior Lien Collateral Agent have been made for the contemporaneous pledge of such Collateral by the successor in accordance with the terms of the Collateral Documents and this Indenture.

SECTION 11.05. Possession and Use of Collateral; No Impairment of the Security Interests.

(a) So long as no Default or Event of Default has occurred and is continuing, and subject to the terms of this Indenture and the Collateral Documents, each Collateral Grantor will be entitled to freely operate the property and assets constituting the Collateral pledged by it and to receive, invest and dispose of all cash dividends, principal, interest and other payments made upon or with respect to the Collateral pledged by it and to exercise any voting and other consensual rights pertaining to the Collateral pledged by it.

(b) The Company shall not, and shall not permit any other Collateral Grantor to, take any action, or knowingly omit to take any action, which action or omission would have the result of materially impairing the validity, perfection or priority of the security interests in the Collateral created by the Documents, (except as expressly set forth in this Indenture and the Collateral Documents, including any action that would result in a Permitted Collateral Lien).

(c) No Collateral Grantor will take any action or otherwise attempt to enforce any claim or maritime Lien held by it against any Collateral Vessel that has priority over any claim or Lien of the Junior Lien Collateral Agent in respect of such Collateral Vessel, including any claims or Liens arising under the Vessel Mortgages.

(d) Subject to any conditions in the First Lien Collateral Documents and the Collateral Documents (including any requirement for affirmative election by the Collateral Agent or the Junior Lien Collateral Agent), upon the occurrence and during the continuance of an Event of Default:

(1) all rights of each Collateral Grantor to exercise such voting or other consensual rights pertaining to its Collateral will cease, and all such rights will become vested in the Junior Lien Collateral Agent, which, to the extent permitted by law, will have the sole right to exercise such voting and other consensual rights in accordance with the Collateral Documents;

(2) all rights of each Collateral Grantor to receive all cash dividends, principal, interest and other payments made upon or with respect to its Collateral will cease and such cash dividends, principal, interest and other payments will be paid to the Junior Lien Collateral Agent in accordance with the terms of the Collateral Documents;

(3) the Junior Lien Collateral Agent may sell the Collateral or any part of the Collateral in accordance with the terms of the Collateral Documents; and

(4) the Junior Lien Collateral Agent may exercise any rights under deposit account control agreements in respect of the Collateral constituting deposit accounts, including Earnings Accounts.

The Junior Lien Collateral Agent will distribute all funds received by it in accordance with the provisions of the Collateral Documents, and the Trustee will distribute all funds received by it from the Junior Lien Collateral Agent for the benefit of the Trustee and the Holders of the Notes in accordance with the provisions of this Indenture.

The Junior Lien Collateral Agent will be permitted to release all or any portion of the Collateral from the Liens created by the Collateral Documents and foreclose on the Collateral following an Event of Default, in each case in accordance with the applicable provisions of the Collateral Documents.

SECTION 11.06. Junior Lien Collateral Agent.

The Trustee and each of the Holders by acceptance of the Notes hereby designate and appoint the Junior Lien Collateral Agent as the Trustee's and the Holders' collateral agent under the Collateral Documents, and the Trustee and each of the Holders by acceptance of the Notes hereby irrevocably authorize the Junior Lien Collateral Agent to execute and deliver the Collateral Documents and to take such action on their behalf under the provisions of the Collateral Documents and to exercise such powers and perform such duties as are expressly delegated to the Junior Lien Collateral Agent by the terms of this Indenture and the Collateral Documents, together with such powers as are reasonably incidental thereto. The Junior Lien Collateral Agent hereby accepts such designation and appointment and agrees to act as the Junior Lien Collateral Agent on the conditions contained in this Section 11.06. Each Holder agrees that any action taken by the Junior Lien Collateral Agent in accordance with the provisions of this Indenture and the Collateral Documents, and the exercise by the Junior Lien Collateral Agent of any rights or remedies set forth herein and therein, shall be authorized and binding upon all Holders.

The Junior Lien Collateral Agent may resign and its successor appointed in accordance with the terms of Section 7.07.

The Trustee is authorized and directed by the Holders and the Holders by acquiring the Notes are deemed to have authorized the Trustee, as applicable, to (i) enter into the Intercreditor Agreement and the Collateral Agency Agreement, (ii) bind the Holders on the terms as set forth in the Intercreditor Agreement and the Collateral Agency Agreement, (iii) perform and observe its obligations and exercise its rights and powers under the Intercreditor Agreement and the Collateral Agency Agreement, including entering into amendments permitted by the terms of this Indenture, the Intercreditor Agreement and the other Collateral Documents and (iv) cause the Junior Lien Collateral Agent to enter into and perform its obligations under the Collateral Documents. The Junior Lien Collateral Agent is authorized and directed by the Trustee and the Holders and the Holders by acquiring the Notes are deemed to have authorized the Junior Lien Collateral Agent, to (i) enter into the Collateral Documents to which it is a party, (ii) bind the Trustee and the Holders on the terms as set forth in such Collateral Documents and (iii) perform and observe its obligations and exercise its rights and powers under such Collateral Documents, including entering into amendments permitted by the terms of this Indenture or the Collateral Documents. Each Holder, by its acceptance of a Note, is deemed to have consented and agreed to the terms of the Intercreditor Agreement and each other Collateral Document, as originally in effect and as amended, restated, replaced, supplemented or modified from time to time in accordance with its terms or the terms of this Indenture. Each of the Trustee and the Holders by acquiring the Notes is hereby deemed to (i) agree that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement and (ii) acknowledge that it has received a copy of the Intercreditor Agreement and that the exercise of certain of the Trustee's rights and remedies hereunder may be subject to, and restricted by, the provisions of the Intercreditor Agreement. Each of the Holders by acquiring the Notes is hereby deemed to direct the Trustee to appoint, and by the Junior Lien Collateral Agent's acceptance of each Mortgage is deemed to appoint on behalf of each of the Holders with respect to each such Mortgage, the Junior Lien Collateral Agent as its mortgagee trustee to (i) receive, hold, administer and enforce the Mortgages covering the Collateral Vessels, and (ii) act on its behalf with regard to (a) the security, powers, rights, titles, benefits and interests (both present and future) constituted by and conferred thereon under, or pursuant to each such Mortgage (including, without limitation, the benefit of all covenants, undertakings, representations, warranties and obligations given, made or undertaken by the Company or the relevant Restricted Subsidiaries in each such Mortgage), (b) all monies, property and other assets paid or transferred thereto or vested therein or in any agent thereof or received or recovered thereby or by any agent thereof pursuant to, or in connection with, each such Mortgage, whether from the Company, a Restricted Subsidiaries or any other person, and (c) all monies, investments, property or other assets at any time representing or deriving from any of the foregoing, including all interest, income and other sums at any time received or receivable thereby or by any agent thereof in respect of the same (or any part thereof), all as contemplated under the Intercreditor Agreement.

The Junior Lien Collateral Agent shall have no obligation whatsoever to the Trustee or any of the Holders to assure that the Collateral exists or is owned by the Company or any of the Collateral Grantors or is cared for, protected or insured or has been encumbered, or that the Junior Lien Collateral Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, maintained or enforced or are entitled to any particular priority, or to determine whether all of the Collateral Grantors' property constituting Collateral intended to be subject to the Lien and security interest of the Collateral Documents has been properly and completely listed or

delivered, as the case may be, or the genuineness, validity, marketability or sufficiency thereof or title thereto. The Junior Lien Collateral Agent shall have no obligation to exercise in any particular manner or under any duty of disclosure or fidelity, any of the rights, authorities, and powers granted or available to the Junior Lien Collateral Agent pursuant to this Indenture or any Collateral Document.

