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

FORM 10-K

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

For the fiscal year ended September 30, 2018

OR

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

For the transition period from to

Commission file number 1-4221

HELMERICH & PAYNE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**73-0679879**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1437 S. Boulder Ave., Suite 1400, Tulsa, Oklahoma	**74119-3623**
(Address of Principal Executive Offices)	(Zip Code)

(918) 742-5531
Registrant's telephone number, including area code

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock ($0.10 par value)	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging Growth Company ☐

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

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

At March 29, 2018, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the Registrant's common stock held by non-affiliates was approximately $7.25 billion based on the closing price of such stock on the New York Stock Exchange on such date of $66.56.

Number of shares of common stock outstanding at November 8, 2018: 109,038,462

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2019 Proxy Statement for the Annual Meeting of Stockholders to be held on March 5, 2019 are incorporated by reference into Part III of this Form 10-K. The 2019 Proxy Statement will be filed with the U.S. Securities and Exchange Commission ("SEC") within 120 days after the end of the fiscal year to which this Form 10-K relates.

HELMERICH & PAYNE, INC.
INDEX TO FORM 10-K
YEAR ENDED SEPTEMBER 30, 2018

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this Form 10-K, including without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "predict," "project," "target," "continue," or the negative thereof or similar terminology. Forward-looking statements are based upon current plans, estimates, and expectations that are subject to risks, uncertainties, and assumptions. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Actual results may vary materially from those indicated or anticipated by such forward-looking statements. The inclusion of such statements should not be regarded as a representation that such plans, estimates, or expectations will be achieved.

These forward-looking statements include, among others, such things as:

- our business strategy;
- the amount and nature of our future capital expenditures and how we expect to fund our capital expenditures, and the number of rigs we plan to construct or acquire;
- the volatility of future oil and natural gas prices;
- changes in future levels of drilling activity and capital expenditures by our customers, whether as a result of global capital markets and liquidity, changes in prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs, or increase our capital expenditures and the construction or acquisition of rigs;
- changes in worldwide rig supply and demand, competition, or technology;
- possible cancellation, suspension, renegotiation or termination (with or without cause) of our contracts as a result of general or industry-specific economic conditions, mechanical difficulties, performance or other reasons;
- expansion and growth of our business and operations;
- our belief that the final outcome of our legal proceedings will not materially affect our financial results;
- impact of federal and state legislative and regulatory actions affecting our costs and increasing operation restrictions or delay and other adverse impacts on our business;
- environmental or other liabilities, risks, damages or losses, whether related to storms or hurricanes (including wreckage or debris removal), collisions, grounding, blowouts, fires, explosions, other accidents, terrorism or otherwise, for which insurance coverage and contractual indemnities may be insufficient, unenforceable or otherwise unavailable;
- our financial condition and liquidity;
- tax matters, including our effective tax rates, tax positions, results of audits, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes; and
- potential long-lived asset impairments.

Important factors that could cause actual results to differ materially from our expectations or results discussed in the forward-looking statements are disclosed in this Form 10-K under Item 1A— "Risk Factors," as well as in Item 7— "Management's Discussion and Analysis of Financial Condition and Results of Operations." All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by such cautionary statements. Because of the underlying risks and uncertainties, we caution you against placing undue reliance on these forward-looking statements. We assume no duty to update or revise these forward-looking statements based on changes in internal estimates, expectations or otherwise, except as required by law.

PART I

Item 1. BUSINESS

Overview

Helmerich & Payne, Inc. (which, together with its subsidiaries, is identified as the "Company," "we," "us" or "our," except where stated or the context requires otherwise) was incorporated under the laws of the State of Delaware on February 3, 1940, and is successor to a business originally organized in 1920. We provide performance-driven drilling services and technologies that are intended to make hydrocarbon recovery safer and more economical for oil and gas exploration and production companies. We are an important vendor for a number of oil and gas exploration and production companies, but we focus exclusively on the drilling segment of the oil and gas production value chain.

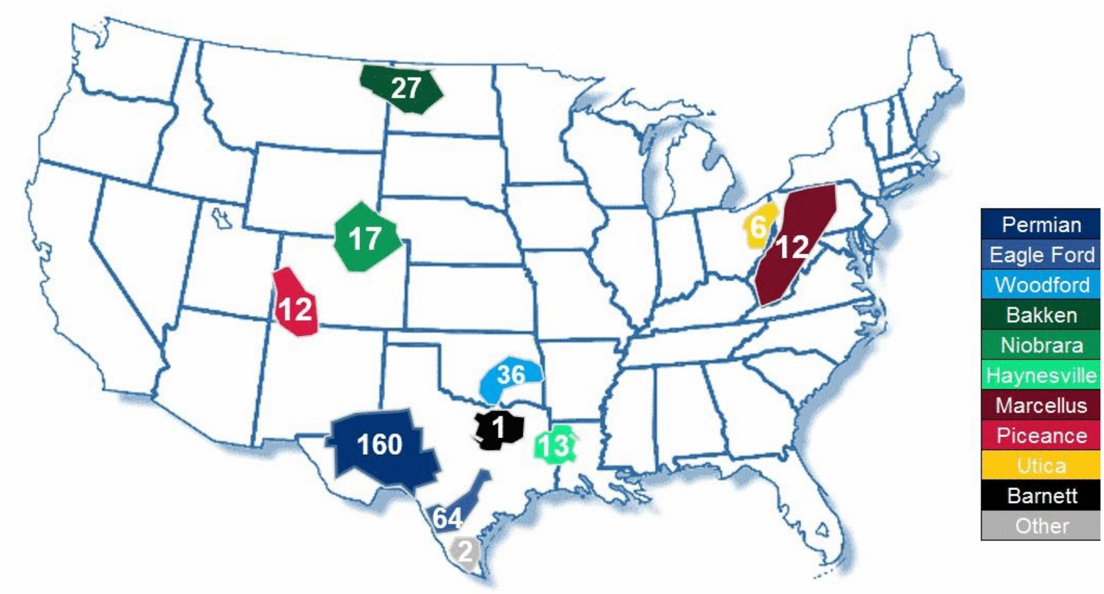
Our global contract drilling business is composed of three reportable business segments: U.S. Land, Offshore and International Land. During the fiscal year ended September 30, 2018, our U.S. Land operations were located in Colorado, Louisiana, Ohio, Oklahoma, New Mexico, North Dakota, Pennsylvania, Texas, Utah, West Virginia and Wyoming. Our Offshore operations were conducted in the Gulf of Mexico. Our International Land operations had rigs located in five international locations during fiscal year 2018: Argentina, Bahrain, Colombia, Ecuador and United Arab Emirates ("U.A.E.").

We focus on research and development of technology designed to improve the efficiency and accuracy of drilling operations, as well as wellbore quality and placement. Our research and development endeavors include ongoing improvements of our rig fleet and advancements in rig technology, including our FlexApp™ services, development of a proprietary Bit Guidance System™, offered as a service through MOTIVE Drilling Technologies, Inc. ("MOTIVE"), which we acquired in June 2017, and 3D geomagnetic reference modeling and measurement while drilling survey correction services, offered through Magnetic Variation Services, LLC ("MagVAR"), which we acquired in December 2017.

We also own, develop and operate limited commercial real estate properties. Our real estate investments, which are located exclusively within Tulsa, Oklahoma, include a shopping center containing approximately 441,000 leasable square feet, multi-tenant industrial warehouse properties containing approximately one million leasable square feet and approximately 210 acres of undeveloped real estate.

Drilling Fleet

The following map and table sets forth certain information concerning our U.S. land drilling rigs as of September 30, 2018:



U.S. Land Fleet										
	AC (FlexRig3) (1)		AC (FlexRig4) (2)		AC (FlexRig5) (3)		SCR (4)		Total Fleet	
Current Location	Total Available	Rigs Contracted	Total Available (5)	Rigs Contracted	Total Available	Rigs Contracted	Total Available	Rigs Contracted	Total Available	Rigs Contracted
TX	141	110	38	1	22	22	1	—	202	133
OK	20	18	1	1	15	15	—	—	36	34
NM	27	26	—	—	2	2	—	—	29	28
ND	13	4	11	—	3	3	—	—	27	7
CO	—	—	21	6	2	2	—	—	23	8
PA	5	2	4	—	2	1	—	—	11	3
LA	7	7	—	—	2	1	1	—	10	8
OH	4	3	—	—	2	2	—	—	6	5
WY	2	2	—	—	2	2	—	—	4	4
UT	—	—	1	1	—	—	—	—	1	1
WV	—	—	—	—	1	1	—	—	1	1
Totals	219	172	76	9	53	51	2	—	350	232

(1) The FlexRig3 is equipped with a 750,000 lb. mast, Varco TDS-11HP top drive and Gardner Denver PZ-11 mud pumps. It can be equipped with an optional skidding or walking system for pad work and 7,500 psi high pressure mud system. This rig is capable of horizontal and vertical drilling.

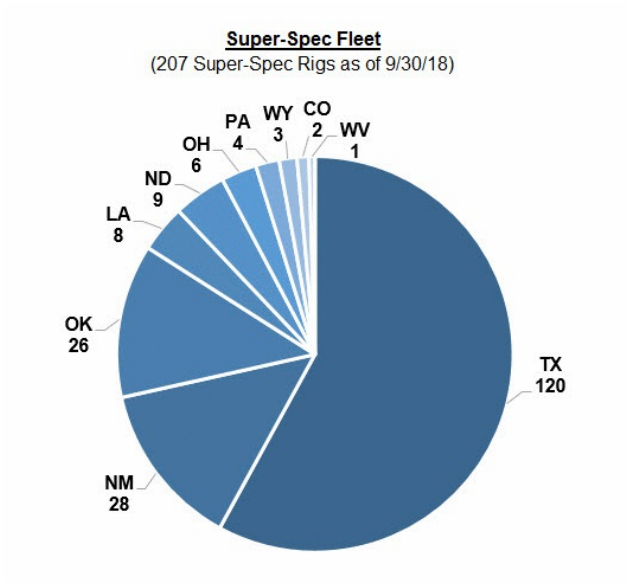
(2) The FlexRig4 model is a trailerized rig designed to be highly mobile. The rig is equipped with a 300,000 lb. or 500,000 lb. mast, 400HP top drive and Gardner Denver HS-2250 or PZ-11 mud pumps. Range 3 drill pipe is used without setback. The rig is capable of horizontal and vertical drilling.

(3) The FlexRig5 base configuration includes a 100 foot, bi-directional skidding system with an optional package that extends to 200 feet. It includes a 750,000 lb. mast, Varco TDS-11HP top drive and Gardner Denver mud pumps. An optional third pump and 7,500 psi high pressure mud system can also be used. This rig is capable of horizontal and vertical drilling.

(4) A silicon-controlled-rectifier (“SCR”) system converts alternate current (“AC”) produced by one or more AC generator sets into direct current (“DC”).

(5) Two Domestic FlexRig4 rigs completed their conversions to Domestic FlexRig3’s in the fourth fiscal quarter of 2018. Two Domestic FlexRig4 rigs began the conversion process and three additional rigs are planned for conversion to be completed during the first fiscal quarter of 2019.

We operate a large fleet of super-spec rigs, which are generally considered to include rig specifications of an AC drive with 1,500 horse power drawworks, 750,000 lbs. hookload ratings, 7,500 psi mud circulating systems and multiple-well pad drilling systems. The chart below depicts the states in which our super-spec rigs operate.



The following table sets forth certain information concerning our offshore drilling rigs as of September 30, 2018:

Offshore Fleet						
Current Location	Shallow Water (1)		Deep Water (1)		Total Fleet	
	Total Available	Rigs Contracted	Total Available	Rigs Contracted	Total Available	Rigs Contracted
Louisiana (2)	2	-	-	-	2	-
Gulf of Mexico	3	3	3	3	6	6
Totals	5	3	3	3	8	6

(1) Deep water rigs operate on floating facilities and shallow water rigs operate on fixed facilities.
(2) Rigs are idle, stacked on land and not in state waters.

The following table sets forth certain information concerning our international land drilling rigs as of September 30, 2018:

International Land Fleet										
Current Location	AC (FlexRig3)		AC (FlexRig4)		Other AC		SCR (1)		Total Fleet	
	Total Available	Rigs Contracted	Total Available	Rigs Contracted	Total Available	Rigs Contracted	Total Available	Rigs Contracted	Total Available	Rigs Contracted
Argentina	11	11	4	4	-	-	4	-	19	15
Colombia	2	2	3	-	1	1	2	2	8	5
Bahrain	-	-	3	1	-	-	-	-	3	1
U.A.E.	2	-	-	-	-	-	-	-	2	-
Totals	15	13	10	5	1	1	6	2	32	21

(1) During the fourth quarter of fiscal year 2018, we ceased operations in Ecuador. On October 1, 2018, we executed a sales agreement with respect to the six conventional rigs present in the country, pursuant to which the rigs, together with associated equipment and machinery will be sold to a third party to be recycled. Prior to the sale that was executed on October 1, 2018, certain components of these rigs that are not subject to the sale agreement were transferred to the United States. As such, these rigs have been excluded from the table.

Contract Drilling

General

We are the largest provider of advanced technology AC drive land rigs in the Western Hemisphere. Operating principally in North and South America, we specialize in shale and unconventional resource plays drilling challenging and complex wells in oil and gas producing basins in the United States and in international locations. In the United States, we have a diverse mix of customers consisting of large independent, major, mid-sized and small oil companies that are focused on unconventional shale basins. In South America, our customers primarily include major international and national oil companies. We don't operate any mechanical rigs.

Revenue from individual customers that are 10% or more of our total revenues are as follows:

(In thousands)	2018	2017	2016
EOG Resources, Inc.	$ 258,194	$ 163,582	$ 124,262

The following table presents our average active rigs per day (a measure of activity and utilization over the fiscal year) and average utilization for the fiscal years 2018, 2017, and 2016:

	Year Ended September 30,								
	U.S. Land			Offshore			International Land		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Average active rigs per day	213.6	156.5	101.0	5.6	6.2	7.4	18.3	13.6	14.7
Average utilization (1)	61 %	45 %	30 %	70 %	74 %	82 %	49 %	36 %	39 %

(1) A rig is considered to be utilized when it is operated (or otherwise deployed for a customer) or being moved, assembled or dismantled pursuant to a drilling contract.

Our Segments

U.S. Land Segment

We believe we operate the largest technologically advanced AC drive drilling rig fleet in the United States and have a presence in most of the U.S. shale and unconventional basins. We have a leading market share in the three most active basins, which include the Permian Basin, Eagle Ford Shale, and Woodford Shale. More than 95 percent of our active rigs are drilling horizontal or directional wells. As of September 30, 2018, we had over 20 percent of the total market share in U.S. land drilling and over 40 percent of the super-spec market share in U.S. land drilling.

As of September 30, 2018, 232 of our 350 marketed rigs were under contract, 136 were under fixed-term contracts, and 96 were working well-to-well. Over the past three fiscal years, we have reinvested in our fleet, upgrading over 162 rigs to industry-leading super-spec designed to drill the most complex unconventional wells.

Our U.S. Land segment contributed approximately 83 percent ($2.1 billion) of our consolidated operating revenues during fiscal year 2018, compared with approximately 80 percent ($1.4 billion) and 77 percent ($1.2 billion) of our consolidated operating revenues during fiscal years 2017 and 2016, respectively. In the United States, we draw our customers primarily from the major oil companies, large independent oil companies and small cap oil companies.

Offshore Segment

Our Offshore Drilling segment has been in operation since 1968 and currently consists of eight rigs, six of which are on operator-owned platforms, which operate solely in the Gulf of Mexico. We supply the rig equipment and crews and the operator who owns the platform will typically provide production equipment or other necessary facilities. Our offshore rig fleet operates on both conventional jacket style platforms and floating platforms attached to the sea floor with mooring lines, such as Spars and Tension Leg Platforms. Additionally, we provide management contract services to customer platforms where the customer owns the drilling rig.

As of September 30, 2018, six of the eight offshore rigs were under contract. Our Offshore operations contributed approximately 6 percent ($142.5 million) of our consolidated operating revenues during fiscal year 2018, compared to approximately 8 percent ($136.3 million) and 9 percent ($138.6 million) of our consolidated operating revenues during fiscal years 2017 and 2016, respectively. Revenues from drilling services performed for our largest offshore drilling customer totaled approximately 60 percent ($85.8 million) of offshore revenues during fiscal year 2018.

International Land Segment

Our International Land segment operates primarily in Argentina and Colombia, in addition to smaller operations in Bahrain and U.A.E. During the fourth quarter of fiscal year 2018, we ceased operations in Ecuador. As of September 30, 2018, we had 21 land rigs contracted for work in locations outside of the United States. Our International Land operations contributed approximately 10 percent ($238.4 million) of our consolidated operating revenues during fiscal year 2018, compared with approximately 12 percent ($213.0 million) and 14 percent ($229.9 million) of our consolidated operating revenues during fiscal years 2017 and 2016, respectively.

Argentina As of September 30, 2018, we had 19 rigs in Argentina. Revenues generated by Argentine drilling operations contributed approximately 8 percent ($190.0 million) of our consolidated operating revenues during fiscal year 2018 compared to approximately 9 percent ($157.3 million) and 10 percent ($159.4 million) of our consolidated operating revenues during fiscal years 2017 and 2016, respectively. Revenues from drilling services performed for our two largest customers in Argentina totaled approximately 7 percent of our consolidated operating revenues and approximately 71 percent of our international operating revenues during fiscal year 2018. The Argentine drilling contracts are primarily with large international or national oil companies. As of September 30, 2018, we believe we had approximately 20 percent of total market share and approximately 40 percent of the unconventional horizontal drilling market share in Argentina.

Colombia As of September 30, 2018, we had eight rigs in Colombia. Revenues generated by Colombian drilling operations contributed approximately 2 percent ($38.8 million) of our consolidated operating revenues in fiscal year 2018, compared to approximately 2 percent ($37.6 million) and 1 percent ($20.5 million) of our consolidated operating revenues during fiscal years 2017 and 2016, respectively. Revenues from drilling services performed for our two largest customers in Colombia totaled approximately 1 percent of our consolidated operating revenues and approximately 13 percent of our international operating revenues during fiscal year 2018. The Colombian drilling contracts are primarily with large international or national oil companies.

Other Operations

Other Operations include additional non-reportable operating segments. Revenues included in “other” consist of drilling technology services as well as real estate rental income. Our drilling technology focuses on improving the efficiency and accuracy of drilling operations and wellbore quality through the following service offerings: (i) a proprietary Bit Guidance System™, offered as a service through MOTIVE, which we acquired in June 2017, and (ii) 3D geomagnetic reference modeling and measurement while drilling survey correction services, offered through MagVAR, which we acquired in December 2017.

We also own, develop and operate limited commercial real estate properties. Our real estate investments, which are located exclusively within Tulsa, Oklahoma, include a shopping center, multi-tenant industrial warehouse properties, and undeveloped real estate.

We have established a wholly-owned captive insurance company to insure various risks of our operating subsidiaries. The amount of actual cash investments held by the captive insurance company varies, depending on the amount of premiums paid to the captive insurance company, the timing and amount of claims paid by the captive insurance company, and the amount of dividends paid by the captive insurance company.

Internal Restructuring

We may reorganize our active International Land drilling operations and our Offshore Drilling operations into separate, wholly-owned subsidiaries of Helmerich & Payne, Inc. through an internal restructuring transaction. This may result in the transfer of certain assets from Helmerich & Payne International Drilling Co. to other wholly-owned subsidiaries of Helmerich & Payne, Inc. We believe that reorganizing these businesses into separate wholly-owned subsidiaries of Helmerich & Payne, Inc. will foster operational efficiency, simplify our organizational structure and provide additional clarity in our internal reporting. Any such internal reorganization would not impact our segment reporting.

Rigs, Equipment, R&D, and Facilities

During the late 1990's, we undertook a strategic initiative to develop a new generation drilling rig that would be the safest, fastest-moving and highest performing rig in the land drilling market. Our first "FlexRig®" entered the market in 1998. The original 18 rigs were designated as FlexRig1 and FlexRig2 rigs and were designed to drill wells with a depth of between 8,000 and 18,000 feet. From 2002 to 2004, we designed, built and delivered 32 of the next generation, AC drive rigs, known as "FlexRig3," which incorporated new drilling technology and improved the safety and environmental design. The FlexRig3s found immediate success by delivering higher value wells to the customer. This was the beginning of the AC land rig revolution. We also changed our pricing and contracting strategy, and beginning in 2005, all new FlexRigs were built supported by a firm contract and attractive returns. To date, we have built 232 FlexRig3's and our strategy included building them under a term contract with substantial payback at attractive rates of return. An important part of our strategy was to design a rig that could support continuous improvement through upgrade capability of the hardware and software on the rigs to take advantage of technology improvements and lengthening the industry rig replacement cycle. These upgrades included, but were not limited to, enhanced drilling control systems and software, skid and walking systems for drilling multiple well pads, 7,500 psi mud systems, set back capacity to accommodate the pipe that the longer laterals demanded, and additional mud system capacity.

A strategic advantage is our ability to utilize our AC rig design and operational and engineering expertise to exploit different well depths and designs that customers demand. In 2006, we introduced the FlexRig4, which was designed to efficiently drill shallower wells on multi-well pads. The FlexRig4 design offers two options that include trailerized or multi-well pad drilling capability, both of which incorporate additional environmental and safety by design improvements. While the trailerized FlexRig4 design provides for more efficient moves between individual well pads, the multi-well pad design uses a skidding capability that allows for drilling multiple wells from a single pad, which results in a reduced environmental impact and increased production from a smaller footprint.

In 2011, we announced the introduction of the FlexRig5. The FlexRig5 was designed for deeper wells than the FlexRig4 and long lateral drilling of multiple wells from a single location, and is designed for drilling horizontally in unconventional shale reservoirs. The new design preserves the key performance features of the FlexRig3 design, but adds a bi-directional skidding system and equipment capacities suitable for wells in excess of 25,000 feet of measured depth.

We have an important advantage in the super-spec space in that our FlexRig3's and FlexRig5's are ideally suited for super-spec upgrades, and we have more upgradeable rigs than our competitors. Going forward, we will continue to focus on investing capital to grow the size of our super-spec fleet. During fiscal year 2018, we converted two FlexRig4's to super-spec capacity and upgraded 52 of our other rigs to super-spec, including 51 FlexRig3's and one FlexRig5. As of September 30, 2018, we held over 40 percent of the super-spec market share in U.S. land drilling. Our competency in design and construction allows us to efficiently upgrade our rigs to super-spec, and our financial strength enables us to continue such upgrades as long as market demand for such rigs remains high and there remains a supply of economically viable super-spec upgradable rigs. We do these upgrades at our fabrication facility in Houston, Texas.

Years of designing and building our fleet of AC drive FlexRigs has given us many competitive benefits. One key advantage is fleet uniformity. We have overseen the design and assembly of all of our AC FlexRigs, and our different rig classes share many common components. We co-designed the control systems for our rigs and have the right to make any changes or modifications to those systems that we desire. A uniform fleet creates an adaptive environment to reach maximum efficiency for employees, equipment and technology and is critical to our ability to provide consistent, safe and reliable operations in increasingly complex basins. In addition, our fleet has greater scale than any other competitor, which enables us to upgrade our existing FlexRigs to super-spec in a capital efficient way. High levels of uniformity in crew training and rotation, as well as parts and supplies improve our cost-effectiveness, and our ability to control and remove safety exposures across a more standard fleet allows us to deliver higher performance in a safer and more reliable manner for the customer. Further, our fleet is supported by a Company-owned supply chain that provides standardized materials directly to the rigs from our regional warehouses.

A long-standing challenge in our industry is providing high quality and consistent results. In addressing the challenge of providing safe, high quality and consistent results, we utilize process excellence techniques that are developed internally. We provide experienced drilling and maintenance support for our operations, which provides value by reducing nonproductive time in our operations and improving drilling performance through our Center of Excellence ("COE"). The COE is manned 24 hours a day, seven days a week, with the ability to monitor and detect trends in drilling and drilling services performance onboard our rigs. Our monitoring group within the COE provides real-time help and feedback to our wellsite employees, as well as our customers, to fully optimize our operational performance. Additionally, our COE has a staff of performance engineers that work with our customers to enhance drilling program execution and overall drilling performance. The monitoring group and our performance engineers capture our drilling work steps to ensure we have high quality and reliable results for our customers.

We currently have three facilities that provide vertically integrated solutions for drilling rig manufacturing, upgrades, retrofits and modifications, as well as overhauling, recertification, and repairs as it relates to our rigs and equipment. These facilities all utilize lean manufacturing processes to enhance quality and efficiency as well as provide important insights in the maintenance and wear of equipment on our rigs. We have a fabrication and assembly facility near Houston, Texas as well as a fabrication facility near Tulsa, Oklahoma. Additionally, we lease an industrial facility near Tulsa, Oklahoma that we utilize for FlexRig equipment repairs and overhauls.

During fiscal year 2018, we commercialized our FlexApp services, which include several new software applications that layer on top of our FlexRig drilling control systems. These applications are enabled by our uniform digital fleet, and are designed to provide additional value to our customers' well programs by providing a platform for machine-human collaboration during the drilling process to improve efficiency. The FlexApps can help play an important role in deploying our strategy as we strive towards autonomous drilling. The FlexApps that are currently in use include the following:

Application Name	Description
FlexTorque™	Hardware and software designed to decrease downhole drilling vibration and "slip-stick" during drilling. This increases drilling efficiencies and extends bit and downhole tool life eliminating customers' costly nonproductive time.
FlexConnect™	Software to optimize slip-to-slip connection time, which reduces customer nonproductive time and improves rig performance consistency across our rig fleet.
Flex-Oscillator 2.0™	Rig control software that automates drill string rotation during directional "slide" operations, which reduces downhole drag and the potential for stuck pipe. Additionally, it allows for more effective directional drilling.
FlexB2D™	Software to engage and disengage the bit during connections in an established controlled and consistent manner allowing for better bit and downhole tool life, better drilling parameters and less costly bit trips out of the hole.
FlexDrill 1.0™	Software licensed from ExxonMobil to maximize the bit's rate of penetration, which we have automated, allowing the drilling control system to achieve the ideal mechanical specific energy at the bit.
FlexGuide™	Powered by both MOTIVE and MagVAR software that utilizes a drill bit guidance system and geomagnetic survey correction, respectively, allowing for higher quality wellbores with a scalable, repeatable data driven platform approach and a reduction of surveying uncertainty by 50-60% while increasing horizontal well economics and reducing risk.

We have historically offered ancillary services, which are now referred to as FlexServices™. These services include trucking, surface equipment, casing running tool services and pipe rental.

Markets and Competition

Our business largely depends on the level of capital spending by oil and gas companies for exploration and production activities. Sustained increases or decreases in the prices of oil and natural gas generally have a material impact on the exploration and production activities of our customers. As such, significant declines in the prices of oil and natural gas may have a material adverse effect on our business, financial condition and results of operations. Oil prices have declined significantly since 2014 when prices exceeded $100 per barrel. Oil prices have rebounded modestly from lows below $30 per barrel in early 2016 to range between $50 and $77 per barrel in fiscal year 2018. The decline in prices continued to negatively affect demand for services in fiscal year 2016 but showed some recovery in fiscal years 2017 and 2018. As of September 30, 2018, we had 259 rigs under contract, compared to 218 and 118 rigs under contract as of September 30, 2017 and 2016, respectively. For further information concerning risks associated with our business, including volatility surrounding oil and natural gas prices and the impact of low oil prices on our business, see Item 1A— "Risk Factors" and Item 7— "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Form 10-K.

Our industry is highly competitive and we strive to differentiate our services based upon the quality of our FlexRigs and our engineering design expertise, operational efficiency, software technologies, and safety and environmental awareness. The number of available rigs generally exceeds demand in many of our markets, resulting in significant price competition. With respect to the super-spec market, however, the industry tends to have utilization closer to 100 percent and higher pricing. We compete against many drilling companies, some of whom are present in more than one of our operating regions. In the United States, we compete with Nabors Industries Ltd., Patterson-UTI Energy, Inc. and many other competitors with regional operations. Internationally, we compete directly with various contractors at each location where we operate. In the Gulf of Mexico platform rig market, we primarily compete with Nabors Industries Ltd. and Blake International Rigs, LLC.

Drilling Contracts

Our drilling contracts are obtained through competitive bidding or as a result of direct negotiations with customers. Our contracts vary in their terms and rates depending on the nature of the operations to be performed, the duration of the work, the amount and type of equipment and services provided, the geographic areas involved, market conditions and other variables. Our contracts often cover multi-well and multi-year projects. Except for a limited number of rigs operated under master agreements, each drilling rig operates under a separate drilling contract.

During fiscal year 2018, substantially all of our drilling services were performed on a “daywork” contract basis, under which we charged a rate per day, with the price determined by the location, depth and complexity of the well to be drilled, operating conditions, the duration of the contract, and the competitive forces of the market. We may also enter into contracts where we charge a fixed rate per foot of hole drilled to a stated depth, with a fixed rate per day for the remainder of the hole. Contracts performed on a “footage” basis generally involve a greater element of risk to the contractor compared to contracts performed on a “daywork” basis. Also, we may enter into “turnkey” contracts under which we charge a fixed sum to deliver a hole to a stated depth and agree to furnish services such as testing, coring and casing the hole which are not normally done on a “footage” basis. “Turnkey” contracts entail varying degrees of risk greater than the usual “footage” contract. We also actively pursue “performance daywork” contracts. These contracts typically have a lower dayrate portion and give us the opportunity to share in the well cost savings based on meeting or exceeding certain key performance indicators that are mutually agreed on by ourselves and our customers.

The duration of our drilling contracts are generally either “well-to-well” or for a fixed term. “Well-to-well” contracts can be terminated at the option of either party upon the completion of drilling of any one well. Fixed-term contracts generally have a minimum term of at least six months up to multiple years. These contracts customarily provide for termination at the election of the customer, but may include an “early termination payment” to be paid to us if the contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances such as destruction of a drilling rig, bankruptcy, sustained unacceptable performance by us or delivery of a rig beyond certain grace and/or liquidated damage periods, no early termination payment would be paid to us.

Contracts generally contain renewal or extension provisions exercisable at the option of the customer at prices mutually agreeable to us and the customer. In most instances, contracts provide for additional payments for mobilization and demobilization of the rig.

Contract Backlog

As of September 30, 2018 and 2017, our drilling contract backlog, being the expected future dayrate revenue from executed contracts with original terms of 365 days or greater, was $1.1 billion and $1.3 billion, respectively. The decrease in backlog at September 30, 2018 from September 30, 2017 is primarily due to contract pricing modifications and a change in certain contracts from fixed term to well-to-well related to our international land segment in fiscal year 2018. Approximately 26 percent of the total September 30, 2018 backlog is reasonably expected to be filled in fiscal year 2020 and thereafter. Included in backlog is early termination revenue expected to be recognized after the periods presented in which early termination notice was received prior to the end of the period. Upon adoption of Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers (Topic 606): Revenue from Contracts with Customers, we will be required to disclose our drilling contract backlog within the Notes to the Consolidated Financial Statements included in Part II, Item 8–“Financial Statements and Supplementary Data” of this report.

The following table sets forth the total backlog by reportable segment as of September 30, 2018 and 2017, and the percentage of the September 30, 2018 backlog reasonably expected to be filled in fiscal year 2020 and thereafter:

Reportable Segment	Total Backlog Revenue 9/30/2018	Total Backlog Revenue 9/30/2017	Percentage Reasonably Expected to be Filled in Fiscal Year 2020 and Thereafter
	(in billions)		
U.S. Land	$ 0.9	$ 0.9	24.9 %
Offshore	—	—	— %
International Land	0.2	0.4	31.0 %
	$ 1.1	$ 1.3	

As noted above, under certain limited circumstances a customer is not required to pay an early termination fee. There may also be instances where a customer is financially unable or refuses to pay an early termination fee. In addition, contract terms could be modified or extended after the initial contract is signed. Accordingly, the actual amount of revenue earned may vary from the backlog reported. For further information, see Item 1A—"Risk Factors — *Our current backlog of contract drilling revenue may continue to decline and may not be ultimately realized as fixed-term contracts may in certain instances be terminated without an early termination payment*."

Employees

One of our core values is striving for a culture that embraces organizational health and actively controlling and removing exposures ("C.A.R.E.") for the safety and wellbeing of our employees. Our employees actively C.A.R.E. for those around them, as demonstrated through, among other things, employee support of the H&P Way Fund, our Company's charitable fund that provides assistance to employees and their families experiencing unexpected and unavoidable emergencies. This is fundamental to our commitment to take care of our employees and to make the communities where they live and work better places. We pride ourselves on being a service company and focus on maintaining a service attitude for customers. We have a long history of emphasizing creativity and seek to maintain an innovative spirit in all facets of doing business. Our employees are strong team players who work closely with our customers to deliver value for customers and shareholders. Designing, building, upgrading, deploying, and operating rigs requires hard working teams willing to teach, learn, and communicate to achieve a high level of performance on a consistent and repeatable basis.

As of September 30, 2018, we had 8,780 employees within the United States (12 of whom were part-time employees) and 997 employees in international operations. The number of employees fluctuates depending on the current and expected demand for our services. We consider our employee relations to be robust. None of our U.S. employees are represented by a union. However, some of our international employees are unionized.

Insurance and Risk Management

Our operations are subject to a number of operational risks, including personal injury and death, environmental, and weather risks, which could expose us to significant losses and damage claims. We are not fully insured against all of these risks and our contractual indemnity provisions may not fully protect us. Furthermore, if a significant accident or other event occurs and is not fully covered by insurance or an enforceable or recoverable indemnity from a customer, it could have a material adverse effect on our business, financial condition and results of operations.

We have indemnification agreements with many of our customers and we also maintain liability and other forms of insurance. In general, our drilling contracts contain provisions requiring our customers to indemnify us for, among other things, pollution and reservoir damage. However, our contractual rights to indemnification may be unenforceable or limited due to negligent or willful acts by us, or subcontractors and/or suppliers or by reason of state anti-indemnity laws. Our customers and other third parties may also dispute these indemnification provisions, or we may be unable to transfer these risks to our drilling customers or other third parties by contract or indemnification agreements.

We insure land rigs and related equipment at values that approximate the current replacement costs on the inception date of the policies. However, we self-insure large deductibles under these policies. We also carry insurance with varying deductibles and coverage limits with respect to offshore platform rigs and "named wind storm" risk in the Gulf of Mexico.

We have insurance coverage for comprehensive general liability, automobile liability, workers' compensation and employer's liability, and certain other specific risks. Insurance is purchased over deductibles to reduce our exposure to catastrophic events. We retain a significant portion of our expected losses under our workers' compensation, general liability and automobile liability programs. We self-insure a number of other risks including loss of earnings and business interruption and most cyber risks. We are unable to obtain significant amounts of insurance to cover risks of underground reservoir damage.

Our insurance may not in all situations provide sufficient funds to protect us from all liabilities that could result from our operations. Our coverage includes aggregate policy limits. As a result, we retain the risk for any loss in excess of these limits. No assurance can be given that all or a portion of our coverage will not be cancelled, that insurance coverage will continue to be available at rates considered reasonable or that our coverage will respond to a specific loss. Further, we may experience difficulties in collecting from our insurers or our insurers may deny all or a portion of our claims for insurance coverage.

Government Regulations

Our operations are subject to a variety of national, state, local and international environmental, health and safety laws, regulations, treaties and conventions. We monitor our compliance with environmental regulations in each country of operation and have seen an increase in environmental regulation. We have made and will continue to make the required expenditures to comply with current and future environmental requirements. We do not anticipate that compliance with currently applicable environmental rules and regulations and required controls will significantly change our competitive position, capital spending or earnings during 2019, as these regulations are generally imposed on exploration and production companies instead of contract drilling companies. We believe we are in material compliance with applicable environmental rules and regulations and that the cost of such compliance is not material to our business or financial condition. For a more detailed description of the environmental rules and regulations applicable to our operations, see Item 1A— "Risk Factors — *Failure to comply with or changes to governmental and environmental laws could adversely affect our business."*

Sustainability

At the direction of the oil and gas exploration and production companies we work with, we contract to drill oil and gas wells. The exploration and production companies determine whether and when to extract those resources from the ground, following completion of the well. Below are summaries of what we do and what we do not do, the latter of which is provided because it is often incorrectly assumed that our operations overlap with exploration and production, midstream and downstream parts of the oil and gas sector in ways they do not.

What We Do

- Strive to make drilling for oil and gas safer and more efficient
- Build and renovate drilling rigs at three industrial facilities in Texas and Oklahoma
- Oversee drilling operations on our rigs on customer sites
- Drill predominantly on-shore in the U.S.

What We Do Not Do

- Hydraulic fracturing
- Buy, lease, prepare, manage or restore land on which rigs are located, or have responsibility for the protection of wildlife or biodiversity of our customers' properties
- Pump or extract oil or gas from the ground
- Procure, transport or pump water underground, or treat, store, manage or remove waste water from the drilling sites, or arrange for its disposal
- Assume responsibility for the prevention of fugitive releases or emissions associated with the oil and gas exploration or production process
- Engage in oil and gas transport, refining or storage
- Engage in downstream operations

Thus, many of the environmental and safety risks associated with the oil and gas sector fall outside the scope of our operations and areas of responsibility. Our most critical responsibility is therefore the safety of our employees and the employees of our customers. To be successful, we strive to be leaders in innovation, technology, cost competitiveness, safety, customer service, relationship tending, and reputation management. To maintain this leadership edge and generate shareholder value, we invest in our employees, customers, communities, and other stakeholders in the ways listed below.

Recruiting

Our recruiting practices and decisions on whom to hire are among our most important activities. In addition to traditional school recruiting events, we utilize social media and local job fairs across the U.S. to find diverse, motivated and responsible employees.

Education and Training

The employment opportunities we offer are key to successful recruiting. To attract motivated employees, we rely on our organizational development team. This team offers talent management, mentoring programs, change management initiatives, and diversity, inclusion and succession management programs, as well as educational assistance programs and ongoing training and development opportunities.

Health and Welfare

We support our employees' and their families' health with full medical, dental, and vision insurance for employees and their families, life insurance and long-term disability plans, and health care and dependent care flexible spending accounts. We foster teamwork and a sense of community amongst our employees through our H&P Way Fund that provides assistance to employees and their families experiencing emergencies.

Retirement

We provide a 401(k) plan with a company match.

Safety

All of our safety programs are designed to comply with applicable laws and industry standards as well as to benefit employees, customers and communities. We have a dedicated Health, Safety and Environmental ("HSE") function overseen by senior executives and implemented at every H&P drilling rig and facility worldwide. Our safety-focused C.A.R.E. program promotes employee and customer safety and well-being. In addition, we incorporate safety features into our rig designs through our Safety by Design program. The success of our safety initiatives, including our C.A.R.E. and Safety by Design programs, and the Company's performance with respect to safety metrics are important elements of the compensation of our executives, as discussed further in our proxy statement.

Our Safety by Design program helps us:

- Identify and work to eliminate hazards in the rig design phase
- Use leading-edge technology to enhance efficiency and thus reduce the number and severity of safety risks
- Standardize designs, which can reduce the variability in the types of rigs we use to allow our employees to have a greater familiarity with the rigs than would be achieved if they had to master a wider variety of rig types
- Design and configure loads and interconnects with rig moves in mind. By striving to integrate equipment to the greatest extent possible, we minimize risks associated with moves and risks associated with double handling

Our COE promotes process excellence and safety by providing experienced drilling and maintenance real-time support around the clock to our operations. Our COE Call Center and Real-Time Monitoring Groups are staffed with experienced systems technicians who work with field personnel to leverage each group's knowledge in troubleshooting rig events. In addition, experienced engineers monitor safety critical alarms and perform daily safety performance and data analysis throughout the fleet.

In the event that an incident does occur, we have developed and implemented a comprehensive Emergency Management and Crisis Response Plan to help ensure H&P has the ability to respond promptly and effectively to the most severe adverse situations or crises.

Environmental Management

H&P does not itself lease properties used for the operations of its customers. However, many of our customers operate in regions that have stringent safety and environmental laws and regulations, with which we comply as applicable. The standards we employ include:

- Applying industry-accepted environmental best practices
- Minimizing rig physical footprints, and using technology to configure drilling rigs, where appropriate, for space efficient multi-well pads, all to minimize the impact on the environment in which we and our customers operate
- Conversion of many of our rigs to allow partial substitution of cleaner burning natural gas as a fuel source to reduce air emissions
- Upgrading our drilling rig fleet to utilize AC drive power and control systems which are more energy efficient and have significantly lower noise levels as compared to SCR and mechanical drilling rigs
- Using a variety of recycling and other initiatives in our facilities and operations to minimize waste

Ethics and Compliance

We expect corporate, professional and personal responsibility from each of our employees as well as compliance with high ethical standards to achieve operational excellence. In addition to the corporate governance oversight provided by the Board of Directors and its committees, management observes and enforces our Code of Business Conduct and Ethics ("Code") described on our website. Our Code provides employees with the tools to make consistent, ethical decisions and emphasizes the duty to report any concerns or violations.

In addition to our Code, we have and enforce a Code of Ethics for Principal Executive Officers and Senior Financial Officers and a Foreign Corrupt Practices Act Compliance Policy.

We believe this focus on finding and getting the best out of our people, our programs, our standards and our technology collectively support our operations, our reputation and our returns.

Available Information

Our website is located at www.hpinc.com. Annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, earnings releases, and financial statements are made available free of charge on the investor relations section of our website as soon as reasonably practicable after we electronically file such materials with, or furnish such materials to, the SEC. The information contained on our website, or accessible from our website, is not incorporated into, and should not be considered part of, this annual report on Form 10-K or any other documents we file with, or furnish to, the SEC. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Annual reports, quarterly reports, current reports, amendments to those reports, earnings releases, financial statements and our various corporate governance documents are also available free of charge upon written request.

Investors and others should note that we announce material financial information to our investors using our investor relations website (https://helmerichandpayneinc.gcs-web.com/), SEC filings, press releases, public conference calls and webcasts. We use these channels as well as social media to communicate with our stockholders and the public about our company, our services and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the social media channels listed on our investor relations website.

Item 1A. RISK FACTORS

An investment in our securities involves a variety of risks. In addition to the other information included and incorporated by reference in this annual report and the risk factors discussed elsewhere in this report, the following risk factors should be carefully considered, as they could have a material adverse effect on our business, financial condition and results of operations. There may be other additional risks, uncertainties and matters not presently known to us or that we believe to be immaterial that could nevertheless have a material adverse effect on our business, financial condition and results of operations.

Our business depends on the level of activity in the oil and natural gas industry, which is significantly impacted by the volatility of oil and natural gas prices and other factors.

Our business depends on the conditions of the land and offshore oil and natural gas industry. Demand for our services and the rates we are able to charge for such services depend on oil and natural gas industry exploration and production activity and expenditure levels, which are directly affected by trends in oil and natural gas prices and market expectations regarding such prices.

Oil prices continued to fluctuate in fiscal year 2018, but have settled into a range between approximately $50 and $77 per barrel. Oil prices began rebounding in February 2016, and we began experiencing increased demand for our services in May 2016. Nevertheless, both the industry's active rig count and our active rig count have remained below the peak drilling activity level reached in 2014 when oil prices were significantly higher. As of November 8, 2018, 236 rigs included in our U.S. Land segment were under contract, of which 146 were fixed term and 90 were well-to-well. In the event oil prices become depressed for a sustained period, or decline again, our U.S. Land, International Land and Offshore segments may again experience significant declines in both drilling activity and spot dayrate pricing, which could have a material adverse effect on our business, financial condition and results of operations.

Oil and natural gas prices and production levels can be volatile and are impacted by many factors beyond our control, including:

- the domestic and foreign supply of, and demand for, oil, natural gas and related products;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- uncertainty in capital and commodities markets and the ability of oil and natural gas producers to access capital;
- the worldwide economy;
- expectations about future oil and natural gas prices and production levels;
- the availability of and constraints in pipeline, storage and other transportation capacity in the basins in which we operate, including, for example, takeaway constraints experienced in the Permian Basin;
- actions of The Organization of Petroleum Exporting Countries ("OPEC"), its members and other state-controlled oil companies relating to oil price and production levels, including announcements of potential changes to such levels;
- the levels of production of oil and natural gas of non-OPEC countries;
- the continued development of shale plays which may influence worldwide supply and prices;
- tax policies of the United States and other countries involved in global energy markets;
- political and military conflicts in oil producing regions or other geographical areas or acts of terrorism in the United States or elsewhere;
- technological advances that are related to oil and natural gas recovery or that affect the global demand for energy;
- the development and exploitation of alternative energy sources;
- legal and other limitations or restrictions on exportation and/or importation of oil and natural gas;
- local and international political, economic and weather conditions, especially in oil and natural gas producing countries;
- laws and governmental regulations affecting the use of oil and natural gas; and
- the environmental and other laws and governmental regulations affecting exploration and development of oil and natural gas reserves.

The level of land and offshore exploration, development and production activity and the prices of oil and natural gas are volatile and are likely to continue to be volatile in the future. Higher oil and natural gas prices do not necessarily translate into increased activity because demand for our services is typically driven by our customers' expectations of future commodity prices. However, a sustained decline in worldwide demand for oil and natural gas or prolonged low oil or natural gas prices would likely result in reduced exploration and development of land and offshore areas and a decline in the demand for our services, which would likely have a material adverse effect on our business, financial condition and results of operations.

Global economic conditions and volatility in oil and gas prices may adversely affect our business.

Global economic conditions and/or volatility in oil and natural gas prices may impact the ability or desire of our customers to maintain or increase spending on exploration and development drilling. Furthermore, our customers, vendors and/or suppliers may be unable to access financing necessary to sustain or increase their current level of operations, fulfill their commitments and/or fund future operations and obligations. An economic slowdown or recession in the United States or in any other country that significantly affects the supply of or demand for oil or natural gas could negatively impact our operations and therefore adversely affect our results. Challenging economic conditions may result in certain of our customers experiencing bankruptcy or otherwise becoming unable to pay vendors, including us. The global economic environment in the past has experienced significant deterioration in a relatively short period of time and there can be no assurance that the global economic environment will not quickly deteriorate again due to one or more factors. These conditions could have a material adverse effect on our business, financial condition and results of operations.

The contract drilling business is highly competitive and an excess of available drilling rigs may adversely affect our rig utilization and profit margins.

The contract drilling business is highly competitive. Competition in contract drilling involves such factors as price, efficiency, condition, type and operational capability of equipment, reputation, operating safety, environmental impact, customer relations, rig availability and excess rig capacity in the industry. Competition is primarily on a regional basis and may vary significantly by region at any particular time. Land drilling rigs can be readily moved from one region to another in response to changes in levels of activity, which could result in an oversupply of rigs in any region, leading to increased price competition.

Development of new drilling technology by competitors has increased in recent years and future improvements in operational efficiency and safety by our competitors could further negatively affect our ability to differentiate our services. Furthermore, in the event that commodity prices decline, the strategy of differentiation may be less effective if the lower demand for drilling and related technology services intensifies price competition and diminishes the importance of other factors.

We periodically seek to increase the prices on our services to offset rising costs and to generate higher returns for our stockholders. However, we operate in a very competitive industry and we are not always successful in raising or maintaining our existing prices. With the active rig count below the peak seen in 2014 and many rigs, including highly capable AC rigs, still idle, there is considerable pricing pressure in the industry. Even if we are able to increase our prices, we may not be able to do so at a rate that is sufficient to offset rising costs without adversely affecting our activity levels. The inability to maintain our pricing and to increase our pricing as costs increase could have a material adverse effect on our business, financial position, results of operations and cash flows.

The oil and natural gas services industry in the United States has experienced downturns in demand during the last decade, including a significant downturn that started in 2014 and bottomed out in 2016. Following such a downturn, there may be substantially more drilling rigs available than necessary to meet demand as oil and natural gas prices, as well as drilling activity, rebound. In the event of a glut of available and more competitive drilling rigs, we may continue to experience difficulty in replacing fixed-term contracts, extending expiring contracts or obtaining new contracts in the spot market, and new contracts may contain lower dayrates and substantially less favorable terms. As such, we may have difficulty sustaining or increasing rig utilization and profit margins in the future, which could have a material adverse effect on our business, financial condition and results of operations.

New technologies may cause our drilling methods and equipment to become less competitive and it may become necessary to incur higher levels of capital expenditures in order to keep pace with the bifurcation of rigs in the drilling industry, and growth through the building of new drilling rigs and improvement of existing rigs is not assured.