The grant of permissive rights or powers to the Junior Lien Collateral Agent shall not be construed to impose duties to act. For the avoidance of doubt, nothing herein shall require the Junior Lien Collateral Agent or Trustee to file financing statements or continuation statements or filing or recording any document or instrument, or be responsible for perfecting or maintaining the security interests purported to be created by the Collateral Documents and such responsibility shall be solely that of the Company, nor shall the Junior Lien Collateral Agent or the Trustee be responsible for, and neither the Junior Lien Collateral Agent nor the Trustee makes any representation regarding, the validity, effectiveness or priority of any of the Collateral Documents or the security interests or Liens intended to be created thereby. Notwithstanding anything to the contrary set forth in any Collateral Document, the Junior Lien Collateral Agent shall not be required to take any enforcement action outside of the United States; *provided* that the Junior Lien Collateral Agent will cooperate with the Holders and the Company in the appointment of a sub-agent with respect to enforcement actions outside of the United States.

Notwithstanding anything else to the contrary herein, the Junior Lien Collateral Agent shall not have any duty to take any discretionary action or exercise any discretionary powers.

Whether or not expressly stated therein, in acting under any Collateral Document, the Junior Lien Collateral Agent shall be entitled to all of the rights, privileges, immunities and indemnities granted to it under this Indenture, as if such rights, privileges, immunities or indemnities were set forth in such Collateral Document. The Junior Lien Collateral Agent shall be entitled to all of the rights, privileges, immunities and indemnities granted to the Trustee.

Neither the Trustee nor the Junior Lien Collateral Agent shall be liable or responsible for the failure of the Issuer or any Guarantors to maintain insurance on the Collateral, nor shall either of them be responsible for any loss due to the insufficiency of such insurance or by reason of the failure of any insurer to pay the full amount of any loss against which it may have insured to the Issuer, the Guarantors, the Trustee, the Junior Lien Collateral Agent or any other Person.

Upon the receipt by the Junior Lien Collateral Agent of a written request of the Issuer in the form of an Officers' Certificate, the Junior Lien Collateral Agent is hereby authorized to execute and enter into, and shall execute and enter into, without the further consent of any Holder or the Trustee, any Collateral Document to be executed after the Issue Date that is permitted or authorized by the terms of this Indenture. Such Officers' Certificate shall (i) state that it is being delivered to the Junior Lien Collateral Agent pursuant to this Section 11.06, (ii) instruct the Junior Lien Collateral Agent to execute and enter into such Collateral Document, and (iii) certify, where applicable, that such Collateral Document conforms to the description thereof set forth in the Offering Circular. Any such execution of a Collateral Document shall be at the direction and expense of the Issuer, upon delivery to the Junior Lien Collateral Agent of an Officers' Certificate and Opinion of Counsel stating that all conditions precedent to the execution and delivery of the Collateral Document have been satisfied.

SECTION 11.07. Purchaser Protected.

No purchaser or grantee of any property or rights purporting to be released from the Liens in favor of the Junior Lien Collateral Agent shall be bound to ascertain the authority of the Junior Lien Collateral Agent or Trustee to execute the release or to inquire as to the existence of any conditions herein prescribed for the exercise of such authority so long as the conditions set forth in Section 11.03 have been satisfied.

SECTION 11.08. [Reserved].

SECTION 11.09. Authorization of Receipt of Funds by the Trustee Under the Collateral Documents.

The Trustee is authorized to receive any funds for the benefit of Holders distributed under the Collateral Documents and to apply such funds as provided in Section 6.10.

SECTION 11.10. Powers Exercisable by Receiver or Trustee.

In case the Collateral shall be in the possession of a receiver or trustee, lawfully appointed, the powers conferred in this Article 11 upon the Company or any Collateral Grantor, as applicable, with respect to the release, sale or other disposition of such property may be exercised by such receiver or trustee, and an instrument signed by such receiver or trustee shall be deemed the equivalent of any similar instrument of the Company or any Collateral Grantor, as applicable, or of any officer or officers thereof required by the provisions of this Article 11.

SECTION 11.11. Compensation and Indemnification.

The Junior Lien Collateral Agent shall be entitled to the compensation and indemnification set forth in Section 7.06 (with the references to the Trustee therein being deemed to refer to the Junior Lien Collateral Agent).

ARTICLE 12

MISCELLANEOUS

SECTION 12.01. Notices.

All notices and other communications by the Issuer, any Guarantor or the Trustee to the other parties hereto shall be duly given if in writing in the English language and delivered in person or mailed by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to their respective addresses set forth below:

If to the Company or any Guarantor:

Pacific Drilling S.A.
11700 Katy Fwy, #175
Houston, TX 77079
Attention: Chief Financial Officer
Email: j.boots@pacificdrilling.com
Telephone: (713) 334-6662

with a copy to:

Pacific Drilling Services, Inc.
11700 Katy Fwy, #175
Houston, TX 77079
Attention: Treasurer
Email: k.niemietz@pacificdrilling.com
Telephone: (832) 255-0628

If to the Trustee or Junior Lien Collateral Agent:

Wilmington Trust, National Association
15950 North Dallas Parkway, Suite 550
Dallas, Texas 75248
Attention: Pacific Drilling Administrator
Facsimile: 888-316-6238

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given (a) at the time delivered by hand, if personally delivered, (b) five Business Days after being deposited in the mail, postage prepaid, if mailed, (c) when receipt is acknowledged, if transmitted by facsimile, and (d) the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery, in each case to the address shown above or to such other address or addresses as the Issuer, any Guarantor or the Trustee, by written notice to the other parties hereto, may designate from time to time.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the Register kept by the Registrar. All notices and communications to a Holder shall be deemed to have been duly given (a) five Business Days after being deposited in the mail, postage prepaid, if mailed, and (b) the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery, in each case to the address of the Holder shown on the Register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If either the Company or any Guarantor mails a notice or communication to any Holder, it shall mail a copy to the Trustee and each Agent at the same time.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by any Holder shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Notwithstanding anything to the contrary contained herein, as long as the Notes are in the form of a Global Note, notice to the Holders thereof may be made electronically in accordance with the applicable procedures of the Depository.

SECTION 12.02. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Issuer to the Trustee or any Agent to take any action or refrain from taking any action under this Indenture, the Trustee or such Agent shall be entitled to receive from the Issuer:

(a) an Officers' Certificate (which shall include the statements set forth in Section 12.03) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel (which shall include the statements set forth in Section 12.03) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 12.03. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that the person making such certificate or opinion has read such condition or covenant;

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

(c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such condition or covenant has been satisfied; and

(d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been satisfied.

SECTION 12.04. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 12.05. No Personal Liability of Directors, Officers, Employees and Stockholders.

No present, past or future director, officer, employee, incorporator or stockholder of the Issuer, the Company or any Guarantor, as such, will have any liability for any obligations of the Issuer, the Company or any Guarantor under this Indenture, the Notes, the Guarantees or the Collateral Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder, by accepting a Note, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 12.06. Governing Law.

THIS INDENTURE, THE NOTES AND THE GUARANTEES WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. Articles 470-3 through 470-19 (inclusive) of the Luxembourg law of 10 August 1915 concerning commercial companies, as amended, shall be expressly excluded.

SECTION 12.07. Jurisdiction.

The Issuer and Guarantors agree that any suit, action or proceeding against the Issuer or any Guarantors brought by any Holder or the Trustee arising out of or based upon this Indenture, the Notes or the Guarantees may be instituted in any state or Federal court in the Borough of Manhattan, New York, New York, and any appellate court thereof, and each of them irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding. The Issuer and any Guarantors irrevocably waive, to the fullest extent permitted by law, any objection to any suit, action, or proceeding that may be brought in connection with this Indenture, the Notes or the Guarantees, if any, including such actions, suits or proceedings relating to the securities laws of the United States of America or any state thereof, in such courts whether on the grounds of venue, residence or domicile or on the ground that any such suit, action or proceeding has been brought in an inconvenient forum. The Issuer and any Guarantors agree that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Issuer or such Guarantors, as the case may be, in the manner provided by this Indenture or by any other legal means. Each of the Issuer and any Guarantors have appointed CT Corporation System (the "*Authorized Agent*"), for service of process in any suit, action or proceeding arising out of or based upon this Indenture, the Notes and any Guarantees which may be instituted in any U.S. federal or New York state court located in the City of New York, New York, by any Holder or the Trustee, and expressly accepts the non-exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. Each of the Issuers and any Guarantor hereby represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Issuer and any Guarantors agree to take any and all action, including the filing of any and all documents that may be necessary to continue such respective appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect,

effective service of process upon the Issuers and the Guarantors. Notwithstanding the foregoing, any action involving the Issuer or such Guarantor arising out of or based upon this Indenture, the Notes or any Guarantees may be instituted by any Holder or the Trustee in any court of competent jurisdiction in New York, New York. Each of the Issuer and any Guarantor agrees to take any and all action as may be necessary to maintain the designation and appointment of an agent in full force and effect until the Notes are paid in full.

SECTION 12.08. WAIVER OF JURY TRIAL.

EACH OF THE ISSUER, THE GUARANTORS, THE JUNIOR LIEN COLLATERAL AGENT AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES, THE GUARANTEES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 12.09. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuer, the Issuer or their respective Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 12.10. Successors.

All agreements of the Issuer and the Guarantors in this Indenture and the Notes shall bind their respective successors. All agreements of the Trustee and the Junior Lien Collateral Agent in this Indenture shall bind their respective successors.

SECTION 12.11. Severability.

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

SECTION 12.12. Table of Contents, Headings, etc.

The Table of Contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 12.13. Counterparts.

The parties hereto may sign any number of copies of this Indenture. This Indenture may be signed in counterparts and by the different parties hereto in separate counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or portable document format (.pdf) transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signature of the parties hereto transmitted by facsimile or .pdf shall be deemed to be their original signatures for all purposes.

SECTION 12.14. Language of Notices, Etc.

Any request, demand, authorization, direction, notice, consent, waiver or Act required or permitted under this Indenture shall be in writing and in the English language, except that any published notice may be in an official language of the country of publication.

SECTION 12.15. U.S.A. PATRIOT Act.

The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to Federal regulations that became effective on October 1, 2003 (Section 326 of the USA PATRIOT Act), all financial institutions are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Indenture agree that they will provide to the Trustee and Junior Lien Collateral Agent such information as it may request, from time to time, in order for the Trustee and Junior Lien Collateral Agent to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

SECTION 12.16. Force Majeure.

Neither the Trustee nor any Agent shall incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Trustee or such Agent that prevents the Trustee or such Agent from performing such act or fulfilling such duty, obligation or responsibility hereunder (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism, or the unavailability of the Federal Reserve Bank wire, facsimile or other wire or communication facility).

SECTION 12.17. Foreign Sanction Regulations.

The Company agrees to comply in all material respects with applicable foreign sanctions regulations, including but not limited to, those administered by the Office of Foreign Assets Control of the U.S. Treasury Department, it being understood that this covenant is for the benefit of the Trustee only, no Holder or other Person shall have rights under this covenant as a third party beneficiary, and any breach of this covenant shall not be the basis for a Default or Event of Default under Section 6.01.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed and delivered as of the date first set forth above.

ESCROW ISSUER:

PACIFIC DRILLING SECOND LIEN ESCROW ISSUER LIMITED

by 

Name: Paul T. Reese
Title: Director

TRUSTEE AND JUNIOR LIEN COLLATERAL AGENT:

WILMINGTON TRUST, NATIONAL ASSOCIATION

By: _____

Name: Shawn Goffinet

Title: Assistant Vice President

RULE 144A/REGULATION S APPENDIX

PROVISIONS RELATING TO NOTES

1. Definitions

1.1 For the purposes of this Appendix the following terms shall have the meanings indicated below:

"*Accredited Investor*" means an "*accredited investor*" as defined in Rule 501 under the Securities Act.

"*Depository*" means The Depository Trust Company, its nominees and their respective successors and assigns, or such other depository institution hereinafter appointed by the Issuer.

"*Initial Purchaser*" means (1) with respect to the Initial Notes, Credit Suisse Securities (USA) LLC and (2) with respect to each issuance of Additional Notes, the Person or Persons purchasing or underwriting such Additional Notes under the related purchase agreement or underwriting agreement.

"*Notes Custodian*" means the custodian with respect to a Global Note (as appointed by the Depository), or any successor Person thereto and shall initially be the Trustee.

"*Purchase Agreement*" means (1) with respect to the Initial Notes, the Purchase Agreement dated September 12, 2018 among the Escrow Issuer, the Company, the guarantors party thereto and the Initial Purchaser, and (2) with respect to each issuance of Additional Notes, the purchase agreement or underwriting agreement among the Company, the Guarantors and the Persons purchasing or underwriting such Additional Notes.

"*Transfer Restricted Securities*" means Notes that bear or are required to bear the legend set forth in Section 2.2(b)(i) hereof.

"*Unrestricted Notes*" means any Notes that are not Transfer Restricted Securities.

1.2 Other Definitions.

Term	Defined in Section:
"Agent Members"	2.1(b)
"Global Note"	2.1(a)
"Regulation S"	2.1(a)
"Regulation S Notes"	2.1(a)
"Resale Restriction Termination Date"	2.2(b)
"Restricted Global Note"	2.1(a)
"Restricted Notes Legend"	2.2(b)
"Restricted Period"	2.1(b)
"Rule 144A"	2.1(a)
"Rule 144A Notes"	2.1(a)

2.1 The Notes.

(a) Form and Dating. Initial Notes offered and sold in reliance on Rule 144A ("*Rule 144A Notes*") under the U.S. Securities Act ("*Rule 144A*") or in reliance on Regulation S ("*Regulation S Notes*") under the U.S. Securities Act ("*Regulation S*"), *in each case* as provided in a Purchase Agreement, shall be issued initially in the form of one or more permanent global Notes in definitive, fully registered form without interest coupons with the global Notes legend and Restricted Notes Legend (each, unless and until becoming an Unrestricted Note in accordance with Section 2.2(b)(ii) below, a "*Restricted Global Note*"), which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, as Notes Custodian for the Depository (or with such other custodian as the Depository may direct), and registered in the name of the Depository or a nominee of the

Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. Beneficial interests in a Restricted Global Note representing Initial Notes sold in reliance on either Rule 144A or Regulation S may be held through Euroclear or Clearstream, as indirect participants in the Depository. The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided. Unrestricted Notes issued in global form and Restricted Global Notes are each referred to herein as a "*Global Note*" and are collectively referred to herein as "*Global Notes*."

(b) Book-Entry Provisions. This Section 2.1(b) shall apply only to a Global Note deposited with or on behalf of the Depository.

The Issuer shall execute and the Trustee shall, in accordance with this Section 2.1(b) and Section 2.02 of the Indenture, authenticate and deliver initially one or more Global Notes that (a) shall be registered in the name of the Depository for such Global Note or Global Notes or the nominee of such Depository and (b) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions or held by the Trustee as Notes Custodian for the Depository.