The market for our services is characterized by continual technological developments that have resulted in, and will likely continue to result in, substantial improvements in the functionality and performance of rigs and equipment. Our customers increasingly demand the services of newer, higher specification drilling rigs. This results in a bifurcation of the drilling fleet and is evidenced by the higher specification drilling rigs (e.g., AC rigs) generally operating at higher overall utilization levels and dayrates than the lower specification drilling rigs (e.g., SCR rigs). In addition, a significant number of lower specification rigs are being stacked and/or removed from service. As a result of this demand for high-spec rigs, a higher level of capital expenditures will be required to maintain and improve existing rigs and equipment and purchase and construct newer, higher specification drilling rigs to meet the increasingly sophisticated needs of our customers.

Although we take measures to ensure that we develop and use advanced oil and natural gas drilling technology, changes in technology or improvements in competitors' equipment could make our equipment less competitive. There can be no assurance that we will:

- have sufficient capital resources to improve existing rigs or build new, technologically advanced drilling rigs;
- avoid cost overruns inherent in large fabrication projects resulting from numerous factors such as shortages or unscheduled delays in delivery of equipment or materials, inadequate levels of skilled labor, unanticipated increases in costs of equipment, materials and labor, design and engineering problems, and financial or other difficulties;
- successfully deploy idle, stacked, new or upgraded drilling rigs;
- effectively manage the increased size or future growth of our organization and drilling fleet;
- maintain crews necessary to operate existing or additional drilling rigs; or
- successfully improve our financial condition, results of operations, business or prospects as a result of improving existing drilling rigs or building new drilling rigs.

If we are not successful in upgrading existing rigs and equipment or building new rigs in a timely and cost-effective manner suitable to customer needs, demand for our services could decline and we could lose market share. One or more technologies that we may implement in the future may not work as we expect and our business, financial condition, results of operations and reputation could be adversely affected as a result. Additionally, new technologies, services or standards could render some of our services, drilling rigs or equipment obsolete, which could reduce our competitiveness and have a material adverse impact on our business, financial condition and results of operations.

Our drilling related operations are subject to a number of operational risks, including environmental and weather risks, which could expose us to significant losses and damage claims. We are not fully insured against all of these risks and our contractual indemnity provisions may not fully protect us.

Our operations are subject to the many hazards inherent in the business, including inclement weather, blowouts, explosions, well fires, loss of well control, pollution, and reservoir damage. These hazards could cause significant environmental damage, personal injury and death, suspension of operations, serious damage or destruction of equipment and property and substantial damage to producing formations and surrounding lands and waters. An accident resulting in significant environmental damage, or injuries or fatalities involving our employees or other persons could also trigger investigations by federal, state or local authorities. Such an accident and subsequent crisis management efforts could cause us to incur substantial expenses in connection with investigation and remediation as well as cause lasting damage to our reputation.

Our Offshore Drilling operations are also subject to potentially significant risks and liabilities attributable to or resulting from adverse environmental conditions, including pollution of offshore waters and related negative impact on wildlife and habitat, adverse sea conditions and platform damage or destruction due to collision with aircraft or marine vessels. Our Offshore Drilling operations may also be negatively affected by a blowout or an uncontrolled release of oil or hazardous substances by third parties whose offshore operations are unrelated to our operations. We operate several platform rigs in the Gulf of Mexico. The Gulf of Mexico experiences hurricanes and other extreme weather conditions on a frequent basis, which may increase with any climate change. See below *"— The physical effects of climate change and the regulation of greenhouse gases and climate change could have a negative impact on our business."* Damage caused by high winds and turbulent seas could potentially curtail operations on our platform rigs for significant periods of time until the damage can be repaired. Moreover, even if our platform rigs are not directly damaged by such storms, we may experience disruptions in operations due to damage to customer platforms and other related facilities in the area. We also own a facility located near the Houston, Texas ship channel where we upgrade and repair rigs and perform fabrication work, and our principal fabricator and other vendors are also located in the gulf coast region and could be exposed to damage or disruption by hurricanes and other extreme weather conditions, including coastal flooding, which in turn could affect our business, financial condition and results of operations.

It is customary in our business to have mutual indemnification agreements with customers on a “knock-for-knock” basis, which means that we and our customers assume liability for our respective personnel and property. In general, our drilling contracts contain provisions requiring our customers to indemnify us for, among other things, pollution and reservoir damage. However, our contractual rights to indemnification may be unenforceable or limited due to negligent or willful acts by us, our subcontractors and/or suppliers or by reason of state anti-indemnity laws. Our customers and other third parties may also dispute, or be unable to meet, their contractual indemnification obligations to us. Accordingly, we may be unable to transfer these risks to our customers and other third parties by contract or indemnification agreements. Incurring a liability for which we are not fully indemnified or insured could have a material adverse effect on our business, financial condition and results of operations.

We insure land rigs and related equipment at values that approximate the current replacement cost on the inception date of the policies. However, we self-insure large deductibles under these policies. We also carry insurance with varying deductibles and coverage limits with respect to offshore platform rigs and “named wind storm” risk in the Gulf of Mexico.

We have insurance coverage for comprehensive general liability, automobile liability, workers’ compensation and employer’s liability, and certain other specific risks. Insurance is purchased over deductibles to reduce our exposure to catastrophic events. We retain a significant portion of our expected losses under our workers’ compensation, general liability and automobile liability programs. The Company self-insures a number of other risks, including loss of earnings and business interruption, and most cyber risks. We are unable to obtain significant amounts of insurance to cover risks of underground reservoir damage.

If a significant accident or other event occurs and is not fully covered by insurance or an enforceable or recoverable indemnity from a customer, it could have a material adverse effect on our business, financial condition and results of operations. Our insurance will not in all situations provide sufficient funds to protect us from all losses and liabilities that could result from our operations. Our coverage includes aggregate policy limits. As a result, we retain the risk for any loss in excess of these limits. No assurance can be given that all or a portion of our coverage will not be cancelled during fiscal year 2019, that insurance coverage will continue to be available at rates considered reasonable or that our coverage will respond to a specific loss. Further, we may experience difficulties in collecting from our insurers or our insurers may deny all or a portion of our claims for insurance coverage.

The physical effects of climate change and the regulation of greenhouse gases and climate change could have a negative impact on our business.

The physical and regulatory effects of climate change could have a negative impact on our operations, our customers’ operations and the overall demand for our products. Scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases” (“GHGs”) and including carbon dioxide and methane, may be contributing to warming of the earth’s atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide.

We are aware of the increasing focus of local, state, regional, national and international regulatory bodies on GHG emissions and climate change issues. Legislation to regulate GHG emissions has periodically been introduced in the U.S. Congress and such legislation may be proposed in the future. In addition, in December 2015, the U.S. joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change (the “UNFCCC”) in Paris, France in creating an agreement (the “Paris Agreement”) that requires member countries to review and “represent a progression” in their intended nationally determined GHG contributions, which set GHG emission reduction goals every five years beginning in 2020. The agreement entered into full force in November 2016. On June 1, 2017, the President of the United States announced that the U.S. planned to withdraw from the Paris Agreement and to seek negotiations to either reenter the Paris Agreement on different terms or establish a new framework agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process is uncertain and/or the terms on which the United States may reenter the Paris Agreement or a separately negotiated agreement are unclear at this time.

The aim of the Paris Agreement was to hold the increase in the average global temperature to well below 2ºC (3.6ºF) above pre-industrial levels with efforts to limit the rise to 1.5ºC (2.7ºF) to protect against the more severe consequences of climate forecasted by scientific studies. These consequences include increased coastal flooding, droughts and associated wild fires, heavy precipitation events, stresses on water supply and agriculture, increased poverty, and negative impacts on health. In connection with the decision to adopt the Paris Agreement, the UNFCCC invited the Intergovernmental Panel on Climate Change (the "IPCC") to prepare a special report focused on the impacts of an increase in the average global temperature of 1.5ºC above pre-industrial levels and related GHG emission pathways. The 2018 IPCC Report concludes that the measures set forth in the Paris Agreement are insufficient and that more aggressive targets and measures will be needed. The 2018 IPCC Report indicates that GHGs must be reduced from 2010 levels by 45 percent by 2030 and 100 percent by 2050 to prevent global warming of 1.5ºC above pre-industrial levels.

It is not possible at this time to predict the timing and effect of climate change or to predict the effect of the Paris Agreement or whether additional GHG legislation, regulations or other measures will be adopted. However, more aggressive efforts by governments and non-governmental organizations to reduce GHG emissions appear likely based on the findings set forth in the 2018 IPCC Report and any such future laws and regulations could result in increased compliance costs or additional operating restrictions. If we are unable to recover or pass through a significant level of our costs related to complying with climate change regulatory requirements imposed on us, it could have a material adverse impact on our business, financial condition and results of operations. Further, to the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact our cost of or access to capital. Climate change and GHG regulation could also negatively impact the drilling programs of our customers and, consequently, delay, limit or reduce the services we provide. An increased focus by the public on the reduction of GHG emissions as well as the results of the physical impacts of climate change could affect the demand for our customers' products and have a negative effect on our business.

Beyond financial and regulatory impacts, the projected severe effects of climate change have the potential to directly affect our facilities and operations and those of our customers. See above *"—Our drilling related operations are subject to a number of operational risks, including environmental and weather risks, which could expose us to significant losses and damage claims. We are not fully insured against all of these risks and our contractual indemnity provisions may not fully protect us."*

Our business is subject to cybersecurity risks.

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Cybersecurity risks could include, but are not limited to, malicious software, attempts to gain unauthorized access to our data and the unauthorized release, corruption or loss of our data and personal information, interruptions in communication, loss of our intellectual property or theft of our FlexRig and other sensitive or proprietary technology (which could have a negative impact on our ability to compete), loss or damage to our data delivery systems, or other electronic security, including with our property and equipment. These cybersecurity risks could disrupt our operations, negatively impact our ability to compete and result in injury to our reputation, downtime, loss of revenue, and increased costs to prevent, respond to or mitigate cybersecurity events. It is possible that our business, financial and other systems could be compromised, which could go unnoticed for a prolonged period of time. While various procedures and controls can be utilized to mitigate exposure to such risk, cyber incidents and attacks are evolving and unpredictable. Additionally, customers or third parties upon whom we rely face similar threats, which could directly or indirectly impact our business and operations. The occurrence of a cyber-incident or attack could have a material adverse effect on our business, financial condition and results of operations.

Our acquisitions, dispositions and investments may not result in anticipated benefits and may present risks not originally contemplated, which may have a material adverse effect on our liquidity, consolidated results of operations and consolidated financial condition.

We continually seek opportunities to maximize efficiency and value through various transactions, including purchases or sales of assets, businesses, investments, or joint venture interests. For example, in December 2017, we completed the acquisition of Magnetic Variation Services, LLC. We also completed a merger transaction with MOTIVE

Drilling Technologies, Inc. in June 2017. These strategic transactions, among others, are intended to (but may not) result in the realization of savings, the creation of efficiencies, the offering of new products or services, the generation of cash or income, or the reduction of risk. Acquisition transactions may use cash on hand or be financed by additional borrowings or by the issuance of our common stock. These transactions may also affect our liquidity, consolidated results of operations and consolidated financial condition.

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

- any acquisitions we attempt will be completed on the terms announced, or at all;
- any acquisitions would result in an increase in income or provide an adequate return of capital or other anticipated benefits;
- any acquisitions would be successfully integrated into our operations and internal controls;
- the due diligence conducted prior to an acquisition would uncover situations that could result in financial or legal exposure, including under the FCPA, or that we will appropriately quantify the exposure from known risks;
- any disposition would not result in decreased earnings, revenue, or cash flow;
- use of cash for acquisitions would not adversely affect our cash available for capital expenditures and other uses; or
- any dispositions, investments, or acquisitions, including integration efforts, would not divert management resources.

We have allocated a portion of the purchase price of certain acquisitions to goodwill and other intangible assets. Generally, the amount allocated is the excess of the purchase price over the net identifiable assets acquired. At September 30, 2018, we had goodwill of $64.8 million and other intangible assets of $73.2 million. If we experience future negative changes in our business climate or our results of operations such that we determine that goodwill or intangible assets are impaired, we will be required to record impairment charges with respect to such assets.

During the fourth quarter of fiscal year 2018, we recorded goodwill and intangible assets impairment losses of $5.6 million related to the TerraVici reporting unit, one of our technology reporting units, which is included in Asset Impairment Charge on the Consolidated Statement of Operations for the fiscal year ended September 30, 2018. Our goodwill impairment analysis performed on our remaining technology reporting units in the fourth quarter of fiscal years 2018 and 2017 did not result in impairment charges.

Technology disputes could negatively impact our operations or increase our costs.

Drilling rigs use proprietary technology and equipment which can involve potential infringement of a third party's rights, or a third party's infringement of our rights, including patent rights. The majority of the intellectual property rights relating to our drilling rigs and technology services are owned by us or certain of our supplying vendors. However, in the event that we or one of our supplying vendors becomes involved in a dispute over infringement of intellectual property rights relating to equipment owned or used by us, we may lose access to important equipment or technology, be required to cease use of some equipment or technology be forced to modify our drilling rigs or technology, or be required to pay license fees or royalties for the use of equipment or technology. In addition, we may lose a competitive advantage in the event we are unsuccessful in enforcing our rights against third parties. As a result, any technology disputes involving us or our customers or vendors could have a material adverse impact on our business, financial condition and results of operations.

Unexpected events could disrupt our business and adversely affect our results of operations.

Unexpected or unanticipated events, including, without limitation, computer system disruptions, unplanned power outages, fires or explosions at drilling rigs, natural disasters such as hurricanes and tornadoes, war or terrorist activities, supply disruptions, failure of equipment, changes in laws and/or regulations impacting our businesses, pandemic illness and other unforeseeable circumstances that may arise from our increasingly connected world or otherwise, could adversely affect our business. It is not possible for us to predict the occurrence or consequence of any such events. However, any such events could create unforeseen liabilities, reduce our ability to provide drilling and related technology services, reduce demand for our services, or make it more difficult or costly to provide services, any of which may ultimately have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with the U.S. Foreign Corrupt Practices Act or foreign anti-bribery legislation could adversely affect our business.

The U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws in other jurisdictions, including the United Kingdom Bribery Act 2010, generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices and impact our business. Although we have programs in place requiring compliance with anti-bribery legislation, any failure to comply with the FCPA or other anti-bribery legislation could subject us to civil and criminal penalties or other sanctions, which could have a material adverse impact on our business, financial condition and results of operation. We could also face fines, sanctions and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of drilling rigs or other assets.

New legislation and regulatory initiatives relating to hydraulic fracturing or other aspects of the oil and gas industry could negatively impact the drilling programs of our customers and, consequently, delay, limit or reduce the services we provide.

We do not engage in any hydraulic fracturing activities. However, it is a common practice in our industry for our customers to recover natural gas and oil from shale and other formations through the use of horizontal drilling combined with hydraulic fracturing. Hydraulic fracturing is the process of creating or expanding cracks, or fractures, in formations using water, sand and other additives pumped under high pressure into the formation. The hydraulic fracturing process is typically regulated by state oil and natural gas commissions. Several states have adopted or are considering adopting regulations that could impose more stringent permitting, public disclosure, waste disposal and/or well construction requirements on oil and gas development, including hydraulic fracturing operations, or otherwise seek to ban fracturing activities altogether. In addition to state laws, some local municipalities have adopted or are considering adopting land use restrictions, such as city ordinances, that may restrict or prohibit the performance of well drilling in general and/or hydraulic fracturing in particular. Members of the U.S. Congress and a number of federal agencies are analyzing, or have been requested to review, a variety of environmental issues associated with hydraulic fracturing and the possibility of more stringent regulation. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could negatively impact the drilling programs of our customers and, consequently, delay, limit or reduce the services we provide. For example, the Environmental Protection Agency has asserted federal regulatory authority pursuant to the federal Safe Drinking Water Act over certain hydraulic fracturing activities involving the use of diesel fuels. Widespread regulation significantly restricting or prohibiting hydraulic fracturing or other drilling activity by our customers could have a material adverse impact on our business, financial condition and results of operations. Further, we conduct drilling activities in numerous states, including Oklahoma, where seismic activity may occur. In recent years, Oklahoma has experienced an increase in earthquakes. Although the extent of any correlation has been and remains the subject of studies of both federal and state agencies, some parties believe that there is a correlation between hydraulic fracturing related activities and the increased occurrence of seismic activity. As a result, federal and state legislatures and agencies may seek to further regulate, restrict or prohibit hydraulic fracturing activities. Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques, operational delays or increased operating and compliance costs in the production of oil and natural gas from shale plays, added difficulty in performing hydraulic fracturing, and potentially a decline in the completion of new oil and gas wells, which could negatively impact the drilling programs of our customers and, consequently, delay, limit or reduce the services we provide.

Government policies, mandates, and regulations specifically affecting the energy sector and related industries, regulatory policies or matters that affect a variety of businesses, taxation polices, and political instability could adversely affect our financial condition and results of operations.

Energy production and trade flows are subject to government policies, mandates, regulations, and trade agreements. Governmental policies affecting the energy industry, such as taxes, tariffs, duties, price controls, subsidies, incentives, foreign exchange rates, and import and export restrictions, can influence the viability and volume of production of certain commodities, the volume and types of imports and exports, whether unprocessed or processed commodity products are traded, and industry profitability. For example, the decision of the U.S. government to impose tariffs on certain Chinese imports and the resulting retaliation by the Chinese government imposing a 10 percent tariff on U.S. liquefied natural gas have disrupted aspects of the energy market. Disruptions of this sort can affect the price of oil and natural gas and may cause our customers to change their plans for exploration and production levels, in turn reducing the demand for our services. Future government policies may adversely affect the supply of, demand for, and prices of oil and natural gas, restrict our ability to do business in existing and target markets, and adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations could be affected by political instability and by changes in other governmental policies, mandates, regulations, and trade agreements, including monetary, fiscal and environmental policies, laws, regulations, acquisition approvals, and other activities of governments, agencies, and similar organizations. These risks include, but are not limited to, changes in a country's or region's economic or political conditions, local labor conditions and regulations, safety and environmental regulations, reduced protection of intellectual property rights, changes in the regulatory or legal environment, restrictions on currency exchange activities, currency exchange fluctuations, burdensome taxes and tariffs, enforceability of legal agreements and judgments, adverse tax, administrative agency or judicial outcomes, and regulation or taxation of greenhouse gases. International risks and uncertainties, including changing social and economic conditions as well as terrorism, political hostilities, and war, could limit our ability to transact business in these markets and could adversely affect our business, financial condition and results of operations.

Legal claims and litigation could have a negative impact on our business.

The nature of our business makes us susceptible to legal proceedings and governmental investigations from time to time. We design much of our own equipment and fabricate and upgrade such equipment in facilities that we operate. We also design and develop our own technology. If such equipment or technology fails to perform as expected, or if we fail to maintain or operate the equipment properly, there could be personal injuries, property damage, and environmental contamination, which could result in claims against us. In addition, during periods of depressed market conditions we may be subject to an increased risk of our customers, vendors, former employees and others initiating legal proceedings against us. Lawsuits or claims against us could have a material adverse effect on our business, financial condition and results of operations. Any litigation or claims, even if fully indemnified or insured, could negatively impact our reputation among our customers and the public, and make it more difficult for us to compete effectively or obtain adequate insurance in the future.

Reliance on management and competition for experienced personnel may negatively impact our operations or financial results.

We greatly depend on the efforts of our executive officers and other key employees to manage our operations. The loss of members of management could have a material effect on our business. Similarly, we utilize highly skilled personnel in operating and supporting our businesses. In times of high utilization, it can be difficult to retain, and in some cases find, qualified individuals, which may result in higher labor costs. During such periods, our labor costs could increase at a greater rate than our ability to raise prices for our services. Additionally, during the recent period of sustained declines in oil and natural gas prices, there was a significant decline in the oil field services workforce. This has reduced the available skilled labor force available to the energy industry, which could also result in higher labor costs. An inability to obtain or find a sufficient number of qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

The loss of one or a number of our large customers could have a material adverse effect on our business, financial condition and results of operations.

In fiscal year 2018, we received approximately 50 percent of our consolidated operating revenues from our ten largest contract drilling customers and approximately 24 percent of our consolidated operating revenues from our three largest customers (including their affiliates). If one or more of our larger customers terminated their contracts, failed to renew existing contracts with us, or refused to award us with new contracts, it could have a material adverse effect on our business, financial condition and results of operations. Further, consolidation among oil and natural gas exploration and production companies may reduce the number of available customers.

Our current backlog of contract drilling revenue may continue to decline and may not be ultimately realized as fixed-term contracts may, in certain instances, be terminated without an early termination payment.

Fixed-term drilling contracts customarily provide for termination at the election of the customer, with an "early termination payment" to be paid to us if a contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances, such as destruction of a drilling rig, our bankruptcy, sustained unacceptable performance by us or delivery of a rig beyond certain grace and/or liquidated damage periods, no early termination payment would be paid to us. Even if an early termination payment is owed to us, a customer may be unable or may refuse to pay the early termination payment. We also may not be able to perform under these contracts due to events beyond our control, and our customers may seek to cancel or renegotiate our contracts for various reasons, such as depressed market conditions. As of September 30, 2018, our contract drilling backlog was approximately $1.1 billion for future revenues under firm commitments. Our contract drilling backlog may decline over time as existing contract term coverage may not be offset by new term contracts or price modifications for existing contracts, as a result of any number of factors, such as low or declining oil prices and capital spending reductions by our customers. Our inability or the inability of our customers to perform under our or their contractual obligations may have a material adverse impact on our business, financial condition and results of operations.

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

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

Our contract drilling expense includes fixed costs that may not decline in proportion to decreases in rig utilization and dayrates.

Our contract drilling expense includes all direct and indirect costs associated with the operation, maintenance and support of our drilling equipment, which is often not affected by changes in dayrates and utilization. During periods of reduced revenue and/or activity, certain of our fixed costs (such as depreciation) may not decline and often we may incur additional costs. During times of reduced utilization, reductions in costs may not be immediate as we may incur additional costs associated with maintaining and cold stacking a rig, or we may not be able to fully reduce the cost of our support operations in a particular geographic region due to the need to support the remaining drilling rigs in that region. Accordingly, a decline in revenue due to lower dayrates and/or utilization may not be offset by a corresponding decrease in contract drilling expense, which could have a material adverse impact on our business, financial condition and results of operations.

We depend on a limited number of vendors, some of which are thinly capitalized, and the loss of any of which could disrupt our operations.

Certain key rig components, parts and equipment are either purchased from or fabricated by a single or limited number of vendors, and we have no long-term contracts with many of these vendors. Shortages could occur in these essential components due to an interruption of supply, the acquisition of a vendor by a competitor, increased demands in the industry or other reasons beyond our control. Similarly, certain key rig components, parts and equipment are obtained from vendors that are, in some cases, thinly capitalized, independent companies that generate significant portions of their business from us or from a small group of companies in the energy industry. These vendors may be disproportionately affected by any loss of business, downturn in the energy industry or reduction or unavailability of credit. If we are unable to procure certain of such rig components, parts or equipment, our ability to maintain, improve, upgrade or construct drilling rigs could be impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Shortages of drilling equipment and supplies could adversely affect our operations.

The contract drilling business is highly cyclical. During periods of increased demand for contract drilling services, delays in delivery and shortages of drilling equipment and supplies can occur. Suppliers may experience quality control issues as they seek to rapidly increase production of equipment and supplies necessary for our operations. Additionally, suppliers may seek to increase prices for equipment and supplies, which we are unable to pass through to our customers, either due to contractual obligations or market constraints in the contract drilling business. These risks are intensified during periods when the industry experiences significant new drilling rig construction or refurbishment. Any such delays or shortages could have a material adverse effect on our business, financial condition and results of operations.

Unionization efforts and labor regulations in certain countries in which we operate could materially increase our costs or limit our flexibility.

Certain of our international employees are unionized, and efforts may be made from time to time to unionize other portions of our workforce. We may in the future be subject to strikes or work stoppages and other labor disruptions in connection with unionization efforts or renegotiation of existing contracts with unions representing our international employees. Additional unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs, reduce our revenues or limit our operational flexibility.

We may be required to record impairment charges with respect to our drilling rigs and other assets.

We evaluate our drilling rigs and other assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Lower utilization and dayrates adversely affect our revenues and profitability. Prolonged periods of low utilization and dayrates may result in the recognition of impairment charges if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of an asset group may not be recoverable. Drilling rigs in our fleet may become impaired in the future if market conditions deteriorate or if oil and gas prices decline further or remain low for a prolonged period. For example, in fiscal years 2018 and 2016, we recognized impairment charges of $17.5 million and $6.3 million, respectively, related to tangible assets and equipment.

Any impairment could have a material adverse effect on our consolidated financial statements. The facts and circumstances included in our impairment assessments are described in Part II, Item 8— “Financial Statements and Supplementary Data.”

We may have additional tax liabilities and/or be limited in our use of net operating losses and tax credits.

We are subject to income taxes in the United States and numerous other jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly audited by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than what is reflected in income tax provisions and accruals. An audit or litigation could materially affect our financial position, income tax provision, net income, or cash flows in the period or periods challenged. Tax rates in the various jurisdictions in which our subsidiaries are organized and conduct their operations may change significantly as a result of political or economic factors beyond our control. It is also possible that future changes to tax laws (including tax treaties in any of the jurisdictions that we operate in) could impact our ability to realize the tax savings recorded to date. Our ability to benefit from our deferred tax assets depends on us having sufficient future taxable income to utilize our net operating loss and tax credit carryforwards before they expire. In addition, Section 382 (“Section 382”) of the Internal Revenue Code of 1986, as amended (the “Code”), generally imposes an annual limitation on the amount of net operating losses and other pre-change tax attributes (such as tax credits) that may be used to offset taxable income by a corporation that has undergone an “ownership change” (as determined under Section 382). An ownership change generally occurs if one or more shareholders (or groups of shareholders) that are each deemed to own at least 5 percent of our stock change their ownership by more than 50 percentage points over their lowest ownership percentage during a rolling three-year period. As of September 30, 2018, we have not experienced an ownership change and, therefore, our utilization of our net operating loss carryforwards was not subject to an annual limitation. However, if we were to experience ownership changes in the future as a result of subsequent shifts in our stock ownership, our ability to use our pre-change net operating loss carryforwards to offset future taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. Furthermore, our acquisition of MOTIVE caused MOTIVE to undergo an ownership change and, as a result, the pre-change net operating losses of MOTIVE are subject to limitation under Section 382; however, based on the amount of such net operating losses subject to the limitation, we do not expect that the application of the Section 382 limitation will have a material impact on our overall future tax liabilities. In addition, at the state level, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. In any case, our net operating loss and tax credit carryforwards are subject to review and potential disallowance upon audit by the tax authorities of the jurisdictions where these tax attributes are incurred. Additionally, our future effective tax rates could be adversely affected by changes in tax laws (including tax treaties) or their interpretation.

On December 22, 2017, the President of the United States signed into law Public Law No. 115-97, a comprehensive tax reform bill commonly referred to as the Tax Cuts and Jobs Act (the "Tax Reform Act") that significantly reforms the Code. The Tax Reform Act, among other things, (i) permanently reduces the U.S. corporate income tax rate, (ii) repeals the corporate alternative minimum tax, (iii) eliminates the deduction for certain domestic production activities, (iv) imposes new limitations on the utilization of net operating losses, (v) imposes new limitations on the deductibility of interest expense, (vi) imposes a type of minimum tax designed to reduce the benefits derived from intercompany transactions and payments that result in base erosion, and (vii) provides for more general changes to the taxation of corporations, including changes to cost recovery rules. These tax law changes could have the effect of causing us to incur income tax liability sooner than we otherwise would have incurred such liability or, in certain cases, could cause us to incur income tax liability that we might otherwise not have incurred, in the absence of these tax law changes. Additionally, the Tax Reform Act is complex and subject to interpretation. The presentation of our financial condition and results of operations is based upon our current interpretation of the provisions contained in the Tax Reform Act. In the future, the Treasury Department and the Internal Revenue Service are expected to release regulations relating to and interpretive guidance of the legislation contained in the Tax Reform Act. Any significant variance of our current interpretation of such legislation from any future regulations or interpretive guidance could adversely affect our financial position, income tax provision, net income, or cash flows.

We may reduce or suspend our dividend in the future.

We have paid a quarterly dividend for many years. Our most recent, quarterly dividend was $0.71 per share. In the future, our Board of Directors may, without advance notice, determine to reduce or suspend our dividend in order to maintain our financial flexibility and best position the Company for long-term success. The declaration and amount of future dividends is at the discretion of our Board of Directors and will depend on our financial condition, results of operations, cash flows, prospects, industry conditions, capital requirements and other factors and restrictions our Board of Directors deems relevant. The likelihood that dividends will be reduced or suspended is increased during periods of prolonged market weakness. In addition, our ability to pay dividends may be limited by agreements governing our indebtedness now or in the future. There can be no assurance that we will not reduce our dividend or that we will continue to pay a dividend in the future.

A downgrade in our credit ratings could negatively impact our cost of and ability to access capital.

Our ability to access capital markets or to otherwise obtain sufficient financing is enhanced by our senior unsecured debt ratings as provided by major U.S. credit rating agencies. Factors that may impact our credit ratings include debt levels, liquidity, asset quality, cost structure, commodity pricing levels and other considerations. A ratings downgrade could adversely impact our ability in the future to access debt markets, increase the cost of future debt, and potentially require us to post letters of credit for certain obligations.

Our ability to access capital markets could be limited.

From time to time, we may need to access capital markets to obtain financing. Our ability to access capital markets for financing could be limited by, among other things, oil and gas prices, our existing capital structure, our credit ratings, the state of the economy, the health of the drilling and overall oil and gas industry, and the liquidity of the capital markets. Many of the factors that affect our ability to access capital markets are outside of our control. No assurance can be given that we will be able to access capital markets on terms acceptable to us when required to do so, which could have a material adverse impact on our business, financial condition and results of operations.

Our securities portfolio may lose significant value due to a decline in equity prices and other market-related risks, thus impacting our debt ratio and financial strength.

At September 30, 2018, we had a portfolio of securities with a total fair value of approximately $82.5 million, consisting of Ensco plc ("Ensco") and Schlumberger, Ltd. The total fair value of the portfolio of securities was $70.2 million at September 30, 2017. The portfolio is recorded at fair value on the balance sheet with changes in unrealized after-tax value reflected in the equity section of the balance sheet. However, where a decline in fair value below our cost basis is considered to be other than temporary, the change in value is recorded as a charge through earnings. During the fourth quarter of fiscal year 2016, we determined that a loss was other-than-temporary and we recognized a $26.0 million impairment charge. No impairment charges were recognized in fiscal year 2017 or 2018. At November 8, 2018, the fair value of the portfolio decreased to approximately $68.5 million.

Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations.

Since our business depends on the level of activity in the oil and natural gas industry, any improvement in or new discoveries of alternative energy technologies that increase the use of alternative forms of energy and reduce the demand for oil and natural gas could have a material adverse effect on our business, financial condition and results of operations.

Our business and results of operations may be adversely affected by foreign political, economic and social instability risks, foreign currency restrictions and devaluation, and various local laws associated with doing business in certain foreign countries.

We currently have drilling operations in South America and the Middle East. In the future, we may further expand the geographic reach of our operations. As a result, we are exposed to certain political, economic and other uncertainties not encountered in U.S. operations, including increased risks of social unrest, strikes, terrorism, war, kidnapping of employees, nationalization, forced negotiation or modification of contracts, difficulty resolving disputes (including technology disputes) and enforcing contract provisions, expropriation of equipment as well as expropriation of oil and gas exploration and drilling rights, taxation policies, foreign exchange restrictions and restrictions on repatriation of income and capital, currency rate fluctuations, increased governmental ownership and regulation of the economy and industry in the markets in which we operate, economic and financial instability of national oil companies, and restrictive governmental regulation, bureaucratic delays and general hazards associated with foreign sovereignty over certain areas in which operations are conducted.

South American countries, in particular, have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and general economic and political instability. From time to time, these risks have impacted our business. For example, on June 30, 2010, the Venezuelan government expropriated 11 rigs and associated real and personal property owned by our Venezuelan subsidiary. Prior thereto, we also experienced currency devaluation losses in Venezuela and difficulty repatriating U.S. dollars to the United States. Today, our contracts for work in foreign countries generally provide for payment in U.S. dollars. However, in Argentina, while our dayrate is denominated in U.S. dollars, we are paid in Argentine pesos. The Argentine branch of one of our second-tier subsidiaries then remits U.S. dollars to its U.S. parent by converting the Argentine pesos into U.S. dollars through the Argentine Foreign Exchange Market and repatriating the U.S. dollars. Argentina also has a history of implementing currency controls, which restrict the conversion and repatriation of U.S. dollars. These controls were not in place during this past fiscal year.

Argentina's economy is currently considered highly inflationary, which is defined as cumulative inflation rates exceeding 100 percent in the most recent three-year period based on inflation data published by the respective governments. Nonetheless, all of our foreign operations use the U.S. dollar as the functional currency and local currency monetary assets and liabilities are remeasured into U.S. dollars with gains and losses resulting from foreign currency transactions included in current results of operations.

For fiscal year 2018, we experienced aggregate foreign currency losses of $3.6 million in Argentina. Our aggregate foreign currency losses for fiscal year 2018 and 2017 were $4.0 million and $7.1 million, respectively. However, in the future, we may incur larger currency devaluations, foreign exchange restrictions or other difficulties repatriating U.S. dollars from Argentina or elsewhere, which could have a material adverse impact on our business, financial condition and results of operations.

Additionally, there can be no assurance that there will not be changes in local laws, regulations and administrative requirements or the interpretation thereof, which could have a material adverse effect on the profitability of our operations or on our ability to continue operations in certain areas. Because of the impact of local laws, our future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which we have limited control or hold only a minority interest or pursuant to arrangements under which we conduct operations under contract to local entities. While we believe that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on our operations or revenues, there can be no assurance that we will in all cases be able to structure or restructure our operations to conform to local law (or the administration thereof) on terms we find acceptable.

During fiscal year 2018, approximately 9.6 percent of our consolidated operating revenues were generated from the international contract drilling business and approximately 96.0 percent of the international operating revenues were from operations in South America. Substantially all of the South American operating revenues were from Argentina and Colombia. The future occurrence of one or more international events arising from the types of risks described above could have a material adverse impact on our business, financial condition and results of operations.

Failure to comply with or changes to governmental and environmental laws could adversely affect our business.

Many aspects of our operations are subject to various laws and regulations in the jurisdictions where we operate, including those relating to drilling practices and comprehensive and frequently changing laws and regulations relating to the safety and to the protection of human health and the environment. Environmental laws apply to the oil and gas industry including those regulating air emissions, discharges to water, and the transport, storage, use, treatment, disposal and remediation of, and exposure to, solid and hazardous wastes and materials. These laws can have a material adverse effect on the drilling industry, including our operations, and compliance with such laws may require us to make significant capital expenditures, such as the installation of costly equipment or operational changes, and may affect the resale values or useful lives of our drilling rigs. If we fail to comply with these laws and regulations, we could be exposed to substantial administrative, civil and criminal penalties, delays in permitting or performance of projects and, in some cases, injunctive relief. Violations of environmental laws may also result in liabilities for personal injuries, property and natural resource damage and other costs and claims. In addition, environmental laws and regulations in the United States impose a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages from such spills. As an owner and operator of drilling rigs, we may be deemed to be a responsible party under these laws and regulations.

Additional legislation or regulation and changes to existing legislation and regulation may reasonably be anticipated, and the effect thereof on our operations cannot be predicted. The expansion of the scope of laws or regulations protecting the environment has accelerated in recent years, particularly outside the United States, and we expect this trend to continue. To the extent new laws are enacted or other governmental actions are taken that prohibit or restrict drilling in areas where we operate or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or the drilling industry, in particular, our business or prospects could be materially adversely affected.

We may not be able to generate cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations.

Our ability to make future scheduled payments on or to refinance our debt obligations, including any future debt obligations, depends on our financial position, results of operations and cash flows. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investment decisions and capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. Furthermore, these alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial position at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would be a default (if not waived) and would likely result in a reduction of our credit rating, which could harm our ability to seek additional capital or restructure or refinance our indebtedness.

Covenants in our debt agreements restrict our ability to engage in certain activities.

Our current debt agreements pertaining to certain long-term unsecured debt and our unsecured revolving credit facility contain, and our future financing arrangements likely will contain, various covenants that may in certain instances restrict our ability to, among other things, incur, assume or guarantee additional indebtedness, incur liens, sell or otherwise dispose of assets, enter into new lines of business, and merge or consolidate. In addition, our credit facility requires us to maintain a funded leverage ratio (as defined therein) of less than 50 percent and certain priority debt (as defined therein) may not exceed 17.5 percent of our net worth (as defined therein). Such restrictions may limit our ability to successfully execute our business plans, which may have adverse consequences on our operations.

Certain provisions of our corporate governing documents could make an acquisition of our company more difficult.

The following provisions of our charter documents, as currently in effect, and Delaware law could discourage potential proposals to acquire us, delay or prevent a change in control of us or limit the price that investors may be willing to pay in the future for shares of our common stock:

- our certificate of incorporation permits our Board of Directors to issue and set the terms of preferred stock and to adopt amendments to our bylaws;
- our bylaws contain restrictions regarding the right of stockholders to nominate directors and to submit proposals to be considered at stockholder meetings;
- our bylaws restrict the right of stockholders to call a special meeting of stockholders; and
- we are subject to provisions of Delaware law which restrict us from engaging in any of a broad range of business transactions with an “interested stockholder” for a period of three years following the date such stockholder became classified as an interested stockholder.

Item 1B. UNRESOLVED STAFF COMMENT

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of fiscal year 2018 and that remain unresolved.

Item 2. PROPERTIES

Contract Drilling Operations

Our property consists primarily of drilling rigs and ancillary equipment. We own substantially all of the equipment used in our businesses. For further information on the status of our drilling fleet, see Item 1— "Business."

Real Property

Our corporate headquarters is in leased office space and is located at 1437 South Boulder Avenue, Tulsa, Oklahoma, 74119.

We own or lease office and yard space to support our ongoing operations. These include field and district offices in Texas, Oklahoma, Louisiana, Mississippi, Colorado, Wyoming, North Dakota, Ohio, Pennsylvania, Colombia, Argentina, and Bahrain. In addition, we have a fabrication and assembly facility near Houston, Texas as well as a fabrication facility and a maintenance and overhaul facility near Tulsa, Oklahoma.

We also own several commercial real estate properties for investment purposes. Our real estate investments are located exclusively within Tulsa, Oklahoma, and include a shopping center, multi-tenant industrial warehouse properties, and undeveloped real estate.

Item 3. LEGAL PROCEEDINGS

Venezuela Expropriation

Our wholly-owned subsidiaries, Helmerich & Payne International Drilling Co. and Helmerich & Payne de Venezuela, C.A. filed a lawsuit in the United States District Court for the District of Columbia on September 23, 2011 against the Bolivarian Republic of Venezuela, Petroleos de Venezuela, S.A. and PDVSA Petroleo, S.A. We are seeking damages for the taking of our Venezuelan drilling business in violation of international law and for breach of contract. While there exists the possibility of realizing a recovery, we are currently unable to determine the timing or amounts we may receive, if any, or the likelihood of recovery.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

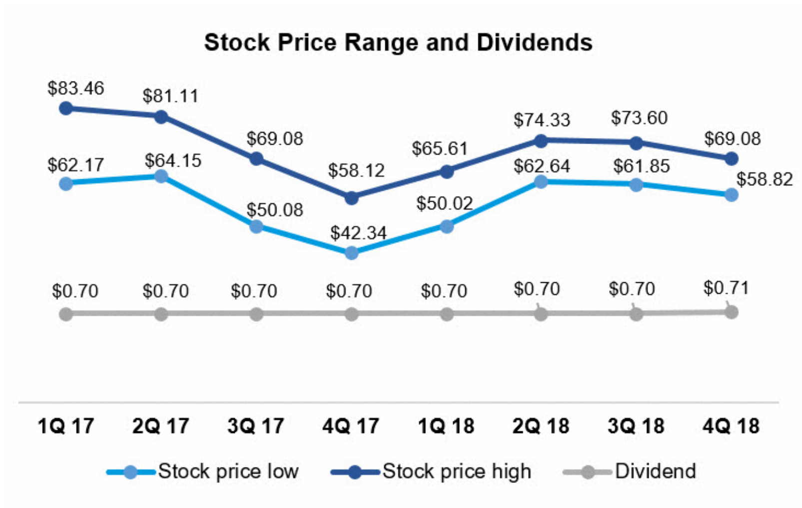
PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividends

The principal market on which our common stock is traded is the New York Stock Exchange under the symbol "HP." As of November 8, 2018, there were 394 record holders of our common stock as listed by our transfer agent's records.

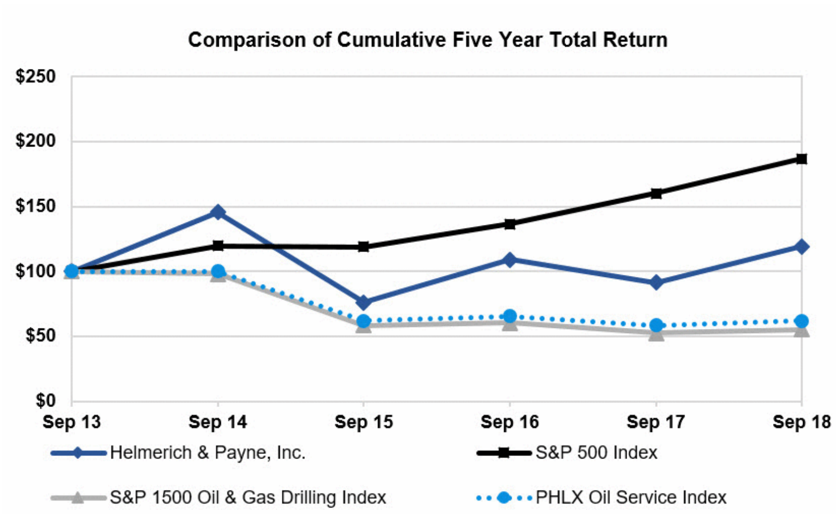
We have paid quarterly cash dividends on our common stock during the past two fiscal years. Payment of future dividends will depend on earnings and other factors.



Performance Graph

The following performance graph reflects the yearly percentage change in our cumulative total stockholder return on common stock as compared with the cumulative total return on the S&P 500 Index and the S&P 1500 Oil and Gas Drilling Index. All cumulative returns assume an initial investment of $100, the reinvestment of dividends and are calculated on a fiscal year basis ending on September 30 of each year.

	Base Period	INDEXED RETURNS Years Ending				
Company / Index	**Sep 13**	**Sep 14**	**Sep 15**	**Sep 16**	**Sep 17**	**Sep 18**
Helmerich & Payne, Inc.	**100**	213.72	107.52	160.53	130.54	119.00
S&P 500 Index	**100**	142.89	142.02	163.93	194.44	187.00
S&P 1500 Oil & Gas Drilling Index	**100**	103.39	44.91	47.75	40.37	55.00
PHLX Oil Service Index	**100**	100.00	62.00	66.00	58.00	62.00



The above performance graph and related information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent we specifically incorporate it by reference into such a filing.

Stock Portfolio

Information required by this item regarding our stock portfolio may be found in, and is incorporated by reference to, Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Stock Portfolio Held" included in this Form 10-K.

Item 6. SELECTED FINANCIAL DATA

The following table summarizes selected financial information and should be read in conjunction with Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8—"Financial Statements and Supplementary Data" included in this Form 10-K.

Five-year Summary of Selected Financial Data

	2018	2017	2016	2015	2014
	(in thousands except per share amounts)				
Statements of Operations Selected Data					
Operating revenues	$2,487,268	$1,804,741	$1,624,332	$3,161,702	$3,715,968
Depreciation and amortization	583,802	585,543	598,587	608,039	523,984
Selling, general and administrative	200,619	151,002	146,183	134,712	135,273
Income (loss) from continuing operations	493,010	(127,863)	(52,990)	420,474	706,610
Loss from discontinued operations	(10,338)	(349)	(3,838)	(47)	(47)
Net income (loss)	482,672	(128,212)	(56,828)	420,427	706,563
Per Share Data					
Basic earnings (loss) per share from continuing operations	4.49	(1.20)	(0.50)	3.88	6.52
Basic loss per share from discontinued operations	(0.10)	—	(0.04)	—	—
Basic earnings (loss) per share	4.39	(1.20)	(0.54)	3.88	6.52
Diluted earnings (loss) per share from continuing operations	4.47	(1.20)	(0.50)	3.85	6.44
Diluted loss per share from discontinued operations	(0.10)	—	(0.04)	—	—
Diluted earnings (loss) per share	4.37	(1.20)	(0.54)	3.85	6.44
Cash dividends declared per common share	2.82	2.80	2.78	2.75	2.63
Balance Sheet Data					
Property, plant and equipment, net	4,857,382	5,001,051	5,144,733	5,563,170	5,188,544
Total assets (1)	6,214,867	6,439,988	6,832,019	7,147,242	6,725,316
Long term debt	493,968	492,902	491,847	492,443	39,502
Debt to capital ratio (2)	10.1 %	10.6 %	9.7 %	9.1 %	0.8 %
Net working capital (3)	412,566	325,016	292,857	316,070	408,931

(1) Total assets for all years include amounts related to discontinued operations. Our Venezuelan subsidiary was classified as discontinued operations on June 30, 2010, after the seizure of our drilling assets in that country by the Venezuelan government.

(2) The debt to capital ratio is calculated by dividing total debt by total capitalization (total debt plus shareholders' equity). The debt to capital ratio is not a measure of operating performance or liquidity defined by U.S. GAAP and may not be comparable to similarly titled measures presented by other companies.

(3) Net working capital is calculated as current assets, excluding cash and short-term investments, less current liabilities.

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

The following discussion should be read in conjunction with Part I of this Form 10-K as well as the Consolidated Financial Statements and related notes thereto included in Item 8— "Financial Statements and Supplementary Data" of this Form 10-K. Our future operating results may be affected by various trends and factors which are beyond our control. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of risks and uncertainties, including those described in this Annual Report under "Cautionary Note regarding Forward-Looking Statements" and Item 1A-- "Risk Factors." Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

Executive Summary

Helmerich & Payne, Inc. provides performance-driven drilling services and technologies that are intended to make hydrocarbon recovery safer and more economical for oil and gas exploration and production companies. As of September 30, 2018, our drilling rig fleet included a total of 390 drilling rigs. Our contract drilling segments consist of the U.S. Land segment with 350 rigs, the Offshore segment with 8 offshore platform rigs and the International Land segment with 32 rigs as of September 30, 2018. At the close of fiscal year 2018, we had 259 contracted rigs, of which 153 were under a fixed term contract and 106 were working well-to-well, compared to 218 contracted rigs at the same time during the prior year. As the U.S. land drilling industry recovered from an all-time low of approximately 380 active rigs in the summer of 2016 to over 1,000 rigs as of September 30, 2018, we led the way in reactivating rigs in the United States and gained significant market share in the process. We believe that our success during this time frame is validation of the capabilities of our land drilling fleet and our decisions during the downturn to prepare for an eventual improvement in the business, and our ability to deliver best-in-class field performance and customer satisfaction. Our long-term strategy remains focused on innovation, technology, safety, operational excellence and reliability. As we move forward, we believe that our advanced uniform rig fleet, financial strength, long term contract backlog and strong customer and employee base position us very well to take advantage of future opportunities.

Market Outlook

Our revenues are derived from the capital expenditures of companies involved in the exploration, development and production of crude oil and natural gas ("E&Ps"). At the core, the level of capital expenditures is dictated by current and expected future prices of crude oil and natural gas, which are determined by various supply and demand factors. Both commodities have historically been, and we expect them to continue to be, cyclical and highly volatile.

With respect to U.S. Land Drilling, the resurgence of oil and natural gas production coming from the United States brought about by unconventional shale drilling for oil has significantly impacted the supply of oil and natural gas. The advent of unconventional drilling in the United States began in earnest in 2009 and continues to evolve as E&Ps drill longer lateral wells. During this time, we designed, built and delivered new technology AC drive rigs (FlexRigs) to the market at a fast pace, substantially growing our fleet. The pace of progress of unconventional drilling was interrupted by a decrease in crude oil prices in late 2014 from $106 per barrel in June 2014 to below $30 per barrel in early 2016.

Late in 2017, crude oil prices began to recover, along with the level of activity in unconventional drilling. Throughout this time, the length of the lateral section of wells drilled in the U.S. has continued to grow. The progression of longer lateral wells has required many of the industries' rigs to be upgraded to certain specifications in order to meet the technical challenges of drilling longer lateral wells. The upgraded rigs meeting those specifications are commonly referred to in the industry as super-spec rigs and have the following specific characteristics: AC Drive, 1,500 horsepower drawworks, 750,000 lbs. hookload rating, 7,500 psi mud circulating system and multiple-well pad capability.