Members of, or participants in, the Depository ("*Agent Members*") shall have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository or by the Trustee as the custodian of the Depository or under such Global Note, and the Issuer, the Trustee and any agent of the Issuer or the Trustee shall be entitled to treat the Depository as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

Prior to the expiration of the period through and including the 40th day after the later of the commencement of the offering of any Initial Notes and the closing of such offering (such period, the "*Restricted Period*"), beneficial interests in the Restricted Global Note representing Regulation S Notes may be transferred or exchanged for beneficial interests in the Restricted Global Note representing Rule 144A Notes only if (i) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A, (ii) the transferor first delivers to the Trustee a written certificate (in the form provided in Exhibit 1 hereto) to the effect that the Notes are being transferred to a Person who the transferor reasonably believes to be a QIB within the meaning of Rule 144A and is purchasing for its own account or the account of a QIB, in each case in a transaction meeting the requirements of Rule 144A, and (iii) the transfer is in accordance with all applicable securities laws of the states of the United States and other jurisdictions. After the expiration of the Restricted Period, such certification requirements shall not apply to such transfers of beneficial interests in a Restricted Global Note representing Regulation S Notes.

Beneficial interests in a Restricted Global Note representing Rule 144A Notes may be transferred to a Person who takes delivery in the form of an interest in the Restricted Global Note representing Regulation S Notes, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Registrar a written certificate (in the form provided in Exhibit 1 hereto) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available).

(c) Certificated Notes. Except as provided in Section 2.3, owners of beneficial interests in Global Notes shall not be entitled to receive physical delivery of certificated Notes. Certificated Notes shall not be exchangeable for beneficial interests in Global Notes.

2.2 Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. (i) The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depository, in accordance with the Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor. A transferor of a beneficial interest in a Global Note shall deliver to the Trustee a written order given in accordance with the Depository's procedures containing information regarding the participant account of the Depository to be credited with a beneficial interest in the Global Note. The Trustee shall, in accordance with such instructions instruct the

Depository to credit to the account of the Person specified in such instructions a beneficial interest in the Global Note and to debit the account of the Person making the transfer the beneficial interest in the Global Note being transferred.

(ii) If the proposed transfer is a transfer of a beneficial interest in one Global Note to a beneficial interest in another Global Note, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Note to which such interest is being transferred in an amount equal to the principal amount of the interest to be so transferred, and the Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount of the Global Note from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix, a Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(b) Legend.

(i) Except as permitted by the following paragraphs (ii) and (iii), each Note certificate evidencing the Global Notes and the certificated Notes (and all Notes issued in exchange therefor or in substitution thereof) shall bear the applicable legend in substantially the following form ("*Restricted Notes Legend*"):

If the Note is a Rule 144A Note:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, OR (C) IT IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT, ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, (D) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (E) PURSUANT TO A

REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S, OR REGISTRAR'S, AS APPLICABLE, RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE OR REGISTRAR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT.

THIS NOTE MAY HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR PURPOSES OF SECTION 1271 ET SEQ. OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE COMPANY AGREES TO PROVIDE TO THE HOLDER, UPON WRITTEN REQUEST, THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE, YIELD TO MATURITY, COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WITH RESPECT TO THE NOTE. ANY SUCH WRITTEN REQUEST SHOULD BE SENT TO THE COMPANY AT THE FOLLOWING ADDRESS: PACIFIC DRILLING S.A., 11700 KATY FREEWAY, SUITE 175, HOUSTON, TEXAS 77079, ATTENTION: INVESTOR RELATIONS.

If the Note is a Regulation S Note:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

(ii) Upon a sale or transfer after, in the case of (A) any Note acquired pursuant to Rule 144A, the applicable holding period under Rule 144A under the Securities Act (the "*Resale Restriction Termination Date*") therefor, or (B) any Note acquired pursuant to Regulation S, the expiration of the Restricted Period, all requirements that such Note bear a Restricted Notes Legend shall cease to apply and a Global Note without the applicable Restricted Notes Legend may be issued to the transferee of such Note. The applicable Restricted Notes Legend on any Note shall be removed at the written request of the Company on or after the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable. Without limiting the generality of the preceding sentence, the Issuer may effect such removal by issuing and delivering, in exchange for such Transfer Restricted Security, an Unrestricted Note without such legend, registered to the same Holder and in an equal principal amount and in the case of Global Notes, complying with the Depository's procedures, and (A) upon receipt by the Trustee of a written order of the Issuer stating that the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable, to such Transfer Restricted Security has occurred and requesting the authentication and delivery of an Unrestricted Note in exchange therefor (which order shall not be required to be accompanied by any Opinion of Counsel or any other document) given at least three Business Days in advance of the proposed date of exchange specified therein (which shall be no earlier than such Resale Restriction Termination Date or termination of the Restricted Period, as applicable) and (B) approval by the Depository, the Trustee shall authenticate and deliver such Unrestricted Note to the Depository or pursuant to such Depository's instructions or hold such Note as Note Custodian for the

Depository and shall request the Depository to, or, if the Trustee is Note Custodian of such Transfer Restricted Security, shall itself, surrender such Transfer Restricted Security in exchange for such Unrestricted Note without such legend and thereupon cancel such Transfer Restricted Security so surrendered, all as directed in such order. For purposes of determining whether the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable, has occurred with respect to any Notes evidenced by a Transfer Restricted Security or delivering any order pursuant to this Section 2.2(b)(ii) with respect to such Notes, (i) only those Notes which a Principal Officer of the Issuer actually knows (after reasonable inquiry) to be or to have been owned by an Affiliate of the Issuer shall be deemed to be or to have been, respectively, owned by an Affiliate of the Issuer; and (ii) "Principal Officer" means the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Issuer.

For purposes of this Section 2.2(b)(ii), all provisions relating to the removal of the legend set forth in paragraph (i) above shall relate, if the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable, has occurred only with respect to a portion of the Notes evidenced by a Transfer Restricted Security, to such portion of the Notes so evidenced as to which the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable has occurred.

Each Holder of any Note evidenced by any Restricted Global Note, by its acceptance thereof, (A) authorizes and consents to, (B) appoints the Issuer as its agent for the sole purpose of delivering such electronic messages, executing and delivering such instruments and taking such other actions, on such Holder's behalf, as the Depository or the Trustee may require to effect, and (C) upon the request of the Issuer, agrees to deliver such electronic messages, execute and deliver such instruments and take such other actions as the Depository or the Trustee may require, or as shall otherwise be necessary to effect, the removal of the legend set forth in Section 2.2(b)(i) (including by means of the exchange of all or the portion of such Restricted Global Note evidencing such Note for a certificate evidencing such Note that does not bear such legend) at any time after the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable.

(iii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Restricted Global Note) pursuant to Rule 144 under the Securities Act, the Registrar shall permit the transferee thereof to exchange such Transfer Restricted Security for a Note that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the transferor thereof certifies in writing to the Registrar that such sale or transfer was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Note).

(iv) Notes issued upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Restricted Global Note) to an Accredited Investor pursuant to Rule 501 under the Securities Act shall be issued in definitive, fully registered non-global form without interest coupons and shall not be issued as Global Notes; provided, however, that certificated Notes may be transferred to QIBs in accordance with Rule 144A or acquired in reliance on Regulation S and exchanged for interests in Global Notes pursuant to this Section 2.2.