Beginning in 2018, we saw the demand for super-spec rigs increase, as crude oil ranged between $59 and $66 per barrel. During 2018, the demand for super-spec rigs continued to increase and we benefitted by gaining market share as a result of having the largest super-spec fleet in the industry and having the largest number of rigs that could readily and economically be upgraded to the super-spec classification. During fiscal year 2018, we converted two FlexRig4's to super-spec capacity and upgraded 52 of our other rigs to super-spec, including 51 FlexRig3's and one FlexRig5. As of September 30, 2018, we held over 40 percent of the super-spec market share in U.S. land drilling. Due to our financial strength, we are in the position to continue to upgrade rigs to super-spec as long as market demand for such rigs remains high and we have a supply of economically viable super-spec upgradable rigs.

Thus far in fiscal year 2019, crude oil prices have fallen from recent highs, but are still higher than the average price when exploration and production companies set their 2018 capital budgets. Accordingly, we expect higher levels of exploration and production capital expenditures by our customers in 2019. As such, we expect the demand for super-spec rigs to remain elevated and robust well into fiscal year 2019, and we are well positioned to continue to upgrade our rigs to super-spec to meet our customers' needs. In addition, there will be more opportunities driven by our marketing efforts for our non super-spec rigs (e.g. FlexRig4) to return to the market, targeting on customer programs that do not require super-spec capabilities and can be offered at a lower price point while still exceeding our return hurdles. We are also seeing growing interest from customers to enter into multi-year contracts. If the market remains strong and the supply of economically viable super-spec rigs is depleted, the potential for newly built rigs in the industry may return, but we expect that much higher levels of pricing and term contract coverage will be required before the industry sees significant capital deployed for new build rigs.

In our International Land Drilling segment, we believe that our market leading position in the Neuquén basin of Argentina may provide opportunities for us to deploy additional AC rigs from the United States. We have seen periodic spot market work for our deeper drilling 3,000 horsepower rigs in Northern Argentina. Spot market contracts do not have a defined term and operate on a well-by-well basis. In fiscal year 2018, we reactivated four rigs in Colombia with renewed interest in the deeper drilling 3,000 horsepower rigs as well as our two FlexRig3 rigs. We expect Colombia to be a relatively stable market in fiscal year 2019 with potential upside. Overall, we have seen an increase in tendering activity from our customers in the international market resulting from higher oil prices. We believe that our international land operations are a potential area of growth over the next several years, but acknowledge that such growth may be more sporadic than what we expect in the U.S. market.

At this time, our Offshore Drilling operations are expected to report relatively stable utilization and cash flows in the upcoming fiscal year. We anticipate one or more of our platform rigs could either be stacked or placed on a lower margin stack rate towards the end of fiscal year 2019.

Recent Developments

Acquisitions

On December 8, 2017, we completed an acquisition ("MagVAR Acquisition") of an unaffiliated company, Magnetic Variation Services, LLC ("MagVAR"), which is now a wholly-owned subsidiary of the Company. The operations for MagVAR are included within our other non-reportable business segments.

Through comprehensive 3D geomagnetic reference modeling, MagVAR provides measurement while drilling ("MWD") survey corrections by identifying and quantifying MWD tool measurement errors in real-time, greatly improving directional drilling performance and wellbore placement. Founded in 2010, MagVAR will maintain its headquarters in Colorado.

At the effective time of the MagVAR Acquisition, MagVAR shareholders received aggregate cash consideration of $47.9 million, net of customary closing adjustments, and certain management members received restricted stock awards covering 213,904 shares of Helmerich & Payne, Inc. common stock. At closing, $6.0 million of the cash consideration was placed in escrow, to be released to the sellers twelve months after the acquisition closing date. Transaction costs related to the MagVAR Acquisition incurred during fiscal year 2018 were approximately $1.2 million and are recorded in the Consolidated Statements of Operations within selling, general and administrative expense.

On June 2, 2017, we completed a merger transaction ("MOTIVE Merger") pursuant to which an unaffiliated drilling technology company, MOTIVE Drilling Technologies, Inc., a Delaware corporation ("MOTIVE"), was merged with and into our wholly-owned subsidiary Spring Merger Sub, Inc., a Delaware corporation. MOTIVE survived the transaction and is now a wholly-owned subsidiary of the Company.

MOTIVE has a proprietary Bit Guidance System™ that is an algorithm-driven system that considers the total economic consequences of directional drilling decisions and is designed to consistently lower drilling costs through more efficient drilling and increased hydrocarbon production through smoother wellbores and more accurate well placement. Given our strong and longstanding technology and innovation focus, we believe the technology will continue to advance and provide further benefits for the industry.

At the effective time of the MOTIVE Merger, MOTIVE shareholders received aggregate cash consideration of $74.3 million, net of customary closing adjustments. During fiscal year 2018, MOTIVE shareholders received additional cash consideration of $10.6 million in an earnout payment and may be eligible to receive up to an additional $12.5 million in potential earnout payments based on future performance. Transaction costs related to the MOTIVE Merger incurred during fiscal year 2017 were $3.2 million and are recorded in the Consolidated Statements of Operations within selling, general and administrative expense.

Additional information regarding the MagVAR and MOTIVE acquisitions is described in Note 3--Business Combinations to our consolidated financial statements. The operations for MagVAR and MOTIVE are included within our other non-reportable business segments. The MagVAR and MOTIVE Mergers were accounted for as a business combination in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations, which requires the assets acquired and liabilities assumed to be recorded at their acquisition date fair values.

Impairments

Consistent with our policy, we evaluate our drilling rigs and related equipment for impairment whenever events or changes in circumstances indicate the carrying value of these assets may exceed the estimated undiscounted future net cash flows. Our evaluation, among other things, includes a review of external market factors and an assessment on the future marketability of specific rigs' asset group. Given the continued low utilization within our International FlexRig4 asset group and two of our domestic and international conventional rigs' asset groups, together with the continued delivery of new, more capable rigs, we considered these economic factors to be indicators that these rigs' asset groups may potentially be impaired.

At September 30, 2018, we performed impairment testing on our International FlexRig4 asset group, which has an aggregate net book value of $63.0 million. We concluded that the net book value of the asset group is recoverable through estimated undiscounted future cash flows with a surplus of approximately 23 percent. The most significant assumptions used in our undiscounted cash flow model include: timing on awards of future drilling contracts, oil prices, operating dayrates, operating costs, rig reactivation costs, drilling rig utilization, revenue efficiency, estimated remaining economic useful life and net proceeds received upon future sale/disposition. The assumptions are consistent with the Company's internal budgets and forecasts for future years. These significant assumptions are classified as Level 3 inputs by ASC Topic 820 Fair Value Measurement and Disclosures as they are based upon unobservable inputs and primarily rely on management assumptions and forecasts. Although we believe the assumptions used in our analysis are reasonable and appropriate and the asset group weighted average of expected future undiscounted net cash flows exceeds the net book value of the asset group as of the fiscal year 2018 year-end impairment evaluation, different assumptions and estimates could materially impact the analysis and our resulting conclusion.

At September 30, 2018, we engaged a third party independent accounting firm who performed a market valuation, utilizing the market approach, on two of our domestic and international conventional rigs' asset groups, which have aggregate net book values of $9.0 million and $15.2 million, respectively. We concluded that the fair values of these two asset groups exceed the net book values by approximately 64 percent and 141 percent, respectively, and as such, no impairment was recorded. The significant assumptions in the valuation exercise are classified as Level 2 and Level 3 inputs by ASC Topic 820 Fair Value Measurement and Disclosures.

During the fourth quarter of fiscal year 2018, after ceasing operations in Ecuador, within our International Land segment, we entered into a sales negotiation with respect to the six conventional rigs, within a separated international conventional rigs' asset group, with net book values of $20.8 million, present in the country, pursuant to which the rigs, together with associated equipment and machinery would be sold to a third party to be recycled. Certain components of these rigs with an $8.5 million net book value, that are not subject to the sale agreement, will be transferred to the United States to be utilized on other FlexRigs with high activity and demand. The sales transaction was completed in November 2018. We recorded a non-cash impairment charge of $9.2 million ($7.0 million, net of tax, or $0.06 per diluted share), which is included in Asset Impairment Charge on the Consolidated Statement of Operations for the fiscal year ended September 30, 2018. As a result, the remaining rig within the same asset group, not to be disposed of, was written down resulting in an additional impairment charge of $1.4 million ($1.0 million, net of tax, or $0.01 per diluted share).

Furthermore, during the fourth quarter of fiscal year 2018, within our U.S. Land segment, management committed to a plan to auction several previously decommissioned rigs during fiscal year 2019. As a result, we wrote them down to their estimated fair values. We recorded a non-cash impairment charge of $5.7 million ($4.2 million, net of tax, or $0.04 per diluted share), which is included in Asset Impairment Charge on the Consolidated Statements of Operations for the fiscal year ended September 30, 2018.

During the fourth quarter of fiscal year 2018, and as part of our annual goodwill impairment test, we performed a detailed assessment of the TerraVici technology reporting unit, where $4.7 million goodwill was allocated. We determined that the estimated fair value of this reporting unit was less than its carrying amount and recorded goodwill impairment losses of $4.7 million ($3.5 million, net of tax, or $0.03 per diluted share). In addition, we recorded an intangible asset impairment loss of $0.9 million ($0.7 million, net of tax, or $0.01 per diluted share). These impairment losses are included in Asset Impairment Charge on the Consolidated Statements of Operations for the fiscal year ended September 30, 2018. Our goodwill impairment analysis performed on our remaining technology reporting units in the fourth quarter of fiscal years 2018 and 2017 did not result in impairment charges.

Results of Operations for the Fiscal Years Ended September 30, 2018 and 2017

Consolidated Results of Operations

All per share amounts included in the Results of Operations discussion are stated on a diluted basis. Except as specifically discussed, the following results of operations pertain only to our continuing operations.

Net Income (Loss) Our net income for fiscal year 2018 was $482.7 million ($4.39 earnings per share), compared with net loss of $128.2 million ($1.20 loss per share) for fiscal year 2017. Net income in fiscal year 2018 and net loss in fiscal year 2017 include after-tax income from early termination revenue associated with drilling contracts terminated prior to the expiration of their fixed term of $12.6 million ($0.12 per share) and $20.2 million ($0.18 per share), respectively. Net income in fiscal year 2018 and net loss in fiscal year 2017 include after-tax gains from the sale of assets of $16.7 million ($0.15 per diluted share) and $14.3 million ($0.13 per diluted share), respectively. Additionally, net income in fiscal year 2018 and net loss in fiscal year 2017 includes after-tax income from a tax benefit of $477.2 million ($4.36 per diluted share) and a tax benefit of $56.7 million ($0.52 per diluted share), respectively.

Revenue Consolidated operating revenues were $2.5 billion in fiscal year 2018 and $1.8 billion in fiscal year 2017, including early termination revenue of $17.1 million and $29.4 million in each respective fiscal year. Excluding early termination revenue, operating revenue increased $694.8 million in fiscal year 2018 compared to fiscal year 2017. Oil prices steeply declined from over $106 per barrel in June 2014 to below $30 per barrel in early 2016. During the second half of calendar year 2016, oil prices increased and fluctuated within a $42 to $54 per barrel price range for most of fiscal year 2017. However, during the second half of fiscal year 2018, oil prices were mostly in the $62 to $77 per barrel price range. Primarily as a result of the impact of oil prices on drilling activity by exploration and production companies during that time frame, the number of revenue days in our U.S. Land segment totaled 77,980 in fiscal year 2018, compared to 57,120 in fiscal year 2017.

Asset Impairment Management monitors industry market conditions impacting its long-lived assets, intangible assets and goodwill. When required, an impairment analysis is performed to determine if any impairment exists. During the fourth quarter of fiscal year 2018, and after ceasing operations in Ecuador, we entered into a sales negotiation with respect to the six conventional rigs present in the country, pursuant to which the rigs, together with associated equipment and machinery, would be sold to a third party to be recycled. As a result, we recorded a non-cash impairment charge of $9.2 million. The remaining rig within the same asset group, not to be disposed of, was written down resulting in an additional impairment charge of $1.4 million ($1.0 million, net of tax, or $0.01 per diluted share). Additionally, during the fourth quarter of fiscal year 2018, management committed to a plan to auction several previously decommissioned rigs during fiscal year 2019. As a result, we wrote them down to their estimated fair values and we recorded a non-cash impairment charge of $5.7 million. Furthermore, during the fourth quarter of fiscal year 2018, we recorded goodwill and intangible assets impairment losses of $5.6 million related to the TerraVici technology reporting unit. The fiscal year 2018 asset impairment charges are included in Asset Impairment Charge on the Consolidated Statement of Operations for the fiscal year ended September 30, 2018. We did not record any impairment in fiscal year 2017.

Interest and Dividend Income Interest and dividend income was $8.0 million and $5.9 million in fiscal years 2018 and 2017, respectively. The higher income in fiscal year 2018 was primarily due to higher earnings on available cash equivalents and short-term investments.

Direct Operating Expenses Direct operating expenses in fiscal year 2018 were $1.7 billion, compared with $1.2 billion in fiscal year 2017. The increase in fiscal year 2018 from fiscal year 2017 was primarily attributable to a higher level of activity in fiscal year 2018.

General and Administrative Expense General and administrative expenses totaled $200.6 million in fiscal year 2018 and $151.0 million in fiscal year 2017. During fiscal year 2018, we incurred transaction costs of $1.2 million related to our acquisition of MagVAR. Additionally, increased employee general and administrative headcount, primarily as a result of the acquisition of MagVAR and MOTIVE, caused an increase in employee compensation costs, including taxes, benefits and stock-based compensation, compared to fiscal year 2017.

Depreciation and Amortization Depreciation and amortization expense was $583.8 million in fiscal year 2018 and $585.5 million in fiscal year 2017. Depreciation and amortization includes amortization of intangible assets of $5.4 million and $1.1 million in fiscal years 2018 and 2017, respectively, and abandonments of equipment of $27.7 million and $42.6 million in fiscal years 2018 and 2017, respectively. In fiscal year 2018, depreciation expense also includes $9.7 million of accelerated depreciation for components on rigs that are planned for conversion in fiscal year 2019. Depreciation expense, exclusive of abandonments and accelerated depreciation, increased one percent in fiscal year 2018 from fiscal year 2017. As the drilling markets continued to recover during fiscal year 2017, we began abandoning older rig components that were replaced by upgrades to our rig fleet to meet customer demands for additional capabilities. This trend continued in fiscal year 2018.

Interest Interest expense, net of amounts capitalized, totaled $24.3 million in fiscal year 2018 and $19.7 million in fiscal year 2017. Interest expense is primarily attributable to fixed-rate debt outstanding. Capitalized interest was $0.4 million and $0.3 million in fiscal years 2018 and 2017, respectively. All of the capitalized interest is attributable to our rig upgrade and rig construction programs.

Income Taxes We had an income tax benefit of $477.2 million in fiscal year 2018 compared to an income tax benefit of $56.7 million in fiscal year 2017. The effective income tax rate was (3,012.3) percent in fiscal year 2018 compared to 30.7 percent in fiscal year 2017. The effective tax rate for fiscal year 2018 was impacted by income tax adjustments related to the reduction of the federal statutory corporate income tax rate as part of the Tax Reform Act, which was enacted on December 22, 2017, and an increase in the deferred state income tax rate. In addition, effective tax rates differ from the U.S. federal statutory rate (24.5 percent for fiscal year 2018 and 35.0 percent for fiscal year 2017) due to non-deductible permanent items and state and foreign income taxes. Deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Recoverability of any tax assets are evaluated and necessary allowances are provided. The carrying value of the net deferred tax assets is based on management's judgments using certain estimates and assumptions that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the benefits of such assets. If these estimates and related assumptions change in the future, additional valuation allowances may be recorded against the deferred tax assets resulting in additional income tax expense in the future. See Note 8—Income Taxes to our Consolidated Financial Statements for additional income tax disclosures.

Research and Development During fiscal years 2018 and 2017, we incurred $18.2 million and $12.0 million, respectively, of research and development expenses. The increase in expense is primarily related to the acquisitions of MOTIVE and MagVAR given that a portion of their ongoing expenses are classified as research and development. We anticipate research and development expenses to continue during fiscal year 2019.

Discontinued Operations Expenses incurred within the country of Venezuela are reported as discontinued operations. In March 2016, the Venezuelan government implemented the previously announced plans for a new foreign currency exchange system. Our wholly-owned subsidiaries, Helmerich & Payne International Drilling Co. and Helmerich & Payne de Venezuela, C.A., filed a lawsuit in the United States District Court for the District of Columbia on September 23, 2011 against the Bolivarian Republic of Venezuela, Petroleos de Venezuela, S.A. and PDVSA Petroleo, S.A. We are seeking damages for the taking of our Venezuelan drilling business in violation of international law and for breach of contract. While there exists the possibility of realizing a recovery, we are currently unable to determine the timing or amounts we may receive, if any, or the likelihood of recovery. Activity within discontinued operations for both fiscal years 2017 and 2018 is primarily a result of the impact of exchange rate fluctuations on remaining in country assets and liabilities.

U.S. Land Operations Segment

	2018	2017	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 2,068,195	$ 1,439,523	43.7 %
Direct operating expenses	1,348,533	984,205	37.0
Selling, general and administrative expense	58,157	50,712	14.7
Depreciation	505,112	499,486	1.1
Asset impairment charge	5,695	—	100.0
Segment operating income (loss)	$ 150,698	$ (94,880)	(258.8)
Operating Statistics (1):			
Revenue days	77,980	57,120	36.5 %
Average rig revenue per day	$ 23,411	$ 22,607	3.6
Average rig expense per day	$ 14,182	$ 14,623	(3.0)
Average rig margin per day	$ 9,229	$ 7,984	15.6
Number of rigs at end of period	350	350	—
Rig utilization	61 %	45 %	35.6

(1) Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses of $242,617 and $148,218 for fiscal years 2018 and 2017, respectively.

Operating Income (Loss) In fiscal year 2018, the U.S. Land segment had operating income of $150.7 million compared to an operating loss of $94.9 million in fiscal year 2017. Included in U.S. land revenues for fiscal years 2018 and 2017 is approximately $17.1 million and $24.5 million, respectively, from early termination of fixed-term contracts. Fixed-term contracts customarily provide for termination at the election of the customer, with an early termination payment to be paid to us if a contract is terminated prior to the expiration of the fixed term (except in limited circumstances including sustained unacceptable performance by us).

Revenue Excluding early termination revenue of $219 and $428 per day for fiscal years 2018 and 2017, respectively, average revenue per day for fiscal year 2018 increased by $1,013 to $23,192 from $22,179 in fiscal year 2017. Our activity increased year-over-year in response to higher commodity prices resulting in a 36.5 percent increase in revenue days when comparing fiscal year 2018 to fiscal year 2017.

Direct Operating Expenses Direct rig expense increased to $1.3 billion in fiscal year 2018 from $984.2 million in fiscal year 2017. This increase was primarily attributable to increased activity. Additionally, we implemented a wage increase for our field personnel in some regions in April 2018.

General and Administrative Expense In fiscal year 2018, general and administrative expense increased 14.7 percent compared to 2017. This change was primarily driven by an increase in employee headcount, which resulted in an increase in employee compensation, including taxes, benefits and stock-based compensation.

Asset Impairment Charge During the fourth quarter of fiscal year 2018, management committed to a plan to auction several previously decommissioned rigs during fiscal year 2019. As a result, we wrote these rigs down to their estimated fair values and recorded a non-cash impairment charge of $5.7 million, which is included in Asset Impairment Charge on the Consolidated Statement of Operations for the fiscal year ended September 30, 2018.

Depreciation Depreciation includes charges for abandoned equipment of $26.3 million and $42.2 million in fiscal years 2018 and 2017, respectively. In fiscal year 2018, depreciation expense also includes $9.7 million of accelerated depreciation for components on rigs that are scheduled for conversion in fiscal year 2019. As the drilling markets continued to recover during fiscal year 2017, we began abandoning older rig components to meet customer demands for additional capabilities. This trend continued in fiscal year 2018. Excluding the abandonments and accelerated depreciation, depreciation in fiscal year 2018 increased from fiscal year 2017.

Utilization Rig utilization increased to 61 percent in fiscal year 2018 from 45 percent in fiscal year 2017. The total number of available rigs at both September 30, 2018 and September 30, 2017 was 350.

At September 30, 2018, 232 out of 350 existing rigs in the U.S. Land segment were generating revenue. Of the 232 rigs generating revenue, 136 were under fixed-term contracts, and 96 were working well-to-well. At November 9, 2018, the number of existing rigs under fixed-term contracts in the segment was 141 and the number of rigs working in the spot market was 95.

Offshore Operations Segment

	2018	2017	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 142,500	$ 136,263	4.6 %
Direct operating expenses	101,477	96,593	5.1
Selling, general and administrative expense	4,507	3,705	21.6
Depreciation	10,392	11,764	(11.7)
Segment operating income	$ 26,124	$ 24,201	7.9
Operating Statistics (1):			
Revenue days	2,036	2,277	(10.6)%
Average rig revenue per day	$ 35,331	$ 34,332	2.9
Average rig expense per day	$ 26,009	$ 23,172	12.2
Average rig margin per day	$ 9,322	$ 11,160	(16.5)
Number of rigs at end of period	8	8	—
Rig utilization	70 %	74 %	(5.4)

(1) Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses of $20,279 and $21,578 for fiscal years 2018 and 2017, respectively. The operating statistics only include rigs owned by us and exclude offshore platform management and labor service contracts and currency revaluation expense.

Operating Income In fiscal year 2018, the Offshore segment had operating income of $26.1 million compared to operating income of $24.2 million in fiscal year 2017.

Revenue Average rig revenue per day increased in fiscal year 2018 compared to fiscal year 2017 primarily due to several rigs moving to higher pricing from previous standby or other special dayrates. During April 2018, a previously idle rig commenced work on a customer's platform.

Direct Operating Expenses Average rig expense increased to $26,009 per day in fiscal year 2018 from $23,172 per day in fiscal year 2017. This increase was primarily attributable to rig start-up expenses and unfavorable adjustments to self-insurance expenses related to workers' compensation.

Depreciation Depreciation expense decreased 11.7 percent in fiscal year 2018 compared to fiscal year 2017. This change was primarily driven by two rigs becoming fully depreciated during fiscal year 2018.

Utilization During the second quarter of fiscal year 2017, we sold one of our offshore rigs. At September 30, 2018, six of our eight platform rigs were contracted compared to five of the eight available platform rigs at September 30, 2017.

International Land Operations Segment

	2018	2017	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 238,356	$ 212,972	11.9 %
Direct operating expenses	177,938	163,486	8.8
Selling, general and administrative expense	3,658	3,088	18.5
Depreciation	46,826	53,622	(12.7)
Asset impairment charge	10,617	—	100.0
Segment operating loss	$ (683)	$ (7,224)	(90.5)
Operating Statistics (1):			
Revenue days	6,696	4,951	35.2 %
Average rig revenue per day	$ 33,830	$ 40,979	(17.4)
Average rig expense per day	$ 24,211	$ 29,761	(18.7)
Average rig margin per day	$ 9,620	$ 11,218	(14.2)
Number of rigs at end of period	32	38	(15.8)
Rig utilization	49 %	36 %	36.1

(1) Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses of $11,828 and $10,074 for fiscal years 2018 and 2017, respectively. Also excluded are the effects of currency revaluation income and expense.

Operating Loss The International Land segment had an operating loss of $0.7 million for fiscal year 2018 compared to an operating loss of $7.2 million for fiscal year 2017.

Revenue Our activity has increased primarily in response to higher commodity prices. We experienced a 35.2 percent increase in revenue days when comparing fiscal year 2018 to fiscal year 2017. The average number of active rigs was 18.2 during fiscal year 2018 compared to 13.6 during fiscal year 2017.

Direct Operating Expenses Although direct operating expenses increased in fiscal year 2018 to $177.9 million from $163.5 million in fiscal year 2017, the average rig expense per day decreased by $5,550, an 18.7 percent decrease as compared to the fiscal year 2017 average rig expense. Included in direct operating expenses are foreign currency transaction losses of $4.0 million and $6.0 million for fiscal years 2018 and 2017, respectively. The losses are primarily due to an ongoing devaluation of the Argentine peso beginning in December 2015.

Depreciation Depreciation expense decreased 12.7 percent in fiscal year 2018 compared to fiscal year 2017. This decrease was due to several rig components in Argentina that became fully depreciated during fiscal year 2018.

Asset Impairment Charge During the fourth quarter of fiscal year 2018, after ceasing operations in Ecuador, we entered into a sales negotiation with respect to six conventional rigs, with net book values of $20.8 million, present in the country, pursuant to which the rigs, together with associated equipment and machinery, would be sold to a third party to be recycled. Certain components of these rigs with an $8.5 million net book value, that are not subject to the sale agreement, will be transferred to the United States to be utilized on other FlexRigs with high activity and demand. The sales transaction was completed in November 2018. We recorded a non-cash impairment charge of $9.2 million ($7.0 million, net of tax, or $0.06 per diluted share), which is included in Asset Impairment Charge on the Consolidated Statement of Operations for the fiscal year ended September 30, 2018 related to these rigs. As a result, the remaining rig within the same asset group, not to be disposed of, was written down resulting in an additional impairment charge of $1.4 million ($1.0 million, net of tax, or $0.01 per diluted share).

Utilization Utilization increased from 36 percent in fiscal year 2017 to 49 percent in fiscal year 2018. The increase was driven by the increase in rig activity as discussed above.

Other Operations

Results of our other operations, excluding corporate selling, general and administrative costs and corporate depreciation, are as follows:

	2018	2017	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 38,217	$ 15,983	139.1 %
Direct operating expenses	44,390	18,552	139.3
Selling, general and administrative expense	15,801	1,756	799.8
Depreciation and amortization	8,332	5,124	62.6
Asset impairment charge	5,637	—	100.0
Operating loss	$ (35,943)	$ (9,449)	280.4

Operating Loss Other operations in fiscal year 2018 had an operating loss of $35.9 million compared to an operating loss of $9.4 million in fiscal year 2017. The change was primarily driven by the acquisition of MagVAR in December 2017 and twelve full months of operations of MOTIVE, which was acquired in June 2017. Refer to Note 3—Business Combinations of the Consolidated Financial Statements for additional disclosures.

Asset Impairment Charge During the fourth quarter of fiscal year 2018, we recorded goodwill and intangible assets impairment losses of $5.6 million related to the TerraVici technology reporting unit where $4.7 million goodwill was allocated. This impairment loss is included in Asset Impairment Charge on the Consolidated Statements of Operations for the fiscal year ended September 30, 2018.

Results of Operation for the Fiscal Years Ended September 30, 2017 and 2016

Consolidated Results of Operations

All per share amounts included in the Results of Operations discussion are stated on a diluted basis. Except as specifically discussed, the following results of operations pertain only to our continuing operations.

Net Loss Our net loss for fiscal year 2017 was $128.2 million ($1.20 loss per share) compared to a net loss of $56.8 million ($0.54 loss per share) for fiscal year 2016. Net loss in fiscal years 2017 and 2016 includes after-tax income from early termination revenue associated with drilling contracts terminated prior to the expiration of their fixed term of $20.2 million ($0.18 per share) and $139.3 million ($1.29 per share), respectively. Net loss in fiscal years 2017 and 2016 includes after-tax gains from the sale of assets of $14.3 million ($0.13 per share) and $6.1 million ($0.06 per share), respectively. Included in our fiscal year 2016 net loss is an after-tax loss of $15.9 million ($0.15 loss per share) from an other-than-temporary impairment of our marketable equity security position in Atwood Oceanics, Inc. ("Atwood"). Net loss in fiscal year 2016 also includes an after-tax loss of $12.0 million ($0.11 loss per share) from the settlement of litigation and a $3.8 million loss ($0.04 loss per share) from discontinued operations.

Revenue Consolidated operating revenues were $1.8 billion in fiscal year 2017 and $1.6 billion in fiscal year 2016, including early termination revenue of $29.4 million and $219.0 million in each respective fiscal year. Primarily as a result of the impact of oil prices on drilling activity by exploration and production companies during that time frame, the number of revenue days in our U.S. Land segment totaled 57,120 in fiscal year 2017 and 36,984 in fiscal year 2016.

Interest and Dividend Income Interest and dividend income was $5.9 million and $3.2 million in fiscal year 2017 and 2016, respectively. The higher income in fiscal year 2017 was primarily due to higher earnings on available cash equivalents and short-term investments.

Direct Operating Expenses Direct operating costs in fiscal year 2017 were $1.2 billion and $0.9 billion in fiscal year 2016. The increase in fiscal year 2017 from fiscal year 2016 was primarily due to an increase in drilling activity.

General and Administrative Expense General and administrative expenses totaled $151.0 million in fiscal year 2017 and $146.2 million in fiscal year 2016. During fiscal year 2017, we incurred transaction costs of $3.2 million related to our acquisition of MOTIVE. In addition, bonuses paid to employees increased in fiscal year 2017.

Depreciation and Amortization Depreciation and amortization expense was $585.5 million in fiscal year 2017 and $598.6 million in fiscal year 2016. Depreciation and amortization includes abandonments of equipment of $42.6 million in fiscal year 2017 and $39.3 million in fiscal year 2016. Additionally, we recorded impairment charges on rig and rig related equipment of $6.3 million in fiscal year 2016. Depreciation expense, exclusive of abandonments, decreased three percent in fiscal year 2017 from fiscal year 2016. The decrease is primarily due to relatively lower levels of capital expenditures during fiscal year 2017 and legacy assets reaching the end of their depreciable lives. Abandonments were primarily due to the abandonment of used drilling equipment in both fiscal years.

Interest Interest expense net of amounts capitalized totaled $19.7 million in fiscal year 2017 and $22.9 million in fiscal year 2016. Interest expense is primarily attributable to fixed-rate debt outstanding. There was a favorable adjustment to interest expense of $5.2 million in fiscal year 2017 related to the reversal of previously booked uncertain tax positions where the statute of limitations had expired. Capitalized interest was $0.3 million and $2.8 million in fiscal years 2017 and 2016, respectively. All of the capitalized interest is attributable to our rig construction and upgrade program.

Income Taxes We had an income tax benefit of $56.7 million in fiscal year 2017 compared to an income tax benefit of $19.7 million in fiscal year 2016. The effective income tax rate was 30.7 percent in fiscal year 2017 and 27.1 percent in fiscal year 2016. Deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Recoverability of any tax assets are evaluated and necessary allowances are provided. The carrying value of the net deferred tax assets is based on management's judgments using certain estimates and assumptions that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the benefits of such assets. If these estimates and related assumptions change in the future, additional valuation allowances may be recorded against the deferred tax assets resulting in additional income tax expense in the future. See Note 8—Income Taxes to our Consolidated Financial Statements for additional income tax disclosures.

Research and Development During fiscal years 2017 and 2016, we incurred $12.0 million and $10.3 million, respectively, of research and development expenses primarily related to the ongoing development of the rotary steerable system tools.

U.S. Land Operations Segment

	2017	2016	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 1,439,523	$ 1,242,462	15.9 %
Direct operating expenses	984,205	603,800	63.0
Selling, general and administrative expense	50,712	50,057	1.3
Depreciation	499,486	508,237	(1.7)
Asset impairment charge	—	6,250	(100.0)
Segment operating income (loss)	$ (94,880)	$ 74,118	(228.0)
Operating Statistics (1):			
Revenue days	57,120	36,984	54.4 %
Average rig revenue per day	$ 22,607	$ 31,369	(27.9)
Average rig expense per day	$ 14,623	$ 14,117	3.6
Average rig margin per day	$ 7,984	$ 17,252	(53.7)
Number of rigs at end of period	350	348	0.6
Rig utilization	45 %	30 %	50.0

(1) Operating statistics for per day revenue, expense and margin do not include reimbursements of “out-of-pocket” expenses of $148,218 and $82,337 for fiscal years 2017 and 2016, respectively.

Operating Income (Loss) In fiscal year 2017, the U.S. Land segment had an operating loss of $94.9 million compared to operating income of $74.1 million in fiscal year 2016. Included in U.S. land revenues for fiscal years 2017 and 2016 is approximately $24.5 million and $219.0 million, respectively, from early termination of fixed-term contracts.

Revenue Excluding early termination revenue of $428 and $5,921 per day for fiscal years 2017 and 2016, respectively, average revenue per day for fiscal year 2017 decreased by $3,269 to $22,179 from $25,448 in fiscal year 2016. Our activity increased year-over-year in response to higher commodity prices, resulting in a 54 percent increase in revenue days when comparing fiscal year 2017 to fiscal year 2016. However, legacy term contracts at high dayrates made up a lower proportion of our fiscal year 2017 activity due to continued contract expirations. Further, newly contracted rigs which made up a majority of our fiscal year 2017 activity were priced at relatively lower levels which reflected depressed market conditions.

Direct Operating Expenses The average rig expense per day increased to $14,623 in fiscal year 2017 from $14,117 in fiscal year 2016. This increase was primarily attributable to start-up expenses related to rigs returning to work during fiscal year 2017.

Depreciation Depreciation includes charges for abandoned equipment of $42.2 million and $38.8 million in fiscal years 2017 and 2016, respectively. Included in abandonments in fiscal year 2017 are older rig components that were replaced by upgrades to our rig fleet to meet customer demands for additional capabilities. Included in abandonments in fiscal year 2016 is the retirement of used drilling equipment. Excluding the abandonments, depreciation in fiscal year 2017 decreased from fiscal year 2016, primarily due to relatively low levels of capital expenditures during fiscal year 2017 and fiscal year 2016 and certain legacy assets reaching the end of their depreciable lives in fiscal year 2017 and fiscal year 2016.

Asset Impairment Charge During fiscal year 2016, we recorded an asset impairment charge in the U.S. Land segment of $6.3 million to reduce the carrying value of rig and rig related equipment classified as held for sale to their estimated fair values, based on expected sales prices.

Utilization Rig utilization increased to 45 percent in fiscal year 2017 from 30 percent in fiscal year 2016. The total number of rigs at September 30, 2017 was 350 compared to 348 rigs at September 30, 2016. The net increase is due to two new FlexRigs completed in fiscal year 2017 and included in our operating statistics.

At September 30, 2017, 197 out of 350 existing rigs in the U.S. Land segment were generating revenue. Of the 197 rigs generating revenue, 100 were under fixed-term contracts, and 97 were working in the spot market.

Offshore Operations Segment

	2017	2016	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 136,263	$ 138,601	(1.7)%
Direct operating expenses	96,593	106,983	(9.7)
Selling, general and administrative expense	3,705	3,464	7.0
Depreciation	11,764	12,495	(5.9)
Segment operating income	$ 24,201	$ 15,659	54.6
Operating Statistics (1):			
Revenue days	2,277	2,708	(15.9)%
Average rig revenue per day	$ 34,332	$ 26,973	27.3
Average rig expense per day	$ 23,172	$ 19,381	19.6
Average rig margin per day	$ 11,160	$ 7,592	47.0
Number of rigs at end of period	8	9	(11.1)
Rig utilization	74 %	82 %	(9.8)

(1) Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses of $21,578 and $23,138 for fiscal years 2017 and 2016, respectively. The operating statistics only include rigs owned by us and exclude offshore platform management and labor service contracts and currency revaluation expense.

Operating Income In fiscal year 2017, the Offshore segment had operating income of $24.2 million compared to operating income of $15.7 million in fiscal year 2016.

Revenue Average rig revenue per day and average rig margin per day increased in fiscal year 2017 compared to fiscal year 2016 primarily due to receiving full pricing during fiscal year 2017 after receiving lower pricing while on standby or other special dayrates during fiscal year 2016.

Depreciation Depreciation decreased slightly by 5.9 percent in fiscal year 2017 compared to fiscal year 2016 due to the sale of a rig during fiscal year 2017 and some assets becoming fully depreciated during the year.

Direct Operating Expenses Direct operating expense in fiscal year 2017 decreased by 9.7 percent compared to fiscal year 2016. This decrease was primarily due to two less rigs working during the year.

International Land Operations Segment

	2017	2016	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 212,972	$ 229,894	(7.4)%
Direct operating expenses	163,486	183,969	(11.1)
Selling, general and administrative expense	3,088	2,909	6.2
Depreciation	53,622	57,102	(6.1)
Segment operating loss	$ (7,224)	$ (14,086)	48.7
Operating Statistics (1):			
Revenue days	4,951	5,364	(7.7)%
Average rig revenue per day	$ 40,979	$ 39,044	5.0
Average rig expense per day	$ 29,761	$ 28,638	3.9
Average rig margin per day	$ 11,218	$ 10,406	7.8
Number of rigs at end of period	38	38	-
Rig utilization	36 %	39 %	(7.7)

(1) Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses of $10,074 and $20,458 for fiscal years 2017 and 2016, respectively. Also excluded are the effects of currency revaluation income and expense.

Operating Loss The International Land segment had an operating loss of $7.2 million for fiscal year 2017 compared to an operating loss of $14.1 million for fiscal year 2016.

Revenue Excluding early termination revenue of $955 per day in fiscal year 2017, the average rig margin per day for fiscal year 2017 compared to fiscal year 2016 decreased by $143 to $10,263. Low oil prices continued to have a negative effect on customer spending. As a result, we experienced an 8 percent decrease in revenue days when comparing fiscal year 2017 to fiscal year 2016. The average number of active rigs was 13.6 during fiscal year 2017 compared to 14.7 during fiscal year 2016.

Direct Operating Expenses Although direct operating expenses decreased in fiscal year 2017 to $163.5 million from $184.0 million in fiscal year 2016, the average rig expense per day increased $1,123 or 4 percent as compared to the fiscal year 2016 average rig expense. Included in direct operating expenses are foreign currency transaction losses of $6.0 million and $9.8 million for fiscal years 2017 and 2016, respectively. The fiscal year 2016 losses were primarily due to a devaluation of the Argentine peso in December 2015.

Depreciation Depreciation decreased slightly by 6.1 percent in fiscal year 2017 compared to fiscal year 2016 due to some assets becoming fully depreciated during the year.

Other Operations

Results of our other operations, excluding corporate selling, general and administrative costs and corporate depreciation, are as follows:

	2017	2016	% Change
	(in thousands, except operating statistics)		
Operating revenues	$ 15,983	$ 13,275	20.4 %
Direct operating expenses	18,552	16,132	15.0
Selling, general and administrative expense	1,756	194	805.2
Depreciation and amortization	5,124	4,440	15.4
Operating loss	$ (9,449)	$ (7,491)	26.1

Operating Loss Other operations in fiscal year 2017 had an operating loss of $9.4 million compared to an operating loss of $7.5 million in fiscal year 2016. The change was primarily driven by the acquisition of MOTIVE in June 2017. Refer to Note 3—Business Combinations of the Consolidated Financial Statements for additional disclosures.

Liquidity and Capital Resources

Sources of Liquidity

Our sources of available liquidity include existing cash balances on hand, cash flows from operations, and availability under our credit facility. Our liquidity requirements include meeting ongoing working capital needs, funding our capital expenditure projects, paying dividends declared, and repaying our outstanding indebtedness. Historically, we have financed operations primarily through internally generated cash flows. During periods when internally generated cash flows are not sufficient to meet liquidity needs, we will borrow from available credit sources, access capital markets or sell our portfolio securities. Likewise, if we are generating excess cash flows, we may invest in highly rated short-term money market and debt securities. These investments can include U.S. Treasury securities, U.S. Agency issued debt securities, corporate bonds, certificates of deposit and money market funds. We have continued to reinvest maturities and earnings during fiscal years 2018 and 2017. The securities are recorded at fair value.

We may seek to access the debt and equity capital markets from time to time to raise additional capital, increase liquidity as necessary, fund our additional purchases, exchange or redeem Senior Notes, or repay any amounts under our credit facility. Our ability to access the debt and equity capital markets depends on a number of factors, including our credit rating, market and industry conditions and market perceptions of our industry, general economic conditions, our revenue backlog and our capital expenditure commitments.

Cash Flows

Our cash flows fluctuate depending on a number of factors, including, among others, the number of our drilling rigs under contract, the dayrates we receive under those contracts, the efficiency with which we operate our drilling units, the timing of collections on outstanding accounts receivable, the timing of payments to our vendors for operating costs, and capital expenditures. To date, general inflationary trends have not had a material effect on our operating margins.

As of September 30, 2018, we had $284.4 million of cash on hand and $41.5 million of short-term investments. Our cash flows for the fiscal years ended September 30, 2018, 2017 and 2016 are presented below:

	Year Ended September 30,		
(in thousands)	**2018**	**2017**	**2016**
		As adjusted (Note 2)	
Net cash provided (used) by:			
Operating activities	$ 544,531	$ 361,631	$ 754,531
Investing activities	(472,362)	(444,988)	(234,219)
Financing activities	(309,189)	(300,829)	(344,135)
Increase (decrease) in cash and cash equivalents	$ (237,020)	$ (384,186)	$ 176,177

Operating Activities

Net working capital excluding cash and short-term investments increased $87.6 million to $412.6 million as of September 30, 2018 from $325.0 million as of September 30, 2017 due primarily to an increase in accounts receivable and inventories of materials and supplies, offset by an increase in accrued liabilities. Net cash provided from operating activities was $544.5 million in fiscal year 2018 compared to $361.6 million in fiscal year 2017. The $182.9 million increase in cash provided by operating activities is primarily due to an increase in net income due to increased activity during the fiscal year. In fiscal year 2016, net cash provided from operating activities was $754.5 million. The $392.9 million decrease in cash provided by operating activities between fiscal years 2017 and 2016 was primarily due to a larger net loss reported in fiscal year 2017.

Investing Activities

Capital Expenditures Our investing activities are primarily related to capital expenditures for our fleet. Our capital expenditures were $466.6 million in 2018, $397.6 million in fiscal year 2017 and $257.2 million in fiscal year 2016. Our fiscal year 2019 capital spending is currently estimated to be between $650 million and $680 million. This estimate includes normal capital maintenance requirements, capital spending related to reactivating idle rigs, tubulars and other upgrades primarily related to improving our existing rig fleet.

Acquisition of Business During fiscal years 2018 and 2017, we paid $47.9 million and $70.4 million, respectively, net of cash acquired, for the acquisition of drilling technology companies.

Sale of Assets Our proceeds from asset sales totaled $44.4 million in fiscal year 2018, $23.4 million in fiscal year 2017 and $21.8 million in fiscal year 2016. Income from asset sales in fiscal year 2018 totaled $22.7 million, $20.6 million in fiscal year 2017 and $9.9 million in fiscal year 2016. In each year we had sales of old or damaged rig equipment and drill pipe used in the ordinary course of business included in operating activity within the statement of cash flow.

Stock Portfolio Held We manage a portfolio of marketable securities consisting of common shares of Ensco plc ("Ensco") and Schlumberger, Ltd. that, at the close of fiscal year 2018, had a fair value of $82.5 million. The value of the portfolio is subject to fluctuation in the market and may vary considerably over time. The portfolio is recorded at fair value on our balance sheet. During the fourth quarter of fiscal year 2016, we determined that the decline in fair value below our cost basis in Atwood Oceanics, Inc. ("Atwood") was other than temporary. As a result, we recorded a non-cash charge totaling $26.0 million.

In May 2017, Ensco announced that it entered into a definitive merger agreement under which Ensco would acquire Atwood in an all-stock transaction. The transaction closed on October 6, 2017. Under the terms of the merger agreement, we received 1.60 shares of Ensco for each share of our Atwood common stock. The securities in our portfolio are subject to a wide variety of market-related risks that could substantially reduce or increase the fair value of the holdings. In general, the portfolio is recorded at fair value on the balance sheet with changes in unrealized after-tax value reflected in the equity section of the balance sheet.

Our stock portfolio held as of September 30, 2018 is presented below:

September 30, 2018	**Number of Shares**	**Cost Basis**	**Market Value**
	(in thousands, except share amounts)		
Ensco plc	6,400,000	$ 34,760	$ 54,016
Schlumberger, Ltd.	467,500	3,713	28,480
Total		$ 38,473	$ 82,496

Financing Activities

The increase of $8.4 million in net cash used by financing activities in fiscal year 2018 from fiscal year 2017 was primarily due to an excess tax benefit from stock-based compensation that occurred in 2017 and not in 2018. The decrease of $43.3 million in net cash used by financing activities between fiscal years 2017 and 2016 was primarily due to $40.0 million in cash used to payback long-term debt in fiscal year 2016.

Dividends We paid dividends of $2.82, $2.80, and $2.78 per share during fiscal years 2018, 2017 and 2016, respectively. Total dividends were $308.4 million, $305.5 million, and $300.2 million in fiscal years 2018, 2017 and 2016, respectively. Adjusting for stock splits accordingly, we have increased the effective annual dividend per share every fiscal year for the past 46 years. The declaration and amount of future dividends is at the discretion of our Board of Directors and subject to our financial condition, results of operations, cash flows, and other factors our Board of Directors deems relevant.

Credit Facilities

On July 13, 2016, we entered into a $300 million unsecured revolving credit facility (the "2016 Credit Facility") with a maturity date of July 13, 2021. The 2016 Credit Facility had a maximum of $75 million available to use as letters of credit. The majority of any borrowings under the facility would accrue interest at a spread over the London Interbank Offered Rate (LIBOR). We also paid a commitment fee based on the unused balance of the facility. Borrowing spreads as well as commitment fees were determined according to a scale based on the Company's debt to total capitalization ratio. The spread over LIBOR ranged from 1.125 percent to 1.75 percent per annum and commitment fees ranged from 0.15 percent to 0.30 percent per annum. Based on our debt to total capitalization on September 30, 2018, the spread over LIBOR and commitment fees would be 1.125 percent and 0.15 percent, respectively. There was a financial covenant in the facility that required us to maintain a total debt to total capitalization ratio of less than 50 percent. The 2016 Credit Facility contained additional terms, conditions, restrictions and covenants that we believe were usual and customary in unsecured debt arrangements for companies of similar size and credit quality, including a limitation that priority debt (as defined in the agreement) could not exceed 17.5 percent of the net worth of the Company. As of September 30, 2018, there were no borrowings, but there were three letters of credit outstanding in the amount of $39.3 million. At September 30, 2018, we had $260.7 million available to borrow under the 2016 Credit Facility. Subsequent to September 30, 2018, the Company decreased one of the three letters of credit by $1.3 million, which increased availability under the facility to $262.0 million.

Subsequent to our fiscal year-end, on November 13, 2018, we entered into a $750 million unsecured revolving credit facility (the “2018 Credit Facility”). In connection with entering into the 2018 Credit Facility, we terminated the 2016 Credit Facility. See Note 19—Subsequent Events to our Consolidated Financial Statements for more information about the 2018 Credit Facility.

The Company has a $12 million unsecured standalone line of credit facility, which is purposed for the issuance of bid and performance bonds, as needed, for international land operations. The Company currently has no outstanding obligations against this facility.

The applicable agreements for all unsecured debt contain additional terms, conditions and restrictions that we believe are usual and customary in unsecured debt arrangements for companies that are similar in size and credit quality. At September 30, 2018, we were in compliance with all debt covenants, and we anticipate that we will continue to be in compliance for the next fiscal year.

Repurchase and Retirement of Common Shares

We did not have any active stock repurchase program in fiscal years 2018, 2017, or 2016. We have an evergreen authorization to purchase up to four million shares per fiscal year.

Future Cash Requirements

Our operating cash requirements, scheduled debt repayments, interest payments, any declared dividends, and estimated capital expenditures, including our rig upgrade construction program, for fiscal year 2019 are expected to be funded through current cash and cash to be provided from operating activities. However, there can be no assurance that we will continue to generate cash flows at current levels.

The long-term debt to total capitalization ratio was 10.1 percent at September 30, 2018 compared to 10.6 percent at September 30, 2017.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements as that term is defined in Item 303(a)(4)(ii) of Regulation S-K. For information regarding our drilling contract backlog, see Item 1— “Business — *Contract Backlog”*.

Material Commitments

Our contractual obligations as of September 30, 2018 are summarized in the table below in thousands:

	Payments due by year						
Contractual Obligations	**Total**	**2019**	**2020**	**2021**	**2022**	**2023**	**After 2023**
Long-term debt	$500,000	$ —	$ —	$ —	$ —	$ —	$500,000
Interest (1)	150,156	23,250	23,250	23,250	23,250	23,250	33,906
Operating leases (2)	32,941	9,113	6,670	4,357	3,985	3,721	5,095
Purchase obligations (2)	110,371	110,371	—	—	—	—	—
Total contractual obligations	$793,468	$142,734	$29,920	$27,607	$27,235	$26,971	$539,001

(1) Interest on fixed-rate debt was estimated based on principal maturities. See Note 7--Debt to our Consolidated Financial Statements.

(2) See Note 15—Commitments and Contingencies to our Consolidated Financial Statements.

The above table does not include obligations for our pension plan or amounts recorded for uncertain tax positions. In fiscal years 2018 and 2017, we did not make any contributions to the pension plan. Contributions may be made in fiscal year 2019 to fund unexpected distributions in lieu of liquidating pension assets. Future contributions beyond fiscal year 2019 are difficult to estimate due to multiple variables involved.

At September 30, 2018, we had $17.1 million recorded for uncertain tax positions and related interest and penalties. However, the timing of such payments to the respective taxing authorities cannot be estimated at this time. Income taxes are more fully described in Note 8—Income Taxes to our Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Accounting policies that we consider significant are summarized in Note 2—Summary of Significant Accounting Policies, Risks and Uncertainties to our Consolidated Financial Statements included in Part II, Item 8 – Financial Statements and Supplementary Data of this report. The preparation of our financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are evaluated on an on-going basis. Actual results may differ from these estimates under different assumptions or conditions. The following is a discussion of the critical accounting policies and estimates used in our financial statements.

Property, Plant and Equipment

Property, plant and equipment, including renewals and betterments, are capitalized at cost, while maintenance and repairs are expensed as incurred. The interest expense applicable to the construction of qualifying assets is capitalized as a component of the cost of such assets. We account for the depreciation of property, plant and equipment using the straight-line method over the estimated useful lives of the assets considering the estimated salvage value of the property, plant and equipment. Both the estimated useful lives and salvage values require the use of management estimates. Certain events, such as unforeseen changes in operations, technology or market conditions, could materially affect our estimates and assumptions related to depreciation or result in abandonments. For the fiscal years presented in this report, no significant changes were made to the determinations of useful lives or salvage values. Upon retirement or other disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are recorded in the results of operations.

Impairment of Long-lived Assets, Goodwill and Other Intangible Assets

Management assesses the potential impairment of our long-lived assets and finite-lived intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Changes that could prompt such an assessment may include equipment obsolescence, changes in the market demand, periods of relatively low rig utilization, declining revenue per day, declining cash margin per day, completion of specific contracts and/or overall changes in general market conditions. If a review of the long-lived assets and finite-lived intangibles indicates that the carrying value of certain of these assets is more than the estimated undiscounted future cash flows, an impairment charge is made, as required, to adjust the carrying value to the estimated fair value. Cash flows are estimated by management considering factors such as prospective market demand, recent changes in rig technology and its effect on each rig's marketability, any cash investment required to make a rig marketable, suitability of rig size and makeup to existing platforms, and competitive dynamics including utilization. The fair value of drilling rigs is determined based upon either an income approach using estimated discounted future cash flows or market approach, considering factors such as recent market sales of rigs of other companies and our own sales of rigs, appraisals and other factors. The use of different assumptions could increase or decrease the estimated fair value of assets and could therefore affect any impairment measurement.

We review goodwill and indefinite-lived intangible assets for impairment annually in the fourth fiscal quarter or more frequently if events or changes in circumstances indicate that the carrying amount of such goodwill and indefinite-lived intangible assets may exceed their fair value. For impairment testing, goodwill is evaluated at the reporting unit level. We initially assess goodwill for impairment based on qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one of our reporting units is greater than its carrying amount.

If further testing is necessary or a quantitative test is elected, we quantitatively compare the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount exceeds the fair value, an impairment charge will be recognized in an amount equal to the excess; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Impairment for indefinite-lived intangible assets is measured as the difference between the fair value of the asset and its carrying value.

At September 30, 2018, we performed impairment testing on our International FlexRig4 asset group, which has an aggregate net book value of $63.0 million. We concluded that the net book value of the drilling rig's asset group is recoverable through estimated undiscounted future cash flows with a surplus of approximately 23 percent. The most significant assumptions used in our undiscounted cash flow model include: timing on awards of future drilling contracts, oil prices, operating dayrates, operating costs, rig- reactivation costs, drilling rig utilization, revenue efficiency, estimated remaining economic useful life and net proceeds received upon future sale/disposition. The assumptions are consistent with the Company's internal budgets and forecasts for future years. These significant assumptions are classified as Level 3 inputs by ASC Topic 820 Fair Value Measurement and Disclosures as they are based upon unobservable inputs and primarily rely on management assumptions and forecasts. Although we believe the assumptions used in our analysis are reasonable and appropriate and the asset group weighted average of expected future undiscounted net cash flows exceeds the net book value of the asset group as of the fiscal year 2018 year-end impairment evaluation, different assumptions and estimates could materially impact the analysis and our resulting conclusion.

At September 30, 2018, we engaged a third party independent accounting firm who performed a market valuation, utilizing the market approach, on two of our domestic and international conventional rigs' asset groups, which have an aggregate net book values of $9.0 million and $15.2 million, respectively. We concluded that the fair values of these two asset groups exceed the net book values by approximately 64 percent and 141 percent, respectively and as such, no impairment was recorded. The significant assumptions in the valuation exercise are classified as Level 2 and Level 3 inputs by ASC Topic 820 Fair Value Measurement and Disclosures.

During fiscal years 2018 and 2016, we recognized $23.1 million and $6.3 million, respectively of asset impairment charges.

Self-Insurance Accruals

We self-insure a significant portion of expected losses relating to workers' compensation, general liability, employer's liability and automobile liability. Generally, deductibles range from $1 million to $5 million per occurrence depending on the coverage and whether a claim occurs outside or inside of the United States. Insurance is purchased over deductibles to reduce our exposure to catastrophic events but there can be no assurance that such coverage will respond or be adequate in all circumstances. Estimates are recorded for incurred outstanding liabilities for workers' compensation and other casualty claims. Retained losses are estimated and accrued based upon our estimates of the aggregate liability for claims incurred. Estimates for liabilities and retained losses are based on adjusters' estimates, our historical loss experience and statistical methods that we believe are reliable. We also engage an actuary to perform a periodic review of our domestic casualty losses. Nonetheless, insurance estimates include certain assumptions and management judgments regarding the frequency and severity of claims, claim development and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

Our wholly-owned captive insurance company finances a significant portion of the physical damage risk on company-owned drilling rigs as well as international casualty deductibles. An actuary reviews our captive losses on an annual basis.

We insure land rigs and related equipment at values that approximate the current replacement costs on the inception date of the policies. However, we self-insure large deductibles under these policies. We also carry insurance with varying deductibles and coverage limits with respect to offshore platform rigs and “named wind storm” risk in the Gulf of Mexico. We self-insure a number of other risks, including loss of earnings and business interruption, and most cyber risks.

Revenue Recognition

Contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. For contracts that are terminated prior to the specified term, early termination payments received by us are recognized as revenues when all contractual requirements are met.

Pension Costs and Obligations

Our pension benefit costs and obligations are dependent on various actuarial assumptions. We make assumptions relating to discount rates and expected return on plan assets. Our discount rate is determined by matching projected cash distributions with the appropriate corporate bond yields in a yield curve analysis. The discount rate was increased to 4.27 percent from 3.79 percent as of September 30, 2018 to reflect changes in the market conditions for high-quality fixed-income investments. The expected return on plan assets is determined based on historical portfolio results and future expectations of rates of return. Actual results that differ from estimated assumptions are accumulated and amortized over the estimated future working life of the plan participants and could therefore affect the expense recognized and obligations in future periods. As of September 30, 2006, the Pension Plan was frozen and benefit accruals were discontinued. As a result, the rate of compensation increase assumption has been eliminated from future periods. We anticipate pension expense to decrease by approximately $1.4 million in fiscal year 2019 from fiscal year 2018.

Stock-Based Compensation

Historically, we have granted stock-based awards to key employees and non-employee directors as part of their compensation. We estimate the fair value of all stock option awards as of the date of grant by applying the Black-Scholes option-pricing model. The application of this valuation model involves assumptions, some of which are judgmental and highly sensitive. These assumptions include, among others, the expected stock price volatility, the expected life of the stock options and the risk-free interest rate. Expected volatilities were estimated using the historical volatility of our stock based upon the expected term of the option. The expected term of the option was derived from historical data and represents the period of time that options are estimated to be outstanding. The risk-free interest rate for periods within the estimated life of the option was based on the U.S. Treasury Strip rate in effect at the time of the grant. The fair value of each award is amortized on a straight-line basis over the vesting period for awards granted to employees and non-employee directors.

The fair value of restricted stock awards is determined based on the closing price of our common stock on the date of grant. We amortize the fair value of restricted stock awards to compensation expense on a straight-line basis over the vesting period.

New Accounting Standards

See Note 2—Summary of Significant Accounting Policies, Risks and Uncertainties to our Consolidated Financial Statements for recently adopted accounting standards and new accounting standards not yet adopted.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk

Our drilling contracts in foreign countries generally provide for payment in U.S. dollars. However, in Argentina, while the contract is denominated in the U.S. dollar, we are paid in Argentine pesos. The Argentine branch of one of our second-tier subsidiaries then converts the Argentine pesos to U.S. dollars through the Argentine Foreign Exchange Market and then remits the dollars to its U.S. parent. In the future, other contracts or applicable law may require payments to be made in foreign currencies. As such, there can be no assurance that we will not experience in Argentina or elsewhere a devaluation of foreign currency, foreign exchange restrictions or other difficulties repatriating U.S. dollars even if we are able to negotiate the contract provisions designed to mitigate such risks. In the future, we may incur currency devaluations, foreign exchange restrictions or other difficulties repatriating U.S. dollars in Argentina or elsewhere, which could have a material adverse impact on our business, financial condition and results of operations. At September 30, 2018, a hypothetical decrease in value of 10 percent would result in an insignificant decrease in value of our monetary assets and liabilities denominated in Argentine pesos by approximately $4,595.

Argentina's economy is currently considered highly inflationary, which is defined as cumulative inflation rates exceeding 100 percent in the most recent three-year period based on inflation data published by the respective governments. Nonetheless, all of our foreign operations use the U.S. dollar as the functional currency and local currency monetary assets and liabilities are remeasured into U.S. dollars with gains and losses resulting from foreign currency transactions included in current results of operations.

Commodity Price Risk

The demand for contract drilling services is derived from exploration and production companies spending money to explore and develop drilling prospects in search of crude oil and natural gas. Their spending is driven by their cash flow and financial strength, which is affected by trends in crude oil and natural gas commodity prices. Crude oil prices are determined by a number of factors including global supply and demand, the establishment of and compliance with production quotas by oil exporting countries, worldwide economic conditions and geopolitical factors. Crude oil and natural gas prices have historically been volatile and very difficult to predict with any degree of certainty. While current energy prices are important contributors to positive cash flow for customers, expectations about future prices and price volatility are generally more important for determining future spending levels. This volatility can lead many exploration and production companies to base their capital spending on much more conservative estimates of commodity prices. As a result, demand for contract drilling services is not always purely a function of the movement of commodity prices.

Credit and Capital Market Risk

Customers may finance their exploration activities through cash flow from operations, the incurrence of debt or the issuance of equity. Any deterioration in the credit and capital markets, as experienced in the past, can make it difficult for customers to obtain funding for their capital needs. A reduction of cash flow resulting from declines in commodity prices or a reduction of available financing may result in customer credit defaults or reduced demand for our services, which could have a material adverse effect on our business, financial condition and results of operations. Similarly, we may need to access capital markets to obtain financing. Our ability to access capital markets for financing could be limited by, among other things, oil and gas prices, our existing capital structure, our credit ratings, the state of the economy, the health of the drilling and overall oil and gas industry, and the liquidity of the capital markets. Many of the factors that affect our ability to access capital markets are outside of our control. No assurance can be given that we will be able to access capital markets on terms acceptable to us when required to do so, which could have a material adverse impact on our business, financial condition and results of operations.

Further, we attempt to secure favorable prices through advanced ordering and purchasing for drilling rig components. While these materials have generally been available at acceptable prices, there is no assurance the prices will not vary significantly in the future. Any fluctuations in market conditions causing increased prices in materials and supplies could have a material adverse effect on future operating costs.

Interest Rate Risk

Our interest rate risk exposure results primarily from short-term rates, mainly LIBOR-based, on any borrowings from our revolving credit facility. There were no outstanding borrowings under this facility at September 30, 2018, and our outstanding debt consisted of $500 million in a senior unsecured note, which has a fixed rate of 4.65 percent. At September 30, 2018, the average interest rate risk on our fixed-rate debt of $500 million was estimated to be 4.65 percent after 2023. Comparatively, we estimated our interest rate risk at September 30, 2017 to be 4.65 percent after 2022. The fair value of the fixed-rate debt was estimated to be $509.3 million and $529.0 million for fiscal years 2018 and 2017, respectively.

Equity Price Risk

On September 30, 2018, we had a portfolio of securities with a total fair value of $82.5 million. The total fair value of the portfolio of securities was $70.2 million at September 30, 2017. A hypothetical 10 percent decrease in the market prices for all securities in our portfolio as of September 30, 2018 would decrease the fair value of our available-for-sale securities by $8.3 million. We make no specific plans to sell securities, but rather sell securities based on market conditions and other circumstances. These securities are subject to a wide variety and number of market-related risks that could substantially reduce or increase the fair value of our holdings. The portfolio is recorded at fair value on the balance sheet with changes in unrealized after-tax value reflected in the equity section of the balance sheet unless a decline in fair value below our cost basis is considered to be other than temporary in which case the change is recorded through earnings. At November 8, 2018, the total fair value of our securities decreased to approximately $68.5 million. Currently, the fair value exceeds the cost of the investments. We continually monitor the fair value of the investments but are unable to predict future market volatility and any potential impact to the Consolidated Financial Statements.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Management's Report on Internal Control over Financial Reporting

Management of Helmerich & Payne, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting was designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America, and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and the Board of Directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2018. In making this assessment, management used the criteria established in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria in *Internal Control-Integrated Framework (2013)*, management has concluded that the Company maintained effective internal control over financial reporting as of September 30, 2018.

Ernst & Young LLP, an independent public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of September 30, 2018, as stated in their report which appears herein.

Helmerich & Payne, Inc.

by

/s/ John W. Lindsay	/s/ Mark W. Smith
John W. Lindsay	Mark W. Smith
Director, President and	Vice President and
Chief Executive Officer	Chief Financial Officer
November 16, 2018	November 16, 2018

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Helmerich & Payne, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Helmerich & Payne, Inc. (the Company) as of September 30, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended September 30, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 16, 2018, expressed an unqualified opinion thereon.

Basis for Opinion

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

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

/s/Ernst & Young LLP

We have served as the Company’s auditor since 1994.
Tulsa, Oklahoma
November 16, 2018

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Helmerich & Payne, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Helmerich & Payne, Inc.'s internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Helmerich & Payne, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2018, and the related notes and our report dated November 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Tulsa, Oklahoma
November 16, 2018

HELMERICH & PAYNE, INC.
Consolidated Balance Sheets

(in thousands except share data and per share amounts)	September 30, 2018	September 30, 2017
Assets		
Current Assets:		
Cash and cash equivalents	$ 284,355	$ 521,375
Short-term investments	41,461	44,491
Accounts receivable, net of allowance of $6,217 and $5,721, respectively	565,202	477,074
Inventories of materials and supplies, net	158,134	137,204
Prepaid expenses and other	66,398	55,123
Total current assets	1,115,550	1,235,267
Investments	98,696	84,026
Property, plant and equipment, net	4,857,382	5,001,051
Noncurrent Assets:		
Goodwill	64,777	51,705
Intangible assets, net	73,207	50,785
Other assets	5,255	17,154
Total noncurrent assets	143,239	119,644
Total assets	$ 6,214,867	$ 6,439,988
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 132,664	$ 135,628
Accrued liabilities	244,504	208,757
Total current liabilities	377,168	344,385
Noncurrent Liabilities:		
Long-term debt	493,968	492,902
Deferred income taxes	853,136	1,332,689
Other	93,606	101,409
Noncurrent liabilities - discontinued operations	14,254	4,012
Total noncurrent liabilities	1,454,964	1,931,012
Commitments and Contingencies (Note 15)		
Shareholders' Equity:		
Common stock, $.10 par value, 160,000,000 shares authorized,112,008,961 and 111,956,875 shares issued as of September 30, 2018 and 2017, respectively, and 108,993,718 and 108,604,047 shares outstanding as of September 30, 2018 and 2017, respectively	11,201	11,196
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	—	—
Additional paid-in capital	500,393	487,248
Retained earnings	4,027,779	3,855,686
Accumulated other comprehensive income	16,550	2,300
Treasury stock, at cost, 3,015,243 shares and 3,352,828 shares as of September 30, 2018 and 2017, respectively	(173,188)	(191,839)
Total shareholders' equity	4,382,735	4,164,591
Total liabilities and stockholders' equity	$ 6,214,867	$ 6,439,988

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

HELMERICH & PAYNE, INC.
Consolidated Statements of Operations

(in thousands, except per share amounts)	Year Ended September 30, 2018	2017	2016
Operating revenues			
Contract drilling	$ 2,449,051	$ 1,788,758	$ 1,610,957
Other	38,217	15,983	13,275
	2,487,268	1,804,741	1,624,232
Operating costs and expenses			
Contract drilling operating expenses, excluding depreciation and amortization	1,626,387	1,242,605	892,748
Operating expenses applicable to other revenues	26,223	6,712	6,057
Depreciation and amortization	583,802	585,543	598,587
Research and development	18,167	12,047	10,269
Selling, general and administrative	200,619	151,002	146,183
Asset impairment charge	23,128	—	6,250
Gain on sale of assets	(22,660)	(20,627)	(9,896)
	2,455,666	1,977,282	1,650,198
Operating income (loss) from continuing operations	**31,602**	**(172,541)**	**(25,966)**
Other income (expense)			
Interest and dividend income	8,017	5,915	3,166
Interest expense	(24,265)	(19,747)	(22,913)
Gain (loss) on investment securities	1	—	(25,989)
Other	486	1,775	(965)
	(15,761)	(12,057)	(46,701)
Income (loss) from continuing operations before income taxes	15,841	(184,598)	(72,667)
Income tax benefit	(477,169)	(56,735)	(19,677)
Income (loss) from continuing operations	493,010	(127,863)	(52,990)
Income from discontinued operations before income taxes	23,389	3,285	2,360
Income tax provision	33,727	3,634	6,198
Loss from discontinued operations	(10,338)	(349)	(3,838)
Net Income (Loss)	**$ 482,672**	**$ (128,212)**	**$ (56,828)**
Basic earnings per common share:			
Income (loss) from continuing operations	$ 4.49	$ (1.20)	$ (0.50)
Loss from discontinued operations	$ (0.10)	$ —	$ (0.04)
Net income (loss)	$ 4.39	$ (1.20)	$ (0.54)
Diluted earnings per common share:			
Income (loss) from continuing operations	$ 4.47	$ (1.20)	$ (0.50)
Loss from discontinued operations	$ (0.10)	$ —	$ (0.04)
Net income (loss)	$ 4.37	$ (1.20)	$ (0.54)
Weighted average shares outstanding (in thousands):			
Basic	108,851	108,500	107,996
Diluted	109,387	108,500	107,996

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

HELMERICH & PAYNE, INC.
Consolidated Statements of Comprehensive Income (Loss)

	Year Ended September 30,		
(in thousands)	2018	2017	2016
Net income (loss)	$ 482,672	$ (128,212)	$ (56,828)
Other comprehensive income (loss), net of income taxes:			
Unrealized appreciation (depreciation) on securities, net of income taxes of $3.3 million at September 30, 2018, ($0.5) million at September 30, 2017 and $1.7 million at September 30, 2016	9,001	(829)	2,772
Reclassification of realized losses in net income, net of income taxes of $0.6 million at September 30, 2016	—	—	926
Minimum pension liability adjustments, net of income taxes of $1.9 million at September 30, 2018, $1.9 million at September 30, 2017 and ($1.4) million at September 30, 2016	5,249	3,333	(2,525)
Other comprehensive income	14,250	2,504	1,173
Comprehensive income (loss)	$ 496,922	$ (125,708)	$ (55,655)

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

HELMERICH & PAYNE, INC.
Consolidated Statements of Shareholders' Equity

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury Stock		
(in thousands, except per share amounts)	Shares	Amount	Capital	Earnings	(Loss) Income	Shares	Amount	Total
Balance, September 30, 2015	110,987	$11,099	$ 420,141	$4,648,346	$ (1,377)	3,220	$(182,363)	$4,895,846
Comprehensive Income:								
Net loss				(56,828)				(56,828)
Other comprehensive income					1,173			1,173
Dividends declared ($2.78 per share)				(301,711)				(301,711)
Exercise of employee stock options, net of shares withheld for employee taxes	220	22	6,937			99	(5,919)	1,040
Tax benefit of stock-based awards			934					934
Vesting of restricted stock awards, net of shares withheld for employee taxes	193	19	(3,943)			3	12	(3,912)
Stock-based compensation			24,383					24,383
Balance, September 30, 2016	111,400	11,140	448,452	4,289,807	(204)	3,322	(188,270)	4,560,925
Comprehensive Income:								
Net loss				(128,212)				(128,212)
Other comprehensive loss					2,504			2,504
Dividends declared ($2.80 per share)				(305,909)				(305,909)
Exercise of employee stock options, net of shares withheld for employee taxes	415	42	15,738			88	(5,246)	10,534
Tax benefit of stock-based awards			4,414					4,414
Vesting of restricted stock awards, net of shares withheld for employee taxes	142	14	(7,539)			(57)	1,677	(5,848)
Stock-based compensation			26,183					26,183
Balance, September 30, 2017	111,957	11,196	487,248	3,855,686	2,300	3,353	(191,839)	4,164,591
Comprehensive income:								
Net income				482,672				482,672
Other comprehensive income					14,250			14,250
Dividends declared ($2.82 per share)				(310,024)				(310,024)
Exercise of employee stock options, net of shares withheld for employee taxes	1		(7,557)			(202)	10,992	3,435
Vesting of restricted stock awards, net of shares withheld for employee taxes	51	5	(11,857)			(136)	7,659	(4,193)
Stock-based compensation			31,687					31,687
Adoption of ASU 2016-09 (Note 2)			872	(555)				317
Balance, September 30, 2018	112,009	$11,201	$ 500,393	$4,027,779	$ 16,550	3,015	$(173,188)	$4,382,735

The accompanying notes are an integral part of these consolidated financial statement.

HELMERICH & PAYNE, INC.
Consolidated Statements of Cash Flows

(in thousands)	Year Ended September 30, 2018	2017	2016
		As adjusted (Note 2)	
Cash flows from operating activities:			
Net income (loss)	$ 482,672	$ (128,212)	$ (56,828)
Adjustment for income from discontinued operations	10,338	349	3,838
Income (loss) from continuing operations	493,010	(127,863)	(52,990)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	583,802	585,543	598,587
Asset impairment charge	23,128	—	6,250
Amortization of debt discount and debt issuance costs	1,067	1,055	1,168
Provision for (recovery of) bad debt	2,193	2,016	(2,013)
Stock-based compensation	31,687	26,183	24,383
Pension settlement charge	913	1,640	4,964
(Gain) loss on investment securities	(1)	—	25,989
Gain from sale of assets	(22,660)	(20,627)	(9,896)
Deferred income tax (benefit) expense	(486,758)	(24,111)	60,088
Other	6,710	543	151
Change in assets and liabilities increasing (decreasing) cash:			
Accounts receivable	(85,202)	(97,114)	72,792
Inventories of materials and supplies	(22,427)	(10,607)	1,944
Prepaid expenses and other	(955)	31,434	(2,460)
Accounts payable	(4,461)	39,412	(10,907)
Accrued liabilities	33,173	(36,120)	49,562
Deferred income tax liability	2,268	3,472	3,703
Other noncurrent liabilities	(10,787)	(13,075)	(16,831)
Net cash provided by operating activities from continuing operations	544,700	361,781	754,484
Net cash provided by (used in) operating activities from discontinued operations	(169)	(150)	47
Net cash provided by operating activities	544,531	361,631	754,531
Cash flows from investing activities:			
Capital expenditures	(466,584)	(397,567)	(257,169)
Purchase of short-term investments	(71,049)	(69,866)	(57,276)
Payment for acquisition of business, net of cash acquired	(47,886)	(70,416)	—
Proceeds from sale of short-term investments	68,776	69,449	58,381
Proceeds from asset sales	44,381	23,412	21,845
Net cash used in investing activities	(472,362)	(444,988)	(234,219)
Cash flows from financing activities:			
Payments on long-term debt	—	—	(40,000)
Debt issuance costs	—	—	(1,111)
Dividends paid	(308,430)	(305,515)	(300,152)
Proceeds from stock option exercises	6,355	11,285	2,774
Payments for employee taxes on net settlement of equity awards	(7,114)	(6,599)	(5,646)
Net cash used in financing activities	(309,189)	(300,829)	(344,135)
Net increase (decrease) in cash and cash equivalents	(237,020)	(384,186)	176,177
Cash and cash equivalents, beginning of period	521,375	905,561	729,384
Cash and cash equivalents, end of period	$ 284,355	$ 521,375	$ 905,561
Supplemental disclosure of cash flow information:			
Cash paid during the period:			
Interest paid	$ 20,502	$ 22,936	$ 28,011
Income tax refund, net	$ 38,400	$ 23,463	$ 24,109
Changes in accounts payable and accrued liabilities related to purchases of property, plant and equipment	$ (2,245)	$ (10,539)	$ 15,879

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

HELMERICH & PAYNE, INC.
Notes to Consolidated Financial Statements

NOTE 1 NATURE OF OPERATIONS

Helmerich & Payne, Inc. (which, together with its subsidiaries, is identified as the "Company," "we," "us," or "our," except where stated or the context requires otherwise) through its operating subsidiaries provides performance-driven drilling services and technologies that are intended to make hydrocarbon recovery safer and more economical for oil and gas exploration and production companies. Our global contract drilling business is composed of three reportable business segments: U.S. Land, Offshore and International Land. During the fiscal year ended September 30, 2018, our U.S. Land operations were primarily located in Colorado, Louisiana, Ohio, Oklahoma, New Mexico, North Dakota, Pennsylvania, Texas, Utah, West Virginia and Wyoming. Our Offshore operations were conducted in the Gulf of Mexico. Our International Land operations had rigs located in five international locations during fiscal year 2018: Argentina, Bahrain, Colombia, Ecuador and United Arab Emirates ("U.A.E.").

Additionally, we focus on research and development of technology designed to improve the efficiency and accuracy of drilling operations. We also own, develop and operate limited commercial real estate properties. Our real estate investments, which are located exclusively within Tulsa, Oklahoma, include a shopping center, multi-tenant industrial warehouse properties, and undeveloped real estate.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, RISKS AND UNCERTAINTIES

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

We classified our former Venezuelan operation as a discontinued operation in the third quarter of fiscal year 2010, as more fully described in Note 4—Discontinued Operations. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates only to our continuing operations.

Principles of Consolidation

The consolidated financial statements include the accounts of Helmerich & Payne, Inc. and its domestic and foreign subsidiaries. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the fiscal year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Foreign Currencies

Our functional currency, together with all our foreign subsidiaries, is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the U.S. dollar are translated at exchange rates in effect at the end of the period, and the resulting gains and losses are recorded on our statement of operations. Aggregate foreign currency losses of $4.0 million, $7.1 million and $9.3 million in fiscal years 2018, 2017 and 2016, respectively, are included in direct operating costs.

Use of Estimates

The preparation of our financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash on hand, demand deposits with banks and all highly liquid investments with original maturities of three months or less. Our cash, cash equivalents and short-term investments are subject to potential credit risk, and certain of our cash accounts carry balances greater than the federally insured limits.

We had restricted cash and cash equivalents of $41.8 million and $39.1 million at September 30, 2018 and 2017, respectively. Of the total at September 30, 2018 and 2017, $11.3 million and $9.4 million, respectively, is related to the acquisition of drilling technology companies described in Note 3—Business Combinations, $2.0 million as of both year ends is from the initial capitalization of the captive insurance company, and $28.5 million and $27.7 million, respectively, represents an additional amount management has elected to restrict for the purpose of potential insurance claims in our wholly-owned captive insurance company. The restricted amounts are primarily invested in short-term money market securities. See Note 2 for changes to the presentation of restricted cash effective October 1, 2018.

The restricted cash and cash equivalents are reflected in the balance sheet as follows:

	September 30,	
	2018	2017
	(in thousands)	
Prepaid expenses and other	$ 39,830	$ 32,439
Other assets	$ 2,000	$ 6,695

Inventories of Materials and Supplies

Inventories are primarily replacement parts and supplies held for consumption in our drilling operations. Inventories are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis and includes the cost of materials, shipping, duties, labor and manufacturing overhead. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

Our reserves during fiscal years 2018 and 2017 were 5.9 percent and 6.3 percent, respectively, of the balance to provide for non-recoverable inventory costs. The reserves for excess and obsolete inventory were $9.9 million and $9.2 million for fiscal years 2018 and 2017, respectively.

Investments

We maintain investments in equity securities of certain publicly traded companies. The cost of securities used in determining realized gains and losses is based on the average cost basis of the security purchased. We regularly review investment securities for impairment based on criteria that include the extent to which the investment's carrying value exceeds its related fair value, the duration of the market decline and the financial strength and specific prospects of the issuer of the security. Unrealized gains are recognized in other comprehensive income. Unrealized losses that are other than temporary are recognized in earnings. See Note 2 for changes in accounting for investments effective October 1, 2018.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Substantially all property, plant and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets after deducting their residual values. The amount of depreciation expense we record is dependent upon certain assumptions, including an asset's estimated useful life, rate of consumption, and corresponding salvage value. We periodically review these assumptions and may change one or more of these assumptions. Changes in our assumptions may require us to recognize, on a prospective basis, increased or decreased depreciation expense.

We capitalize interest on major projects during construction. Interest is capitalized based on the average interest rate on related debt. Capitalized interest for fiscal years 2018, 2017 and 2016 was $0.4 million, $0.3 million and $2.8 million, respectively.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Changes that could prompt such an assessment include a significant decline in revenue or cash margin per day, extended periods of low rig asset group utilization, changes in market demand for a specific asset, obsolescence, completion of specific contracts and/or overall general market conditions. If the review of the long-lived assets indicates that the carrying value of these assets/asset groups is more than the estimated undiscounted future cash flows projected to be realized from the use of the asset and its eventual disposal an impairment charge is made, as required, to adjust the carrying value down to the estimated fair value of the asset. The estimated fair value is determined based upon either an income approach using estimated discounted future cash flows or a market approach. Fair value is estimated, if applicable, considering factors such as recent market sales of rigs of other companies and our own sales of rigs, appraisals and other factors.

Cash flows are estimated by management considering factors such as prospective market demand, margins, recent changes in rig technology and its effect on each rig's marketability, any investment required to make a rig operational, suitability of rig size and make up to existing platforms, and competitive dynamics including industry utilization. Long-lived assets that are held for sale are recorded at the lower of carrying value or the fair value less costs to sell.

Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired in a business combination, at the date of acquisition. Goodwill and indefinite-life intangibles are not amortized but are tested for potential impairment at the reporting unit level at a minimum on an annual basis in the fourth fiscal quarter of each fiscal year or when indications of potential impairment exist. If an impairment is determined to exist, an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value is recognized, limited to the total amount of goodwill allocated to that reporting unit. The reporting unit level is defined as an operating segment or one level below an operating segment.

Finite-lived intangible assets are amortized using the straight-line method over the period in which these assets contribute to our cash flows, generally estimated to be 15 years and are evaluated for impairment in accordance with our policies for valuation of long-lived assets.

Drilling Revenues

Contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed and collection is reasonably assured. For certain contracts, we receive payments contractually designated for the mobilization of rigs and other drilling equipment. For certain contracts, mobilization payments received, and direct costs incurred for the mobilization, are deferred and recognized on a straight-line basis over the term of the related drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received for out-of-pocket expenses are recorded as both revenues and direct costs. Reimbursements for fiscal years 2018, 2017 and 2016 were $274.7 million, $179.9 million and $125.9 million, respectively. For contracts that are terminated by customers prior to the expirations of their fixed terms, contractual provisions customarily require early termination amounts to be paid to us. Revenues from early terminated contracts are recognized when all contractual requirements have been met. Early termination revenue for fiscal years 2018, 2017 and 2016 was approximately $17.1 million, $29.4 million and $219.0 million, respectively.

Rent Revenues

We enter into leases with tenants in our rental properties consisting primarily of retail and multi-tenant warehouse space. The lease terms of tenants occupying space in the retail centers and warehouse buildings generally range from three to ten years. Minimum rents are recognized on a straight-line basis over the term of the related leases. Overage and percentage rents are based on tenants' sales volume. Recoveries from tenants for property taxes and operating expenses are recognized in other operating revenues in the Consolidated Statements of Operations.

Our rent revenues are as follows:

	Year Ended September 30,		
	2018	2017	2016
	(in thousands)		
Minimum rents	$ 9,950	$ 9,735	$ 9,196
Overage and percentage rents	$ 1,040	$ 936	$ 1,211

At September 30, 2018, minimum future rental income to be received on noncancelable operating leases was as follows:

Fiscal Year	Amount
	(in thousands)
2019	$ 7,709
2020	6,314
2021	4,473
2022	2,488
2023	1,725
Thereafter	4,868
Total	$ 27,577

Leasehold improvement allowances are capitalized and amortized over the lease term.

At September 30, 2018 and 2017, the cost and accumulated depreciation for real estate properties were as follows:

	September 30,	
	2018	2017
	(in thousands)	
Real estate properties	$ 69,133	$ 66,005
Accumulated depreciation	(42,272)	(42,169)
	$ 26,861	$ 23,836

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current fiscal year. Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of our assets and liabilities.

We provide for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed in Accounting Standards Codification ("ASC") 740, *Income Taxes*, which is more fully discussed in Note 8—Income Taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. We recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in other expense in the Consolidated Statements of Operations.

Earnings per Common Share

Basic earnings per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented. Diluted earnings per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and nonvested restricted stock. We have granted and expect to continue to grant to employees restricted stock grants that contain non-forfeitable rights to dividends. Such grants are considered participating securities under ASC 260, *Earnings Per Share*. As such, we have included these grants in the calculation of our basic earnings per share and calculate basic earnings per share using the two-class method.

Stock-Based Compensation

Stock-based compensation expense is determined using a fair-value-based measurement method for all awards granted. In computing the impact, the fair value of each option is estimated on the date of grant based on the Black-Scholes options-pricing model utilizing assumptions for a risk free interest rate, volatility, dividend yield and expected remaining term of the awards. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. Stock-based compensation is recognized on a straight-line basis over the requisite service periods of the stock awards, which is generally the vesting period. Compensation expense related to stock options is recorded as a component of general and administrative expenses in the Consolidated Statements of Operations.

Treasury Stock

Treasury stock purchases are accounted for under the cost method whereby the cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to additional paid-in capital using the average-cost method.

Comprehensive Income or Loss

Other comprehensive income or loss refers to revenues, expenses, gains, and losses that are included in comprehensive income or loss but excluded from net income or loss. We report the components of other comprehensive income or loss, net of tax, by their nature and disclose the tax effect allocated to each component in the Consolidated Statements of Comprehensive Income (Loss).

Leases

We lease office space and equipment for use in operations. Leases are evaluated at inception or upon any subsequent material modification and, depending on the lease terms, are classified as either capital leases or operating leases as appropriate under ASC 840, *Leases*. For operating leases that contain built-in pre-determined rent escalations, rent expense is recognized on a straight-line basis over the life of the lease. Leasehold improvements are capitalized and amortized over the lease term. We do not have significant capital leases.

Recently Issued Accounting Updates

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standard Updates ("ASUs") to the FASB ASC. We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or clarifications of ASUs listed below.

The following tables provide a brief description of recent accounting pronouncements and our analysis of the effects on our financial statements:

Standard	**Description**	**Date of Adoption**	**Effect on the Financial Statements or Other Significant Matters**
Recently Adopted Accounting Pronouncements			
ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting	The standard requires that all excess tax benefits and deficiencies previously recorded as additional paid-in capital be prospectively recorded in income tax expense. The adoption of this ASU could cause volatility in the effective tax rate on a quarter by quarter basis due primarily to fluctuations in the Company's stock price and the timing of stock option exercises and vesting of restricted share grants. The standard requires excess tax benefits to be presented as an operating activity on the statement of cash flows rather than as a financing activity. Excess tax benefits and deficiencies are recorded within the provision for income taxes within the Consolidated Statements of Operations on a prospective basis as required by the standard. The standard also requires taxes paid for employee withholdings to be presented as a financing activity on the statement of cash flows.	October 1, 2017	We adopted this ASU during the first quarter of fiscal year 2018. We elected to present changes to the statement of cash flows on a retrospective basis as allowed by the standard in order to maintain comparability between fiscal years. As such, prior period cash flows from operations for the fiscal years ended September 30, 2017 and 2016 have been adjusted to reflect an increase of $4.4 million and $0.9 million, respectively, with a corresponding decrease to cash flows used in financing activities, compared to amounts previously reported. The standard also requires taxes paid for employee withholdings to be presented as a financing activity on the statement of cash flows but this requirement had no impact on our total financing activities as this has been the practice historically. We also elected to account for forfeitures of awards as they occur, instead of estimating a forfeiture amount. On October 1, 2017, we recorded a $0.3 million cumulative-effect adjustment to retained earnings for the differential between the amount of compensation cost previously recorded and the amount that would have been recorded without assuming forfeitures.
ASU No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern	The new guidance requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Disclosures are required when conditions give rise to substantial doubt. Substantial doubt is deemed to exist when it is probable that the company will be unable to meet its obligations within one year from the financial statement issuance date.	September 30, 2017	We adopted ASU No. 2014-15, as required, on September 30, 2017 with no impact on our consolidated financial statements and disclosures.
ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory	This update simplifies the subsequent measurement of inventory. It replaces the current lower of cost or market test with the lower of cost or net realizable value test. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.	October 1, 2017	We adopted this ASU during the first quarter of fiscal year 2018. There was no impact on our consolidated financial statements.

ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	The new guidance eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of today's goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on today's Step 1).	June 30, 2017	As permitted, we early adopted this guidance effective June 30, 2017, with no impact on our consolidated financial statements.
Standards that are not yet adopted as of September 30, 2018			
ASU No. 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans—General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans	This ASU amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans.	October 1, 2021	We are currently evaluating the impact that the new guidance may have on our consolidated financial statements and disclosures.
ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement	This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project, where entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements.	October 1, 2020	We are currently evaluating the impact that the new guidance may have on our consolidated financial statements and disclosures.
ASU No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income	This ASU relates to the impacts of the tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Reform Act"). The guidance permits the reclassification of certain income tax effects of the Tax Reform Act from Other Comprehensive Income to Retained Earnings. The guidance also requires certain new disclosures. This update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal periods and early adoption is permitted. Entities may adopt the guidance using one of two transition methods; retrospective to each period (or periods) in which the income tax effects of the Tax Reform Act related to the items remaining in Other Comprehensive Income are recognized or at the beginning of the period of adoption.	October 1, 2019	We are currently evaluating the impact that the new guidance may have on our consolidated financial statements and disclosures.
ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting	Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. Regardless of whether the change to the terms or conditions of the award requires modification accounting, the existing disclosure requirements and other aspects of U.S. GAAP associated with modification, such as earnings per share, continue to apply.	October 1, 2018	We do not expect the new guidance to have a material impact on our consolidated financial statements.

ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	The ASU will change how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will present the service cost component of net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item(s) that includes the service cost and outside of any subtotal of operating income, if one is presented.	October 1, 2018	We do not expect the new guidance to have a material impact on our consolidated financial statements.
ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash	The ASU requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows.	October 1, 2018	We will adopt the guidance retrospectively to all periods presented prior to the adoption date (October 1, 2018) by excluding the change in restricted cash balances from cash flows from operating activities. The impact of which will be an increase in the cash flows from operating activities in the fiscal years 2018 and 2017 by $2.7 million and $9.5 million, respectively.
ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory	Under current U.S. GAAP, the tax effects of intra-entity asset transfers (intercompany sales) are deferred until the transferred asset is sold to a third party or otherwise recovered through use. This is an exception to the principle in ASC 740, Income Taxes, that generally requires comprehensive recognition of current and deferred income taxes. The new guidance eliminates the exception for all intra-entity sales of assets other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The new guidance does not apply to intra-entity transfers of inventory. The income tax consequences from the sale of inventory from one member of a consolidated entity to another will continue to be deferred until the inventory is sold to a third party.	October 1, 2018	We do not expect the new guidance to have a material impact on our consolidated financial statements.
ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	The ASU is intended to reduce diversity in practice in presentation and classification of certain cash receipts and cash payments by providing guidance on eight specific cash flow issues. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period.	October 1, 2018	We plan to adopt this standard retrospectively to all periods presented. We are currently assessing the impact this standard will have on our consolidated statements of cash flows.
ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326)	This ASU introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (2) loan commitments and certain other off-balance sheet credit exposures, (3) debt securities and other financial assets measured at fair value through other comprehensive income/(loss), and (4) beneficial interests in securitized financial assets. This update is effective for annual and interim periods beginning after December 15, 2019.	October 1, 2020	We are currently evaluating the impact that the new guidance may have on our consolidated financial statements and disclosures.

ASU No. 2016-02, Leases (Topic 842)	ASU 2016-02 will require organizations that lease assets — referred to as "lessees" — to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under ASU 2016-02, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Lessor accounting remains substantially similar to current U.S. GAAP. In addition, disclosures of leasing activities are to be expanded to include qualitative along with specific quantitative information. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU 2016-02 mandates a modified retrospective transition method with an option to use certain practical expedients.	October 1, 2019	We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements and disclosures.
ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	The standard requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The provisions of ASU 2016-01 are effective for interim and annual periods starting after December 15, 2017. At adoption, a cumulative-effect adjustment to beginning retained earnings will be recorded.	October 1, 2018	Subsequent to adoption, changes in the fair value of our available-for-sale investments will be recognized in net income and the effect will be subject to stock market fluctuations. The cumulative catch up impact for the October 1, 2018 implementation will be a reclassification of $44 million, cumulative gains related to our available-for-sale securities, currently recorded in the beginning balance of the accumulated other comprehensive income, to beginning balance of retained earnings at October 1, 2018.
ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606): Revenue from Contracts with Customers	In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The update outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance, including industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. The update also requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Furthermore, as part of Topic 606, the FASB introduced ASC 340-40 Other Assets and Deferred Costs, which provides guidance on the capitalization of contract related costs that are not within the scope of other authoritative literature. The update will be effective for fiscal reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Companies may use either a full retrospective or a modified retrospective approach to adopt the updates.	October 1, 2018	We intend to adopt the new guidance using the modified retrospective approach. In preparation for our adoption of the new standard, we have evaluated representative samples of contracts and other forms of agreements with our customers based upon the five-step model specified by the new guidance. We have completed a preliminary assessment of the of the potential impact the implementation of this new guidance will have on our financial statements. Although our preliminary assessment may change based upon completion of our evaluation, the following summarizes the more significant impacts expected from the adoption of the new standard: • Certain revenues currently recognized at a point in time, are expected to be recognized over the term of the contract. • Certain associated costs to fulfill these contracts that are currently being expensed at a point in time, are expected to be capitalized as a contract fulfillment cost and amortized over the contract term, including expected contract extensions. • Enhance our disclosures to provide additional information relating to disaggregated revenue, contract assets and liabilities and remaining performance obligations.

Concentration of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of temporary cash investments, short-term investments and trade receivables. The industry concentration has the potential to impact our overall exposure to market and credit risks, either positively or negatively, in that our customers could be affected by similar changes in economic, industry or other conditions. However, we believe that the credit risk posed by this industry concentration is offset by the creditworthiness of our customer base.

We had revenues from individual customers, related to our U.S. Land segment, that constituted 10 percent or more of our total revenues as follows:

(In thousands)	2018	2017	2016
EOG Resources, Inc.	$ 258,194	$ 163,582	$ 124,262

In addition, we have certain customers that make up a significant portion of our Accounts Receivable at September 30, 2018, as indicated in the table below:

	Percentage of Accounts Receivable
EOG Resources, Inc.	8.8 %
Occidental Oil and Gas Corporation	4.7 %

We place temporary cash investments in the U.S. with established financial institutions and invest in a diversified portfolio of highly rated, short-term money market instruments. Our trade receivables, primarily with established companies in the oil and gas industry, may impact credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. International sales also present various risks including governmental activities that may limit or disrupt markets and restrict the movement of funds. Most of our international sales, however, are to large international or government-owned national oil companies. We perform credit evaluations of customers and do not typically require collateral in support for trade receivables. We provide an allowance for doubtful accounts, when necessary, to cover estimated credit losses. Such an allowance is based on management's knowledge of customer accounts.

Volatility of Market

Our operations can be materially affected by oil and gas prices. Oil and natural gas prices have been historically volatile and difficult to predict with any degree of certainty. While current energy prices are important contributors to positive cash flow for customers, expectations about future prices and price volatility are generally more important for determining a customer's future spending levels. This volatility, along with the difficulty in predicting future prices, can lead many exploration and production companies to base their capital spending on more conservative estimates of commodity prices. As a result, demand for contract drilling services is not always purely a function of the movement of commodity prices.

In addition, customers may finance their exploration activities through cash flow from operations, the incurrence of debt or the issuance of equity. Any deterioration in the credit and capital markets may cause difficulty for customers to obtain funding for their capital needs. A reduction of cash flow resulting from declines in commodity prices or a reduction of available financing may result in a reduction in customer spending and the demand for our services. This reduction in spending could have a material adverse effect on our operations.

Self-Insurance

We have accrued a liability for estimated workers' compensation and other casualty claims incurred based upon cash reserves plus an estimate of loss development and incurred but not reported claims. The estimate is based upon historical trends. Insurance recoveries related to such liability are recorded when considered probable.

We self-insure a significant portion of expected losses relating to workers' compensation, general liability and automobile liability. Generally, deductibles range from $1 million to $5 million per occurrence depending on the coverage and whether a claim occurs outside or inside of the United States. Insurance is purchased over deductibles to reduce our exposure to catastrophic events. Estimates are recorded for incurred outstanding liabilities for workers' compensation, general liability claims and claims that are incurred but not reported. Estimates are based on adjusters' estimates, historic experience and statistical methods that we believe are reliable. We have also engaged an actuary to perform a review of our domestic casualty losses. Nonetheless, insurance estimates include certain assumptions and management judgments regarding the frequency and severity of claims, claim development and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

International Land Drilling Operations

International Land drilling operations may significantly contribute to our revenues and net operating income. There can be no assurance that we will be able to successfully conduct such operations, and a failure to do so may have an adverse effect on our financial position, results of operations, and cash flows. Also, the success of our international land operations will be subject to numerous contingencies, some of which are beyond management's control. These contingencies include general and regional economic conditions, fluctuations in currency exchange rates, modified exchange controls, changes in international regulatory requirements and international employment issues, risk of expropriation of real and personal property and the burden of complying with foreign laws. Additionally, in the event that extended labor strikes occur or a country experiences significant political, economic or social instability, we could experience shortages in labor and/or material and supplies necessary to operate some of our drilling rigs, thereby potentially causing an adverse material effect on our business, financial condition and results of operations. In Argentina, while our dayrate is denominated in U.S. dollars, we are paid in Argentine pesos. The Argentine branch of one of our second-tier subsidiaries remits U.S. dollars to its U.S. parent by converting the Argentine pesos into U.S. dollars through the Argentine Foreign Exchange Market and repatriating the U.S. dollars. Argentina has a history of implementing currency controls which restrict the conversion and repatriation of US dollars. These controls were not in place in Argentina during this past fiscal year.

Argentina's economy is considered highly inflationary, which is defined as cumulative inflation rates exceeding 100 percent in the most recent three-year period based on inflation data published by the respective governments. Nonetheless, all of our foreign subsidiaries use the U.S. dollar as the functional currency and local currency monetary assets and liabilities are remeasured into U.S. dollars with gains and losses resulting from foreign currency transactions included in current results of operations.

Because of the impact of local laws, our future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which we hold only a minority interest or pursuant to arrangements under which we conduct operations under contract to local entities. While we believe that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on our operations or revenues, there can be no assurance that we will in all cases be able to structure or restructure our operations to conform to local law (or the administration thereof) on terms acceptable to us.

NOTE 3 BUSINESS COMBINATIONS

Fiscal Year 2018 Acquisitions

On December 8, 2017, we completed an acquisition ("MagVAR Acquisition") of an unaffiliated company, Magnetic Variation Services, LLC ("MagVAR"), which is now a wholly-owned subsidiary of the Company. The operations for MagVAR are included with our other non-reportable business segments. At the effective time of the MagVAR Acquisition, MagVAR shareholders received aggregate cash consideration of $47.9 million, net of customary closing adjustments, and certain management members received restricted stock awards covering 213,904 shares of Helmerich & Payne, Inc. common stock. The grant date fair value of the restricted stock of $13.1 million is being amortized to expense over the three year vesting period. At closing, $6.0 million of the cash consideration was placed in escrow, to be released to the sellers twelve months after the acquisition closing date. The amount placed in escrow is classified as restricted cash and is included in prepaid expenses and other in the Consolidated Balance Sheet at September 30, 2018. Transaction costs related to the MagVAR Acquisition incurred during the fiscal year ended September 30, 2018 were approximately $1.2 million and are recorded in the Consolidated Statements of Operations within general and administrative expense. We recorded revenue of $11.6 million and a net loss of $3.0 million related to MagVAR during the fiscal year ended September 30, 2018.