(v) In the event that a Global Note is exchanged for certificated Notes pursuant this Appendix A, such Notes may be transferred or exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.2 (including the certification requirements set forth on the reverse of the Notes intended to ensure that such transfers comply with Rule 144A, Regulation S or such other applicable exemption from registration under the Securities Act, as the case may be) and such other reasonable procedures as may from time to time be adopted by the Issuer and notified to the Trustee in writing

(c) Cancellation or Adjustment of Global Note. At such time as all beneficial interests in a Global Note have either been exchanged for certificated Notes, redeemed, purchased or canceled, such Global Note shall be returned to the Trustee for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for certificated Notes, redeemed, purchased or

canceled, or if any certificated Note is exchanged for such a beneficial interest, the principal amount of Notes represented by such Global Note shall be reduced or increased, as appropriate, and an adjustment shall be made on the books and records of the Trustee (if it is then the Notes Custodian for such Global Note) with respect to such Global Note, by the Trustee or the Notes Custodian, to reflect such reduction or increase, as the case may be.

(d) Obligations with Respect to Transfers and Exchanges of Notes.

(i) To permit registrations of transfers and exchanges, the Issuer shall execute and the Trustee shall, upon its receipt of an authentication order from the Issuer, authenticate certificated Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon any exchange or transfer pursuant to Sections 2.10, 3.06, 3.08, 3.09, 3.11, 4.10, 4.15 and 9.05 of the Indenture).

(iii) The Registrar shall not be required to register the transfer or exchange of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before selection of Notes to be redeemed.

(iv) Prior to the due presentation for registration of transfer of any Note, the Issuer, the Guarantors, the Trustee, the Paying Agent or the Registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of, premium, if any, interest, if any, on, or Additional Amounts, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuer, the Guarantors, the Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

(v) All Notes issued upon any transfer or exchange pursuant to the terms of the Indenture shall evidence the same debt and shall be entitled to the same benefits under the Indenture as the Notes surrendered upon such transfer or exchange. Accordingly, for purposes of clause (1) of Section 4.09(b) of the Indenture, "the Notes issued on the Issue Date" shall be deemed to refer to and include any Notes issued in exchange for, or upon registration of transfer of, or in lieu of, any such Notes (or any predecessor Notes thereof) pursuant to the Indenture.

(e) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Note, a member of, or a participant in the Depository or other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of optional redemption) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants, members or beneficial owners in any Global Note) other than to require delivery of such

certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

2.3 Certificated Notes.

(a) A Global Note deposited with the Depository or with the Trustee as custodian for the Depository pursuant to Section 2.1 shall be transferred to the beneficial owners thereof in the form of certificated Notes in an aggregate principal amount equal to the principal amount of such Global Note, in exchange for such Global Note, only if such transfer complies with Section 2.2 of this Appendix and (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Note or if at any time such Depository ceases to be a "clearing agency" registered under the Exchange Act and in either case the Issuer fails to appoint a successor depository within 90 days, (ii) the Issuer, at its option, but subject to the Depository's requirements, notifies the Trustee in writing that it elects to cause the issuance of the certificated Notes, or (iii) an Event of Default has occurred and is continuing and the Depository notifies the Trustee of its decision to exchange the Global Notes for certificated Notes.

(b) Any Global Note that is transferable to the beneficial owners thereof pursuant to this Section shall be surrendered by the Depository or the Notes Custodian to the Trustee located at its Corporate Trust Office to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Note, an equal aggregate principal amount of certificated Notes of authorized denominations. Any portion of a Global Note transferred pursuant to this Section shall be executed, authenticated and delivered only in minimum denominations equal to $1.00 or an integral multiple of $1.00 in excess thereof, and registered in such names as the Depository shall direct. Any certificated Note delivered in exchange for an interest in a Global Note shall, except as otherwise provided by Section 2.2(b), bear a Restricted Notes Legend.

(c) Subject to the provisions of Section 2.3(b), the Holder of a Global Note shall be entitled to grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under the Indenture or the Notes.

(d) In the event of the occurrence of any of the events specified in Section 2.3(a), the Issuer shall promptly make available to the Trustee a reasonable supply of certificated Notes in definitive, fully registered form without interest coupons.

EXHIBIT I TO RULE 144A/REGULATION S APPENDIX

[Global Notes Legend]

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

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[Restricted Notes Legend Rule 144A Notes]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, OR (C) IT IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT, ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE, (D) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (E) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S, OR REGISTRAR'S, AS APPLICABLE, RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE COMPLETED AND DELIVERED BY THE

TRANSFEROR TO THE TRUSTEE OR REGISTRAR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT.

THIS NOTE MAY HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR PURPOSES OF SECTION 1271 ET SEQ. OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE COMPANY AGREES TO PROVIDE TO THE HOLDER, UPON WRITTEN REQUEST, THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE, YIELD TO MATURITY, COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WITH RESPECT TO THE NOTE. ANY SUCH WRITTEN REQUEST SHOULD BE SENT TO THE COMPANY AT THE FOLLOWING ADDRESS: PACIFIC DRILLING S.A., 11700 KATY FREEWAY, SUITE 175, HOUSTON, TEXAS 77079, ATTENTION: INVESTOR RELATIONS.

[Restricted Notes Legend-Regulation S Notes]

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

No. [ ] Principal Amount $[ ]

144A ISIN: US69419WAA71

144A CUSIP: 69419W AA7

Regulation S ISIN: USG6869XAA57

Regulation S CUSIP: G6869X AA5

Pacific Drilling Second Lien Escrow Issuer Limited

11.000% / 12.000% Second Lien PIK Notes due 2024

Pacific Drilling Second Lien Escrow Issuer Limited, a private company limited by shares incorporated in the British Virgin Islands (company number 1990678) (together with its successors and assigns under the Indenture hereinafter referred to), promises to pay to CEDE & CO., or registered assigns, the principal sum of [ ] Dollars on April 1, 2024 or such greater or lesser amount as may be indicated on Schedule A hereto

Interest Payment Dates: April 1 and October 1. Record Dates: March 15 and September 15. Additional provisions of this Note are set forth on the other side of this Note.

IN WITNESS WHEREOF, Pacific Drilling Second Lien Escrow Issuer Limited has caused this instrument to be duly executed.

PACIFIC DRILLING SECOND LIEN
ESCROW ISSUER LIMITED

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee, certifies that this is one of the
Notes referred to in the Indenture.

By: _____
Authorized Signatory

Dated: September 26, 2018

[FORM OF REVERSE SIDE OF NOTE]

11.000% / 12.000% Second Lien PIK Notes due 2024

Capitalized terms used herein but not defined shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Interest. Pacific Drilling Second Lien Escrow Issuer Limited, a private company limited by shares incorporated in the British Virgin Islands (such company, prior to the Escrow Release Date, the "*Issuer*", which term shall, upon the Escrow Release Date, thereafter refer to Pacific Drilling S.A., a public limited liability company (société anonyme) organized under the laws of the Grand Duchy of Luxembourg), promises to pay interest on the unpaid principal amount of this Note semi-annually in arrears on October 1 and April 1 of each year (each an "*Interest Payment Date*"), commencing April 1, 2019.

Subject to the last sentence of this paragraph, for each interest period interest shall be payable, at the option of the Issuer, (i) entirely in cash (any interest paid in cash, "*Cash Interest*"), (ii) entirely through the issuance of additional Notes (*"PIK Notes*") having the same terms and conditions as the Notes issued on the issue date in a principal amount equal to the amount of interest then due and payable or by increasing the then outstanding aggregate principal amount of Notes (any interest paid pursuant to this clause (ii), "*PIK Interest*") or (iii) 50% as Cash Interest and 50% as PIK Interest. If the Issuer elects to pay interest for an interest period pursuant to clause (i), interest will accrue at the rate of 11.000% per annum. If the Issuer elects to pay interest for an interest period pursuant to clause (ii), interest will accrue at the rate of 12.000% per annum (the "*All PIK Rat*e"). If the Issuer elects to pay interest for an interest period pursuant to clause (iii), interest in respect of the Cash Interest portion will accrue at the rate of 11.000% per annum and interest in respect of the PIK Interest portion will accrue at the rate of 12.000% per annum. Notwithstanding anything to the contrary herein, interest for the first interest period will be paid entirely in the form of PIK Interest and interest for the final interest period ending at the maturity date of the Notes will be paid entirely in Cash Interest. The payment of accrued and unpaid interest in connection with any redemption or repurchase of the Notes under the Indenture shall be payable entirely in the form of Cash Interest at the then prevailing interest rate at the time of such redemption or repurchase.

PIK Interest shall be payable as follows:

(1) with respect to Notes represented by one or more Global Notes, by increasing the aggregate principal amount of the outstanding Global Notes, effective as of the applicable Interest Payment Date, by an amount equal to the amount of PIK Interest for the applicable interest period (rounded up to the nearest $1.00);

(2) with respect to Notes represented by definitive Notes, by issuing PIK Notes in the form of definitive Notes, dated as of the applicable Interest Payment Date, in an aggregate principal amount equal to the amount of PIK Interest for the applicable interest period (rounded up to the nearest $1.00); and

the Trustee will, upon receipt of an authentication order signed by an Officer, authenticate and deliver such PIK Notes on the Interest Payment Date in the definitive form for original issuance to the Holders of record on the record date or cause such increase in principal amount with respect to Global Notes.

Following an increase in the principal amount of any outstanding Global Notes as a result of a payment of PIK Interest, the Global Notes will bear interest on such increased principal amount from and after the applicable Interest Payment Date. Any PIK Notes issued in the form of definitive Notes will be dated as of the applicable Interest Payment Date and will bear interest from and after such date. PIK Notes issued pursuant to a payment of PIK Interest will have identical terms to the originally issued Notes except that interest on such PIK Notes will begin to accrue from the date they are issued rather than the Issue Date.

The Issuer will notify the Trustee and the Holders of the form of interest payment to the Holders with respect to each interest period by delivering an Officers' Certificate stating the total amount of interest to be paid and the amount of such interest to be paid as Cash Interest and PIK Interest not later than the 15th calendar day immediately prior to the first day of the applicable interest period. In the absence of such notice for any interest

period (except for the first and last interest periods), interest shall be payable according to the election for the previous interest period.

If the Issuer elects to pay interest on the Notes as 50% Cash Interest and 50% PIK Interest for an interest period, such Cash Interest and PIK Interest shall be paid to Holders of the Notes on a *pro rata* basis in accordance with their interests.

In certain circumstances specified in the Indenture (including in connection with the payment of PIK Interest), the Company may be required to pay Additional Amounts with respect to the Notes. Whenever in this Note there is mentioned, in any context, the payment of amounts based upon the principal amount of this Note or of principal, interest or of any other amount payable under, or with respect to, this Note, such reference to "principal amount" shall include any increase in principal amount of such Notes as a result of a payment of PIK Interest and such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof. If any date for payment on the Notes falls on a day that is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no additional interest will accrue solely as a result of such delayed payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; *provided* that if there is no existing Default or Event of Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date, except in the case of the original issuance of Notes, in which case interest shall accrue from the date of authentication. The Issuer shall pay (i) interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is equal to the then applicable interest rate on the Notes and (ii) interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Additional Amounts, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the March 15 or September 15 next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. Holders must surrender Notes to the Paying Agent to collect payments of principal and premium, if any, together with accrued and unpaid interest and Additional Amounts, if any, due at maturity. Any Notes in certificated form will be payable as to principal, premium, if any, Cash Interest, if any, and Additional Amounts, if any, at the office or agency of the Paying Agent and Registrar maintained for such purpose within the contiguous United States, or, at the option of the Issuer, payment of Cash Interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds to an account in the United States will be required with respect to any amounts due on all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Issuer or the Paying Agent. Notwithstanding the foregoing, if this Note is a Global Note, payment may be made pursuant to the applicable procedures of the Depository as permitted in the Indenture. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar. Initially, Wilmington Trust, National Association, the trustee (the "*Trustee*") under the Indenture, will act as Paying Agent and Registrar at its corporate trust office at 15950 N. Dallas Parkway, Suite 550, Dallas, Texas 75248. The Issuer may appoint and change any Paying Agent or Registrar without notice to any Holder. Other than for purposes of effecting a redemption or an offer to purchase described in Sections 3.07, 3.08, 3.09, 3.11, 4.10 and 4.15 of the Indenture or in connection with a Legal Defeasance, Covenant Defeasance or Discharge, the Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. Pacific Drilling Second Lien Escrow Issuer Limited issued the Notes under an Indenture dated as of September 26, 2018 ("*Indenture*") between Pacific Drilling Second Lien Escrow Issuer Limited and the Trustee. The Notes are subject to the terms of the Indenture, and Holders are referred to the Indenture for a statement of such terms. The Notes are second-lien senior secured obligations of the Issuer. The Issuer shall be entitled, subject to its compliance with Section 4.09 of the Indenture, to issue Additional Notes

pursuant to Section 2.14 of the Indenture. In the event of a conflict between the Indenture and this Note, the terms of the Indenture shall control.

5. Optional Redemption.

(a) At any time prior to April 1, 2020, the Issuer may, at its option, redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) issued under the Indenture, at one time or from time to time, at a redemption price equal to 112.000% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, thereon to, but not including, the applicable redemption date (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in an amount not greater than the net cash proceeds received by the Company of one or more Equity Offerings; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes (including any Additional Notes) issued under the Indenture (excluding any Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days after the date of the closing of such Equity Offering.

(b) At any time prior to October 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at a redemption price equal to 100% of the principal amount of the Notes received, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date.

(c) At any time a Change of Control occurs, the Issuer (or a third party on behalf of the Issuer) may, at its option, redeem all, but not less than all, of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date, if redeemed during the six-month period beginning on the dates indicated below (a "*Change of Control Redemption*"):

DATE	PERCENTAGE
April 1, 2020	106.000%
October 1, 2020	109.000%
April 1, 2021	106.000%
October 1, 2021	103.000%
April 1, 2022 and thereafter	100.000%

(d) On or after April 1, 2020, the Issuer may, at its option, redeem the Notes, in whole or in part, at one time or from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable redemption date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date, if redeemed during the six-month period beginning on the dates indicated below:

DATE	PERCENTAGE
April 1, 2020	112.000%
October 1, 2020	109.000%
April 1, 2021	106.000%
October 1, 2021	103.000%
April 1, 2022 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(e) The Issuer may redeem the Notes, at its option, at any time in whole but not in part, at a redemption price equal to 100% of the outstanding principal amount of Notes, plus accrued and unpaid interest (if any) to, but not including, the applicable redemption date, plus all Additional Amounts, if any, then due and which will become due as a result of the redemption or otherwise (subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date), in the event that the Issuer determines in good faith that the Issuer or any Guarantor has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes or the Guarantees, Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or the relevant Guarantor, as applicable (including making payment through a Paying Agent located in another jurisdiction), as a result of:

(1) a change in or an amendment to the laws or treaties (including any regulations or rulings promulgated thereunder) of any Specified Tax Jurisdiction affecting taxation, which change or amendment is announced or becomes effective on or after the Issue Date (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction); or

(2) any change in or amendment to any official position of a taxing authority in any Specified Tax Jurisdiction regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Issue Date (or, if the Specified Tax Jurisdiction was not a Specified Tax Jurisdiction on the Issue Date, the date on which such Specified Tax Jurisdiction became a Specified Tax Jurisdiction);

provided, *however*, that in the case of Additional Amounts required to be paid as a result of the Issuer or relevant Guarantor conducting business other than in the place of its incorporation or organization, such amendment or change must be announced or become effective on or after the date in which it begins to conduct business giving rise to the relevant withholding or deduction.