Through comprehensive 3D geomagnetic reference modeling, MagVAR provides measurement while drilling ("MWD") survey corrections by identifying and quantifying MWD tool measurement errors in real-time, greatly improving directional drilling performance and wellbore placement. MagVAR technology has been successfully deployed in both onshore and offshore fields in North America, South America, Europe, Africa, Australia and Asia.

The MagVAR Acquisition was accounted for as a business combination in accordance with ASC 805, *Business Combinations*, which requires the assets acquired and liabilities assumed to be recorded at their acquisition date fair values. The following table summarizes the purchase price and the fair values of assets acquired and liabilities assumed at the acquisition date (in thousands):

Purchase Price		
Consideration given		
Cash consideration	$	48,485
Allocation of Purchase Price		
Fair value of assets acquired		
Current assets	$	2,286
Property, plant and equipment		13
Intangible assets, net		28,700
Goodwill		17,791
Total assets acquired	$	48,790
Fair value of liabilities assumed		
Current liabilities	$	305
Fair value of total assets acquired and liabilities assumed	$	48,485

Intangible assets acquired consist of developed technology, a trade name and customer relationships. The intangible assets are being amortized under a straight-line method over their estimated useful lives ranging from five to 20 years.

The methodologies used in valuing the intangible assets include the multi-period excess earnings method for developed technology, the with and without method for customer relationships and the relief-from-royalty method for the trade name. The excess of the purchase price over the total net identifiable assets has been recorded as goodwill. Factors comprising goodwill include the synergies expected from the expanded service capabilities as well as the value of the assembled workforce. The goodwill is reported within our other non-reportable business segments and was allocated to our MagVAR reporting unit. The goodwill is not subject to amortization, but is evaluated at least annually for impairment in the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. The intangible assets and goodwill are amortized straight-line over 15 years for income tax purposes.

The following unaudited pro forma combined financial information is provided for the fiscal year ended September 30, 2018 and 2017, as though the MagVAR Acquisition had been completed as of October 1, 2016. These pro forma combined results of operations have been prepared by adjusting our historical results to include the historical results of MagVAR and reflect pro forma adjustments based on available information and certain assumptions that we believe are reasonable, including application of an appropriate income tax to MagVAR's pre-tax loss. Additionally, pro forma earnings for the fiscal year ended September 30, 2018 were adjusted to exclude $0.5 million of after-tax transaction costs. The unaudited pro forma combined financial information is provided for illustrative purposes only and is not necessarily indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future. Future results may vary significantly from the results reflected in this pro forma financial information.

	Pro Forma	
	2018	2017
	(unaudited, in thousands)	
Revenues	$ 2,490,955	$ 1,814,215
Net income (loss)	$ 480,423	$ (126,355)

Fiscal Year 2017 Acquisitions

On June 2, 2017, we completed a merger transaction ("MOTIVE Merger") pursuant to which an unaffiliated drilling technology company, MOTIVE Drilling Technologies, Inc., a Delaware corporation ("MOTIVE"), was merged with and into our wholly-owned subsidiary Spring Merger Sub, Inc., a Delaware corporation. MOTIVE survived the transaction and is now a wholly-owned subsidiary of the Company. The operations for MOTIVE are included within our other non-reportable business segments. At the effective time of the MOTIVE Merger, MOTIVE shareholders received aggregate cash consideration of $74.3 million, net of customary closing adjustments, and may receive up to an additional $25.0 million in potential earnout payments based on future performance. At closing, $9.4 million of the cash consideration was placed in escrow, with one-half to be released to the seller on each of the twelve and eighteen month anniversaries of the merger completion date. Transaction costs related to the MOTIVE Merger incurred during fiscal year 2017 were $3.2 million and are recorded in the Consolidated Statement of Operations within the general and administrative expense line item. We recorded revenue of $12.9 million and $3.3 million and a net loss of $20.1 million and $2.2 million related to MOTIVE during the fiscal years ended September 30, 2018 and 2017, respectively.

MOTIVE has a proprietary Bit Guidance System™ that is an algorithm-driven system that considers the total economic consequences of directional drilling decisions and is designed to consistently lower drilling costs through more efficient drilling and increase hydrocarbon production through smoother wellbores and more accurate well placement. Given our strong and longstanding technology and innovation focus, we believe the technology will continue to advance and provide further benefits for the industry.

The MOTIVE Merger was accounted for as a business combination in accordance with ASC 805, *Business Combinations*, which requires the assets acquired and liabilities assumed to be recorded at their acquisition date fair values. The following table summarizes the purchase price and the allocation of the fair values of assets acquired and liabilities assumed and separately identifiable intangible assets at the acquisition date (in thousands):

Purchase Price		
Consideration given		
Cash consideration	$	74,275
Long-term contingent earnout liability (Other noncurrent liabilities)		14,509
Total consideration given	$	88,784
Allocation of Purchase Price		
Fair value of assets acquired		
Current assets	$	4,425
Property, plant and equipment		300
Intangible assets, net		51,000
Goodwill		46,987
Total assets acquired	$	102,712
Fair value of liabilities assumed		
Current liabilities	$	25
Deferred income taxes		13,903
Total liabilities acquired	$	13,928
Fair value of total assets acquired and liabilities assumed	$	88,784

Contingent consideration paid during fiscal year 2018 was $10.6 million. The fair value of the contingent consideration of $11.2 million and $14.9 million at September 30, 2018 and 2017, respectively, was calculated using a Monte Carlo simulation, which evaluates numerous potential earnings and pay out scenarios and is considered a Level 3 measurement under the fair value hierarchy. The change in the fair value of the contingent consideration of $6.9 million and $0.4 million during the fiscal year ended September 30, 2018 and 2017, respectively, was recorded in expenses applicable to other revenues in the Consolidated Statement of Operations. The developed technology is an intangible asset that will be amortized on a straight-line basis over an estimated 15-year life. The developed technology intangible asset was valued using an income approach, considering the estimated discounted future cash flows expected to be realized over the life of the asset, which is considered a Level 3 measurement under the fair value hierarchy. Goodwill represents the residual of the purchase price paid and consists largely of the synergies and economies of scale expected from the drilling technology providing more efficient drilling and directional drilling services, the first mover advantage obtained through the acquisition and expected future developments resulting from the assembled workforce. The goodwill is reported within our other non-reportable business segments and was allocated to our MOTIVE reporting unit. The goodwill is not subject to amortization but will be evaluated at least annually for impairment in the fourth quarter of each fiscal year or more frequently if impairment indicators are present. The developed technology and goodwill are not deductible for income tax purposes. An associated deferred tax liability has been recorded in regards to the developed technology.

NOTE 4 DISCONTINUED OPERATIONS

Current and noncurrent liabilities consist of municipal and income taxes payable and social obligations due within the country in Venezuela. Expenses incurred for in-country obligations are reported as discontinued operations.

The activity for the fiscal year ended September 30, 2018 was due to the remeasurement of uncertain tax liabilities as a result of the devaluation of the Venezuela Bolivar. Early in 2018, the Venezuelan government announced that it changed the existing dual-rate foreign currency exchange system by eliminating its heavily subsidized foreign exchange rate, which was 10 Bolivars per U.S. dollar, and relaunched an exchange system known as DICOM. The Venezuela government also established a new currency called the “Sovereign Bolivar,” which was determined by the elimination of five zeros from the old currency. The DICOM floating rate was approximately 62 Bolivars per U.S. dollar at September 30, 2018. The DICOM floating rate might not reflect the barter market exchange rates.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of September 30, 2018 and 2017 consisted of the following (in thousands):

	Estimated Useful Lives	September 30, 2018	September 30, 2017
Contract drilling equipment	4 - 15 years	$ 8,442,081	$ 8,197,572
Real estate properties	10 - 45 years	68,888	66,005
Other	2 - 23 years	471,310	450,031
Construction in progress		163,968	169,326
		9,146,247	8,882,934
Accumulated depreciation		(4,288,865)	(3,881,883)
Property, plant and equipment, net		$ 4,857,382	$ 5,001,051

Impairments

Consistent with our policy, we evaluate our drilling rigs and related equipment for impairment whenever events or changes in circumstances indicate the carrying value of these assets may exceed the estimated undiscounted future net cash flows. Our evaluation, among other things, includes a review of external market factors and an assessment on the future marketability of specific rigs’ asset group. Given the continued low utilization within our International FlexRig4 asset group and two of our domestic and international conventional rigs’ asset groups, together with the continued delivery of new, more capable rigs, we considered these economic factors to be indicators that these asset groups may potentially be impaired.

At September 30, 2018, we performed impairment testing on our International FlexRig4 asset group, which has an aggregate net book value of $63.0 million. We concluded that the net book value of the drilling rigs’ asset group is recoverable through estimated undiscounted cash flows with a surplus. The most significant assumptions used in our undiscounted cash flow model include: timing on awards of future drilling contracts, oil prices, operating dayrates, operating costs, rig reactivation costs, drilling rig utilization, revenue efficiency, estimated remaining economic useful life and net proceeds received upon future sale/disposition. The assumptions are consistent with the Company’s internal budgets and forecasts for future years. These significant assumptions are classified as Level 3 inputs by ASC Topic 820 Fair Value Measurement and Disclosures as they are based upon unobservable inputs and primarily rely on management assumptions and forecasts. Although we believe the assumptions used in our analysis are reasonable and appropriate and the asset group weighted average of expected future undiscounted net cash flows exceeds the net book value of the asset group as of the fiscal year 2018 year-end impairment evaluation, different assumptions and estimates could materially impact the analysis and our resulting conclusion.

At September 30, 2018, we engaged a third party independent accounting firm who performed a market valuation, utilizing the market approach, on two of our domestic and international conventional rigs’ asset groups, which have an aggregate net book values of $9.0 million and $15.2 million, respectively. We concluded that the fair values of these two asset groups exceed the net book values by approximately 64 percent and 141 percent, respectively, and as such, no impairment was recorded. The significant assumptions in the valuation exercise are classified as Level 2 and Level 3 inputs by ASC Topic 820 Fair Value Measurement and Disclosures.

During the fourth quarter of fiscal year 2018, after ceasing operations in Ecuador, we entered into a sales negotiation with respect to the six conventional rigs, within a separate international conventional rigs’ asset group, with net book values of $20.8 million, present in the country, pursuant to which the rigs, together with associated equipment and machinery would be sold to a third party to be recycled. Certain components of these rigs, with an $8.5 million net book value, that are not subject to the sale agreement, will be transferred to the United States to be utilized on other FlexRigs with high activity and demand. The sales transaction was completed in November 2018. We recorded a non-cash impairment charge within our International Land segment of $9.2 million ($7.0 million, net of tax, or $0.06 per diluted share), which is included in Asset Impairment Charge on the Consolidated Statement of Operations for the fiscal year ended September 30, 2018. As a result, the remaining rig within the same asset group, not to be disposed of, was written down resulting in an additional impairment charge of $1.4 million ($1.0 million, net of tax, or $0.01 per diluted share). The assets were recorded at fair value based on the sales agreement and as such are classified as Level 2 within the fair value hierarchy.

Furthermore, during the fourth quarter of fiscal year 2018, within our U.S. Land segment, management committed to a plan to auction several previously decommissioned rigs during fiscal year 2019. As a result, we wrote them down to their estimated fair values. We recorded a non-cash impairment charge of $5.7 million ($4.2 million, net of tax, or $0.04 per diluted share), which is included in Asset Impairment Charge on the Consolidated Statements of Operations for the fiscal year ended September 30, 2018. The assets were recorded at fair value based on the auction price and as such are classified as Level 2 of the fair value hierarchy.

During fiscal year 2016, we recorded an asset impairment charge in the U.S. Land segment of $6.3 million to reduce the carrying value of rig and rig related equipment classified as held for sale to their estimated fair values, based on expected sales prices.

Depreciation

Depreciation in the Consolidated Statements of Operations of $583.8 million, $585.5 million and $598.6 million includes abandonments of $27.7 million, $42.6 million and $39.3 million for fiscal years 2018, 2017 and 2016, respectively. During 2018, we have shortened the estimated useful lives of certain components of rigs planned for conversion, with a total net book value of $3.7 million, resulting in an increase in depreciation expense during 2018 of approximately $9.7 million. This will also increase the depreciation expense for the next three months by approximately $0.9 million and will decrease the depreciation expense for fiscal years 2019, 2020, 2021, 2022, and 2023 by $2.3 million, $2.3 million, $2.2 million, $1.3 million, and $0.4 million, respectively, and thereafter by $1.0 million.

Gain on Sale of Assets

We had a gain on sales of assets of $22.7 million and $20.6 million in fiscal years 2018 and 2017, respectively. These gains were primarily related to drill pipe damaged or lost in drilling operations.

NOTE 6 GOODWILL AND INTANGIBLE ASSETS

Goodwill

All of our goodwill is within our other non-reportable operating segments. The following is a summary of changes in goodwill (in thousands):

Balance at September 30, 2016	$ 4,718
Additions	46,987
Balance at September 30, 2017	51,705
Additions (Note 3)	17,791
Impairment	(4,719)
Balance at September 30, 2018	$ 64,777

Intangible Assets

Intangible assets arising from business acquisitions consisted of the following:

	September 30, 2018			September 30, 2017		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Finite-lived intangible asset:						
Developed technology	$ 70,000	$ 5,589	$ 64,411	$ 51,000	$ 1,134	$ 49,866
Trade name	5,700	237	5,463	—	—	—
Customer relationships	4,000	667	3,333	—	—	—
	$ 79,700	$ 6,493	$ 73,207	$ 51,000	$ 1,134	$ 49,866
Indefinite-lived intangible asset:						
Trademark	$ —	$ —	$ —	$ 919	$ —	$ 919

Amortization expense was $5.4 million and $1.1 million for fiscal years 2018 and 2017, respectively, and is estimated to be $5.8 million for each of the next four succeeding fiscal years and approximately $5.1 million for fiscal year 2023.

Impairments

During the fourth quarter of fiscal year 2018, and as part of our annual goodwill impairment test, we performed a detailed assessment of the TerraVici reporting unit, where $4.7 million of goodwill was allocated. We determined that the estimated fair value of this reporting unit was less than its carrying amount and we recorded goodwill impairment losses of $4.7 million ($3.5 million, net of tax, or $0.03 per diluted share). In addition, we recorded an intangible assets impairment loss of $0.9 million ($0.7 million net of tax, or $0.01 per diluted share). These impairment losses are included in Asset Impairment Charge on the Consolidated Statements of Operations for the fiscal year ended September 30, 2018.

Our goodwill impairment analysis performed on our remaining technology reporting units in the fourth quarter of fiscal years 2018 and 2017 did not result in impairment charges.

NOTE 7 DEBT

We had the following unsecured long-term debt outstanding at rates and maturities shown in the following table:

	September 30, 2018			September 30, 2017		
	Face Amount	Unamortized Debt Issuance Cost	Book Value	Face Amount	Unamortized Debt Issuance Cost	Book Value
			(in thousands)			
Unsecured senior notes issued March 19, 2015:						
Due March 19, 2025	$ 500,000	$ (6,032)	$ 493,968	$ 500,000	$ (7,098)	$ 492,902
	500,000	(6,032)	493,968	500,000	(7,098)	492,902
Less long-term debt due within one year	—	—	—	—	—	—
Long-term debt	$ 500,000	$ (6,032)	$ 493,968	$ 500,000	$ (7,098)	$ 492,902

On March 19, 2015, we issued $500 million of 4.65 percent 10-year unsecured senior notes. Interest is payable semi-annually on March 15 and September 15. The debt discount is being amortized to interest expense using the effective interest method. The debt issuance costs are amortized straight-line over the stated life of the obligation, which approximates the effective interest method.

On July 13, 2016, we entered into a $300 million unsecured revolving credit facility (the “2016 Credit Facility”) with a maturity date of July 13, 2021. The 2016 Credit Facility had a maximum of $75 million available to use as letters of credit. The majority of any borrowings under the facility would accrue interest at a spread over the London Interbank Offered Rate (“LIBOR”). We also paid a commitment fee based on the unused balance of the facility. Borrowing spreads as well as commitment fees were determined according to the Company’s credit rating. The spread over LIBOR ranged from 1.125 percent to 1.75 percent per annum and commitment fees ranged from 0.15 percent to 0.30 percent per annum. Based on our debt to total capitalization on September 30, 2018, the spread over LIBOR and commitment fees would be 1.125 percent and 0.15 percent, respectively. There was a financial covenant in the facility that required us to maintain a total debt to total capitalization ratio of less than 50 percent. The 2016 Credit Facility contained additional terms, conditions, restrictions and covenants that we believe were usual and customary in unsecured debt arrangements for companies of similar size and credit quality including a limitation that priority debt (as defined in the agreement) could not exceed 17.5 percent of the net worth of the Company. As of September 30, 2018, the Company had no borrowings against the line, but there were three letters of credit outstanding in the amount of $39.3 million. Two of these letters of credit in the amount of $29.3 million support self-insured losses under the Company's high deductible casualty insurance programs and the remaining $10.0 million letter of credit supports an operating line of credit with a bank in Argentina. As a result, at September 30, 2018, we had $260.7 million available to borrow under the 2016 Credit Facility. Subsequent to September 30, 2018, the Company decreased one of the three letters of credit by $1.3 million, which increased availability under the facility to $262.0 million.

Subsequent to our fiscal year-end, on November 13, 2018, we entered into a $750 million unsecured revolving credit facility (the "2018 Credit Facility"). In connection with entering into the 2018 Credit Facility, we terminated the 2016 Credit Facility. See Note 19—Subsequent Events to our Consolidated Financial Statements for more information about the 2018 Credit Facility.

At September 30, 2018, we had a $12 million unsecured standalone line of credit, which is purposed for the issuance of bid and performance bonds, as needed, for international land operations. As of September 30, 2018, we do not have any outstanding obligations against this facility.

The applicable agreements for all unsecured debt contain additional terms, conditions and restrictions that we believe are usual and customary in unsecured debt arrangements for companies that are similar in size and credit quality. At September 30, 2018, we were in compliance with all debt covenants.

At September 30, 2018, aggregate maturities of long-term debt are as follows (in thousands):

Year ending September 30,		
2019	$	—
2020		—
2021		—
2022		—
2023		—
Thereafter		500,000
	$	500,000

NOTE 8 INCOME TAXES

Impact of Tax Reform

On December 22, 2017, the President of the United States signed into law the Tax Reform Act. Among a number of substantial changes to the current U.S. federal income tax rules, the Tax Reform Act decreases the marginal U.S. corporate income tax rate from 35 percent to 21 percent, provides for bonus depreciation that will allow for full expensing of qualified property in the year placed in service, limits the deductibility of certain expenditures, and significantly changes the U.S. taxation of certain foreign operations. By operation of law, we will apply a blended U.S. statutory federal income tax rate of 24.5 percent for fiscal year 2018. As a result of the Tax Reform Act, we were required to revalue deferred tax assets and liabilities from 35 percent to 21 percent. This revaluation has resulted in recognition of a tax benefit of approximately $502.1 million, which is included as a component of income tax expense in continuing operations on the Consolidated Statements of Operations.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. In accordance with SAB 118, we recorded our best estimate of the impact of the Tax Reform Act in our fiscal year end income tax provision in accordance with our understanding of the Tax Reform Act and guidance available as of the date of this filing. Although we believe we have substantially completed our accounting for certain income tax effects of the Tax Reform Act, to the extent that the Internal Revenue Service or U.S. Treasury issues additional guidance during the SAB 118 measurement period, the Company will promptly evaluate whether any additional adjustments are required.

Income Tax Provision and Rate

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

	Year Ended September 30,		
	2018	2017	2016
	(in thousands)		
Current:			
Federal	$ 757	$ (36,260)	$ (86,010)
Foreign	6,492	4,108	9,987
State	2,340	(472)	(3,742)
	9,589	(32,624)	(79,765)
Deferred:			
Federal	(508,256)	(14,953)	58,136
Foreign	7,415	(7,827)	408
State	14,083	(1,331)	1,544
	(486,758)	(24,111)	60,088
Total benefit	$ (477,169)	$ (56,735)	$ (19,677)

The amounts of domestic and foreign income (loss) before income taxes are as follows:

	Year Ended September 30,		
	2018	2017	2016
	(in thousands)		
Domestic	$ 27,436	$ (173,157)	$ (49,636)
Foreign	(11,595)	(11,441)	(23,031)
	$ 15,841	$ (184,598)	$ (72,667)

Effective income tax rates as compared to the U.S. Federal income tax rate are as follows:

	Year Ended September 30,		
	2018	2017	2016
U.S. Federal income tax rate	24.5 %	35.0 %	35.0 %
Effect of foreign taxes	87.8	1.8	(13.8)
State income taxes, net of federal tax benefit	68.8	0.6	3.2
U.S. domestic production activities	—	(2.1)	(10.4)
Remeasurement of deferred tax related to Tax Reform Act	(3,169.4)	—	—
Other impact of foreign operations	(43.4)	(2.9)	14.7
Non-deductible meals and entertainment (1)	8.2	—	—
Equity compensation (1)	(5.3)	—	—
Officer's compensation (1)	1.7	—	—
Contingent consideration adjustment (1)	10.7	—	—
Other (1)	4.1	(1.7)	(1.6)
Effective income tax rate	(3,012.3)%	30.7 %	27.1 %

(1) For fiscal years 2017 and 2016, “other” reflects adjustments for non-deductible meals and entertainment, equity compensation, officer’s compensation and contingent consideration.

Effective tax rates differ from the U.S. federal statutory rate of 24.5 percent (blended for fiscal year 2018) due to state and foreign income taxes, change of the federal income tax rate from the Tax Reform Act, and the tax effect of non-deductible expenses (primarily related to certain meals and entertainment, officer’s compensation limited pursuant to Section 162(m) of the Code, and adjustments to the contingent consideration related to the MOTIVE Merger).

Deferred Taxes

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Recoverability of any tax assets are evaluated and necessary valuation allowances are provided. The carrying value of the net deferred tax assets is based on management’s judgments using certain estimates and assumptions that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the benefits of such assets. If these estimates and related assumptions change in the future, additional valuation allowances may be recorded against the deferred tax assets resulting in additional income tax expense in the future.

The components of our net deferred tax liabilities are as follows:

	September 30,	
	2018	2017
	(in thousands)	
Deferred tax liabilities:		
Property, plant and equipment	$ 904,734	$ 1,386,512
Available-for-sale securities	10,464	24,940
Other	12,787	21,609
Total deferred tax liabilities	927,985	1,433,061
Deferred tax assets:		
Pension reserves	3,477	7,614
Self-insurance reserves	13,100	19,461
Net operating loss, foreign tax credit, and other federal tax credit carryforwards	55,889	62,478
Financial accruals	45,708	62,971
Other	4,888	6,003
Total deferred tax assets	123,062	158,527
Valuation allowance	(48,213)	(58,155)
Net deferred tax assets	74,849	100,372
Net deferred tax liabilities	$ 853,136	$ 1,332,689

The change in our net deferred tax assets and liabilities is impacted by foreign currency remeasurement.

As of September 30, 2018, we had federal, state and foreign tax net operating loss carryforwards of $50.8 million, $31.2 million and $83.7 million, respectively, and foreign tax credit carryforwards of approximately $24.9 million (of which $20.1 million is reflected as a deferred tax asset in our Consolidated Financial Statements prior to consideration of our valuation allowance) which will expire in fiscal years 2019 through 2038. The valuation allowance is primarily attributable to foreign and certain state net operating loss carryforwards of $22.8 million and $0.5 million, respectively, and foreign tax credit carryforwards of $20.1 million, equity compensation of $2.3 million, and foreign minimum tax credit carryforwards of $2.5 million which more likely than not will not be utilized.

Unrecognized Tax Benefits

We recognize accrued interest related to unrecognized tax benefits in interest expense, and penalties in other expense in the Consolidated Statements of Operations. As of September 30, 2018 and 2017, we had accrued interest and penalties of $2.2 million and $2.8 million, respectively.

A reconciliation of the change in our gross unrecognized tax benefits for the fiscal years ended September 30, 2018 and 2017 is as follows:

	September 30,	
	2018	2017
	(in thousands)	
Unrecognized tax benefits at October 1,	$ 4,773	$ 9,551
Gross increases - tax positions in prior periods	3	—
Gross decreases - tax positions in prior periods	—	(1)
Gross decreases - current period effect of tax positions	(280)	(170)
Gross increases - current period effect of tax positions	10,537	300
Expiration of statute of limitations for assessments	(128)	(4,907)
Unrecognized tax benefits at September 30,	$ 14,905	$ 4,773

As of September 30, 2018 and 2017, our liability for unrecognized tax benefits includes $14.3 million and $3.7 million, respectively, of unrecognized tax benefits related to discontinued operations that, if recognized, would not affect the effective tax rate. The remaining unrecognized tax benefits would affect the effective tax rate if recognized. The liabilities for unrecognized tax benefits and related interest and penalties are included in other noncurrent liabilities in our Consolidated Balance Sheets.

For the next 12 months, we cannot predict with certainty whether we will achieve ultimate resolution of any uncertain tax position associated with our U.S. and international land operations that could result in increases or decreases of our unrecognized tax benefits. However, we do not expect the increases or decreases to have a material effect on our results of operations or financial position.

Tax Returns

We file a consolidated U.S. federal income tax return, as well as income tax returns in various states and foreign jurisdictions. The tax years that remain open to examination by U.S. federal and state jurisdictions include fiscal years 2014 through 2017, with exception of certain state jurisdictions currently under audit. The tax years remaining open to examination by foreign jurisdictions include 2003 through 2017.

NOTE 9 SHAREHOLDERS' EQUITY

The Company has authorization from the Board of Directors for the repurchase of up to four million common shares in any calendar year. The repurchases may be made using our cash and cash equivalents or other available sources. We had no purchases of common shares during the fiscal years ended September 30, 2018, 2017 and 2016.

Accumulated Other Comprehensive Income (Loss)

Components of accumulated other comprehensive income (loss) were as follows:

	September 30,		
	2018	2017	2016
	(in thousands)		
Pre-tax amounts:			
Unrealized appreciation on securities	$ 44,023	$ 31,700	$ 33,051
Unrealized actuarial loss	(21,693)	(28,873)	(34,112)
	$ 22,330	$ 2,827	$ (1,061)
After-tax amounts:			
Unrealized appreciation on securities	$ 29,071	$ 20,070	$ 20,899
Unrealized actuarial loss	(12,521)	(17,770)	(21,103)
	$ 16,550	$ 2,300	$ (204)

The following is a summary of the changes in accumulated other comprehensive income (loss), net of tax, by component for the fiscal year ended September 30, 2018:

	Unrealized Appreciation on Available-for-sale Securities	Defined Benefit Pension Plan	Total
	(in thousands)		
Balance at September 30, 2017	$ 20,070	$ (17,770)	$ 2,300
Other comprehensive income before reclassifications	9,001	—	9,001
Amounts reclassified from accumulated other comprehensive income	—	5,249	5,249
Net current-period other comprehensive income	9,001	5,249	14,250
Balance at September 30, 2018	$ 29,071	$ (12,521)	$ 16,550

The following provides detail about accumulated other comprehensive income (loss) components which were reclassified to the Consolidated Statements of Operations during the fiscal years ended September 30, 2018, 2017 and 2016:

Details About Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) 2018	2017	2016	Affected Line Item in the Consolidated Statements of Operations
	(in thousands)			
Other-than-temporary impairment of available-for-sale securities	$ —	$ —	$ 1,509	Loss on investment securities
	—	—	(583)	Income tax provision
	—	—	926	Net of tax
Amortization of net actuarial loss on defined benefit pension plan	$ 7,180	$ 5,238	$ (3,968)	Selling, general and administrative
	(1,931)	(1,905)	1,443	Income tax provision
	5,249	3,333	(2,525)	Net of tax
Total reclassifications for the period	$ 5,249	$ 3,333	$ (1,599)	

NOTE 10 STOCK-BASED COMPENSATION

On March 2, 2016, the Helmerich & Payne, Inc. 2016 Omnibus Incentive Plan (the “2016 Plan”) was approved by our stockholders. The 2016 Plan, among other things, authorizes the Human Resources Committee of the Board to grant non-qualified stock options and restricted stock awards to selected employees and to non-employee Directors. Restricted stock may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than market price of the underlying stock on the date of grant. Stock options expire 10 years after the grant date. Awards outstanding in the Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan and the Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan (collectively the “2010 Plan”) remain subject to the terms and conditions of those plans. During the fiscal year ended September 30, 2018, there were 693,873 non-qualified stock options and 411,977 shares of restricted stock awards granted under the 2016 Plan. An additional 213,904 of restricted stock grants were awarded outside of the 2016 Plan.

A summary of compensation cost for stock-based payment arrangements recognized in general and administrative expense in fiscal years 2018, 2017 and 2016 is as follows:

	September 30, 2018	2017	2016
	(in thousands)		
Compensation expense			
Stock options	$ 7,913	$ 7,439	$ 8,290
Restricted stock	23,774	18,744	16,093
	$ 31,687	$ 26,183	$ 24,383

Stock Options

Vesting requirements for stock options are determined by the Human Resources Committee of our Board of Directors. Options currently outstanding began vesting one year after the grant date with 25 percent of the options vesting for four consecutive years.

We use the Black-Scholes formula to estimate the fair value of stock options granted to employees. The fair value of the options is amortized to compensation expense on a straight-line basis over the requisite service periods of the stock awards, which are generally the vesting periods.

The weighted-average fair value calculations for options granted within the fiscal period are based on the following weighted-average assumptions set forth in the table below. Options that were granted in prior periods are based on assumptions prevailing at the date of grant.

	2018	2017	2016
Risk-free interest rate (1)	2.2 %	2.0 %	1.8 %
Expected stock volatility (2)	36.1 %	38.9 %	37.6 %
Dividend yield (3)	4.7 %	3.7 %	4.6 %
Expected term (in years) (4)	6.0	5.5	5.5

(1) The risk-free interest rate is based on U.S. Treasury securities for the expected term of the option.

(2) Expected volatilities are based on the daily closing price of our stock based upon historical experience over a period which approximates the expected term of the option.

(3) The dividend yield is based on our current dividend yield.

(4) The expected term of the options granted represents the period of time that they are expect to be outstanding. We estimate term of option granted based on historical experience with grants and exercise.

Based on these calculations, the weighted-average fair value per option granted to acquire a share of common stock was $13.17, $20.48 and $13.12 per share for fiscal years 2018, 2017 and 2016, respectively.

The following summary reflects the stock option activity for our common stock and related information for fiscal years 2018, 2017 and 2016 (shares in thousands):

	2018		2017		2016	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at October 1,	3,278	$ 56.41	3,312	$ 51.74	2,776	$ 48.51
Granted	694	59.03	396	76.61	876	58.25
Exercised	(375)	36.88	(415)	38.04	(220)	31.52
Forfeited/Expired	(98)	70.77	(15)	68.32	(120)	61.80
Outstanding on September 30,	3,499	$ 58.62	3,278	$ 56.41	3,312	$ 51.74
Exercisable on September 30,	2,193	$ 56.31	2,167	$ 50.87	2,225	$ 46.66
Shares available to grant	5,140		5,624		6,600	

The following table summarizes information about stock options at September 30, 2018 (shares in thousands):

	Outstanding Stock Options			Exercisable Stock Options	
Range of Exercise Prices	Options	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
$0.00 to $21.07	180	0.2	$ 21.07	180	$ 21.07
$21.07 to $59.76	2,417	5.9	55.16	1,418	53.03
$59.76 to $68.83	358	6.3	68.66	275	68.83
$68.83 to $81.31	544	7.1	79.79	320	79.86
	3,499			2,193	

At September 30, 2018, the weighted-average remaining life of exercisable stock options was 4.36 years and the aggregate intrinsic value was $30.9 million with a weighted-average exercise price of $56.31 per share.

The number of options vested or expected to vest at September 30, 2018 was 1,306,087 with an aggregate intrinsic value of $10.6 million and a weighted-average exercise price of $62.49 per share.

As of September 30, 2018, the unrecognized compensation cost related to the stock options was $7.3 million. That cost is expected to be recognized over a weighted-average period of 2.3 years.

The total intrinsic value of options exercised during fiscal years 2018, 2017 and 2016 was $9.9 million, $13.1 million and $6.3 million, respectively.

The grant date fair value of shares vested during fiscal years 2018, 2017 and 2016 was $8.8 million, $6.7 million and $9.6 million, respectively.

Restricted Stock

Restricted stock awards consist of our common stock and are time-vested over three to six years. We recognize compensation expense on a straight-line basis over the vesting period. The fair value of restricted stock awards is determined based on the closing price of our shares on the grant date. As of September 30, 2018, there was $34.4 million of total unrecognized compensation cost related to unvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 2.4 years.

A summary of the status of our restricted stock awards as of September 30, 2018, and of changes in restricted stock outstanding during the fiscal years ended September 30, 2018, 2017 and 2016, is as follows (shares in thousands):

	2018		2017		2016	
	Shares	Weighted-Average Grant Date Fair Value per Share	Shares	Weighted-Average Grant Date Fair Value per Share	Shares	Weighted-Average Grant Date Fair Value per Share
Outstanding at October 1,	659	$ 70.76	648	$ 64.24	668	$ 67.03
Granted	626	59.53	292	78.69	294	58.25
Vested (1)	(258)	70.60	(271)	63.81	(256)	64.75
Forfeited	(26)	66.73	(10)	68.09	(58)	63.65
Outstanding on September 30,	1,001	$ 63.74	659	$ 70.76	648	$ 64.24

(1) The number of restricted stock awards vested includes shares that we withheld on behalf of our employees to satisfy the statutory tax withholding requirements.

NOTE 11 EARNINGS (LOSSES) PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	September 30, 2018	2017	2016
	(in thousands)		
Numerator:			
Income (loss) from continuing operations	$ 493,010	$ (127,863)	$ (52,990)
Loss from discontinued operations	(10,338)	(349)	(3,838)
Net income (loss)	482,672	(128,212)	(56,828)
Adjustment for basic earnings per share			
Earnings allocated to unvested shareholders	(4,346)	(1,811)	(1,858)
Numerator for basic earnings per share:			
From continuing operations	488,664	(129,674)	(54,848)
From discontinued operations	(10,338)	(349)	(3,838)
	478,326	(130,023)	(58,686)
Adjustment for diluted earnings per share:			
Effect of reallocating undistributed earnings of unvested shareholders	7	—	—
Numerator for diluted earnings per share:			
From continuing operations	488,671	(129,674)	(54,848)
From discontinued operations	(10,338)	(349)	(3,838)
	$ 478,333	$ (130,023)	$ (58,686)
Denominator:			
Denominator for basic earnings per share - weighted-average shares	108,851	108,500	107,996
Effect of dilutive shares from stock options and restricted stock	536	—	—
Denominator for diluted earnings per share - adjusted weighted-average shares	109,387	108,500	107,996
Basic earnings per common share:			
Income (loss) from continuing operations	$ 4.49	$ (1.20)	$ (0.50)
Loss from discontinued operations	(0.10)	—	(0.04)
Net income (loss)	$ 4.39	$ (1.20)	$ (0.54)
Diluted earnings per common share:			
Income (loss) from continuing operations	$ 4.47	$ (1.20)	$ (0.50)
Loss from discontinued operations	(0.10)	—	(0.04)
Net income (loss)	$ 4.37	$ (1.20)	$ (0.54)

We had a net loss for fiscal years 2017 and 2016. Accordingly, our diluted earnings per share calculation for those years were equivalent to our basic earnings per share calculation since diluted earnings per share excluded any assumed exercise of equity awards. These were excluded because they were deemed to be anti-dilutive, meaning their inclusion would have reduced the reported net loss per share in the applicable period.

The following shares attributable to outstanding equity awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive:

	2018	2017	2016
	(in thousands, except per share amounts)		
Shares excluded from calculation of diluted earnings per share	1,559	1,008	1,788
Weighted-average price per share	$ 68.28	$ 74.38	$ 63.73

NOTE 12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

We have certain assets and liabilities that are required to be measured and disclosed at fair value. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use the fair value hierarchy established in ASC 820-10 to measure fair value to prioritize the inputs:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 — Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The assets held in a Non-Qualified Supplemental Savings Plan are carried at fair value and totaled $16.2 million and $13.9 million at September 30, 2018 and 2017, respectively. The assets are comprised of mutual funds that are measured using Level 1 inputs.

Short-term investments include securities classified as trading securities. Both realized and unrealized gains and losses on trading securities are included in other income (expense) in the Consolidated Statements of Operations. The securities are recorded at fair value.

Our non-financial assets, such as intangible assets, goodwill and property, plant and equipment, are recorded at fair value when acquired in a business combination or when an impairment charge is recognized. If measured at fair value in the Consolidated Balance Sheets, these would generally be classified within Level 2 or 3 of the fair value hierarchy. Refer to Note 3—Business Combinations, Note 5—Property, Plant and Equipment and Note 6—Goodwill and Intangible Assets for details on these fair value measurements.

The majority of cash equivalents are invested in highly-liquid money-market mutual funds invested primarily in direct or indirect obligations of the U.S. Government. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those investments.

The carrying value of other current assets, accrued liabilities and other liabilities approximated fair value at September 30, 2018 and 2017.

The following table summarizes our assets measured at fair value presented in our Consolidated Balance Sheet as of September 30, 2018:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(in thousands)			
Recurring fair value measurements:				
Short-term investments:				
Certificates of deposit	$ 1,500	$ —	$ 1,500	$ —
Corporate and municipal debt securities	17,518	—	17,518	—
U.S. government and federal agency securities	22,443	22,443	—	—
Total short-term investments	41,461	22,443	19,018	—
Cash and cash equivalents	284,355	284,355	—	—
Investments	82,496	82,496	—	—
Other current assets	39,830	39,830	—	—
Other assets	2,000	2,000	—	—
Total assets measured at fair value	$ 450,142	$ 431,124	$ 19,018	$ —
Liabilities:				
Contingent earnout liability	$ 11,160	$ —	$ —	$ 11,160

At September 30, 2018, our financial instruments measured at fair value utilizing Level 1 inputs include cash equivalents, U.S. Agency issued debt securities, equity securities with active markets, and money market funds that are classified as restricted assets. The current portion of restricted amounts are included in prepaid expenses and other, and the noncurrent portion is included in other assets. For these items, quoted current market prices are readily available.

At September 30, 2018, assets measured at fair value using Level 2 inputs include certificates of deposit, municipal bonds and corporate bonds measured using broker quotations that utilize observable market inputs.

Our financial instruments measured using Level 3 inputs consist of potential earnout payments associated with the acquisition of MOTIVE in fiscal year 2017. The valuation techniques used for determining the fair value of the potential earnout payments use a Monte Carlo simulation which evaluates numerous potential earnings and pay out scenarios.

The following table presents a reconciliation of changes in fair value of our financial assets and liabilities classified as Level 3 fair value measurements in the fair value hierarchy for the indicated periods:

	2018	2017
	(in thousands)	
Net liabilities at beginning of period	$ 14,879	$ —
Total gains or losses:		
Included in earnings	6,906	14,879
Settlements (1)	(10,625)	—
Net liabilities at end of period	$ 11,160	$ 14,879

(1) Settlements represent earnout payments that have been earned or paid during the period.

The following information presents the supplemental fair value information about long-term fixed-rate debt at September 30, 2018 and September 30, 2017.

	September 30,	
	2018	2017
	(in millions)	
Carrying value of long-term fixed-rate debt	$ 494.0	$ 492.9
Fair value of long-term fixed-rate debt	$ 509.3	$ 529.0

The fair value for the $500 million fixed-rate debt was based on broker quotes at September 30, 2018. The notes are classified within Level 2 of the fair value hierarchy as they are not actively traded in markets.

On an ongoing basis we evaluate the marketable equity securities to determine if any decline in fair value below cost is other-than-temporary. If a decline in fair value below cost is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis established. We review several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near-term prospects of the issuer and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. When securities are sold, the cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold.

The estimated fair value of our available-for-sale securities, reflected on our Consolidated Balance Sheets as Investments, is based on Level 1 inputs. The following is a summary of available-for-sale securities, which excludes assets held in a Non-Qualified Supplemental Savings Plan:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Equity Securities:				
September 30, 2018	$ 38,473	$ 44,023	$ —	$ 82,496
September 30, 2017	$ 38,473	$ 31,700	$ —	$ 70,173

NOTE 13 EMPLOYEE BENEFIT PLANS

We maintain a domestic noncontributory defined benefit pension plan covering certain U.S. employees who meet certain age and service requirements. In July 2003, we revised the Helmerich & Payne, Inc. Employee Retirement Plan ("Pension Plan") to close the Pension Plan to new participants effective October 1, 2003, and reduce benefit accruals for current participants through September 30, 2006, at which time benefit accruals were discontinued and the Pension Plan was frozen.

The following table provides a reconciliation of the changes in the pension benefit obligations and fair value of Pension Plan assets over the two-year period ended September 30, 2017 and a statement of the funded status as of September 30, 2018 and 2017:

	2018	2017
	(in thousands)	
Accumulated Benefit Obligation	$ 106,205	$ 109,976
Changes in projected benefit obligations		
Projected benefit obligation at beginning of year	$ 109,976	$ 109,731
Interest cost	4,077	4,053
Actuarial (gain) loss	(2,143)	3,633
Benefits paid	(5,705)	(7,441)
Projected benefit obligation at end of year	$ 106,205	$ 109,976
Change in plan assets		
Fair value of plan assets at beginning of year	$ 92,816	$ 90,748
Actual return on plan assets	7,754	9,470
Employer contribution	32	39
Benefits paid	(5,705)	(7,441)
Fair value of plan assets at end of year	$ 94,897	$ 92,816
Funded status of the plan at end of year	$ (11,308)	$ (17,160)

The amounts recognized in the Consolidated Balance Sheets at September 30, 2018 and 2017 are as follows (in thousands):

Accrued liabilities	$ (58)	$ (45)
Noncurrent liabilities-other	(11,250)	(17,115)
Net amount recognized	$ (11,308)	$ (17,160)

The amounts recognized in Accumulated Other Comprehensive Income (Loss) at September 30, 2018 and 2017, and not yet reflected in net periodic benefit cost, are as follows (in thousands):

Net actuarial loss	$ (21,693)	$ (28,873)

The amount recognized in Accumulated Other Comprehensive Income (Loss) and not yet reflected in periodic benefit cost expected to be amortized in next year's periodic benefit cost is a net actuarial loss of $1.2 million.

The weighted average assumptions used for the pension calculations were as follows:

	September 30,		
	2018	2017	2016
Discount rate for net periodic benefit costs	3.79 %	3.64 %	4.27 %
Discount rate for year-end obligations	4.27 %	3.79 %	3.64 %
Expected return on plan assets	6.06 %	6.17 %	5.89 %

The mortality table issued by the Society of Actuaries in October 2018 was used for the September 30, 2018 pension calculation. The new mortality information reflects improved life expectancies and projected mortality improvements.

We did not make any contributions to the Pension Plan in fiscal year 2018. In fiscal year 2019, we do not expect minimum contributions required by law to be needed. However, we may make contributions in fiscal year 2019 if needed to fund unexpected distributions in lieu of liquidating pension assets.

Components of the net periodic pension expense (benefit) were as follows:

	Year Ended September 30,		
	2018	2017	2016
	(in thousands)		
Interest cost	$ 4,077	$ 4,053	$ 4,266
Expected return on plan assets	(5,555)	(5,130)	(5,616)
Recognized net actuarial loss	1,926	2,891	2,083
Settlement	913	1,640	4,964
Net pension expense	$ 1,361	$ 3,454	$ 5,697

We record settlement expense when benefit payments exceed the total annual service and interest costs.

The following table reflects the expected benefits to be paid from the Pension Plan in each of the next five fiscal years, and in the aggregate for the five years thereafter (in thousands).

Year Ended September 30,						
2019	2020	2021	2022	2023	2024 – 2028	Total
$ 18,075	$ 7,433	$ 5,684	$ 6,351	$ 6,665	$ 31,813	$ 76,021

Included in the Pension Plan is an unfunded supplemental executive retirement plan.

Investment Strategy and Asset Allocation

Our investment policy and strategies are established with a long-term view in mind. The investment strategy is intended to help pay the cost of the Pension Plan while providing adequate security to meet the benefits promised under the Pension Plan. We maintain a diversified asset mix to minimize the risk of a material loss to the portfolio value that might occur from devaluation of any single investment. In determining the appropriate asset mix, our financial strength and ability to fund potential shortfalls are considered. Pension Plan assets are invested in portfolios of diversified public-market equity securities and fixed income securities. The Pension Plan does not directly hold securities of the Company.

The expected long-term rate of return on Pension Plan assets is based on historical and projected rates of return for current and planned asset classes in the Pension Plan's investment portfolio after analyzing historical experience and future expectations of the return and volatility of various asset classes.

The target allocation for 2019 and the asset allocation for the Pension Plan at the end of fiscal years 2018 and 2017, by asset category, follows:

Asset Category	Target Allocation 2019	Percentage of Plan Assets at September 30, 2018	2017
U.S. equities	45 %	52 %	50 %
International equities	20	15	16
Fixed income	35	33	34
Real estate and other	—	—	—
Total	100 %	100 %	100 %

Plan Assets

The fair value of Pension Plan assets at September 30, 2018 and 2017, summarized by level within the fair value hierarchy described in Note 12—Fair Value Measurement of Financial Instruments, are as follows:

	Fair Value as of September 30, 2018			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Short-term investments	$ 2,745	$ 2,745	$ —	$ —
Mutual funds:				
Domestic stock funds	18,361	18,361	—	—
Bond funds	17,918	17,918	—	—
Balanced funds	17,977	17,977	—	—
International stock funds	14,548	14,548	—	—
Total mutual funds	68,804	68,804	—	—
Domestic common stock	23,232	20,771	2,461	—
Oil and gas properties	116	—	—	116
Total	$ 94,897	$ 92,320	$ 2,461	$ 116

	Fair Value as of September 30, 2017			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Short-term investments	$ 3,488	$ 3,488	$ —	$ —
Mutual funds:				
Domestic stock funds	18,377	18,377	—	—
Bond funds	18,357	18,357	—	—
Balanced funds	18,222	18,222	—	—
International stock funds	14,583	14,583	—	—
Total mutual funds	69,539	69,539	—	—
Domestic common stock	19,692	19,692	—	—
Oil and gas properties	97	—	—	97
Total	$ 92,816	$ 92,719	$ —	$ 97

The Pension Plan's financial assets utilizing Level 1 inputs are valued based on quoted prices in active markets for identical securities. The Pension Plan's Level 2 financial assets include foreign common stock. The Pension Plan's assets utilizing Level 3 inputs consist of oil and gas properties. The fair value of oil and gas properties is determined by Wells Fargo Bank, N.A., based upon actual revenue received for the previous twelve-month period and experience with similar assets.

The following table sets forth a summary of changes in the fair value of the Pension Plan's Level 3 assets for the fiscal years ended September 30, 2018 and 2017:

	Oil and Gas Properties	
	Year Ended September 30,	
	2018	2017
	(in thousands)	
Balance, beginning of year	$ 97	$ 177
Unrealized gains (losses) relating to property still held at the reporting date	19	(80)
Balance, end of year	$ 116	$ 97

Defined Contribution Plan

Substantially all employees on the U.S. payroll may elect to participate in our 401(k)/Thrift Plan by contributing a portion of their earnings. We contribute an amount equal to 100 percent of the first five percent of the participant's compensation subject to certain limitations. The annual expense incurred for this defined contribution plan was $26.6 million, $16.6 million and $21.6 million in fiscal years 2018, 2017 and 2016, respectively.

During fiscal year 2016, we determined that employee workforce reductions which started during 2015 and continued into 2016 due to reduced drilling activity resulted in a partial plan termination of the 401(k)/Thrift Plan. Partial plan terminations result in affected participants becoming fully vested in Company contributions and actual earnings thereon at the termination date. As a result of the partial plan termination status, we accrued additional employer contributions totaling $6.3 million in general and administrative expense in fiscal year 2016.