(f) The Issuer may, at its option, redeem the Notes, at any time prior to the third Business Day following the Escrow End Date in whole but not in part, at a redemption price equal to 100% of the principal amount of Notes plus accrued interest to, but not including, the redemption date, if, in the Issuer's reasonable judgment, the Escrow Release Conditions will not be satisfied on or prior to the Escrow End Date on substantially the terms described in the Offering Circular. If the Issuer exercises this option, the Issuer will redeem the Notes with the amounts held in the Escrow Account upon three Business Days' prior notice, or otherwise in accordance with the requirements of the Depository.

6. Notice of Redemption. Except in the case of a redemption pursuant to clause (f) of Paragraph 5 above, notice of optional redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address (except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a Legal Defeasance, Covenant Defeasance or Discharge). Notes and portions of Notes selected shall be in amounts of $1.00 or whole multiples of $1.00 in excess thereof; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder shall be redeemed. No Notes of $1.00 or less can be redeemed in part. On and after the redemption date, interest ceases to accrue on the Notes or portions thereof called for redemption, subject to satisfaction of any conditions thereto.

7. Mandatory Redemption.

Except as set forth in this Paragraph 7 and in Paragraph 8 below, the Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes or to repurchase the Notes at the option of the Holders.

If the satisfaction of the Escrow Release Conditions does not occur on or before December 22, 2018 (the "*Escrow End Date*") in accordance with the Junior Lien Escrow Agreement, the Issuer shall redeem all and not less than all of the Notes then outstanding (the "*Special Mandatory Redemption*"), upon three Business Days' notice (or otherwise in accordance with the requirements of the Depository), at a redemption price equal to 100% of the aggregate offering price of the Notes plus accrued and unpaid interest to, but not including, the redemption date. If the Issuer satisfies the Escrow Release Conditions on or prior to the Escrow End Date on substantially the terms described in the Offering Circular, the Notes will not thereafter be subject to the Special Mandatory Redemption.

8. Repurchase at Option of Holder.

(a) If a Change of Control occurs, the Company will be required to make an offer (a "*Change of Control Offer*") to repurchase all or any part (equal to $1.00 or an integral multiple of $1.00 in excess thereof) of each Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (the "*Change of Control Payment Date*"), subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date. Within 30 days following a Change of Control, the Company shall mail a notice of the Change of Control Offer to each Holder and the Trustee and the Paying Agent describing the transaction or transactions that constitutes the Change of Control and setting forth the procedures governing the Change of Control Offer as required by Section 4.15 of the Indenture.

(b) If the Company or any Restricted Subsidiary consummates an Asset Sale, within 10 Business Days of each date on which the aggregate amount of Excess Proceeds exceeds $22 million, the Company may be required to make an Asset Sale Offer in accordance with Sections 3.09 and 4.10 of the Indenture.

(c) If there are any remaining Zonda Proceeds following a First Lien Zonda Offer made pursuant to the First Lien Note Indenture, or, if there are any Zonda Proceeds and the First Lien Zonda Offer provisions of the First Lien Note Indenture are waived, the Company will be required, within 10 Business Days of the expiration of the First Lien Zonda Offer or the waiver of the First Lien Zonda Offer provisions of the First Lien Indenture, to make a Zonda Offer in accordance with the Indenture.

9. Guarantees. Upon the Escrow Release Date, or (in the case of PDVIII and PDSI) the Zonda Release Date, the payment by the Issuer of the principal of, and premium, if any, interest, if any, on, or Additional Amounts, if any, on, the Notes will be absolutely and unconditionally guaranteed on a joint and several basis by the Guarantors, as primary obligor and not merely as a surety, to the extent set forth in the Indenture.

10. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in minimum denominations of $1.00 and integral multiples of $1.00 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and the Issuer may require a Holder to pay any taxes due on transfer or exchange. The Registrar need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuer and the Registrar need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed.

11. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

12. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture, the Notes and the Collateral Documents may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange for, the Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes or the Collateral Documents may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange for, Notes). Without the consent of any Holder of, the Indenture, the Notes and the Collateral Documents may be amended or supplemented with respect to certain matters specified in the Indenture.

13. Defaults and Remedies. If any Event of Default occurs and is continuing, the Trustee, by notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes, by notice to the Issuer and the Trustee, may declare all the Notes to be due and payable immediately. Notwithstanding the preceding, in the case of an Event of Default arising from such events of bankruptcy, insolvency or reorganization described in Section 6.01(i) or 6.01(j) of the Indenture with respect to the Issuer or a Guarantor, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture, the Notes or the Collateral Documents except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power conferred on it with respect to the Notes. The Trustee may withhold from Holder notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, or interest or premium, if any, on, the Notes. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, except as provided in the Indenture. The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and within 10 Business Days of any of its Officers or any of the Issuer's Officers becoming aware of any Default or Event of Default, the Issuer is required to deliver to the Trustee a statement specifying such Default or Event of Default.

14. Defeasance and Discharge. The Notes are subject to defeasance and discharge upon the terms and conditions specified in the Indenture.

15. No Recourse Against Others. No present, past or future director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or any Guarantor under the Notes, the Indenture, the Guarantees or the Collateral Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder, by accepting a Note, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. Collateral Documents. On or after the Escrow Release Date, the obligations of the Issuer and the Guarantors under the Indenture, the Notes and the Guarantees and the other Second Lien Obligations will be secured by a Lien granted to the Junior Lien Collateral Agent, subject to the terms of the Collateral Documents.

17. Authentication. This Note shall not be valid until authenticated by the manual signature of an authorized signatory of the Trustee or an authenticating agent.

18. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), TT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

19. Removal of Restricted Notes Legend. Each Holder of any Note evidenced by any Restricted Global Note, by its acceptance thereof, (A) authorizes and consents to, (B) appoints the Issuer as its agent for the sole purpose of delivering such electronic messages, executing and delivering such instruments and taking such other actions, on such Holder's behalf, as the Depository or the Trustee may require to effect, and (C) upon the request of the Issuer, agrees to deliver such electronic messages, execute and deliver such instruments and take such other actions as the Depository or the Trustee may require, or as shall otherwise be necessary to effect, the removal of the Restricted Notes Legend set forth on the face of such Note (including by means of the exchange of all or the portion of such Restricted Global Note evidencing such Note for a certificate evidencing such Note that does not bear such Restricted Notes Legend) at any time after the Resale Restriction Termination Date (with respect to any Rule 144A Note) or the Restricted Period (with respect to any Regulation S Note) therefor, as applicable.

20. CUSIP and ISIN Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers and corresponding ISIN numbers to be printed on the Notes and the Trustee may use CUSIP numbers and corresponding ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

21. Governing Law. THE INDENTURE AND THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

22. Successors. In the event a successor entity assumes all the obligations of its predecessor under the Notes and the Indenture, in accordance with the terms thereof, the predecessor entity will be released from all such obligations.

The Issuer will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Pacific Drilling S.A.
11700 Katy Fwy, #175
Houston, TX 77079
Attention: Chief Financial Officer
Email: j.boots@pacificdrilling.com
Telephone: (713) 334-6662

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

_____

(Print or type assignee's name address and zip code)

_____

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint _ agent to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date:_____ Your Signature:_____
Sign exactly as your name appears on the other side of this Note.