NOTE 14 SUPPLEMENTAL BALANCE SHEET INFORMATION

The following reflects the activity in our reserve for bad debt for fiscal years 2018, 2017 and 2016:

	2018	2017	2016
	(in thousands)		
Reserve for bad debt:			
Balance at October 1,	$ 5,721	$ 2,696	$ 6,181
Provision for (recovery of) bad debt	2,193	2,016	(2,013)
(Write-off) recovery of bad debt	(1,697)	1,009	(1,472)
Balance at September 30,	$ 6,217	$ 5,721	$ 2,696

Accounts receivable, prepaid expenses and other current assets, accrued liabilities and long-term liabilities at September 30, 2018 and 2017 consist of the following:

	September 30, 2018	September 30, 2017
	(in thousands)	
Accounts receivable, net of reserve:		
Trade receivables	$ 530,859	$ 398,348
Income tax receivable	34,343	78,726
Total accounts receivable, net of reserve	$ 565,202	$ 477,074
Prepaid expenses and other current assets:		
Restricted cash	$ 39,830	$ 32,439
Deferred mobilization	6,484	6,458
Prepaid insurance	6,149	4,060
Prepaid value added tax	1,931	3,870
Prepaid maintenance and rent	8,526	5,940
Prepaid multi-flex rig fabrication	1,327	—
Other	2,151	2,356
Total prepaid expenses and other current assets	$ 66,398	$ 55,123
Accrued liabilities:		
Accrued operating costs	$ 37,528	$ 36,949
Payroll and employee benefits	80,915	54,941
Taxes payable, other than income tax	50,683	35,638
Self-insurance liabilities	15,887	22,159
Deferred income	20,527	25,893
Deferred mobilization	9,662	9,828
Accrued income taxes	7,375	8,011
Escrow	11,258	4,690
Litigation and claims	1,749	1,779
Other	8,920	8,869
Total accrued liabilities	$ 244,504	$ 208,757
Noncurrent liabilities — Other:		
Pension and other non-qualified retirement plans	$ 35,051	$ 37,989
Self-insurance liabilities	39,380	29,037
Contingent earnout liability	11,160	14,879
Deferred mobilization	2,738	7,689
Uncertain tax positions including interest and penalties	2,870	3,562
Other	2,407	8,253
Total noncurrent liabilities — other	$ 93,606	$ 101,409

NOTE 15 COMMITMENTS AND CONTINGENCIES

Purchase Commitments

Equipment, parts and supplies are ordered in advance to promote efficient construction and capital improvement progress. At September 30, 2018, we had purchase commitments for equipment, parts and supplies of approximately $110.4 million.

Guarantee Arrangements

In the normal course of our business, we enter into agreements with financial institutions to provide letters of credit and surety bonds in connection with certain commitments entered into by us. We are contingently liable to these financial institutions in respect of such letters of credit and bonds and have agreed to indemnify the financial institutions for any payments made by them in respect of such letters of credit and bonds. None of these balance sheet arrangements either has, or is likely to have, a material effect on our consolidated financial statements.

Lease Obligations

At September 30, 2018, we were leasing our corporate office headquarters near downtown Tulsa, Oklahoma. We also lease other office space and equipment for use in operations.

Future minimum rental payments required under operating leases having initial or remaining non-cancelable lease terms in excess of a year at September 30, 2018 are as follows:

Fiscal Year	Amount (in thousands)
2019	$ 9,113
2020	6,670
2021	4,357
2022	3,985
2023	3,721
Thereafter	5,095
Total	$ 32,941

Total rent expense was $13.7 million, $14.0 million and $13.5 million for fiscal years 2018, 2017 and 2016, respectively. The future minimum lease payments for our Tulsa corporate office is a material portion of the amounts shown in the table above. This lease agreement commenced on May 30, 2003 and has subsequently been amended, most recently on August 25, 2017. The agreement will expire on January 31, 2025; however, we have two five-year renewal options.

Contingencies

We are party to legal proceedings and regulatory actions from time to time, including a number of cases which are currently pending. We maintain insurance against certain business risks subject to certain deductibles. With the exception of the matters discussed below, none of these legal actions are expected to have a material adverse effect on our financial condition, cash flows or results of operations.

During the ordinary course of our business, contingencies arise resulting from an existing condition, situation, or set of circumstances involving an uncertainty as to the realization of a possible gain contingency. We account for gain contingencies in accordance with the provisions of ASC 450, *Contingencies*, and, therefore, we do not record gain contingencies and recognize income until realized. The property and equipment of our Venezuelan subsidiary was seized by the Venezuelan government on June 30, 2010. Our wholly-owned subsidiaries, Helmerich & Payne International Drilling Co. (“HPIDC”) and Helmerich & Payne de Venezuela, C.A., filed a lawsuit in the United States District Court for the District of Columbia on September 23, 2011 against the Bolivarian Republic of Venezuela, Petroleos de Venezuela, S.A. (“PDVSA”) and PDVSA Petroleo, S.A. (“Petroleo”). Our subsidiaries seek damages for the taking of their Venezuelan drilling business in violation of international law and for breach of contract. While there exists the possibility of realizing a recovery, we are currently unable to determine the timing or amounts we may receive, if any, or the likelihood of recovery. No contingent gains were recognized in our Consolidated Financial Statements during the fiscal years ended September 30, 2018, 2017 and 2016.

NOTE 16 BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION

Description of the Business

We are a global contract drilling company based in Tulsa, Oklahoma with operations in all major U.S. onshore basins as well as South America and the Middle East. Our contract drilling operations consist mainly of contracting Company-owned drilling equipment primarily to large oil and gas exploration companies. We are the recognized industry leader in drilling as well as technological innovation.

At September 30, 2018, our contract drilling business includes the following reportable operating segments:

- U.S. Land
- Offshore
- International Land

Each reportable operating segment is a strategic business unit that is managed separately and consolidated revenues and expenses reflect the elimination of all material intercompany transactions. Other includes additional non-reportable operating segments. Revenues included in "other" consist of revenue from our drilling technology services as well as rental income.

Segment Performance

We evaluate segment performance based on income or loss from continuing operations (segment operating income) before income taxes which includes:

- Revenues from external and internal customers
- Direct operating costs
- Depreciation and
- Allocated general and administrative costs

but excludes acquisition related costs, corporate costs for other depreciation, income from asset sales and other corporate income and expense.

General and administrative costs are allocated to the segments based primarily on specific identification and, to the extent that such identification is not practical, on other methods which we believe to be a reasonable reflection of the utilization of services provided.

	September 30, 2018					
(in thousands)	U.S. Land	Offshore	International Land	Other	Eliminations	Total
External Sales	$ 2,068,195	$ 142,500	$ 238,356	$ 38,217	$ -	$ 2,487,268
Intersegment	1,189	—	—	1,026	$ (2,215)	-
Total Sales	2,069,384	142,500	238,356	39,243	(2,215)	2,487,268
Segment Operating Income (Loss)	150,698	26,124	(683)	(27,790)	—	148,349
Depreciation and Amortization	505,112	10,392	46,826	21,472	—	583,802
Total Assets	5,012,378	105,439	362,033	735,017	—	6,214,867
Additions to Long-Lived Assets	441,624	4,326	4,424	18,456	—	468,830

	September 30, 2017					
(in thousands)	U.S. Land	Offshore	International Land	Other	Eliminations	Total
External Sales	$ 1,439,523	$ 136,263	$ 212,972	$ 15,983	$ —	$ 1,804,741
Intersegment	—	—	—	862	(862)	—
Total Sales	1,439,523	136,263	212,972	16,845	(862)	1,804,741
Segment Operating Income (Loss)	(94,880)	24,201	(7,224)	(9,449)	—	(87,352)
Depreciation and Amortization	499,486	11,764	53,622	20,671	—	585,543
Total Assets	4,967,074	99,533	413,392	959,986	—	6,439,985
Additions to Long-Lived Assets	394,508	2,847	3,400	7,351	—	408,106

	September 30, 2016					
(in thousands)	U.S. Land	Offshore	International Land	Other	Eliminations	Total
External Sales	$ 1,242,462	$ 138,601	$ 229,894	$ 13,275	$ —	$ 1,624,232
Intersegment	—	—	—	855	(855)	—
Total Sales	1,242,462	138,601	229,894	14,130	(855)	1,624,232
Segment Operating Income (Loss)	74,118	15,659	(14,086)	(7,491)	—	68,200
Depreciation and Amortization	508,237	12,495	57,102	20,753	—	598,587
Total Assets	5,005,299	105,152	487,181	1,234,323	—	6,831,955
Additions to Long-Lived Assets	209,156	9,694	2,364	20,076	—	241,290

The following table reconciles segment operating income (loss) to income from continuing operations before income taxes as reported on the Consolidated Statements of Operations:

	Year Ended September 30,		
	2018	2017	2016
	(in thousands)		
Segment operating income (loss)	$ 148,349	$ (87,352)	$ 68,200
Income from asset sales	22,660	20,627	9,896
Acquisition related costs	(8,153)	—	—
Corporate selling, general and administrative costs and corporate depreciation	(131,254)	(105,816)	(104,062)
Operating income (loss)	31,602	(172,541)	(25,966)
Other income (expense)			
Interest and dividend income	8,017	5,915	3,166
Interest expense	(24,265)	(19,747)	(22,913)
Gain (loss) on investment securities	1	—	(25,989)
Other	486	1,775	(965)
Total unallocated amounts	(15,761)	(12,057)	(46,701)
Income (loss) from continuing operations before income taxes	$ 15,841	$ (184,598)	$ (72,667)

The following table presents revenues from external customers and long-lived assets by country based on the location of service provided:

	Year Ended September 30,		
	2018	2017	2016
	(in thousands)		
Operating revenues			
United States	$ 2,247,400	$ 1,591,769	$ 1,386,786
Argentina	190,038	157,257	159,427
Colombia	38,793	37,554	20,488
Ecuador	—	6	4,948
Other Foreign	11,037	18,155	52,583
Total	$ 2,487,268	$ 1,804,741	$ 1,624,232
Property, plant and equipment, net			
United States	$ 4,591,913	$ 4,686,235	$ 4,804,328
Argentina	133,617	155,978	183,286
Colombia	74,042	81,798	91,815
Ecuador	10,781	22,298	438
Other Foreign	47,029	54,742	64,866
Total	$ 4,857,382	$ 5,001,051	$ 5,144,733

NOTE 17 GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

In March 2015, Helmerich & Payne International Drilling Co. (“the issuer”), a 100 percent owned subsidiary of Helmerich & Payne, Inc. (“parent”, “the guarantor”), issued senior unsecured notes with an aggregate principal amount of $500.0 million. The notes are fully and unconditionally guaranteed by the parent. No subsidiaries of the parent currently guarantee the notes, subject to certain provisions that if any subsidiary guarantees certain other debt of the issuer or parent, then such subsidiary will provide a guarantee of the obligation under the notes.

In connection with the notes, we are providing the following condensed consolidating financial information in accordance with the Securities and Exchange Commission disclosure requirements, so that separate financial statements of the issuer are not required to be filed. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements. Condensed consolidating financial information for the issuer, Helmerich & Payne International Drilling Co., and parent, guarantor, Helmerich & Payne, Inc. is shown in the tables below.

CONDENSED CONSOLIDATING BALANCE SHEETS

(In thousands)	Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
	September 30, 2018				
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 273,214	$ 11,141	$ —	$ 284,355
Short-term investments	—	41,461	—	—	41,461
Accounts receivable, net of allowance	(29)	499,644	65,859	(272)	565,202
Inventories of materials and supplies	—	127,154	30,980	—	158,134
Prepaid expenses and other	20,783	10,649	35,539	(573)	66,398
Total current assets	20,754	952,122	143,519	(845)	1,115,550
Investments	16,200	82,496	—	—	98,696
Property, plant and equipment, net	46,859	4,515,077	295,446	—	4,857,382
Intercompany receivables	161,532	2,024,652	294,206	(2,480,390)	—
Goodwill	—	—	64,777	—	64,777
Intangible assets, net	—	—	73,207	—	73,207
Other assets	268	907	4,080	—	5,255
Investment in subsidiaries	5,981,197	172,513	—	(6,153,710)	—
Total assets	$ 6,226,810	$ 7,747,767	$ 875,235	$ (8,634,945)	$ 6,214,867
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ 83,819	$ 43,626	$ 5,483	$ (264)	$ 132,664
Accrued liabilities	43,449	164,542	37,093	(580)	244,504
Total current liabilities	127,268	208,168	42,576	(844)	377,168
Noncurrent liabilities:					
Long-term debt	—	493,968	—	—	493,968
Deferred income taxes	(7,112)	834,714	25,534	—	853,136
Intercompany payables	1,701,694	178,759	599,837	(2,480,290)	—
Other	22,225	48,836	22,545	—	93,606
Noncurrent liabilities - discontinued operations	—	—	14,254	—	14,254
Total noncurrent liabilities	1,716,807	1,556,277	662,170	(2,480,290)	1,454,964
Shareholders' equity:					
Common stock	11,201	100	—	(100)	11,201
Additional paid-in capital	500,393	52,437	1,040	(53,477)	500,393
Retained earnings	4,027,779	5,910,955	169,449	(6,080,404)	4,027,779
Accumulated other comprehensive income	16,550	19,830	—	(19,830)	16,550
Treasury stock, at cost	(173,188)	—	—	—	(173,188)
Total shareholders' equity	4,382,735	5,983,322	170,489	(6,153,811)	4,382,735
Total liabilities and shareholders' equity	$ 6,226,810	$ 7,747,767	$ 875,235	$ (8,634,945)	$ 6,214,867

(In thousands)	September 30, 2017 Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 507,504	$ 13,871	$ —	$ 521,375
Short-term investments	—	44,491	—	—	44,491
Accounts receivable, net of allowance	766	411,599	64,714	(5)	477,074
Inventories of materials and supplies	—	102,470	34,734	—	137,204
Prepaid expenses and other	12,200	6,383	36,982	(442)	55,123
Total current assets	12,966	1,072,447	150,301	(447)	1,235,267
Investments	13,853	70,173	—	—	84,026
Property, plant and equipment, net	49,851	4,609,144	342,056	—	5,001,051
Intercompany receivables	90,885	1,746,662	248,540	(2,086,087)	—
Goodwill	—	—	51,705	—	51,705
Intangible assets, net	—	—	50,785	—	50,785
Other assets	4,955	3,839	8,360	—	17,154
Investment in subsidiaries	5,470,050	183,382	—	(5,653,432)	—
Total assets	$ 5,642,560	$ 7,685,647	$ 851,747	$ (7,739,966)	$ 6,439,988
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ 82,947	$ 48,092	$ 4,589	$ —	$ 135,628
Accrued liabilities	26,698	148,491	34,015	(447)	208,757
Total current liabilities	109,645	196,583	38,604	(447)	344,385
Noncurrent liabilities:					
Long-term debt	—	492,902	—	—	492,902
Deferred income taxes	(11,201)	1,286,381	57,509	—	1,332,689
Intercompany payables	1,354,068	210,823	521,096	(2,085,987)	—
Other	25,457	43,471	32,481	—	101,409
Noncurrent liabilities - discontinued operations	—	—	4,012	—	4,012
Total noncurrent liabilities	1,368,324	2,033,577	615,098	(2,085,987)	1,931,012
Shareholders’ equity:					
Common stock	11,196	100	—	(100)	11,196
Additional paid-in capital	487,248	52,437	1,039	(53,476)	487,248
Retained earnings	3,855,686	5,396,212	197,006	(5,593,218)	3,855,686
Accumulated other comprehensive income	2,300	6,738	—	(6,738)	2,300
Treasury stock, at cost	(191,839)	—	—	—	(191,839)
Total shareholders’ equity	4,164,591	5,455,487	198,045	(5,653,532)	4,164,591
Total liabilities and shareholders’ equity	$ 5,642,560	$ 7,685,647	$ 851,747	$ (7,739,966)	$ 6,439,988

Table of Contents

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

(In thousands)	Year Ended September 30, 2018 Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating revenue	$ —	$ 2,210,695	$ 276,660	$ (87)	$ 2,487,268
Operating costs and other	14,276	2,120,465	321,863	(938)	2,455,666
Operating income (loss) from continuing operations	(14,276)	90,230	(45,203)	851	31,602
Other income (expense), net	526	7,363	1,466	(851)	8,504
Interest expense	(499)	(20,426)	(3,340)	—	(24,265)
Equity in net income (loss) of subsidiaries	498,055	(11,039)	—	(487,016)	—
Income (loss) from continuing operations before income taxes	483,806	66,128	(47,077)	(487,016)	15,841
Income tax (benefit) provision	1,134	(448,613)	(29,690)	—	(477,169)
Income (loss) from continuing operations	482,672	514,741	(17,387)	(487,016)	493,010
Income from discontinued operations before income taxes	—	—	23,389	—	23,389
Income tax provision	—	—	33,727	—	33,727
Loss from discontinued operations	—	—	(10,338)	—	(10,338)
Net income (loss)	$ 482,672	$ 514,741	$ (27,725)	$ (487,016)	$ 482,672

(In thousands)	Year Ended September 30, 2017 Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Operating revenue	$ —	$ 1,575,787	$ 229,021	$ (67)	$ 1,804,741
Operating costs and other	16,566	1,707,473	254,125	(882)	1,977,282
Operating income (loss) from continuing operations	(16,566)	(131,686)	(25,104)	815	(172,541)
Other income (expense), net	(240)	7,342	1,403	(815)	7,690
Interest expense	(398)	(20,136)	787	—	(19,747)
Equity in net income (loss) of subsidiaries	(116,212)	(8,012)	—	124,224	—
Income (loss) from continuing operations before income taxes	(133,416)	(152,492)	(22,914)	124,224	(184,598)
Income tax benefit	(5,204)	(38,600)	(12,931)	—	(56,735)
Income (loss) from continuing operations	(128,212)	(113,892)	(9,983)	124,224	(127,863)
Income from discontinued operations before income taxes	—	—	3,285	—	3,285
Income tax provision	—	—	3,634	—	3,634
Loss from discontinued operations	—	—	(349)	—	(349)
Net income (loss)	$ (128,212)	$ (113,892)	$ (10,332)	$ 124,224	$ (128,212)

(In thousands)	Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
	Year Ended September 30, 2016				
Operating revenue	$ —	$ 1,373,511	$ 250,791	$ (70)	$ 1,624,232
Operating costs and other	13,145	1,358,269	280,107	(1,323)	1,650,198
Operating income (loss) from continuing operations	(13,145)	15,242	(29,316)	1,253	(25,966)
Other expense, net	(194)	(22,243)	(98)	(1,253)	(23,788)
Interest expense	(375)	(20,256)	(2,282)	—	(22,913)
Equity in net income (loss) of subsidiaries	(47,166)	(14,472)	—	61,638	—
Loss from continuing operations before income taxes	(60,880)	(41,729)	(31,696)	61,638	(72,667)
Income tax (benefit) provision	(4,052)	5,127	(20,752)	—	(19,677)
Income (loss) from continuing operations	(56,828)	(46,856)	(10,944)	61,638	(52,990)
Income from discontinued operations before income taxes	—	—	2,360	—	2,360
Income tax provision	—	—	6,198	—	6,198
Loss from discontinued operations	—	—	(3,838)	—	(3,838)
Net income (loss)	$ (56,828)	$ (46,856)	$ (14,782)	$ 61,638	$ (56,828)

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Year Ended September 30, 2018 Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net income (loss)	$ 482,672	$ 514,741	$ (27,725)	$ (487,016)	$ 482,672
Other comprehensive income, net of income taxes:					
Unrealized appreciation on securities, net	—	9,001	—	—	9,001
Minimum pension liability adjustments, net	1,137	4,112	—	—	5,249
Other comprehensive income	1,137	13,113	—	—	14,250
Comprehensive income (loss)	$ 483,809	$ 527,854	$ (27,725)	$ (487,016)	$ 496,922

(In thousands)	Year Ended September 30, 2017 Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net loss	$ (128,212)	$ (113,892)	$ (10,332)	$ 124,224	$ (128,212)
Other comprehensive income, net of income taxes:					
Unrealized depreciation on securities, net	—	(829)	—	—	(829)
Minimum pension liability adjustments, net	860	2,473	—	—	3,333
Other comprehensive income	860	1,644	—	—	2,504
Comprehensive loss	$ (127,352)	$ (112,248)	$ (10,332)	$ 124,224	$ (125,708)

(In thousands)	Year Ended September 30, 2016 Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net loss	$ (56,828)	$ (46,856)	$ (14,782)	$ 61,638	$ (56,828)
Other comprehensive loss, net of income taxes:					
Unrealized appreciation on securities, net	—	2,772	—	—	2,772
Reclassification of realized losses in net income, net	—	926	—	—	926
Minimum pension liability adjustments, net	(63)	(2,462)	—	—	(2,525)
Other comprehensive income (loss)	(63)	1,236	—	—	1,173
Comprehensive loss	$ (56,891)	$ (45,620)	$ (14,782)	$ 61,638	$ (55,655)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended September 30, 2018 Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net cash provided by operating activities	$ 759	$ 539,476	$ 4,296	$ —	$ 544,531
Cash flows from investing activities:					
Capital expenditures	(12,723)	(443,743)	(10,118)	—	(466,584)
Purchase of short-term investments	—	(71,049)	—	—	(71,049)
Payment for acquisition of business, net of cash acquired	(47,886)	—	—	—	(47,886)
Proceeds from sale of short-term investments	—	68,776	—	—	68,776
Intercompany transfers	60,609	(60,609)	—	—	—
Proceeds from asset sales	—	41,289	3,092	—	44,381
Net cash used in investing activities	—	(465,336)	(7,026)	—	(472,362)
Cash flows from financing activities:					
Intercompany transfers	308,430	(308,430)	—	—	—
Dividends paid	(308,430)	—	—	—	(308,430)
Payments for employee taxes on net settlement of equity awards	(7,114)	—	—	—	(7,114)
Proceeds from stock option exercises	6,355	—	—	—	6,355
Net cash provided by (used in) financing activities	(759)	(308,430)	—	—	(309,189)
Net increase (decrease) in cash and cash equivalents	—	(234,290)	(2,730)	—	(237,020)
Cash and cash equivalents, beginning of period	—	507,504	13,871	—	521,375
Cash and cash equivalents, end of period	$ —	$ 273,214	$ 11,141	$ —	$ 284,355

(In thousands)	Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
	Year Ended September 30, 2017, as adjusted				
Net cash (used in) provided by operating activities	$ (4,686)	$ 354,711	$ 11,606	$ —	$ 361,631
Cash flows from investing activities:					
Capital expenditures	(4,264)	(387,392)	(5,911)	—	(397,567)
Purchase of short-term investments	—	(69,866)	—	—	(69,866)
Payment for acquisition of business, net cash acquired	(70,416)	—	—	—	(70,416)
Proceeds from sale of short-term investments	—	69,449	—	—	69,449
Intercompany transfers	74,680	(74,680)	—	—	—
Proceeds from asset sales	—	22,724	688	—	23,412
Net cash used in investing activities	—	(439,765)	(5,223)	—	(444,988)
Cash flows from financing activities:					
Intercompany transfers	305,515	(305,515)	—	—	—
Dividends paid	(305,515)	—	—	—	(305,515)
Payments for employee taxes on net settlement of equity awards	(6,599)	—	—	—	(6,599)
Proceeds from stock option exercises	11,285	—	—	—	11,285
Net cash provided by (used in) financing activities	4,686	(305,515)	—	—	(300,829)
Net increase (decrease) in cash and cash equivalents	—	(390,569)	6,383	—	(384,186)
Cash and cash equivalents, beginning of period	—	898,073	7,488	—	905,561
Cash and cash equivalents, end of period	$ —	$ 507,504	$ 13,871	$ —	$ 521,375

(In thousands)	Helmerich & Payne, Inc. (Guarantor)	Helmerich & Payne International Drilling Co. (Issuer)	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
	September 30, 2016, as adjusted				
Net cash provided by (used in) operating activities	$ 2,863	$ 777,756	$ (26,088)	$ —	$ 754,531
Cash flows from investing activities:					
Capital expenditures	(16,119)	(235,078)	(5,972)	—	(257,169)
Purchase of short-term investments	—	(57,276)	—	—	(57,276)
Proceeds from sale of short-term investments	—	58,381	—	—	58,381
Intercompany transfers	16,119	(16,119)	—	—	—
Proceeds from asset sales	9	19,237	2,599	—	21,845
Net cash provided by (used in) investing activities	9	(230,855)	(3,373)	—	(234,219)
Cash flows from financing activities:					
Payments on long-term debt	—	(40,000)	—	—	(40,000)
Debt issuance costs	—	(1,111)	—	—	(1,111)
Intercompany transfers	300,152	(300,152)	—	—	—
Dividends paid	(300,152)	—	—	—	(300,152)
Payments from employee taxes on net settlement of equity awards	(5,646)	—	—	—	(5,646)
Proceeds from stock option exercises	2,774	—	—	—	2,774
Net cash used in financing activities	(2,872)	(341,263)	—	—	(344,135)
Net increase (decrease) in cash and cash equivalents	—	205,638	(29,461)	—	176,177
Cash and cash equivalents, beginning of period	—	692,435	36,949	—	729,384
Cash and cash equivalents, end of period	$ —	$ 898,073	$ 7,488	$ —	$ 905,561

NOTE 18 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

2018	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total (1)
Operating revenues	$ 564,087	$ 577,484	$ 648,872	$ 696,825	$ 2,487,268
Operating income (loss)	3,520	(1,253)	6,217	23,118	31,602
Income (loss) from continuing operations	500,642	(1,633)	(8,174)	2,175	493,010
Net income (loss)	500,106	(11,879)	(8,008)	2,453	482,672
Basic earnings per common share:					
Income (loss) from continuing operations	4.57	(0.03)	(0.08)	0.02	4.49
Net income (loss)	4.57	(0.12)	(0.08)	0.02	4.39
Diluted earnings per common share:					
Income (loss) from continuing operations	4.55	(0.03)	(0.08)	0.02	4.47
Net income (loss)	4.55	(0.12)	(0.08)	0.02	4.37

(1) The sum of earnings per share for the four quarters may not equal the total earnings per share for the fiscal year due to changes in the average number of common shares outstanding.

In the first quarter of fiscal year 2018, net income includes a tax benefit of approximately $502.1 million, or $4.59 per share on a diluted basis, an after-tax gain from the sale of assets of $4.2 million, or $0.04 per share on a diluted basis. In the second quarter of fiscal year 2018, net loss includes an after-tax gain from the sale of assets of $3.8 million, or $0.04 per share on a diluted basis. In the third quarter of fiscal year 2018, net loss includes an after-tax gain from the sale of assets of $3.1 million, or $0.02 per share on a diluted basis. In the fourth quarter of fiscal year 2018, net loss includes an after-tax gain from the sale of assets of $5.5 million, or $0.05 per share on a diluted basis and an after-tax loss from asset impairments of approximately $17.2 million, or $0.16 per share on a diluted basis.

2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total (1)
Operating revenues	$ 368,590	$ 405,283	$ 498,564	$ 532,304	$1,804,741
Operating loss	(49,164)	(65,672)	(28,028)	(29,677)	(172,541)
Loss from continuing operations	(34,554)	(48,473)	(23,125)	(21,711)	(127,863)
Net loss	(35,063)	(48,818)	(21,799)	(22,532)	(128,212)
Basic earnings per common share:					
Loss from continuing operations	(0.33)	(0.45)	(0.22)	(0.20)	(1.20)
Net loss	(0.33)	(0.45)	(0.21)	(0.21)	(1.20)
Diluted earnings per common share:					
Loss from continuing operations	(0.33)	(0.45)	(0.22)	(0.20)	(1.20)
Net loss	(0.33)	(0.45)	(0.21)	(0.21)	(1.20)

(1) The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to changes in the average number of common shares outstanding.

In the first quarter of fiscal year 2017, net loss includes an after-tax gain from the sale of assets of $0.6 million, or $0.01 per share on a diluted basis. In the second quarter of fiscal year 2017, net loss includes an after-tax gain from the sale of assets of $10.1 million, or $0.09 per share on a diluted basis. In the third quarter of fiscal year 2017, net loss includes an after-tax gain from the sale of assets of $1.3 million, or $0.01 per share on a diluted basis. In the fourth quarter of fiscal year 2017, net loss includes an after-tax gain from the sale of assets of $2.3 million, or $0.02 per share on a diluted basis.

NOTE 19 SUBSEQUENT EVENTS

On November 13, 2018, we entered into the 2018 Credit Facility, which will mature on November 13, 2023. The 2018 Credit Facility has $750 million in aggregate availability with a maximum of $75 million available for use as letters of credit. The 2018 Credit Facility also permits aggregate commitments under the facility to be increased by $300 million, subject to the satisfaction of certain conditions and the procurement of additional commitments from new or existing lenders. The 2018 Credit Facility is currently guaranteed by our wholly-owned direct subsidiary, HPIDC, which guarantee is subject to release following certain events set forth in the 2018 Credit Facility. The borrowings under the 2018 Credit Facility accrue interest at a spread over either the London Interbank Offered Rate (LIBOR) or the Base Rate. We also pay a commitment fee based on the unused balance of the facility. Borrowing spreads as well as commitment fees are determined based on the debt rating for senior unsecured debt of the Company or HPIDC as determined by Moody’s and S&P. The spread over LIBOR ranges from 0.875 percent to 1.500 percent per annum and commitment fees range from 0.075 percent to 0.200 percent per annum. Based on the unsecured debt rating of HPIDC on September 30, 2018, the spread over LIBOR would have been 1.125 percent and commitment fees would have been 0.125 percent. There is a financial covenant in the 2018 Credit Facility that requires us to maintain a total debt to total capitalization ratio of less than 50 percent. The 2018 Credit Facility contains additional terms, conditions, restrictions and covenants that we believe are usual and customary in unsecured debt arrangements for companies of similar size and credit quality, including a limitation that priority debt (as defined in the credit agreement) may not exceed 17.5 percent of the net worth of the Company. As of the closing, there were no borrowings, but there were three letters of credit outstanding in the amount of $38.0 million, and we had $712.0 million available to borrow under the 2018 Credit Facility.

In connection with entering into the 2018 Credit Facility, we terminated our $300 million unsecured credit facility under the credit agreement dated as of July 13, 2016 by and among HPIDC, as borrower, the Company, as guarantor, Wells Fargo, National Association, as administrative agent, and the lenders party thereto.

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

None.

Item 9A. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report have been designed and are effective at the reasonable assurance level so that the information required to be disclosed by us in our periodic SEC filings, is recorded, processed, summarized and reported within the time periods specific in the SEC's rules, regulations, and forms and is communicated to management. We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

b) Management's Report on Internal Control over Financial Reporting.

A copy of our Management's Report on Internal Control over Financial Reporting is included in Item 8 of this Form 10-K.

c) Attestation Report of the Independent Registered Public Accounting Firm.

A copy of the report of Ernst & Young LLP, our independent registered public accounting firm, is included in Item 8 of this Form 10-K.

d) Changes in Internal Control Over Financial Reporting.

None.

***

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference to the material under the captions "Proposal 1—Election of Directors," "Corporate Governance," "Executive Officers of the Company" in Part I and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 5, 2019, to be filed with the SEC not later than 120 days after September 30, 2018.

We have adopted a Code of Ethics for Principal Executive Officer and Senior Financial Officers. The text of this code is located on our website under "Corporate Governance." Our Internet address is www.hpinc.com. We intend to disclose any amendments to or waivers from this code on our website.

Item 11. EXECUTIVE COMPENSATION

The information required by this item regarding executive compensation, as well as director compensation and compensation committee interlocks and insider participation is incorporated herein by reference to the material beginning with the caption "Executive Compensation Discussion and Analysis" and ending with the caption "Potential Payments Upon Change-in-Control", as well as under the captions "Director Compensation in Fiscal 2018" and "Corporate Governance—Compensation Committee Interlocks and Insider Participation" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 5, 2019, to be filed with the SEC not later than 120 days after September 30, 2018.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the material under the captions "Summary of All Existing Equity Compensation Plans," "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 5, 2019, to be filed with the SEC not later than 120 days after September 30, 2018.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the material under the captions "Corporate Governance—Transactions With Related Persons, Promoters and Certain Control Persons" and "Corporate Governance—Director Independence" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 5, 2019, to be filed with the SEC not later than 120 days after September 30, 2018.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the material under the caption "Proposal 2—Ratification of Appointment of Independent Auditors—Audit Fees" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 5, 2019, to be filed with the SEC not later than 120 days after September 30, 2018.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. *Financial Statements*: Our consolidated financial statements, together with the notes thereto and the report of Ernst & Young LLP dated November 16, 2018, are listed below and included in Item 8—"Financial Statements and Supplementary Data" of this Form 10-K.

2. Financial Statement Schedules: All schedules are omitted because they are not applicable or required or because the required information is contained in the financial statements or included in the notes thereto.

3. *Exhibits*. The following documents are included as exhibits to this Form 10-K. Exhibits incorporated by reference are duly noted as such.

2.1	Agreement and Plan of Merger dated May 22, 2017, by and among Helmerich & Payne, Inc., MOTIVE Drilling Technologies, Inc., Spring Merger Sub, Inc., and Shareholder Representative Services LLC (incorporated herein by reference to Exhibit 2.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, SEC File No. 001-04221).
3.1	Amended and Restated Certificate of Incorporation of Helmerich & Payne, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on March 14, 2012, SEC File No. 001-04221).
3.2	Amended and Restated By-laws of Helmerich & Payne, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on December 5, 2017, SEC File No. 001-04221).
4.1	Indenture, dated March 19, 2015, by and among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc. and Wells Fargo Bank, National Association, including the form of 4.65% Senior Notes due 2025 (incorporated herein by reference to Exhibit 4.1 of the Company's Form 8-K filed on March 19, 2015, SEC File No. 001-04221).
4.2	First Supplemental Indenture, dated March 19, 2015, by and between Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc. and Wells Fargo Bank, National Association is incorporated herein by reference to Exhibit 4.2 of the Company's Form 8-K filed on March 19, 2015, SEC File No. 001-04221.
10.1	Credit Agreement, dated July 13, 2016, among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc., the lenders from time to time party thereto and Wells Fargo Bank, National Association (incorporated herein reference to Exhibit 10.1 of the Company's Form 8-K filed on July 13, 2016, SEC File No. 001-04221.
10.2	Credit Agreement, dated November 13, 2018, among Helmerich & Payne, Inc., the lenders from time to time party thereto and Wells Fargo Bank, National Association.
*10.3	Change of Control Agreement applicable to Chief Executive Officer of Helmerich & Payne, Inc., dated June 1, 2016 (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, SEC File No. 001-04221).

*10.4	Change of Control Agreement applicable to certain other officers (other than CEO) and employees of Helmerich & Payne, Inc., dated June 1, 2016 (incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, SEC File No. 001-04221).
10.5	Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan (incorporated herein by reference to Appendix "A" of the Company's Proxy Statement on Schedule 14A filed on January 26, 2006, SEC File No. 001-04221).
*10.6	2012-1 Amendment to Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, SEC File No. 001-04221).
*10.7	Form of Agreements for Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan applicable to and (iii) Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed on December 7, 2009, SEC File No. 001-04221).
*10.8	Form of Agreements for the Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan applicable to Option Agreement, and (iii) Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.3 of the Company's Form 8-K filed on December 7, 2009, SEC File No. 001-04221).
*10.9	Form of Amendment to Nonqualified Stock Option Award Agreements and Amendment to Restricted Stock Award Agreements for the Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan applicable to certain executive officers (incorporated herein by reference to Exhibit 10.4 of the Company's Form 8-K filed on December 7, 2009, SEC File No. 001-04221).
*10.10	Form of Amendment to Nonqualified Stock Option Award Agreements and Amendment to Restricted Stock Award Agreements for the Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan applicable to participants other than certain executive officers (incorporated herein by reference to Exhibit 10.5 of the Company's Form 8-K filed on December 7, 2009, SEC File No. 001-04221).
*10.11	Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan (incorporated herein by reference to Appendix "A" of the Company's Proxy Statement on Schedule 14A filed on January 26, 2011, SEC File No. 001-04221).
*10.12	Form of Nonqualified Stock Option Agreement for Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan applicable to certain executives (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on March 14, 2012, SEC File No. 001-04221).
*10.13	Form of Nonqualified Stock Option Agreement for the Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan applicable to participants other than certain executives (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed on March 14, 2012, SEC File No. 001-04221).
*10.14	Form of Restricted Stock Award Agreement for Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan applicable to certain executives (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013, SEC File No. 001-04221).
*10.15	Form of Restricted Stock Award Agreement for the Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan applicable to participants other than certain executives (incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013, SEC File No. 001-04221).
*10.16	Form of Agreements for the Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan applicable to Agreement (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on March 14, 2012, SEC File No. 001-04221).
*10.17	Helmerich & Payne, Inc. 2016 Omnibus Incentive Plan (incorporated herein by reference to Appendix "A" of the Company's Proxy Statement on Schedule 14A filed on January 19, 2016, SEC File No. 001-04221).

*10.18	Form of Agreements for Helmerich & Payne, Inc. 2016 Omnibus Incentive Plan applicable to certain Agreement (incorporated herein by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, SEC File No. 001-04221).
*10.19	Form of Agreements for Helmerich & Payne, Inc. 2016 Omnibus Incentive Plan applicable to participants other than certain executives: (i) Nonqualified Stock Option Agreement and (ii) Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K for fiscal year ended September 30, 2016, SEC File No. 001-04221).
*10.20	Form of Agreements for Helmerich & Payne, Inc. 2016 Omnibus Incentive Plan applicable to Agreement (incorporated herein by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, SEC File No. 001-04221).
*10.21	Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc. (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008, SEC File No. 001-04221).
*10.22	Supplemental Savings Plan for Salaried Employees of Helmerich & Payne, Inc. (incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008, SEC File No. 001-04221).
*10.23	Helmerich & Payne, Inc. Director Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008, SEC File No. 001-04221).
21	List of Subsidiaries of the Company.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from this Form 10-K formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

* Management or Compensatory Plan or Arrangement.

Item 16. FORM 10-K SUMMARY

None.

(This page has been left blank intentionally.)

SIGNATURES

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

HELMERICH & PAYNE, INC.

By: /s/ John W. Lindsay
John W. Lindsay,
President and Chief Executive Officer

Date: November 16, 2018

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

Signature	Title	Date
/s/ John W. Lindsay John W. Lindsay	Director, President and Chief Executive Officer (Principal Executive Officer)	November 16, 2018
/s/ Mark W. Smith Mark W. Smith	Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	November 16, 2018
/s/ Hans Helmerich Hans Helmerich	Director and Chairman of the Board	November 16, 2018
/s/ Delany Bellinger Delany Bellinger	Director	November 16, 2018
/s/ Kevin G. Cramton Kevin G. Cramton	Director	November 16, 2018
/s/ Randy A. Foutch Randy A. Foutch	Director	November 16, 2018
/s/ Paula Marshall Paula Marshall	Director	November 16, 2018
/s/ Jose R. Mas Jose R. Mas	Director	November 16, 2018
/s/ Thomas A. Petrie Thomas A. Petrie	Director	November 16, 2018
/s/ Donald F. Robillard, Jr. Donald F. Robillard, Jr.	Director	November 16, 2018
/s/ Edward B. Rust, Jr. Edward B. Rust, Jr.	Director	November 16, 2018
/s/ John D. Zeglis John D. Zeglis	Director	November 16, 2018

Exhibit 10.2
Execution Version
Deal CUSIP: 42345HAC2
Facility CUSIP: 42345HAD0

CREDIT AGREEMENT

dated as of November 13, 2018

among

HELMERICH & PAYNE, INC.,
as Borrower,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, an Issuing Lender, and Swingline Lender,

and

THE LENDERS PARTY HERETO FROM TIME TO TIME,
as Lenders

$750,000,000

WELLS FARGO SECURITIES, LLC, BOKF, NA, BARCLAYS BANK PLC,
HSBC BANK USA, N.A., AND THE BANK OF NOVA SCOTIA, HOUSTON BRANCH,

as Joint Lead Arrangers and Joint Bookrunners

BOKF, NA, BARCLAYS BANK PLC, HSBC BANK USA, N.A., AND
THE BANK OF NOVA SCOTIA, HOUSTON BRANCH,

as Co-Syndication Agents

TABLE OF CONTENTS

Table of Contents
(continued)

Table of Contents
(continued)

Table of Contents
(continued)

CREDIT AGREEMENT

This **CREDIT AGREEMENT** dated as of November 13, 2018 ("Agreement") is among (a) **Helmerich & Payne, Inc**., a Delaware corporation (the "Borrower"), (b) the Lenders (as defined below), (c) the Issuing Lenders (as defined below) and (d) **Wells Fargo Bank, National Association**, as Administrative Agent for the Lenders, an Issuing Lender, and Swingline Lender (each as defined below).

The parties hereto hereby agree as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

Section 1.1 **Certain Defined Terms**. As used in this Agreement, the defined terms set forth in the recitals above shall have the meanings set forth above and the following terms shall have the following meanings:

"Acquisition" means the purchase by the Borrower or any of its Subsidiaries of any business, including the purchase of associated assets or operations or the Equity Interests of a Person.

"Additional Commitment Lender" shall have the meaning assigned to such term in Section 2.1(d)(iii).

"Additional Lender" shall have the meaning assigned to such term in Section 2.1(c).

"Adjusted Base Rate" means, for any day, a fluctuating rate per annum of interest equal to the highest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.5% or (c) the daily LIBOR for a one-month interest period plus 1.0%; provided, that if the Adjusted Base Rate shall be less than zero for a determination, such rate shall be deemed to be zero for such determination. Any change in the Adjusted Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Administrative Agent" means Wells Fargo in its capacity as agent for the Lenders pursuant to Article VIII and any successor agent pursuant to Section 8.6.

"Administrative Questionnaire" means an administrative questionnaire in a form supplied by the Administrative Agent.

"Advance" means a Revolving Advance or a Swingline Advance.

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

"Agreement" has the meaning assigned to such term in the preamble.

"Anti-Corruption Laws" means all applicable Legal Requirements of any jurisdiction from time to time concerning or relating to bribery or corruption, including, without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

"Anti-Money Laundering/Anti-Terrorism Laws" means all applicable Legal Requirements relating to money laundering or terrorist financing, including the Bank Secrecy Act, 31 U.S.C. Sections 5301 et seq.; The Currency and Foreign Transactions Reporting Act (31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959); the Trading With the Enemy Act (50 U.S.C. § 1 et seq., as amended); the Patriot

Act; Laundering of Monetary Instruments, 18 U.S.C. Section 1956; Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity, 18 U.S.C. Section 1957; the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Regulations, 31 C.F.R. Part 103; Executive Order No. 13,224, 66 Fed. Reg. 49,079 (2001) issued by the President of the U.S. (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism); and any similar Legal Requirement currently in force or hereafter enacted.

"Applicable Margin" means, at any time, with respect to each Type of Advance, the Letters of Credit and the Commitment Fees, the percentage rate per annum which is applicable at such time with respect to such Advance, Letter of Credit or Commitment Fee as set forth in Schedule I.

"Applicable Percentage" means, with respect to any Lender, (i) the ratio (expressed as a percentage) of such Lender's Revolving Commitment at such time to the aggregate Revolving Commitments of the Lenders at such time or (ii) if the Revolving Commitments have been terminated or expired, the ratio (expressed as a percentage) of such Lender's Revolving Commitment most recently in effect to the aggregate Revolving Commitments most recently in effect, in each case, after giving effect to any assignments.

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

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

"Assignment and Assumption" means an assignment and assumption executed by a Lender and an Eligible Assignee and accepted by the Administrative Agent and in substantially the form set forth in Exhibit A.

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

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

"Base Rate Advance" means an Advance which bears interest based upon the Adjusted Base Rate as provided in Section 2.9(a).

"Beneficial Ownership Certification" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

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

"Business Day" means any day (a) other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Legal Requirements of, or are in fact closed in, Texas or North Carolina and (b) if the applicable Business Day relates to any Eurodollar Advances, on which dealings are carried on by commercial banks in the London interbank market.

"Capital Leases" means, for any Person, any lease of any Property by such Person as lessee which would, in accordance with GAAP, be required to be classified and accounted for as a capital lease or a finance lease on the balance sheet of such Person.

"Cash Collateral Account" means a special cash collateral account pledged to the Administrative Agent containing cash deposited pursuant to the terms hereof to be maintained with the Administrative Agent in accordance with Section 2.3(g).

"Cash Collateralize" means, to deposit in a Cash Collateral Account or pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the Issuing Lenders or Lenders, as collateral for Letter of Credit Obligations or obligations of Lenders to fund participations in respect of Letter of Credit Obligations, cash or deposit account balances or, if the Administrative Agent and the Issuing Lenders shall agree in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent and the Issuing Lenders. "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, state and local analogs, and all rules and regulations and requirements thereunder.

"Change in Control" means the occurrence of any of the following events: (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 50% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right), or (b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, implementation, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority. For purposes of determining whether there has been a Change in Law, all requests, rules, guidelines or directives under the Dodd-Frank Wall Street Reform and Consumer Protection Act or issued in connection therewith and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Class" has the meaning set forth in Section 1.3.

"Closing Date" means the first date all the conditions precedent in Section 3.1 are satisfied or waived in accordance with Section 9.2.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereof.

"Commitment Fee" means the fees required under Section 2.8(a).

"Commitment Increase" has the meaning set forth in Section 2.1(c).

"Commitment Letter" means that certain commitment letter dated October 15, 2018, among the Borrower, Wells Fargo Securities, LLC, and Wells Fargo.

"Commitments" means, as to any Lender, its Revolving Commitment and as to the Swingline Lender, its Swingline Commitment.

"Communications" shall have the meaning assigned to such term in Section 9.7(b)(i).

"Compliance Certificate" means a compliance certificate executed by a senior financial officer of the Borrower in substantially the same form as Exhibit B.

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

"Contingent Debt" means, with respect to any Person, without duplication, any contingent liabilities, obligations or indebtedness of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection), including (a) any obligations or similar undertakings to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including any obligation to purchase any such Debt or any Property constituting security therefor, to advance or provide funds or other support for the payment or purchase of any such Debt or to maintain working capital, solvency or other balance sheet condition of such other Person (including keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or otherwise to assure or hold harmless the holder of such Debt against loss in respect thereof, (b) obligations to indemnify other Persons against liability or loss, to the extent not arising in the ordinary course of business, and (c) warranty obligations and other contractually assumed obligations, to the extent not arising in the ordinary course of business.

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

"Controlled Group" means all members of a controlled group of corporations and all businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary (as applicable), are treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Sections 412 and 430 of the Code, are treated as a single employer under Section 414(m) or (o) of the Code.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Advances of one Type into a Revolving Advances of another Type pursuant to Section 2.5(b).

"Credit Documents" means this Agreement, the Notes, the Letter of Credit Documents, the Guaranty, the Fee Letter, and each other agreement, instrument, or document executed at any time in connection with this Agreement.

"Credit Extension" means an Advance or a Letter of Credit Extension.

"Credit Parties" means the Borrower and the Guarantors.

"Debt" means, for any Person, without duplication: (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, or upon which interest payments are customarily made; (c) all obligations of such Person under conditional sale or other title retention agreements relating to any Properties purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of Property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within twelve months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (f) all Debt of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned by such Person, whether or not the obligation secured thereby have been assumed (but if such Debt has not been assumed, limited to the lesser of the amount of such Debt and the fair market value of the property securing such Debt), (g) all Contingent Debt of such Person with respect to Debt of another Person, (h) the principal portion of all obligations of such Person under Capital Leases, (i) all net obligations of such Person under Hedging Arrangements, (j) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) all preferred Equity Interests issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, repurchase, redemption or other acceleration any time during the period ending one year after the term of the Agreement, (l) the principal portion of all obligations of such Person under Synthetic Leases, and (m) the Debt of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer, but only to the extent to which there is recourse to such Person for the payment of such Debt. For the avoidance of doubt, the term "Debt" shall not include liability for taxes.

"Debtor Relief Laws" means (a) the Bankruptcy Code of the United States of America, and (b) all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" means (a) an Event of Default or (b) any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

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

"Dollars" and "$" means lawful money of the United States.

"EBITDA" means, without duplication, for the Borrower and its consolidated Subsidiaries, the sum of (a) its Net Income for such period plus (b) to the extent deducted in determining Net Income, Interest Expense, taxes, depreciation, amortization and other non-recurring, non-cash charges and other non-cash extraordinary items for such period minus (c) to the extent included in determining Net Income, non-recurring gains (including gains on the sale of Marketable Securities), in each case determined in accordance with GAAP; provided that such EBITDA shall be subject to pro forma adjustments for Acquisitions and Nonordinary Course Asset Sales assuming that such transactions had occurred on the first day of the determination period, which adjustments shall be made in accordance with the guidelines for pro forma presentations set forth by the SEC.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, (ii) each Issuing Lender, and (iii) unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 9.6, the Borrower (each such approval not to be unreasonably withheld or delayed); provided, however, that (A) the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof and (B) none of (x) the Borrower (y) an Affiliate or a Subsidiary of the Borrower or (y) a Defaulting Lender shall qualify as an Eligible Assignee.

"Environment" or "Environmental" shall have the meanings set forth in 42 U.S.C. 9601(8) (1988).

"Environmental Claim" means any third-party (including governmental agencies and employees) action, lawsuit, claim, demand, regulatory action or proceeding, order, decree, consent agreement or notice of potential or actual responsibility or violation (including claims or proceedings under the Occupational Safety and Health Acts or similar laws or requirements relating to health or safety of employees) which seeks to impose liability under any Environmental Law.

"Environmental Law" means all federal, state, and local laws, rules, regulations, ordinances, orders, decisions, agreements, and other requirements, including common law theories, now or hereafter in effect and relating to, or in connection with the Environment, health, or safety, including without limitation CERCLA, relating to (a) pollution, contamination, injury, destruction, loss, protection, cleanup, reclamation or restoration of the air, surface water, groundwater, land surface or subsurface strata, or other natural resources; (b) solid, gaseous or liquid waste generation, treatment, processing, recycling, reclamation, cleanup, storage, disposal or transportation; (c) exposure to pollutants, contaminants, hazardous, medical infections, or toxic substances, materials or wastes; (d) the safety or health of employees; or (e) the manufacture, processing, handling, transportation, distribution in commerce, use, storage or disposal of hazardous or toxic substances, materials or wastes.

"Environmental Permit" means any permit, license, order, approval, registration or other authorization under Environmental Law.

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

"Equity Interest" means with respect to any Person, any shares, interests, participation, or other equivalents (however designated) of corporate stock, membership interests or partnership interests (or any other ownership interests) of such Person.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Eurodollar Advance" means a Revolving Advance that bears interest based upon the Eurodollar Rate.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Federal Reserve Board as in effect from time to time.

"Eurodollar Rate" means, subject to the implementation of a Replacement Rate in accordance with Section 2.5(g), for the Interest Period for each Eurodollar Advance comprising the same Revolving Borrowing, the interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1%) equal to (a) the applicable London interbank offered rate for deposits in Dollars as published by the ICE Benchmark Administration Limited, a United Kingdom company, as of 11:00 a.m. (London, England time) two Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period and (b) if the rate as determined under clause (a) is not available at such time for any reason, then the rate determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in immediately available funds in the approximate amount of the Eurodollar Advance being made, continued or converted by the Administrative Agent and with a term equivalent to such Interest Period would be offered by the Administrative Agent's London Branch (or other branch or Affiliate of the Administrative Agent, or in the event that the Administrative Agent does not have a London Branch, the London Branch of a Lender chosen by the Administrative Agent) to major banks in the London or other offshore interbank market for Dollars at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; provided that, if the rate set forth on the reference page referred to above or provided by such successor or substitute method is less than zero for any determination, the Eurodollar Rate (including, without limitation, any Replacement Rate) shall be deemed to be zero for such determination. Each calculation by the Administrative Agent of the Eurodollar Rate shall be conclusive and binding for all purposes, absent manifest error. Unless otherwise specified in any amendment to this Agreement entered into in accordance with Section 2.5(g), in the event that a Replacement Rate with respect to the Eurodollar Rate is implemented then all references herein and in the other Credit Documents to Eurodollar Rate shall be deemed referenced to such Replacement Rate.

"<u>Event of Default</u>" has the meaning specified in Section 7.1.

"<u>Excluded Taxes</u>" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in an Advance, Letter of Credit, Letter of Credit Obligation or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Advance, Letter of Credit, Letter of Credit Obligation or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.15(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.14, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.14(g) and (d) any withholding Taxes imposed under FATCA.

"<u>Existing Credit Agreement</u>" means that certain Credit Agreement dated as of July 13, 2016, among the Borrower, as parent guarantor, H&P International, as borrower, Wells Fargo, as administrative agent and swingline lender thereunder and as a lender, and the other lenders party thereto from time to time.

"<u>Existing Letters of Credit</u>" means the letters of credit issued or deemed issued under the Existing Credit Agreement including those listed on <u>Schedule 1.1</u>.

"<u>Existing Maturity Date</u>" shall have the meaning assigned to such term in Section 2.1(d)(i).

"<u>Extending Lender</u>" shall have the meaning assigned to such term in Section 2.1(d)(ii).

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version of such Sections that is substantively comparable and not materially more onerous to comply with), any current or future regulations promulgated thereunder or official interpretation thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreement, treaty or convention entered into in connection with such Sections of the Code and any fiscal or regulatory legislation, rules or official administrative practices adopted pursuant to any such intergovernmental agreement, treaty or convention.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted median of the rates on overnight Federal funds transactions with members of the Federal Reserve System reported by depository institutions on such day for individual transactions, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent (in its individual capacity) on such day on such transactions as determined by the Administrative Agent, and (c) in any event, the Federal Funds Rate shall not be less than zero.

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System or any of its successors.

“Fee Letter” means that certain fee letter dated as of October 15, 2018, among the Borrower, Wells Fargo Securities, LLC, and Wells Fargo.

“Financial Statements” means, for any period, the consolidated financial statements of the Borrower and its consolidated Subsidiaries, including statements of income, retained earnings and cash flow for such period as well as a balance sheet as of the end of such period, all prepared in accordance with GAAP.

“Foreign Lender” means a Lender that is not a U.S. Person.

“Forward Sale Contract” means a prepaid forward sale agreement in which the Borrower receives an up-front payment in exchange for a commitment to deliver securities in the future, with the number of shares to be delivered varying with the share price at maturity.

“Fronting Exposure” means, at any time there is a Defaulting Lender, (a) with respect to each Issuing Lender, such Defaulting Lender’s Applicable Percentage of the outstanding Letter of Credit Obligations other than Letter of Credit Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to the Swingline Lender, such Defaulting Lender’s Applicable Percentage of outstanding Swingline Advances other than Swingline Advances as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“Funded Debt” means all Debt of the Borrower and its consolidated Subsidiaries of the types described in clauses (a), (b), (c), (d), (f), (g), (h), (j), (l) and (m) of the definition of “Debt” (but with respect to (y) Debt described such clauses (f) and (g), only to the extent such Debt relates to the types of Debt described above and excluding any intercompany Debt of the Borrower and its Subsidiaries and (z) Debt described in such clause (j), only to the extent drawn and unreimbursed).

"Funded Leverage Ratio" means, as of the end of any fiscal quarter, the ratio (expressed as a percentage) of (a) all Funded Debt, minus the aggregate amount of any Funded Debt incurred as the direct result of Forward Sale Contracts relating to securities held in the Investment Portfolio, as long as such Funded Debt is fully secured by Marketable Securities, to (b) the sum of (i) all Funded Debt plus (ii) the consolidated Net Worth of the Borrower, each as of the last day of such fiscal quarter.

"GAAP" means United States generally accepted accounting principles as in effect from time to time, applied on a basis consistent with the requirements of Section 1.2.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantors" means H&P International and any other Person that now or hereafter executes a Guaranty or a joinder or supplement to a Guaranty, until such time that H&P International or any other such Person is released from its Guaranty in accordance with the terms hereof.

"Guaranty" means a guaranty, in favor of the Administrative Agent for the benefit of the Lender Parties, substantially in the form of Exhibit C made by H&P International and any other Person party thereto as a guarantor from time to time.

"H&P International" means Helmerich & Payne International Drilling Co., a Delaware corporation.

"Hazardous Substance" means any substance or material identified as such pursuant to CERCLA and those regulated under any other Environmental Law, including without limitation pollutants, contaminants, petroleum, petroleum products, radionuclides, and radioactive materials.

"Hazardous Waste" means any substance or material regulated or designated as such pursuant to any Environmental Law, including without limitation, pollutants, contaminants, flammable substances and materials, explosives, radioactive materials, oil, petroleum and petroleum products, chemical liquids and solids, polychlorinated biphenyls, asbestos, toxic substances, and similar substances and materials.

"Hedging Arrangement" means a hedge, call, swap, collar, floor, cap, option, forward sale or purchase or other contract or similar arrangement (including any obligations to purchase or sell any commodity or security at a future date for a specific price) which is entered into to reduce or eliminate or otherwise protect against the risk of fluctuations in prices or rates, including interest rates, foreign exchange rates, commodity prices and securities prices.

"Increase Date" means the effective date of a Commitment Increase as provided in Section 2.1(c).

"Increasing Lender" shall have the meaning assigned to such term in Section 2.1(c).

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Credit Party under any Credit Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Indemnitees" has the meaning specified in Section 9.1(b).

"Information" shall have the meaning assigned to such term in Section 9.8.

“Interest Expense” means, for any period and with respect to any Person, total interest expense (net of interest income) whether paid or accrued, including, without limitation, all commissions, discounts, and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing, fees owed with respect to the Obligations, the interest component under Capital Leases and net costs under Hedge Arrangements, all as determined in conformity with GAAP.

“Interest Period” means for each Eurodollar Advance comprising part of the same Revolving Borrowing, the period commencing on the date of such Eurodollar Advance is made or deemed made and ending on the last day of the period selected by the Borrower pursuant to the provisions below and Section 2.5, and thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below and Section 2.5. The duration of each such Interest Period shall be one, three, or six months, in each case as the Borrower may select, provided that:

(a) Interest Periods commencing on the same date for Advances comprising part of the same Revolving Borrowing shall be of the same duration;

(b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(c) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month.

“Investment Portfolio” means the Marketable Securities and cash or cash equivalents maintained by the Borrower or any of its Subsidiaries, each which complies with the terms of the Borrower’s investment policy.

“IRS” means the United States Internal Revenue Service.

“Issuing Lender” means each of Wells Fargo and each other Lender that consents to being an Issuing Lender, either by signing this Agreement “as an Issuing Lender” or otherwise.

“Legal Requirement” means any law, statute, ordinance, decree, requirement, order, judgment, rule, treaty, code, administrative or judicial precedents or authorities, regulation (or official interpretation of any of the foregoing) of, and the terms of any license, authorization or permit issued by, and any agreement with, any Governmental Authority, including, but not limited to, Regulations T, U and X.

“Lender Parties” means Lenders, the Issuing Lenders, the Swingline Lender and the Administrative Agent.

“Lenders” means the Persons listed on Schedule II and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term “Lenders” includes the Swingline Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Letter of Credit" means any standby or commercial letter of credit issued by an Issuing Lender for the account of the Borrower or any Subsidiary thereof pursuant to the terms of this Agreement, in such form as may be agreed by the Borrower and the applicable Issuing Lender.

"Letter of Credit Application" means the applicable Issuing Lender's standard form letter of credit application for standby or commercial letters of credit which has been executed by the Borrower and accepted by the applicable Issuing Lender in connection with the issuance of a Letter of Credit.

"Letter of Credit Documents" means all Letters of Credit, Letter of Credit Applications and amendments thereof, and agreements, documents, and instruments entered into in connection therewith or relating thereto.

"Letter of Credit Extension" means, with respect to any Letter of Credit, the issuance thereof, extension of the expiry date thereof, or the increase of the amount thereof.

"Letter of Credit Exposure" means the aggregate outstanding undrawn amount of Letters of Credit plus the aggregate unpaid amount of all of the Borrower's payment obligations under drawn Letters of Credit.

"Letter of Credit Maximum Amount" means $75,000,000.

"Letter of Credit Obligations" means any obligations of the Borrower under this Agreement in connection with the Letters of Credit.

"Lien" means any mortgage, lien, pledge, charge, deed of trust, security interest, or encumbrance to secure or provide for the payment of any obligation of any Person, whether arising by contract, operation of law, or otherwise (including the interest of a vendor or lessor under any conditional sale agreement, Capital Lease, or other title retention agreement).

"Majority Lenders" means, at any time, (a) if there are at least two Lenders that are not Defaulting Lenders, at least two Lenders having Total Credit Exposures representing more than 50% of the Total Credit Exposures of all Lenders and (b) if there is one Lender that is not a Defaulting Lender, that Lender. The Total Credit Exposure of any Defaulting Lender shall be disregarded in determining Majority Lenders at any time.

"Marketable Securities" means readily marketable publicly-traded securities, including any stock or other equity security publicly-traded on the New York Stock Exchange, the American Stock Exchange or the National Association of Securities Dealers Automated Quotation System (NASDAQ) and, if approved by the Administrative Agent, any other stock traded on a recognized over-the-counter market.

"Material Adverse Change" means a material adverse change (a) in the financial condition, results of operations, business, assets or liabilities of the Borrower and its Subsidiaries, taken as a whole; (b) on the validity or enforceability of this Agreement or any of the other Credit Document or the rights, benefits or remedies of the Administrative Agent or the Lenders under any Credit Document; or (c) on the Borrower's or any other Credit Party's ability to perform its obligations under this Agreement, any Note, the Guaranty or any other Credit Document.

"Maturity Date" means the earlier of (a) November 13, 2023 or such other extended maturity date if maturity is extended pursuant to Section 2.1(d), and (b) the earlier termination in whole of the Revolving Commitments pursuant to Section 2.1(b) or Article VII.

"Maximum Rate" means the maximum nonusurious interest rate under applicable Legal Requirement.

"Minimum Collateral Amount" means, at any time, (i) with respect to Cash Collateral consisting of cash or deposit account balances, an amount equal to 103% of the Fronting Exposure of each Issuing Lender with respect to Letters of Credit issued and outstanding at such time and (ii) otherwise, an amount determined by the Administrative Agent and each Issuing Lender in their sole discretion.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto which is a nationally recognized statistical rating organization.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any member of the Controlled Group is making or accruing an obligation to make contributions.

"Net Income" means, for any period and with respect to any Person, the net income for such period for such Person after taxes as determined in accordance with GAAP, excluding, however, (a) extraordinary items, including (i) any net non-cash gain or loss during such period arising from the sale, exchange, retirement or other disposition of capital assets (such term to include all fixed assets and all securities) other than in the ordinary course of business, and (ii) any write-up or write-down of assets and (b) the cumulative effect of any change in GAAP.

"Net Worth" means as of the date of its determination, consolidated shareholders' equity of the Borrower and its consolidated Subsidiaries, as determined in accordance with GAAP.

"Non-Consenting Lender" mean any Lender that does not approve any consent, waiver, amendment, modification or termination that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 9.2 and (b) has been approved by the Majority Lenders.

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

"Non-Extending Lender" has the meaning specified in Section 2.1(d)(ii).

"Nonordinary Course Asset Sales" means, any sales, conveyances, or other transfers of Property made by the Borrower or any Subsidiary (a) of any division of the Borrower or any Subsidiary, (b) of the Equity Interest in a Subsidiary by the Borrower or any other Subsidiary or (c) of any assets of the Borrower or any Subsidiary, whether in a transaction or related series of transactions, outside the ordinary course of business.

"Notes" means the Revolving Notes and the Swingline Note.

"Notice" shall have the meaning assigned to such term in Section 9.7(b)(ii).

"Notice Date" shall have the meaning assigned to such term in Section 2.1(d)(i).

"Notice of Borrowing" means a notice of borrowing signed by the Borrower in substantially the same form as Exhibit D or such other form as shall be reasonably approved by the Administrative Agent.

"Notice of Continuation or Conversion" means a notice of continuation or conversion signed by the Borrower in substantially the same form as Exhibit E or such other form as shall be reasonably approved by the Administrative Agent.

"Obligations" means all principal, interest, fees, reimbursements, indemnifications, and other amounts now or hereafter owed by any Credit Party to any Lender, Swingline Lender, Issuing Lender, or Administrative Agent under this Agreement and the Credit Documents, including, the Letter of Credit Obligations, all interest and fees that accrue after the commencement by or against any Credit Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding, and any increases, extensions, and rearrangements of any of the foregoing obligations under any amendments, supplements, and other modifications of the documents and agreements creating those obligations.

"OFAC" means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Credit Document, or sold or assigned an interest in any Advance or Credit Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Credit Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.15).

"Outstandings" means, as of any date of determination, the sum of (a) the aggregate outstanding amount of all Revolving Advances plus (b) the Letter of Credit Exposure plus (c) the aggregate outstanding amount of all Swingline Advances.

"Overnight Rate" means, for any day, the greater of (i) the Federal Funds Rate and (ii) an overnight rate determined by the Administrative Agent, the applicable Issuing Lender, or Swingline Lender, as the case may be, in accordance with banking industry rules on interbank compensation.

"Participant" has the meaning assigned to such term in Section 9.6(c).

"Participant Register" shall have the meaning assigned to such term in Section 9.6(c).

"Patriot Act" means the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Lien" means any Lien permitted under Section 6.2.

"Person" means any natural person, partnership, corporation (including a business trust), joint stock company, trust, limited liability company, unlimited liability company, limited liability partnership, unincorporated association, joint venture, or other entity, or Governmental Authority, or any trustee, receiver, custodian, or similar official.

"Plan" means an employee benefit plan (other than a Multiemployer Plan) maintained for employees of the Borrower or any member of the Controlled Group and covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

"Platform" shall have the meaning assigned to such term in Section 9.7(b)(i).

"Prime Rate" means the prime commercial lending rate of the Administrative Agent, as established from time to time at its principal U.S. office (which such rate is an index or base rate and will not necessarily be its lowest or best rate charged to its customers or other banks). Each change in the Prime Rate will be effective on the day the change is announced within Wells Fargo.

"Priority Debt" means, without duplication, (a) Debt of Subsidiaries that are not Guarantors and (b) Debt secured by Liens addressed in Section 6.2(l).

"Property" of any Person means any property or assets (whether real, personal, or mixed, tangible or intangible) of such Person.

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Recipient" means (a) the Administrative Agent, (b) any Lender and (c) any Issuing Lender, as applicable.

"Register" has the meaning set forth in Section 9.6(b).

"Regulations T, U, and X" means Regulations T, U, and X of the Federal Reserve Board, as each is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the Federal Reserve Board, from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Release" shall have the meaning set forth in CERCLA or under any other Environmental Law.

"Removal Effective Date" shall have the meaning assigned to such term in Section 8.6(b).

"Replacement Effective Date" shall have the meaning assigned to such term in Section 8.6(d).

"Replacement Rate" shall have the meaning assigned to such term in Section 2.5(g).

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA (other than any such event not subject to the provision for 30-day notice to the PBGC under the regulations issued under such section).

"Representatives" shall have the meaning assigned to such term in Section 9.8.

"Resignation Effective Date" shall have the meaning assigned to such term in Section 8.6(a).

"Response" shall have the meaning set forth in CERCLA or under any other Environmental Law.

"Responsible Officer" means the chief executive officer, president, chief financial officer, vice president, treasurer, assistant treasurer or controller of a Credit Party.

"Restricted Payment" means, with respect to any Person, (a) any direct or indirect dividend or distribution (whether in cash, securities or other Property) or any direct or indirect payment of any kind or character (whether in cash, securities or other Property) in consideration for or otherwise in connection with any retirement, purchase, redemption or other acquisition of any Equity Interest of such Person, or any options, warrants or rights to purchase or acquire any such Equity Interest of such Person or (b) principal or interest payments (in cash, Property or otherwise) on, or redemptions of, subordinated debt of such Person; provided that the term "Restricted Payment" shall not include (i) any dividend or distribution payable solely in Equity Interests of such Person, or warrants, options or other rights to purchase such Equity Interests and (ii) any interest payment on subordinated debt payable solely in additional principal amount of such subordinated debt.

"Revolving Advance" means an advance by a Lender to the Borrower as a part of a Revolving Borrowing pursuant to Section 2.1(a) and refers to either a Base Rate Advance or a Eurodollar Advance.

"Revolving Borrowing" means a borrowing consisting of simultaneous Revolving Advances of the same Type made by the Lenders pursuant to Section 2.1(a) or Converted by each Lender to Revolving Advances of a different Type pursuant to Section 2.5(b).

"Revolving Commitment" means, for each Lender, the obligation of such Lender to advance to Borrower the amount set opposite such Lender's name on Schedule II as its Revolving Commitment, or if such Lender has entered into any Assignment and Assumption, set forth for such Lender as its Revolving Commitment in the applicable Register, as such amount may be reduced or increased pursuant to Section 2.1. The initial aggregate amount of the Revolving Commitments on the Closing Date is $750,000,000.

"Revolving Note" means a promissory note of the Borrower payable to a Lender in the amount of such Lender's Revolving Commitment, in the form provided by the Administrative Agent and acceptable to the Borrower.

"Same Day Funds" means immediately available funds.

"Sanctioned Country" means, at any time, a country or territory which is itself, or a country or territory whose government is, the subject or target of any Sanctions.

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, or, to the extent such listing does not contradict applicable legislation of the United States of America or the United Kingdom, other relevant sanctions authorities, (b) any Person located, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) and (b).

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC), the European Union, Her Majesty's Treasury, or, to the extent such sanctions do not contradict applicable legislation of the United States of America or the United Kingdom, other relevant sanctions authorities.

"Sarbanes-Oxley" means the Sarbanes-Oxley Act of 2002.

"S&P" means S&P Global Ratings, a division of S&P Global Inc., or any successor thereof which is a nationally recognized statistical rating organization.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Securities Laws" means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the Public Company Accounting Oversight Board, as each of the foregoing may be amended and in effect on any applicable date hereunder.

"Senior Unsecured Notes" means any senior, unsecured notes, debt securities or other debt instruments issued by the Borrower or any of its Subsidiaries.

"Solvent" means, as to any Person, on the date of any determination (a) the fair value of the Property of such Person is greater than the total amount of debts and other liabilities (including without limitation, contingent liabilities) of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts and other liabilities (including, without limitation, contingent liabilities) as they become absolute and matured, (c) such Person is able to realize upon its assets and pay its debts and other liabilities (including, without limitation, contingent liabilities) as they mature in the normal course of business, (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities (including, without limitation, contingent liabilities) beyond such Person's ability to pay as such debts and liabilities mature, (e) such Person is not engaged in, and is not about to engage in, business or a transaction for which such Person's Property would constitute unreasonably small capital, and (f) such Person has not transferred, concealed or removed any Property with intent to hinder, delay or defraud any creditor of such Person. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any other Person the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any Person, a majority of whose outstanding Voting Securities (other than directors' qualifying shares) shall at any time be owned by such parent or one or more Subsidiaries of such parent. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Swingline Advance" means an advance by the Swingline Lender to the Borrower pursuant to Section 2.4.

"Swingline Commitment" means $70,000,000.

"Swingline Lender" means Wells Fargo.

"Swingline Note" means the promissory note made by the Borrower payable to the Swingline Lender in the form provided by the Administrative Agent and acceptable to the Borrower.

"Swingline Payment Date" means the last Business Day of each calendar month.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for Tax purposes but is classified as an operating lease under GAAP.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Termination Event" means (a) a Reportable Event with respect to a Plan, (b) the withdrawal of the Borrower or any member of the Controlled Group from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041(c) of ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC pursuant to which the Plan has received notice from the PBGC pursuant to Section 4042 of ERISA, or (e) any other event or condition which is reasonably expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan. Notwithstanding the foregoing, a standard termination of a Plan under Section 4041(b) of ERISA shall not constitute a Termination Event.

"Total Credit Exposure" means, at any time for each Lender, the sum of (a) the unfunded Commitment held by such Lender at such time; plus (b) the aggregate unpaid principal amount of the Revolving Advances owing to such Lender at such time; plus (c) without duplication of any amounts included in the preceding clause (b), the aggregate amount of such Lender's risk participation and funded participation in the Letter of Credit Exposure (including any such Letter of Credit Exposure that has been reallocated pursuant to Section 2.16) and Swingline Advances.

"Type" has the meaning set forth in Section 1.3.

"Unfunded Advances" shall have the meaning assigned to such term in Section 2.13(a).

"U.S. Tax Compliance Certificate" has the meaning specified in Section 2.14(g)(ii)(B).

"United States" means the United States of America.

"U.S. Person" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"Voting Securities" means (a) with respect to any corporation, capital stock of such corporation having general voting power under ordinary circumstances to elect directors of such corporation (irrespective of whether at the time stock of any other class or classes shall have or might have special voting power or rights by reason of the happening of any contingency), (b) with respect to any partnership, any partnership interest or other ownership interest having general voting power to elect the general partner or other management of the partnership or other Person, and (c) with respect to any limited liability company, membership certificates or interests having general voting power under ordinary circumstances to elect managers of such limited liability company.

"Wells Fargo" means Wells Fargo Bank, National Association.

"Withholding Agent" means any Credit Party and the Administrative Agent.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In

Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.2 Accounting Terms; Changes in GAAP.

(a) Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis; provided that notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made without giving effect to any change to GAAP occurring after the date hereof as a result of the adoption of any proposals set forth in the *Proposed Accounting Standards Update, Leases (Topic 840)*, issued by the Financial Accounting Standards Board on August 17, 2010, or any other proposals issued by the Financial Accounting Standards Board in connection therewith, in each case if such change would require treating any lease (or similar arrangement conveying the right to use) as a capital lease or a finance lease where such lease (or similar arrangement) would not have been required to be so treated under GAAP as in effect on the date hereof. All calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent Financial Statements delivered pursuant to Section 5.2.

(b) Unless otherwise indicated, all Financial Statements of the Borrower, all calculations for compliance with covenants in this Agreement and all calculations of any amounts to be calculated under the definitions in Section 1.1 shall be based upon the consolidated accounts of the Borrower and its Subsidiaries in accordance with GAAP.

Section 1.3 Classes and Types of Advances. Advances are distinguished by "Class" and "Type". The "Class", when used in reference to any Advance, refers to whether such Advance is a Revolving Advance or Swingline Advance. The "Type" of an Advance refers to the determination whether such Advance is a Eurodollar Advance or a Base Rate Advance.

Section 1.4 Other Interpretive Provisions. With reference to this Agreement and each other Credit Document, unless otherwise specified herein or in such other Credit Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Credit Document), (ii) any reference to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Credit Document, shall be construed to refer to such Credit Document in its entirety and not to any particular provision thereof, (iv) all references in a Credit Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Credit Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Credit Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Credit Document.

(d) For all purposes under this Agreement and the other Credit Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's Legal Requirements): (i) if any asset, Property, right, obligation, or liability of any Person becomes the asset, Property, right, obligation, or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (ii) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

ARTICLE II.
CREDIT FACILITIES

Section 2.1 Commitments.

(a) Revolving Commitment. Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Revolving Advances to the Borrower from time to time on any Business Day during the period from the Closing Date until the latest Maturity Date; provided that after giving effect to such Revolving Advances, the Outstandings shall not exceed the aggregate Revolving Commitments in effect at such time. Within the limits of each Lender's Revolving Commitment, the Borrower may from time to time borrow, prepay pursuant to Section 2.6, and reborrow under this Section 2.1(a).

(b) Reduction of Revolving Commitments.

(i) Optional. The Borrower shall have the right, upon at least three Business Days' irrevocable notice to the Administrative Agent, to terminate in whole or reduce ratably in part the unused portion of the Revolving Commitments; provided that each partial reduction shall be in the aggregate amount of $10,000,000 and in integral multiples of $1,000,000 in excess thereof. Any reduction or termination of the Revolving Commitments pursuant to this Section shall be permanent, with no obligation of the Lenders to reinstate such Revolving Commitments, and the Commitment Fees shall thereafter be computed on the basis of the Revolving Commitments, as so reduced; provided, further, that any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or any incurrence or issuance of debt or equity or an acquisition or disposition, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(ii) Defaulting Lender. At any time when a Lender is then a Defaulting Lender, the Borrower, at the Borrower's election, may elect to terminate such Defaulting Lender's Commitment hereunder; provided that (A) such termination must be of the Defaulting Lender's entire Commitment, (B) the Borrower shall pay all amounts owed by the Borrower to such Defaulting Lender in such Lender's capacity as a Lender under this Agreement and under the other Credit Documents (including principal of and interest on the Revolving Advances owed to such Defaulting Lender, accrued Commitment Fees (subject to Section 2.8), and letter of credit fees but specifically excluding any amounts owing under

Section 2.11 as result of such payment of such Advances) and shall deposit with the Administrative Agent into the Cash Collateral Account Cash Collateral in the amount equal to such Defaulting Lender's ratable share of the Letter of Credit Exposure (including any such Letter of Credit Exposure that has been reallocated pursuant to Section 2.16), (C) a Defaulting Lender's Commitment may be terminated by the Borrower under this Section 2.1(b)(ii) if and only if at such time, the Borrower has elected, or is then electing, to terminate the Commitments of all then existing Defaulting Lenders, and (D) such termination shall not be permitted if a Default has occurred and is continuing. Upon written notice to the Defaulting Lender and Administrative Agent of the Borrower's election to terminate a Defaulting Lender's Commitment pursuant to this clause (ii) and the payment and deposit of amounts required to be made by the Borrower under clause (B) above, (1) such Defaulting Lender shall cease to be a Lender hereunder for all purposes except that such Lender's rights and obligations as a Lender under Sections 2.12, 2.14, 8.9 and 9.1 shall continue with respect to events and occurrences occurring before or concurrently with its ceasing to be a Lender hereunder, (2) such Defaulting Lender's Commitment shall be deemed terminated, and (3) such Defaulting Lender shall be relieved of its obligations hereunder as a Lender except as to its obligations under Section 8.9 shall continue with respect to events and occurrences occurring before or concurrently with its ceasing to be a Lender hereunder, provided that, any such termination will not be deemed to be a waiver or release of any claim by Borrower, the Administrative Agent, the Swingline Lender, any Issuing Lender or any Lender may have against such Defaulting Lender.

(c) Increase in Revolving Commitments.

(i) At any time prior to the latest Maturity Date (determined at the time of the request), the Borrower may effectuate up to three separate increases in the aggregate Revolving Commitments (each such increase being a "Commitment Increase"), by designating either one or more of the existing Lenders (each of which, in its sole discretion, may determine whether and to what degree to participate in such Commitment Increase) or one or more other banks or other financial institutions (reasonably acceptable to the Administrative Agent and the Issuing Lenders) that at the time agree, in the case of any such bank or financial institution that is an existing Lender to increase its Revolving Commitment as such Lender shall so select (an "Increasing Lender") and, in the case of any other such bank or financial institution (an "Additional Lender"), to become a party to this Agreement; provided, however, that (A) each such Commitment Increase shall be at least $25,000,000, (B) the aggregate amount of all Commitment Increases shall not exceed $300,000,000, and (C) all Revolving Commitments and Revolving Advances provided pursuant to a Commitment Increase shall be available on the same terms as those applicable to the existing Revolving Commitments and Revolving Advances. The sum of the increases in the Revolving Commitments of the Increasing Lenders plus the Revolving Commitments of the Additional Lenders upon giving effect to a Commitment Increase shall not, in the aggregate, exceed the amount of such Commitment Increase. The Borrower shall provide prompt notice of any proposed Commitment Increase pursuant to this clause (c) to the Administrative Agent and the Lenders. This Section 2.1(c) shall not be construed to create any obligation on any of the Administrative Agent or any of the Lenders to advance or to commit to advance any credit to the Borrower or to arrange for any other Person to advance or to commit to advance any credit to the Borrower.

(ii) A Commitment Increase shall become effective upon (A) the receipt by the Administrative Agent of (1) an agreement in form and substance reasonably satisfactory to the Administrative Agent signed by the Borrower, each Increasing Lender and each Additional Lender, setting forth the Commitments of each such Lender (which must total such requested Commitment Increase amount) and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof binding upon each Lender, and (2) such evidence of appropriate authorization on the part of the Borrower with respect to such Commitment Increase as the Administrative Agent may reasonably request, (B) the funding by each Increasing Lender and

Additional Lender of the Revolving Advances to be made by each such Lender to effect the prepayment requirement set forth in Section 2.6(b)(ii), and (C) receipt by the Administrative Agent of a certificate of a Responsible Officer of the Borrower stating that, both immediately before and immediately after giving effect to such Commitment Increase, (1) no Default has occurred and is continuing, and (2) that all representations and warranties made by the Borrower in this Agreement are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by materiality or Material Adverse Change in the text thereof) on such date, except that any representation and warranty which by its terms is made as of a specified date shall be true and correct only as of such specified date.

(iii) Notwithstanding any provision contained herein to the contrary, from and after the date of any Commitment Increase, all calculations and payments of interest on the Revolving Advances shall take into account the actual Revolving Commitment of each Lender and the principal amount outstanding of each Revolving Advance made by such Lender during the relevant period of time. If any Lender's Commitment is increased in accordance with this Section 2.1(c), (i) immediately upon the effective date of each Commitment Increase, Schedule II hereof shall be amended and restated to set forth all Lenders (including Additional Lenders) and their respective Commitments after giving effect to such increases and (ii) immediately upon the effective date of each Commitment Increase, each Lender's participation in the Letter of Credit Obligations and Swingline Advances on such Commitment Increase effective date shall automatically be deemed to equal such Lender's Applicable Percentage of the Letter of Credit Obligations and Swingline Advances (after giving effect to such Commitment Increase).

(iv) This Section 2.1(c) and Section 2.6(b)(ii) shall supersede any provisions in Section 2.13(f) or 9.2 to the contrary.

(d) Extension of Maturity Date.

(i) Requests for Extension. The Borrower may, by notice to the Administrative Agent (who shall promptly notify the Lenders) delivered no earlier than 90 days and no later than 30 days prior to the latest Maturity Date then in effect hereunder (the "Existing Maturity Date"), make a request that each Lender extend such Lender's Maturity Date for an additional 364 days from the Existing Maturity Date. The date on which the Administrative Agent provides to the Lenders the notice referenced above is hereinafter referred to as the "Notice Date." The Borrower may extend the Existing Maturity Date no more than twice during the tenor of this Agreement.

(ii) Lender Elections to Extend. Each Lender, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not later than 15 days after the Notice Date, advise the Administrative Agent whether or not such Lender agrees to such extension and any Lender that does not so advise the Administrative Agent on or before the date that is 15 days after the Notice Date shall be deemed to be a Non-Extending Lender. Each Lender that determines not to so extend its Maturity Date shall be referred to herein as a "Non-Extending Lender". Each Lender that determines to extend its Maturity Date shall be referred to herein as an "Extending Lender". The election of any Lender to agree to such extension shall not obligate any other Lender to so agree.

(iii) Additional Commitment Lenders. The Borrower shall have the right on or before the Existing Maturity Date to replace each Non-Extending Lender with, and add as a "Lender" under this Agreement in place thereof, one or more Eligible Assignees (each, an "Additional Commitment Lender"), each of which Additional Commitment Lenders shall have entered into an Assignment and Assumption pursuant to which such Additional Commitment Lender shall, effective as of the Existing Maturity Date, undertake a Revolving Commitment (and, if any such Additional Commitment Lender is already a Lender, its Revolving Commitment shall be in addition to such Lender's Revolving Commitment hereunder on such date).

(iv) Minimum Extension Requirement. If (and only if) the total of the Revolving Commitments of the Lenders that have agreed so to extend their Maturity Date and the additional Revolving Commitments of the Additional Commitment Lenders shall be more than 50% of the aggregate amount of the Revolving Commitments in effect immediately prior to the Existing Maturity Date, then, effective as of the Existing Maturity Date, the Maturity Date of each Extending Lender and of each Additional Commitment Lender shall be extended to the date falling 364 days after the Existing Maturity Date and each Additional Commitment Lender shall thereupon become a Lender for all purposes of this Agreement.

(v) Conditions to Effectiveness of Extensions. Notwithstanding the foregoing, the extension of the Maturity Date pursuant to this Section shall not be effective with respect to any Lender unless: (A) no Default or Event of Default shall have occurred and be continuing on the date of such extension and immediately after giving effect thereto; (B) the representations and warranties contained in this Agreement are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by materiality or Material Adverse Change in the text thereof) on and as of the date of such extension and immediately after giving effect thereto, as though made on and as of such date, except that any representation and warranty which by its terms is made as of a specified date shall be true and correct only as of such specified date; (C) the receipt by the Administrative Agent of such evidence of appropriate authorization on the part of the Borrower with respect to such extension as the Administrative Agent may reasonably request; (D) on the Maturity Date (without giving effect to any extension) of each Non-Extending Lender, the Borrower shall repay any Revolving Advances outstanding on such date (and pay any additional amounts required pursuant to Section 2.11) and any other Obligations owing to such Non-Extending Lender to each such Non-Extending Lender and the Revolving Commitments of the Non-Extending Lenders shall be terminated; and (E) the Borrower shall prepay any Revolving Advances outstanding on such date (and pay any additional amounts required pursuant to Section 2.11) to the extent necessary to keep outstanding Revolving Advances ratable with any revised Applicable Percentages of the respective Lenders effective as of such date.

(vi) Notwithstanding any provision contained herein to the contrary, from and after the date of any extension of the Maturity Date pursuant to this Section 2.1(d), all calculations and payments of interest on the Revolving Advances shall take into account the actual Revolving Commitment of each Lender and the principal amount outstanding of each Revolving Advance made by such Lender during the relevant period of time. If any Lender's Maturity Date is extended in accordance with this Section 2.1(d), (i) immediately upon the effective date of each such extension, Schedule II hereof shall be amended and restated to set forth all Lenders and their respective Commitments and Maturity Dates after giving effect to such extension and (ii) immediately prior to each Maturity Date, each Lender's participation in the Letter of Credit Obligations and Swingline Advances on such Maturity Date shall automatically be deemed to equal such Lender's Applicable Percentage of the Letter of Credit Obligations and Swingline Advances (after giving effect the termination of Commitments that occurs on such Maturity Date) but only to the extent that (x) the conditions set forth in Section 3.2 are satisfied at the time of such reallocation (and, unless the Borrower has otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the Total Credit Exposure of any Lender whose Commitment does not terminate on such Maturity Date to exceed such Lender's Commitment. If the reallocation described in this Section 2.1(d)(vi) cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to the Administrative Agent, the Lenders, or any Issuing Lender hereunder or under applicable Legal Requirement, (x) *first*, prepay Swingline Advances in an amount equal to the portion of the Swingline Lender's Fronting Exposure that was attributable to each Lender whose Commitment terminates on such Maturity Date but was not so reallocated and (y) *second*, Cash Collateralize each Issuing Lender's Fronting Exposure in an amount equal to the portion of such Issuing Lender's Fronting Exposure (plus all related fees and expenses with respect to such Letters of Credit then outstanding over their remaining terms) that was attributable to each Lender whose Commitment terminates on such Maturity Date but was not so reallocated.

(vii) Conflicting Provisions. This Section 2.1(d) shall supersede any provisions in Section 2.13(f) or 9.2 to the contrary.

Section 2.2 Evidence of Indebtedness. The Advances made by each Lender, including the Swingline Lender, shall be evidenced by one or more accounts or records maintained by such Lender or the Swingline Lender and by the Administrative Agent. The accounts or records maintained by the Administrative Agent, the Lenders and the Swingline Lender shall be conclusive absent manifest error of the amount of the Advances made by such Lenders or the Swingline Lender to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender or the Swingline Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender to the Borrower made through the Administrative Agent, the Borrower shall execute and deliver to such Lender or the Swingline Lender (through the Administrative Agent) a Note which shall evidence such Lender's Revolving Advances or Swingline Advances to the Borrower in addition to such accounts or records. Each Lender may attach schedules to such Note and endorse thereon the date, Type (if applicable), amount, currency and maturity of its Revolving Advances or Swingline Advances and payments with respect thereto.

Section 2.3 Letters of Credit.

(a) Commitment for Letters of Credit. Each Issuing Lender, the Lenders, and the Borrower each agrees that effective as of the Closing Date, the Existing Letters of Credit shall be deemed to have been issued and maintained under, and to be governed by the terms and conditions of, this Agreement. Subject to the terms and conditions set forth in this Agreement and in reliance upon the agreements of the other Lenders set forth in this Section, each Issuing Lender agrees to, from time to time on any Business Day during the period from the Closing Date until the latest Maturity Date, issue, increase or extend the expiration date of, the Letters of Credit for the account of the Borrower or any Subsidiary thereof.

(b) Limitations. Notwithstanding the foregoing, no Letter of Credit will be issued, increased, or extended:

(i) if such issuance, increase, or extension would cause the Letter of Credit Exposure to exceed the lesser of (A) the Letter of Credit Maximum Amount and (B) an amount equal to (1) the aggregate Revolving Commitments in effect at such time minus (2) the Outstandings.

(ii) if such Letter of Credit supports the repayment of indebtedness for borrowed money of any Person;

(iii) unless such Letter of Credit is in form and substance acceptable to the applicable Issuing Lender in its sole discretion;

(iv) unless the Borrower has delivered to the applicable Issuing Lender a completed and executed Letter of Credit Application; provided that, if the terms of any Letter of Credit Application conflicts with the terms of this Agreement, the terms of this Agreement shall control;

(v) unless such Letter of Credit is governed by (A) the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600, or (B) the International Standby Practices (ISP98), International Chamber of Commerce Publication No. 590, in either case, including any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce and adhered to by the Issuing Lender; and

(vi) if any Lender is at such time a Defaulting Lender hereunder, unless the Issuing Lender has entered into satisfactory arrangements with the Borrower or such Lender to eliminate the Issuing Lender's risk with respect to such Lender.

(c) Requesting Letters of Credit. Each Letter of Credit Extension (other than the issuance of Existing Letters of Credit which are deemed issued hereunder) shall be made pursuant to a Letter of Credit Application, or if applicable, amendments to such Letter of Credit Applications, given by the Borrower to the Administrative Agent for the benefit of the applicable Issuing Lender by telecopy or in writing not later than 11:00 a.m. (Houston, Texas time) on the third Business Day before the proposed date of the Letter of Credit Extension. Each Letter of Credit Application, or if applicable, amendments to such Letter of Credit Applications, shall be fully completed and shall specify the information required therein. Each Letter of Credit Application, or if applicable, amendments to such Letter of Credit Applications, shall be irrevocable and binding on the Borrower. Subject to the terms and conditions hereof, the applicable Issuing Lender shall on the date of such Letter of Credit Extension, make such Letter of Credit Extension to the beneficiary of such Letter of Credit.

(d) Reimbursements for Letters of Credit; Funding of Participations. Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit with the accompanying documentation required thereby, the applicable Issuing Lender shall notify the Administrative Agent thereof. The Borrower agrees to pay to such Issuing Lender an amount equal to any amount paid by such Issuing Lender under or in respect of such Letter of Credit (i) if such Issuing Lender provides notice to the Borrower of such payment or disbursement before 11:00 a.m. (Houston, Texas time), on the date of such notice or (ii) if such notice is received after such time, on the next Business Day following the date of receipt of such notice. In the event an Issuing Lender makes a payment pursuant to a request for draw presented under a Letter of Credit and such payment is not promptly reimbursed by the Borrower as required herein, such Issuing Lender shall give notice of such payment to the Administrative Agent. In such event, the Borrower shall be deemed to have requested a Base Rate Advance (notwithstanding any minimum size or increment limitations on individual Advances). Each Lender (including the Lender acting as Issuing Lender) shall, upon notice from the Administrative Agent that the Borrower has requested or is deemed to have requested an Advance pursuant to Section 2.5 and regardless of whether (A) the conditions in Section 3.2 have been met, (B) such notice complies with Section 2.5, or (C) a Default exists, make funds available to the Administrative Agent for the account of the applicable Issuing Lender in an amount equal to such Lender's Applicable Percentage of the amount of such Advance not later than 1:00 p.m. (Houston, Texas time) on the Business Day specified in such notice by the Administrative Agent, whereupon (i) each Lender that so makes funds available shall be deemed to have made a Base Rate Advance to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the applicable Issuing Lender. If any such Lender shall not have so made such Advance available to the Administrative Agent pursuant to this Section 2.3, such Lender agrees to pay interest thereon for each day from such date until the date such amount is paid at the lesser of (A) the Overnight Rate for such day for the first three days and thereafter the interest rate applicable to such Base Rate Advances and (B) the Maximum Rate. The Borrower hereby unconditionally and irrevocably authorizes, empowers, and directs the Administrative Agent and the Lenders to record and otherwise treat each payment under a Letter of Credit not reimbursed by the Borrower when due as a Revolving Borrowing comprised of Base Rate Advances to the Borrower. If for any reason any payment pursuant to a request for draw presented under a Letter of Credit is not refinanced by a Revolving Borrowing in accordance with this Section 2.3(d), the Issuing Lender shall be deemed to have requested that each of the applicable Lenders fund its risk participation in the relevant Letter of Credit Obligations and each such Lender's payment to the Administrative Agent for the account of the Issuing Lender pursuant to this Section 2.3(d) shall be deemed payment in respect of such participation.

(e) Participations. Upon the date of the issuance or increase of a Letter of Credit or the deemed issuance of the Existing Letters of Credit under Section 2.3(a), the applicable Issuing Lender shall be deemed to have sold to each other Lender and each other Lender shall have been deemed to have purchased from the Issuing Lender a participation in the related Letter of Credit Obligations equal to such Lender's Applicable Percentage at such date and such sale and purchase shall otherwise be in accordance with the terms of this Agreement. The applicable Issuing Lender shall promptly notify each such participant Lender by facsimile, telephone, or telecopy of each Letter of Credit issued or increased and the actual dollar amount of such Lender's participation in such Letter of Credit. Each Lender's obligation to purchase participating interests pursuant to this Section and to reimburse such Issuing Lender for such Lender's Applicable Percentage of any payment under a Letter of Credit by such Issuing Lender not reimbursed in full by the Borrower shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any of the circumstances described in paragraph (f) below, (ii) the occurrence and continuance of a Default, (iii) an adverse change in the financial condition of the Borrower or (iv) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing, except for any such circumstance, happening or event constituting or arising from gross negligence or willful misconduct on the part of the applicable Issuing Lender.

(f) Obligations Unconditional. The obligations of the Borrower under this Agreement in respect of each Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, notwithstanding the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit Documents;

(ii) any amendment or waiver of or any consent to departure from any Letter of Credit Document to which the Borrower has consented;

(iii) the existence of any claim, set-off, defense or other right which any Credit Party may have at any time against any beneficiary or transferee of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any Issuing Lender, any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated in this Agreement or in any Letter of Credit Documents or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect to the extent any Issuing Lender would not be liable therefor pursuant to the following paragraph (h);

(v) payment by the Issuing Lender under such Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing;

provided, however, that nothing contained in this paragraph (f) shall be deemed to constitute a waiver of any remedies of the Borrower in connection with the Letters of Credit, including those specified in Section 2.3(h).

(g) Cash Collateralization. With respect to (i) each Letter of Credit which has an expiration date beyond the latest Maturity Date, on or prior to the 5th Business Day prior to the latest Maturity Date or (ii) all outstanding Letters of Credit, if the Revolving Commitments are terminated in whole pursuant to Section 2.1(b) or Article VII, on the date of such termination, the Borrower shall deposit into the Cash Collateral Account in accordance with paragraph (i) below cash in an amount equal to 103% of the Letter of Credit Exposure of such Letters of Credit or otherwise make arrangements satisfactory to the Administrative Agent to secure the release of such Letters of Credit. If the Borrower has deposited 103% of the Letter of Credit Exposure into the Cash Collateral Account as of the latest Maturity Date and no other Default or Event of Default has occurred and is continuing, each Lender's obligation to purchase participating interests pursuant to this Section and to reimburse such Issuing Lender for such Lender's Applicable Percentage of any payment under a Letter of Credit by such Issuing Lender not reimbursed in full by the Borrower shall be terminated as of the latest Maturity Date.

(h) Liability of Issuing Lenders. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its or any Credit Party's use of such Letter of Credit. Neither an Issuing Lender nor any of its respective officers or directors shall be liable or responsible for:

(i) the use which may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith;

(ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; or

(iii) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit (including an Issuing Lender's own negligence),

except that the Borrower shall have a claim against the applicable Issuing Lender, and the applicable Issuing Lender shall be liable to, and shall promptly pay to, the Borrower, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower, which the Borrower proves were caused by (A) such Issuing Lender's willful misconduct or gross negligence (as determined in a final, non-appealable judgment of a court of competent jurisdiction) in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit or (B) such Issuing Lender's willful failure to make lawful payment under any Letter of Credit after the presentation to it of a draft and certificate strictly complying with the terms and conditions of such Letter of Credit, in either case notwithstanding the unconditional and irrevocable nature of the Borrower's obligations under this Agreement as set forth in Section 2.3(f). In furtherance and not in limitation of the foregoing, the Issuing Lenders may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(i) Cash Collateral Account.

(i) If the Borrower is required to deposit funds in the Cash Collateral Account pursuant to the terms hereof, then the Borrower and the Administrative Agent shall establish the Cash Collateral Account and the Borrower shall execute any documents and agreements, including the Administrative Agent's standard form assignment of deposit accounts, that the Administrative Agent requests in connection therewith to establish the Cash Collateral Account and grant the Administrative Agent a first priority security interest in such account and the funds therein and giving the Administrative Agent "control" over the Cash Collateral Account as such term is defined in the applicable Uniform Commercial Code. The Borrower hereby pledges to the Administrative Agent and grants the Administrative Agent a security interest in the Cash Collateral Account, whenever established, all funds held in the Cash Collateral Account from time to time, and all proceeds thereof, as security for the payment of the Obligations. Except as provided in Section 2.3(i)(ii) below, the Borrower shall have no access and no rights of withdrawal from the Cash Collateral Account.

(ii) Funds held in the Cash Collateral Account shall be held as cash collateral for obligations with respect to Letters of Credit. Such funds shall be promptly applied by the Administrative Agent at the request of the applicable Issuing Lender to any reimbursement or other obligations under the applicable Letters of Credit that exist or occur. To the extent that any surplus funds are held in the Cash Collateral Account above the Letter of Credit Exposure during the existence of an Event of Default the Administrative Agent may (A) hold such surplus funds in the Cash Collateral Account as cash collateral for the Obligations or (B) apply such surplus funds to any Obligations in any manner directed by the Majority Lenders. If no Default exists, the Administrative Agent shall release to the Borrower, at the Borrower's written request, any funds held in the Cash Collateral Account in excess of 103% of the then existing Letter of Credit Exposure. The Administrative Agent shall invest the funds in the Cash Collateral Account in an interest-bearing account or other investment approved by the Borrower. The Administrative Agent shall exercise reasonable care in the custody and preservation of any funds held in the Cash Collateral Account and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which the Administrative Agent accords its own property or in accordance with the Borrower's instructions or as otherwise approved by the Borrower, it being understood that the Administrative Agent shall not have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any such funds.

(j) <u>Letters of Credit Issued for Subsidiaries</u>. Notwithstanding that a Letter of Credit outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary of the Borrower, the Borrower shall be obligated to reimburse the applicable Issuing Lender hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of its Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

(k) <u>Defaulting Lender</u>. At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent or any Issuing Lender (with a copy to the Administrative Agent) the Borrower shall Cash Collateralize each Issuing Lender's Fronting Exposure with respect to such Defaulting Lender (determined after giving effect to Section 2.16(a)(iv) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than the Minimum Collateral Amount.

(i) <u>Grant of Security Interest</u>. The Borrower, and to the extent Cash Collateral is provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the Issuing Lenders, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' obligation to fund participations in respect of Letter of Credit Obligations, to be applied pursuant to clause (ii) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Lender as herein provided, or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(ii) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.3(k) or Section 2.16 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of Letter of Credit Obligations (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(iii) Termination of Requirement. Cash Collateral (or the appropriate portion thereof) provided to reduce an Issuing Lender's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.3(k) and shall, upon written request of the Person providing such Cash Collateral, be refunded following (i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (ii) the determination by the Administrative Agent and each Issuing Lender that there exists excess Cash Collateral; provided that, subject to Section 2.16, the Person providing Cash Collateral and the Issuing Lender may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations.

Section 2.4 Swingline Advances.

(a) Commitment. On the terms and conditions set forth in this Agreement, subject to Section 2.16(d), the Swingline Lender agrees to, from time-to-time on any Business Day from the Closing Date until the last Business Day occurring before the Swingline Lender's Maturity Date, make Swingline Advances to the Borrower in an aggregate principal amount not to exceed the Swingline Commitment at any time, provided that (i) after giving effect to such Swingline Advance, the Outstandings shall not exceed the aggregate Revolving Commitments in effect at such time, (ii) no Swingline Advance may mature after the Swingline Lender's Maturity Date, and (iii) no Swingline Advance shall be made by the Swingline Lender if the conditions set forth in Section 3.2 have not been met as of the date of such Swingline Advance. The Borrower agrees that the giving of the applicable Notice of Borrowing and the acceptance by the Borrower of the proceeds of such Swingline Advance shall constitute a representation and warranty by the Borrower that on the date of such Swingline Advance the conditions set forth in Section 3.2 have been met. Immediately upon the making of a Swingline Advance, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swingline Lender a risk participation in such Swingline Advance in an amount equal to its Applicable Percentage of such Swingline Advance.

(b) Evidence of Indebtedness. The indebtedness of the Borrower to the Swingline Lender resulting from Swingline Advances shall be evidenced as set forth in Section 2.2.

(c) Prepayment. Within the limits expressed in this Agreement, amounts advanced pursuant to Section 2.4(a) may from time to time be borrowed, prepaid without penalty, and reborrowed. If the amount of aggregate outstanding Swingline Advances ever exceeds the Swingline Commitment, the Borrower shall, upon receipt of written notice of such condition from the Swingline Lender and to the extent of such excess, prepay to the Swingline Lender the outstanding principal of the Swingline Commitment such that such excess is eliminated.

(d) Refinancing of Swingline Advances.

(i) The Swingline Lender may, at any time in its sole and absolute discretion, request on behalf of the Borrower (which hereby irrevocably authorizes the Swingline Lender to so request on its behalf), that each Lender make a Base Rate Advance in an amount equal to such Lender's Applicable Percentage of the amount of Swingline Advances then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Notice of Borrowing for purposes hereof), without regard to the minimum and multiples specified in Section 2.5(c) for the principal amount of Revolving Borrowings, but subject to the unutilized portion of the Revolving Commitments and the conditions set forth in Section 3.2. The Swingline Lender shall furnish the Borrower with a copy of the applicable Notice of Borrowing promptly after delivering such notice to the Administrative Agent. Regardless of whether the request for such Base Rate Advance complies with Section 2.5, each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Notice of Borrowing available to the Administrative Agent in Same Day Funds for the account of the Swingline Lender at the Administrative Agent's Lending Office not later than 1:00 p.m. (Houston, Texas time) on the day specified in such Notice of Borrowing, whereupon, subject to Section 2.4(d)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Advance to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swingline Lender.

(ii) If for any reason any Swingline Advance cannot be refinanced by such a Revolving Borrowing in accordance with Section 2.4(d)(i), the applicable Notice of Borrowing submitted by the Swingline Lender as set forth herein shall be deemed to be a request by the Swingline Lender that each of the applicable Lenders fund its risk participation in the relevant Swingline Advances and each such Lender's payment to the Administrative Agent for the account of the Swingline Lender pursuant to Section 2.4(d)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swingline Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.4(d) by the time specified in Section 2.4(d)(i), the Swingline Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swingline Lender at a rate per annum equal to the applicable Overnight Rate from time to time in effect. A certificate of the Swingline Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Advances or to purchase and fund risk participations in Swingline Advances pursuant to this Section 2.4(d) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against any Swingline Lender, the Borrower, or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Advances pursuant to Section 2.4(d)(i) is subject to the conditions set forth in Section 3.2. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay the Swingline Advances, together with interest as provided herein.

(e) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swingline Advance, if the Swingline Lender receives any payment on account of such Swingline Advance, the Swingline Lender will distribute to such Lender its Applicable Percentage of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's risk participation was funded) in the same funds as those received by the Swingline Lender.

(ii) If any payment received by the Swingline Lender in respect of principal or interest on any Swingline Advance is required to be returned by the Swingline Lender under any of the circumstances described in Section 9.11 (including pursuant to any settlement entered into by the Swingline Lender in its discretion), each Lender shall pay to the Swingline Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the applicable Overnight Rate. The Administrative Agent will make such demand upon the request of the Swingline Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(f) Interest for Account of Swingline Lender. The Swingline Lender shall be responsible for invoicing the Borrower for interest on the Swingline Advances. Until each Lender funds its Advances or risk participation pursuant to this Section to refinance such Lender's Applicable Percentage of the applicable Swingline Advances, interest in respect of such Applicable Percentage shall be solely for the account of the Swingline Lender.

(g) Payments Directly to Swingline Lender. The Borrower shall make all payments of principal and interest in respect of the Swingline Advances directly to the Swingline Lender.

(h) Method of Borrowing. Except as provided in the clause (c) above, each request for a Swingline Advance shall be made pursuant to telephone notice to the Swingline Lender given no later than 11:00 a.m. (Houston, Texas time) on the date of the proposed Swingline Advance, promptly confirmed by a completed and executed Notice of Borrowing facsimiled to the Administrative Agent and the Swingline Lender. The Swingline Lender will promptly make such Swingline Advance available to the Borrower at the Borrower's account with the Administrative Agent.

Section 2.5 Borrowings; Procedures and Limitations.

(a) Notice of Borrowings. Each Revolving Borrowing (other than a Conversion) shall be made pursuant to a Notice of Borrowing and given by the Borrower to the Administrative Agent not later than 12:00 p.m. (Houston, Texas time) on the third Business Day before the date of the proposed Revolving Borrowing in the case of a Eurodollar Advance, and by the Borrower to the Administrative Agent not later than 10:00 a.m. (Houston, Texas time) on the Business Day of the proposed Revolving Borrowing in the case of a Base Rate Advance. The Administrative Agent shall give each applicable Lender prompt notice on the day of receipt by facsimile of a timely Notice of Borrowing of such proposed Revolving Borrowing. Each Notice of Borrowing shall be by facsimile specifying the (i) requested date of such Revolving Borrowing (which shall be a Business Day), (ii) requested Type of Advances comprising such Revolving Borrowing, (iii) aggregate amount of such Revolving Borrowing, and (iv) if such Revolving Borrowing is to be comprised of Eurodollar Advances, the Interest Period for such Advances. In the case of a proposed Revolving Borrowing comprised of Eurodollar Advances, the Administrative Agent shall promptly notify each applicable Lender of the applicable interest rate under Section 2.9, as applicable. Each Lender shall before 3:00 p.m. (Houston, Texas time) on the date of the proposed Revolving Borrowing, make available for the account of its Lending Office to the Administrative Agent at its address referred to in Section 9.7, or such other location as the Administrative Agent may specify by notice to the Lenders, in Same Day Funds, such Lender's Applicable Percentage of such Revolving Borrowing. Promptly upon the Administrative Agent's receipt of such funds (but, in any event, not later than 3:00 p.m. (Houston, Texas time) on the date of the proposed Revolving Borrowing) and provided that the applicable conditions set forth in Article III have been satisfied, the Administrative Agent will make such funds available to the Borrower at its account with the Administrative Agent.

(b) Conversions and Continuations. In order to elect to Convert or continue Advances comprising part of the same Revolving Borrowing under this Section, the Borrower shall deliver an irrevocable Notice of Conversion or Continuation to the Administrative Agent at the Administrative Agent's office no later than (x) 10:00 a.m. (Houston, Texas time) on the date of the proposed Conversion date in the case of a

Conversion of such Advances to Base Rate Advances, and (ii) 12:00 p.m. (Houston, Texas time) at least three Business Days in advance of the proposed Conversion or continuation date in the case of a Conversion to, or a continuation of, Eurodollar Advances. Each such Notice of Conversion or Continuation shall be in writing or facsimile, specifying (A) the requested Conversion or continuation date (which shall be a Business Day), (B) the Revolving Borrowing amount and Type of the Advances to be Converted or continued, (C) whether a Conversion or continuation is requested, and if a Conversion, into what Type of Advances, and (D) in the case of a Conversion to, or a continuation of, Eurodollar Advances, the requested Interest Period. Promptly after receipt of a Notice of Conversion or Continuation under this paragraph, the Administrative Agent shall provide each applicable Lender with a copy thereof and, in the case of a Conversion to or a continuation of Eurodollar Advances, shall notify each applicable Lender of the applicable interest rate under Section 2.9, as applicable. For purposes other than the conditions set forth in Section 3.2, the portion of Advances comprising part of the same Revolving Borrowing that are Converted to Advances of another Type shall constitute a new Revolving Borrowing.

(c) Certain Limitations. Notwithstanding anything in paragraphs (a) and (b) above:

(i) Each Revolving Borrowing shall (A) be in an aggregate amount not less than $3,000,000 and in integral multiples of $1,000,000 in excess thereof in case of Eurodollar Advances and in an aggregate amount not less than $500,000 and in integral multiples of $100,000 in excess thereof in case of Base Rate Advances, (B) consist of Advances of the same Type made, Converted or continued on the same day by the Lenders according to their Applicable Percentage, and (C) denominated only in Dollars.

(ii) At no time shall there be more than twelve Interest Periods applicable to outstanding Eurodollar Advances.

(iii) The Borrower may not select Eurodollar Advances for any Revolving Borrowing to be made, Converted or continued if a Default or Event of Default has occurred and is continuing.

(iv) If any Lender shall, at least one Business Day prior to the requested date of any Revolving Borrowing comprised of Eurodollar Advances, notify the Administrative Agent and the Borrower that the introduction of or any change in or in the interpretation of any Legal Requirement makes it unlawful, or that any central bank or other Governmental Authority asserts that it is unlawful, for such Lender or its Lending Office to perform its obligations under this Agreement to make Eurodollar Advances or to fund or maintain Eurodollar Advances, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or take deposits of, Dollars in the applicable interbank market, then (1) such Lender's Applicable Percentage of the amount of such Revolving Borrowing shall be made as a Base Rate Advance of such Lender, (2) such Base Rate Advance shall be considered part of the same Revolving Borrowing and interest on such Base Rate Advance shall be due and payable at the same time that interest on the Eurodollar Advances comprising the remainder of such Revolving Borrowing shall be due and payable, and (3) any obligation of such Lender to make, continue, or Convert to, Eurodollar Advances, including in connection with such requested Revolving Borrowing, shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist or a Replacement Rate has been implemented pursuant to Section 2.5(g) below.

(v) If the Administrative Agent is unable to determine the Eurodollar Rate for Eurodollar Advances comprising any requested Revolving Borrowing, the right of the Borrower to select Eurodollar Advances for such Revolving Borrowing or for any subsequent Revolving Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the applicable Lenders that the circumstances causing such suspension no longer exist or a Replacement Rate has been implemented pursuant to Section 2.5(g) below, and each Revolving Advance comprising such Revolving Borrowing shall be made as a Base Rate Advance.

(vi) If the Majority Lenders shall, at least one Business Day before the date of any requested Revolving Borrowing, notify the Administrative Agent that (A) the Eurodollar Rate for Eurodollar Advances comprising such Revolving Borrowing will not adequately reflect the cost to such Lenders of making or funding their respective Eurodollar Advances, as the case may be, for such Revolving Borrowing, or (B) deposits are not being offered to banks in the applicable offshore interbank market for Dollars for the applicable amount and Interest Period of such Eurodollar Advance, then the Administrative Agent shall give notice thereof to the Borrower and the Lenders and the right of the Borrower to select Eurodollar Advances for such Revolving Borrowing or for any subsequent Revolving Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist or a Replacement Rate has been implemented pursuant to Section 2.5(g) below, and each Advance comprising such Revolving Borrowing shall be made as a Base Rate Advance.

(vii) If the Borrower shall fail to select the duration or continuation of any Interest Period for any Eurodollar Advance in accordance with the provisions contained in the definition of "Interest Period" in Section 1.1 and paragraph (a) or (b) above, the Administrative Agent will forthwith so notify the Borrower and the applicable Lenders and such affected Advances will be made available to the Borrower on the date of such Revolving Borrowing as Base Rate Advances or, if such affected Advances are existing Advances, will be Converted into Base Rate Advances at the end of the Interest Period then in effect.

(viii) Swingline Advances may not be Converted or continued.

(d) Notices Irrevocable. Each Notice of Borrowing and Notice of Conversion or Continuation shall be irrevocable and binding on the Borrower.

(e) Lender Obligations Several. The failure of any Lender to make the Advance to be made by it as part of any Revolving Borrowing shall not relieve any other Lender of its obligation, if any, to make its Advance on the date of such Revolving Borrowing. No Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Revolving Borrowing.

(f) Funding by Lenders; Administrative Agent's Reliance. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Revolving Borrowing of Eurodollar Advances, or prior to 12:00 p.m. (Houston, Texas time) on the date of any Revolving Borrowing of Base Rate Advances, that such Lender will not make available to the Administrative Agent such Lender's share of such Revolving Borrowing, the Administrative Agent may assume that such Lender has made such share available in accordance with and at the time required in Section 2.5 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Revolving Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in Same Day Funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the Overnight Rate and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to the requested Revolving Borrowing. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable

Revolving Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Advance included in such Revolving Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent. A notice of the Administrative Agent to any Lender or Borrower with respect to any amount owing under this subsection (f) shall be conclusive, absent manifest error.

(g) Alternative Rate of Interest. Notwithstanding anything to the contrary in Section 2.5(c) above, if the Administrative Agent has made the determination (such determination to be conclusive absent manifest error) that (i) the circumstances described in Section 2.5(c)(iv), (c)(v), or (c)(vi) have arisen and that such circumstances are unlikely to be temporary, (ii) any applicable interest rate specified herein is no longer a widely recognized benchmark rate for newly originated loans in the United States syndicated loan market in the applicable currency or (iii) the applicable supervisor or administrator (if any) of any applicable interest rate specified herein or any Governmental Authority having, or purporting to have, jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which any applicable interest rate specified herein shall no longer be used for determining interest rates for loans in the United States syndicated loan market in the applicable currency, then the Administrative Agent may, to the extent practicable (in agreement with the Borrower and as determined by the Administrative Agent to be generally in accordance with similar situations in other transactions in which it is serving as administrative agent or otherwise consistent with market practice generally), establish a replacement interest rate (the "Replacement Rate"), in which case, the Replacement Rate shall, subject to the next two sentences, replace such applicable interest rate for all purposes under the Credit Documents unless and until (A) an event described in Section 2.5(c)(iv), (c)(v), (c)(vi), (g)(ii), or (g)(iii) occurs with respect to the Replacement Rate or (B) the Majority Lenders (directly, or through the Administrative Agent) notify the Borrower that the Replacement Rate does not adequately and fairly reflect the cost to the Lenders of funding the Advances bearing interest at the Replacement Rate. In connection with the establishment and application of the Replacement Rate, this Agreement and the other Credit Documents shall be amended solely with the consent of the Administrative Agent and the Borrower, as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provisions of this Section 2.5(g). Notwithstanding anything to the contrary in this Agreement or the other Credit Documents (including, without limitation, Section 9.2), such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five (5) Business Days of the delivery of such amendment to the Lenders, written notices from such Lenders that in the aggregate constitute Majority Lenders, with each such notice stating that such Lender objects to such amendment. To the extent the Replacement Rate is approved by the Administrative Agent and the Borrower in connection with this clause (g), the Replacement Rate shall be applied in a manner consistent with market practice; provided that, in each case, to the extent such market practice is not administratively feasible for the Administrative Agent, such Replacement Rate shall be applied as otherwise reasonably determined by the Administrative Agent (it being understood that any such modification by the Administrative Agent shall not require the consent of, or consultation with, any of the Lenders).

Section 2.6 Prepayments. The Borrower shall not have any right to prepay any principal amount of any Advance except as provided in this Section 2.6. Each payment of any Advance pursuant to this Section 2.6 shall be made in a manner such that all Advances comprising part of the same Revolving Borrowing are paid in whole or ratably in part other than Advances owing to a Defaulting Lender as provided in Section 2.16.

(a) Optional. The Borrower may elect to prepay any Revolving Borrowing, in whole or in part, without penalty or premium except as set forth in Section 2.11 and after giving by 11:00 a.m. (Houston, Texas time) (i) in the case of Eurodollar Advances, at least three Business Days' or (ii) in case of Base Rate Advances, one Business Day's, prior written notice to the Administrative Agent stating the proposed date and aggregate principal amount of such prepayment; provided, that any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or any incurrence or issuance of debt or equity or an acquisition or disposition, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. If any such notice is given, the Borrower shall prepay Advances comprising part of the same Revolving Borrowing in whole or ratably (giving effect to Section 2.16, if applicable) in part in an aggregate principal amount equal to the amount specified in such notice, together with accrued interest to the date of such prepayment on the principal amount prepaid and amounts, if any, required to be paid pursuant to Section 2.11 as a result of such prepayment being made on such date; provided that (A) each optional partial prepayment of Eurodollar Advances shall be in a minimum amount not less than $3,000,000 and in multiple integrals of $1,000,000 in excess thereof and (B) each optional prepayment of Base Rate Advances shall be in a minimum amount not less than $500,000 and in multiple integrals of $100,000 in excess thereof.

(b) Mandatory.

(i) On any date that Outstandings exceed the aggregate amount of Revolving Commitments, the Borrower shall, within one Business Day, to the extent of such excess, first, prepay to the Swingline Lender the outstanding principal amount of the Swingline Advances, second, prepay to the Lenders on a pro rata basis the outstanding principal amount of the Revolving Advances and third, make deposits into the Cash Collateral Account to provide cash collateral in the amount of such excess for the Letter of Credit Exposure.

(ii) If a Commitment Increase is effected as permitted under Section 2.1(c), the Borrower shall prepay any Revolving Advances outstanding on such Increase Date to the extent necessary to keep the outstanding Revolving Advances ratable to reflect the revised Applicable Percentages arising from such Commitment Increase. Any prepayment made by Borrower in accordance with this clause (b)(ii) may be made with the proceeds of Revolving Advances made by all the Lenders in connection the Commitment Increase occurring simultaneously with the prepayment.

(c) Interest; Costs. Each prepayment pursuant to this Section 2.6 shall be accompanied by accrued interest on the amount prepaid to the date of such prepayment and amounts, if any, required to be paid pursuant to Section 2.11 as a result of such prepayment being made on such date.

Section 2.7 Repayment.

(a) Revolving Advances. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of and ratable benefit of each Lender the aggregate outstanding principal amount of all Revolving Advances on each such Lender's Maturity Date.

(b) Swingline Advances. The Borrower hereby unconditionally promises to pay to the Swingline Lender (i) the aggregate outstanding principal amount of all Swingline Advances on each Swingline Payment Date, and (ii) the aggregate outstanding principal amount of all Swingline Advances outstanding on the Swingline Lender's Maturity Date.

Section 2.8 Fees.

(a) Commitment Fees. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a Commitment Fee on the average daily amount by which such Lender's Revolving Commitment exceeds such Lender's outstanding Revolving Advances plus such Lender's Applicable Percentage of the Letter of Credit Exposure at the per annum rate equal to the Applicable Margin for Commitment Fees for such period; provided that no such commitment fee shall accrue on the Commitment of a Defaulting Lender during the period such Lender remains a Defaulting Lender. The Commitment Fee is due quarterly in arrears on March 31, June 30, September 30, and December 31 of each year commencing on December 31, 2018, and on each Maturity Date. For purposes of this Section 2.8(a) only, amounts advanced as Swingline Advances shall not reduce the amount of the unused Revolving Commitment.

(b) Fees for Letters of Credit. The Borrower agrees to pay the following: (i) subject to Section 2.16, to the Administrative Agent for the pro rata benefit of the Lenders a letter of credit fee for each Letter of Credit in an amount equal to the Applicable Margin for Eurodollar Advances per annum multiplied by the face amount of such Letter of Credit for the period such Letter of Credit is outstanding, which fee shall be due and payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year commencing on December 31, 2018, and on each Maturity Date; (ii) subject to Section 2.16, to the Issuing Lender, a fronting fee for each Letter of Credit in an amount separately agreed by the Borrower and the Issuing Lender, which fee shall be due and payable annually in advance on the date of the issuance or increase of each Letter of Credit and on the earlier of each annual anniversary thereafter or the Issuing Lender's Maturity Date; and (iii) to the Issuing Lender such other usual and customary fees associated with any transfers, amendments, drawings, negotiations or reissuances of any Letter of Credit, which fees shall be due and payable as requested by the Issuing Lender in accordance with the Issuing Lender's then current fee policy. The Borrower shall have no right to any refund of letter of credit fees previously paid by the Borrower, including any refund claimed because the Borrower cancels any Letter of Credit prior to its expiration date.

(c) Other Fees. The Borrower agrees to pay the fees to the Administrative Agent as set forth in the Fee Letter.

Section 2.9 Interest.

(a) Base Rate Advances. Each Base Rate Advance shall bear interest at the Adjusted Base Rate in effect from time to time plus the Applicable Margin for Base Rate Advances for such period, provided that while an Event of Default pursuant to Section 7.1(a) or (f) is continuing the Base Rate Advances shall bear interest at the Adjusted Base Rate in effect from time to time plus the Applicable Margin plus 2%. The Borrower shall pay to Administrative Agent for the ratable benefit of each Lender all accrued but unpaid interest on such Lender's Base Rate Advances on each March 31, June 30, September 30, and December 31 commencing on December 31, 2018, and on each Maturity Date; provided that if an Event of Default is continuing, (i) all such interest (other than the additional 2% which is addressed in the following clause (ii)) shall be due and payable on demand or, if no express demand is made, shall be due and payable on the otherwise required interest payment dates hereunder, and (ii) the interest portion accruing at the additional 2% shall be payable on demand.

(b) Eurodollar Advances. Each Eurodollar Advance shall bear interest during its Interest Period equal to at all times the Eurodollar Rate for such Interest Period plus the Applicable Margin for Eurodollar Advances for such period; provided that while an Event of Default pursuant to Section 7.1(a) or (f) is continuing, each Eurodollar Advance shall bear interest at the Eurodollar Rate in effect from time to time plus the Applicable Margin plus 2%. The Borrower shall pay to the Administrative Agent for the ratable benefit of each Lender all accrued but unpaid interest on each of such Lender's Eurodollar Advances on the last day of the Interest Period therefor (provided that for Eurodollar Advances with six month Interest Periods, accrued but unpaid interest shall also be due on the day three months from the first day of such Interest Period), on the date any Eurodollar Advance is repaid in full, and on each Maturity Date; provided that if an Event of Default is continuing, (i) all such interest (other than the additional 2% which is addressed in the following clause (ii)) shall be due and payable on demand or, if no express demand is made, shall be due and payable on the otherwise required interest payment dates hereunder, and (ii) the interest portion accruing at the additional 2% shall be payable on demand.

(c) Swingline Advances. Swingline Advances shall bear interest at the Adjusted Base Rate in effect from time to time plus the Applicable Margin for Base Rate Advances; provided that while an Event of Default pursuant to Section 7.1(a) or (f) is continuing the Swingline Advances shall bear interest at the Adjusted Base Rate in effect from time to time plus the Applicable Margin for Base Rate Advances plus 2%. The Borrower shall pay to the Swingline Lender for its own account subject to Section 2.4(f) all accrued but unpaid interest on each Swingline Advance on each Swingline Payment Date, on the date any Swingline Advance is repaid (or refinanced) in full, and on the Swingline Lender's Maturity Date.

(d) Other Amounts Overdue. If any amount payable under this Agreement, other than the Advances, is not paid when due and payable, including accrued interest and fees, then such overdue amount shall accrue interest hereon due and payable on demand at a rate per annum equal to the lesser of (i) the Adjusted Base Rate plus 2% and (ii) the Maximum Rate, from the date such amount became due until the date such amount is paid in full.

Section 2.10 Illegality. If any Lender shall notify the Borrower that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other Governmental Authority asserts that it is unlawful, for such Lender or its Lending Office to perform its obligations under this Agreement to make, maintain, or fund any Eurodollar Advances of such Lender then outstanding hereunder, (a) the Borrower shall, no later than 11:00 a.m. (Houston, Texas time) (i) if not prohibited by law, on the last day of the Interest Period for each outstanding Eurodollar Advance, or (ii) if required by such notice, on the second Business Day following its receipt of such notice, prepay all of the Eurodollar Advances of such Lender then outstanding, together with accrued interest on the principal amount prepaid to the date of such prepayment and amounts, if any, required to be paid pursuant to Section 2.11 as a result of such prepayment being made on such date, (b) such Lender shall simultaneously make a Base Rate Advance to the Borrower on such date in an amount equal to the aggregate principal amount of the Eurodollar Advances prepaid to such Lender, and (c) the right of the Borrower to select Eurodollar Advances from such Lender for any subsequent Revolving Borrowing shall be suspended until such Lender shall notify the Borrower that the circumstances causing such suspension no longer exist.

Section 2.11 Breakage Costs.

(a) Funding Losses. In the case of any Revolving Borrowing in which the related Notice of Borrowing specifies is to be comprised of Eurodollar Advances or the related Notice of Continuation or Conversion specifies is to be a Conversion to, or a continuation of, Eurodollar Advances, the Borrower hereby indemnifies each Lender against any loss, out-of-pocket cost, or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Revolving Borrowing the applicable conditions set forth in Article III or any failure to Convert or continue such Advances, including, without limitation, any loss (excluding any loss of anticipated profits), cost, or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by such Lender to fund the Eurodollar Advance to be made by such Lender as part of such Revolving Borrowing or as part of such Conversion or continuation when such Eurodollar Advance as a result of such failure, is not made, Converted or continued, as applicable, on such date.

(b) Prepayment Losses. If (i) any payment of principal of any Eurodollar Advance is made other than on the last day of the Interest Period for such Advance (including any deemed payment or repayment and any reallocated repayment to Non-Defaulting Lenders provided for in Section 2.13(a) or Section 2.16) as a result of any prepayment, payment, the acceleration of the maturity of the Obligations, or for any other reason, (ii) the Borrower fails to make a principal or interest payment with respect to any Eurodollar Advance on the date such payment is due and payable, or (iii) any failure by the Borrower to make payment of any Advance or reimbursement of drawing under any Letter of Credit (or interest due thereon) on its scheduled due date; the Borrower shall, within 10 days of any written demand sent by the Administrative

Agent on behalf of a Lender to the Borrower, pay to the Administrative Agent for the benefit of such Lender any amounts determined in good faith by such Lender to be required to compensate such Lender for any additional losses, out-of-pocket costs, or expenses which it may reasonably incur as a result of such payment or nonpayment, including, without limitation, any loss (excluding loss of anticipated profits), cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

Section 2.12 **Increased Costs**.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 2.12(e)) or any Issuing Lender;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its Advances, loan principal, Letters of Credit, Commitments or other Obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or Issuing Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Advances made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, Converting to, continuing or maintaining any Advance or of maintaining its obligation to make or accept and purchase any such Advance, or to increase the cost to such Lender, such Issuing Lender or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, such Issuing Lender or such other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, such Issuing Lender or such other Recipient, the Borrower will pay to such Lender, such Issuing Lender or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, such Issuing Lender or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or Issuing Lender determines that any Change in Law affecting such Lender or Issuing Lender or any lending office of such Lender or such Lender's or Issuing Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or Issuing Lender's capital or on the capital of such Lender's or Issuing Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Advances made by, or participations in Letters of Credit or Swingline Advances held by, such Lender, or the Letters of Credit issued by such Issuing Lender, to a level below that which such Lender or Issuing Lender or such Lender's or Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or Issuing Lender's policies and the policies of such Lender's or Issuing Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or Issuing Lender, such additional amount or amounts as will compensate such Lender or such Issuing Lender or such Lender's or Issuing Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or Issuing Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Recipient pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Recipient notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Recipient's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Additional Reserve Requirement. The Borrower shall pay to each Lender Party, (i) as long as such Lender Party shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurodollar funds or deposits (currently known as Eurocurrency Liabilities), additional interest on the unpaid principal amount of each Eurodollar Advance equal to the actual costs of such reserves allocated to such Advance by such Lender Party (as determined by such Lender Party in good faith, which determination shall be conclusive in the absence of manifest error), and (ii) as long as such Lender Party shall be required to comply with any reserve ratio requirement or analogous requirement of any other central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of the Eurodollar Advances, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitments or Advances by such Lender Party (as determined by such Lender Party in good faith, which determination shall be conclusive in the absence of manifest error), which, in each case, shall be due and payable on each date on which interest is payable on such Advance.

Section 2.13 Payments and Computations.

(a) Payments. All payments to be made by the Borrower shall be made in immediately available funds without condition or deduction for any counterclaim, defense, recoupment or setoff; provided that the Borrower may setoff amounts owing to any Lender that is at such time a Defaulting Lender against Advances that such Defaulting Lender failed to fund to the Borrower under this Agreement (the "Unfunded Advances") so long as (i) the Borrower shall have delivered prior written notice of such setoff to the Administrative Agent and such Defaulting Lender, (ii) the Advances made by the Non-Defaulting Lenders as part of the original Revolving Borrowing to which the Unfunded Advances applied shall still be outstanding, (iii) if such Defaulting Lender failed to fund Advances under more than one Revolving Borrowing, such setoff shall be applied in a manner satisfactory to the Administrative Agent, and (iv) upon the application of such setoff, the Unfunded Advances shall be deemed to have been made by such Defaulting Lender on the effective date of such setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed in Dollars and in Same Day Funds. Subject to Section 2.5(c), each payment of any Advance pursuant to this Section or any other provision of this Agreement shall be made in a manner such that all Advances comprising part of the same Revolving Borrowing are paid in whole or ratably in part.

(b) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the

Administrative Agent for the account of the applicable Lenders or the Issuing Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Lenders, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the applicable Lenders or the Issuing Lenders, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Lender, in Same Day Funds with interest thereon, for each day from and including the date such amount is distributed to it but excluding the date of payment to the Administrative Agent, at the Overnight Rate. A notice of the Administrative Agent to any Lender or Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Payment Procedures. Subject to Section 2.14, the Borrower shall make each payment of any amount under this Agreement and under any other Credit Document not later than 11:00 a.m. (Houston, Texas time) on the day when due in Dollars to the Administrative Agent at the Administrative Agent's address (or such other location as the Administrative Agent shall designate in writing to the Borrower) in Same Day Funds. Without limiting the generality of the foregoing, the Administrative Agent may require that any payments due under this Agreement be made in the United States. Subject to Section 2.14, the Administrative Agent will promptly thereafter, and in any event prior to the close of business on the day any timely payment is made, cause to be distributed like funds relating to the payment of principal, interest or fees ratably (other than amounts payable solely to any specific Lender Party pursuant to Sections 2.4, 2.10, 2.11, 2.12, 2.14, and 9.1 but after taking into account payments effected pursuant to Section 2.13(f)) in accordance with each Lender's Applicable Percentage to the Lenders for the account of their respective Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon receipt of other amounts due solely to the Administrative Agent, Issuing Lender, Swingline Lender, or a specific Lender, the Administrative Agent shall distribute such amounts to the appropriate party to be applied in accordance with the terms of this Agreement.

(d) Non-Business Day Payments. Whenever any payment shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be; provided that if such extension would cause payment of interest on or principal of Eurodollar Advances to be made in the next following calendar month, such payment shall be made on the immediately preceding Business Day.

(e) Computations. All computations of interest and fees shall be made by the Administrative Agent on the basis of a year of 365 (or, in a leap year, 366) days for Base Rate Advances for which interest is calculated based on the Prime Rate and a year of 360 days for all other interest and fees, in each case for the actual number of days (including the first day, but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent of an amount of interest or fees shall be conclusive and binding for all purposes, absent manifest error.

(f) Sharing of Payments, Etc. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff, counterclaim or otherwise against the Borrower or any other Credit Party, obtain payment (voluntary or involuntary) in respect of any Advance or the participations in the Letter of Credit Obligations or in the Swingline Advances held by it, as a result of which the unpaid portion of its Advances shall be proportionately less than the unpaid portion of the Advances or the participations in the Letter of Credit Obligations or in the Swingline Advances held by any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Advances, the participations in the Letter of Credit

Obligations and in the Swingline Advances held by it of such other Lender, so that the aggregate unpaid amount of the Advances and participations in Advances, Letter of Credit Obligations and Swingline Advances held by each Lender shall be in the same proportion to the aggregate unpaid amount of all Advances, Letter of Credit Obligations and Swingline Advances then outstanding as the amount of its Advances, and participations in Letter of Credit Obligations and Swingline Advances prior to such exercise of banker's lien, setoff or counterclaim or other event was to the amount of all Advances and participations in Letter of Credit Obligations and Swingline Advances, outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.13 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable Legal Requirement, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 2.14 Taxes.

(a) Issuing Lender. For purposes of this Section 2.14, the term "Lender" includes any Issuing Lender and the term "Legal Requirement" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Credit Party under any Credit Document shall be made without deduction or withholding for any Taxes, except as required by applicable Legal Requirement. If any applicable Legal Requirement (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable Legal Requirement and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Credit Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by Credit Parties. The Credit Parties shall timely pay to the relevant Governmental Authority in accordance with applicable Legal Requirement, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by Credit Parties. The Credit Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient 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 but excluding to the extent resulting from the gross negligence or willful misconduct of the Recipient as determined by a court of competent jurisdiction by final and nonappealable judgment; provided that, for the avoidance of doubt, no indemnification payment shall be due under this Section 2.14(d) to the extent such payment is duplicative of any payment made by a Credit Party under Section 2.14(b) or (c) or by a Guarantor (in lieu of the Borrower) under any Guaranty. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.6(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority but except as a result of the gross negligence or willful misconduct of the Recipient as determined by a court of competent jurisdiction by final and nonappealable judgment. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Credit Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Credit Party to a Governmental Authority pursuant to this Section 2.14, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders.

(i) Any Lender (including, solely for purposes of this Section 2.14(g), the Administrative Agent) that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Credit Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Legal Requirement or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.14(g)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), properly completed, valid and executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this

Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable: (i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Credit Document, properly completed, valid and, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form), as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Credit Document, properly completed, valid and executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form), as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty; (ii) properly completed, valid and executed copies of IRS Form W-8ECI (or any successor form); (iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) properly completed, valid and executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form), as applicable; or (iv) to the extent a Foreign Lender is not the beneficial owner, properly completed, valid and executed copies of IRS Form W-8IMY (or any successor form), accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E (or any successor form), as applicable, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), properly completed, valid and executed copies of any other form prescribed by applicable Legal Requirement as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Legal Requirement to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Credit Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Legal Requirement and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Legal Requirement (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund (including, for purposes of this paragraph, a credit in lieu of a cash refund) of any Taxes as to which it has been indemnified pursuant to this Section 2.14 (including by the payment of additional amounts pursuant to this Section 2.14), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.14 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Credit Document.

Section 2.15 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.12, or the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Advances hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or 2.14, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement Lender. If any Lender (x) requests compensation under Section 2.12, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, (y) is a Defaulting Lender, or (z) is a Non-Consenting Lender or Non-Extending Lender, then the Borrower may, at its sole expense and effort (and in the case of a Defaulting Lender, the Administrative Agent may) upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.6), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.12 or Section 2.14) and obligations under this Agreement and the related Credit Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 9.6;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Advances and participations in Letter of Credit Obligations, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Credit Documents (including any amounts under Section 2.11) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with any applicable Legal Requirement;

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent; and

(vi) in the case of any assignment resulting from a Lender becoming a Non-Extending Lender, the applicable assignee's Maturity Date shall be the latest Maturity Date in effect after giving effect to such applicable extension.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. To the extent permitted under applicable Legal Requirements, each Lender hereby designates and appoints the Administrative Agent as true and lawful agent and attorney-in-fact, with full power and authority, for and on behalf of and in the name of such Lender to execute, acknowledge and deliver the Assignment and Acceptance required hereunder if such Lender is replaced pursuant to this Section 2.15(b) and such Lender shall be bound thereby as fully and effectively as if such Lender had personally executed, acknowledged and delivered the same. In lieu of the Borrower or the Administrative Agent replacing a Defaulting Lender as provided in this Section 2.15, the Borrower may terminate such Defaulting Lender's applicable Commitment as provided in Section 2.1(b)(ii).

Section 2.16 Defaulting Lender.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable Legal Requirement:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Majority Lenders.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 7.4 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Issuing Lender or Swingline Lender hereunder; third, to Cash Collateralize each Issuing Lender's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.3(k); fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any loan hereunder in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Advances under this Agreement and (y) Cash Collateralize each Issuing Lender's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.3(k); sixth, to the payment of any amounts owing to the Lenders, the Issuing Lenders or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, any Issuing Lender or the Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment by or on behalf of Borrower of the principal amount of any Advances or Letter of Credit disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Advances were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 3.1 were satisfied or waived, such payment shall be applied solely to pay the Advances of, and Letter of Credit disbursements owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Advances of, or Letter of Credit disbursements owed to, such Defaulting Lender until such time as all Advances and funded and unfunded participations in Letter of Credit Obligations and Swingline Advances are held by the Lenders pro rata in accordance with the Commitments without giving effect to Section 2.16(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.16(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) No Defaulting Lender shall be entitled to receive any Commitment Fee for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive fees under Section 2.8(b)(i) for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.3(k).

(C) With respect to any fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in Letter of Credit Obligations or Swingline Advances that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each Issuing

Lender and the Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such Issuing Lender's or the Swingline Lender's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in Letter of Credit Obligations and Swingline Advances shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 3.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Outstandings of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment. Subject to Section 9.16, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral, Repayment of Swingline Advances. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under Legal Requirement, (x) first, prepay Swingline Advances in an amount equal to the Swingline Lender's Fronting Exposure and (y) second, Cash Collateralize each Issuing Lender's Fronting Exposure in accordance with the procedures set forth in Section 2.3(k).

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent, the Swingline Lender and each Issuing Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Revolving Advances of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Advances and funded and unfunded participations in Letters of Credit and Swingline Advances to be held pro rata by the Lenders in accordance with the Commitments (without giving effect to Section 2.16(a)(iv), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) Letters of Credit. So long as any Lender is a Defaulting Lender, no Issuing Lender shall be required to issue, extend, renew or increase any Letter of Credit, unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

(d) Swingline Advances. So long as any Lender is a Defaulting Lender, the Swingline Lender shall not be required to make any Swingline Advances, unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

ARTICLE III.
CONDITIONS PRECEDENT

Section 3.1 **Conditions Precedent to Initial Credit Extension**. The obligation of each Issuing Lender, the Swingline Lender and each Lender to make its initial Credit Extension (including the deemed issuance of the Existing Letters of Credit) hereunder is subject to satisfaction of the following conditions precedent:

(a) Documentation. The Administrative Agent shall have received the following, duly executed by all the parties thereto, in form and substance reasonably satisfactory to the Administrative Agent and the Lenders:

(i) this Agreement and all Exhibits and Schedules hereto;

(ii) the Notes payable to each Lender, as requested by such Lender;

(iii) the Guaranty;

(iv) a certificate from a Responsible Officer of the Borrower dated as of the date hereof stating that as of such date (A) all representations and warranties of the Credit Parties set forth in this Agreement are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by materiality or Material Adverse Change in the text thereof) and (B) no Default has occurred and is continuing;

(v) a secretary's certificate from each Credit Party certifying such Person's (A) officers' incumbency, (B) authorizing resolutions, and (C) organizational documents;

(vi) certificates of good standing for each Credit Party in the state, province or territory in which each such Person is organized, which certificates shall be dated a date not earlier than 30 days prior to date hereof; and

(vii) a legal opinion of Baker Botts L.L.P., in form and substance reasonably satisfactory to the Administrative Agent and covering customary matters.

(b) Representations and Warranties. The representations and warranties contained in Article IV and in each other Credit Document shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by materiality or Material Adverse Change in the text thereof) on and as of the Closing Date before and after giving effect to the initial Revolving Borrowings or issuance (or deemed issuance) of Letters of Credit, as though made on and as of such date.

(c) No Default. No Default shall have occurred and be continuing.

(d) Payment of Fees. The Borrower shall have paid the fees and expenses required to be paid as of the Closing Date by the Fee Letter, such other fee letter as agreed to by the Borrower, and the Commitment Letter; provided that any fees and expenses of counsel to the Administrative Agent shall have been invoiced not less than two Business Days prior to the Closing Date (or such later date as the Borrower may agree).

(e) Approvals. All governmental, equity holder and third-party approvals necessary or, in the discretion of the Administrative Agent, advisable in connection with this Agreement and the other Credit Documents shall have been obtained and be in full force and effect.

(f) Other Proceedings. No action, suit, investigation or other proceeding (including, without limitation, the enactment or promulgation of a statute or rule) by or before any arbitrator or any Governmental Authority shall be threatened or pending and no preliminary or permanent injunction or order by a state or federal court shall have been entered (i) in connection with this Agreement or any transaction contemplated hereby or (ii) which, in any case, in the judgment of the Administrative Agent could reasonably be expected to result in a Material Adverse Change.

(g) Material Adverse Change. Except as set forth on Schedule 3.1(g), no event or circumstance that could reasonably be expected to result in a material adverse change in the financial condition, results of operations, business, assets or liabilities of the Borrower and its Subsidiaries, taken as a whole, shall have occurred since June 30, 2018.

(h) Solvency. The Administrative Agent shall have received a certificate in form and substance reasonably satisfactory to the Administrative Agent from a senior financial officer of the Borrower certifying that, before and after giving effect to the initial Revolving Borrowings (if any) and other Credit Extensions made hereunder on the date hereof (including the deemed issuance of the Existing Letters of Credit), each Credit Party (on a consolidated basis with its Subsidiaries) is Solvent.

(i) Patriot Act and Beneficial Ownership. The Administrative Agent and each Lender shall have received all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money-laundering rules and regulations including, without limitation, the Patriot Act and the Beneficial Ownership Regulation.

(j) Payoff Letter. The Administrative Agent shall have received (i) evidence satisfactory to it that all amounts outstanding under the Existing Credit Agreement have been paid in full and (ii) a customary payoff letter executed by the administrative agent thereunder and H&P International terminating all commitments to extend credit thereunder.

Section 3.2 Conditions Precedent to Each Credit Extension. The obligation of each Lender to make any Credit Extension on the occasion of each Revolving Borrowing (including any Revolving Borrowing on the Closing Date), the obligation of each Issuing Lender to make any Credit Extension (excluding the deemed issuance of the Existing Letters of Credit), the obligation of the Swingline Lender to make Swingline Advances and any reallocation of Letter of Credit Exposure provided in Section 2.16, in any such case, shall be subject to the further conditions precedent that on the date of such Revolving Borrowing or such Credit Extension or reallocation:

(a) Representations and Warranties. As of the date of the making of such Credit Extension or reallocation (but excluding any Conversion of Revolving Advances),

(i) the representations and warranties made by any Credit Party in the Credit Documents (other than the representation and warranty made in Section 4.4(b) as to any Credit Extension other than the initial Credit Extension) shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that are already qualified or modified by materiality or Material Adverse Change in the text thereof) on such date, except that any representation and warranty which by its terms is made as of a specified date shall be required to be true and correct only as of such specified date and each request for the making of any Credit Extension or reallocation; and

(ii) the making of such Credit Extension or reallocation shall be deemed to be a reaffirmation of such representations and warranties.

(b) No Default. As of the date of the Credit Extension or reallocation, there shall exist no Default or Event of Default, and the making of such Credit Extension or reallocation would not cause a Default or Event of Default.

(c) No Legal Prohibition. The making of such Credit Extension, would not conflict with, or cause any Lender or any Issuing Lender to violate or exceed, any applicable Legal Requirement.

(d) Credit Extension Request. The Administrative Agent and, if applicable, the Issuing Lender or the Swingline Lender shall have received a Notice of Borrowing or Letter of Credit Application, as applicable, in accordance with the requirements of this Agreement.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants as follows:

Section 4.1 **Organization**. Each of the Borrower and its Subsidiaries is duly and validly organized and existing and in good standing under the laws of its jurisdiction of incorporation or formation and is authorized to do business and is in good standing in all jurisdictions in which such qualifications or authorizations are necessary except where the failure could not reasonably be expected to result in a Material Adverse Change.

Section 4.2 **Authorization**. The execution, delivery, and performance by each Credit Party of each Credit Document to which such Credit Party is a party and the consummation of the transactions contemplated thereby (a) are within such Credit Party's powers, (b) have been duly authorized by all necessary corporate, limited liability company or partnership action, (c) do not contravene any organizational documents of such Credit Party, (d) do not contravene any law or any contractual restriction binding on or affecting such Credit Party, (e) do not result in or require the creation or imposition of any Lien prohibited by this Agreement, and (f) do not require any authorization or approval or other action by, or any notice or filing with, any Governmental Authority, except notices to or filings with the SEC and routine Tax filings that may be required from time to time. At the time of each Credit Extension, such Credit Extension and the use of the proceeds of such Credit Extension are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) the Borrower's organizational documents or (ii) any law in any material respect or any material contractual restriction binding on or affecting the Borrower, will not result in or require the creation or imposition of any Lien prohibited by this Agreement, and do not require any authorization or approval or other action by, or any notice or filing with, any Governmental Authority.

Section 4.3 **Enforceability**. The Credit Documents have each been duly executed and delivered by each Credit Party that is a party thereto and each Credit Document constitutes the legal, valid, and binding obligation of each Credit Party that is a party thereto enforceable in accordance with its terms, except as limited by applicable Debtor Relief Laws or similar laws at the time in effect affecting the rights of creditors generally and to the effect of general principles of equity whether applied by a court of law or equity.

Section 4.4 **Financial Condition**.

(a) The Borrower has delivered to the Lenders the Financial Statements for the fiscal quarter ended June 30, 2018, and such Financial Statements are true and correct in all material respects and present fairly the consolidated financial condition of the Borrower and its Subsidiaries as of the date thereof. As of the date of the financial statements referred in the preceding sentence, there were no material contingent obligations, liabilities for taxes, unusual forward or long-term commitments, or unrealized or anticipated losses of the applicable Persons, except as disclosed therein and adequate reserves for such items have been made in accordance with GAAP.

(b) Except as set forth on Schedule 3.1(g), since June 30, 2018, no event or condition has occurred that could reasonably be expected to result in Material Adverse Change.

Section 4.5 **Ownership and Liens**. Each Credit Party has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

Section 4.6 **True and Complete Disclosure**. All written factual information (whether delivered before or after the date of this Agreement) prepared by or on behalf of the Borrower or a Subsidiary (other