Signature Guarantee:

_____
(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

_____

[Include the following only if a Restricted Notes Legend is included hereon]

[In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to one year after the later of the date of original issuance of such Notes and the last date, if any, on which such Notes were owned by the Issuer or any Affiliate of the Issuer (or, in the case of Regulation S Notes, prior to the expiration of the Restricted Period), the undersigned confirms that such Notes are being transferred in accordance with their terms:

CHECK ONE BOX BELOW

1. ☐ to the Issuer; or

2. ☐ pursuant to an effective registration statement under the Securities Act of 1933; or

3. ☐ to a person who the undersigned reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that is purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

4. ☐ pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act of 1933; or

5. ☐ pursuant to Rule 144 under the Securities Act of 1933; or

6. ☐ pursuant to Rule 501 under the Securities Act to an "accredited investor" that is acquiring the Note for its own account, or for the account of such an accredited investor, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act; or

7. ☐ pursuant to another available exemption from the registration requirements of the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if box (6) or (7) is checked, the Trustee shall be entitled to require, prior to registering any such transfer of the Notes, such legal opinions, certifications and other information as the Issuer has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

_____
Signature

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

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

Dated: _____ _____
Notice: To be executed by an executive officer

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuer pursuant to Section 3.08, 4.10 or 4.15 of the Indenture, check the box below:

❑ Section 3.08 ❑ Section 4.10 ❑ Section 4.15

If you want to elect to have only part of this Note purchased by the Issuer pursuant to Section 3.08, Section 4.10 or Section 4.15 of the Indenture, state the amount (in minimum denomination of $1.00 or integral multiples of $1.00 in excess thereof) you elect to have purchased: $

Date: Your Signature _____
(Sign exactly as your name appears on the other side of this Note)

Soc. Sec. or Identification No.: _____

Signature Guarantee: _____

(signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

[TO BE ATTACHED TO GLOBAL NOTE]

SCHEDULE A

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee or Notes Custodian

ANNEX A

[**FORM OF SUPPLEMENTAL INDENTURE – ASSUMPTION**]

PACIFIC DRILLING S.A.

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,

As Trustee and Junior Lien Collateral Agent

11.000% / 12.000% SECOND LIEN PIK NOTES DUE 2024

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF [●], 2018,

This FIRST SUPPLEMENTAL INDENTURE, dated as of [●], 2018 (this "*Supplemental Indenture*"), is between Pacific Drilling S.A., (the "*Company*"), and Wilmington Trust, National Association, as Trustee (the "*Trustee*") and as Junior Lien Collateral Agent (the "*Junior Lien Collateral Agent*").

RECITALS

WHEREAS, Pacific Drilling Second Lien Escrow Issuer Limited (the "*Escrow Issuer*") and the Trustee entered into an Indenture, dated as of September 26, 2018 (as heretofore amended, supplemented or otherwise modified, the "*Indenture*"), providing for the issuance of the Escrow Issuer's 11.000% / 12.000% Second Lien PIK Notes due 2024 (the "*Notes*");

WHEREAS, Section 5.03 of the Indenture requires the Company to execute this Supplemental Indenture in connection with the Assumption (as defined in the Indenture);

WHEREAS, pursuant to Section 9.01(c) of the Indenture the Issuer, the Trustee and the Junior Lien Collateral Agent are each authorized to execute and deliver this Supplemental Indenture, without the consent of the Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Articles of Association of the Company and of the Trustee and Junior Lien Collateral Agent necessary to make this Supplemental Indenture a valid instrument legally binding on the Company, the Trustee and the Junior Lien Collateral Agent, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Trustee and the Junior Lien Collateral Agent covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

Section 1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture.

Section 2. Relation to Indenture. This Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 3. Effectiveness of Supplemental Indenture. This Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company and the Trustee.

Section 4. Agreement to be Bound. The Company hereby assumes all obligations of the Issuer and the Company under the Indenture and the Notes for the due and punctual payment of the principal of and interest and any Applicable Premium, if applicable, on all Notes issued pursuant to the Indenture and the performance and observance of each other obligation and covenant set forth in the Indenture to be performed or observed on the part of the Issuer or the Company (except with respect to any obligation and covenant that is expressly specified to be performed or observed solely by the Escrow Issuer). The Company is hereby substituted for, and may exercise every right and power of, the Issuer under the Indenture with the same effect as if the Company had been named as the Issuer in the Indenture, and the Company is a successor company under the Indenture.

Section 5. Ratification of Obligations. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms.

Section 6. The Trustee. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee or Junior Lien Collateral Agent by reason of this Supplemental Indenture. This Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions

were repeated at length herein and made applicable to the Trustee with respect hereto. Neither the Trustee nor Junior Lien Collateral Agent makes any representation as to the validity or sufficiency of this Supplemental Indenture.

Section 7. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement. Signature of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

PACIFIC DRILLING S.A.

by

_____

Name:
Title:

TRUSTEE AND JUNIOR LIEN COLLATERAL AGENT:

WILMINGTON TRUST, NATIONAL ASSOCIATION

by

_____

Name:
Title:

ANNEX B

[**FORM OF SUPPLEMENTAL INDENTURE – GUARANTOR**]

PACIFIC DRILLING S.A.

and

the Guarantors named herein

11.000 % / 12.000% SECOND LIEN PIK NOTES DUE 2024

[]SUPPLEMENTAL INDENTURE

DATED AS OF [●], 2018,

WILMINGTON TRUST, NATIONAL ASSOCIATION,

As Trustee

This []SUPPLEMENTAL INDENTURE, dated as of [●], 2018, (this "*Supplemental Indenture*") is among Pacific Drilling S.A., (the "*Company*"),*[]* (the "*Guaranteeing Subsidiary*"), which is a subsidiary of the Company, [each of the existing Guarantors (as defined in the Indenture referred to below)] and Wilmington Trust, National Association, as trustee (the "Trustee").

RECITALS

WHEREAS, Pacific Drilling Second Lien Escrow Issuer Limited (the "*Escrow Issuer*") and the Trustee entered into an Indenture, dated as of September 26, 2018 (the "*Original Indenture*"), providing for the issuance of the Company's 11.000% / 12.000% Second Lien PIK Notes due 2024 (the "*Notes*");

WHEREAS, the Company has heretofore executed and delivered to the Trustee the First Supplemental Indenture to the Original Indenture dated as of [●], 2018 (the Original Indenture, as supplemented by such First Supplemental Indenture, the "Indenture"), whereby the Company agreed to assume all of the obligations of the Issuer under the Notes and the Original Indenture;

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall become a Guarantor;

WHEREAS, Section 9.01(i) of the Indenture provides that the Company, the Guarantors and the Trustee may amend or supplement the Indenture in order to add any additional Guarantor with respect to the Notes, without the consent of the Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Certificate of Incorporation, the Articles of Association and the Bylaws (or comparable constituent documents) of the Company, of the Guarantors and of the Trustee necessary to make this Supplemental Indenture a valid instrument legally binding on the Company, the Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Guaranteeing Subsidiary, the other Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

Section 1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture.

Section 2. Relation to Indenture. This Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 3. Effectiveness of Supplemental Indenture. This Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Guaranteeing Subsidiary, the other Guarantors and the Trustee.

Section 4. Agreement to Guarantee. The Guaranteeing Subsidiary hereby agrees, by its execution of this Supplemental Indenture, to be bound by the provisions of the Indenture applicable to Guarantors to the extent provided for and subject to the limitations therein, including Article 10 thereof.

Section 5. Ratification of Obligations. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms.

Section 6. The Trustee. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Supplemental Indenture. This Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth

in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

Section 7. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement. Signature of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

PACIFIC DRILLING S.A.

by

_____

Name:
Title:

GUARANTEEING SUBSIDIARY:

[●]

by

_____

Name:
Title:

[EXISTING GUARANTORS]:

[●]

by

_____

Name:
Title:

TRUSTEE:

WILMINGTON TRUST, NATIONAL ASSOCIATION

by

_____

Name:
Title: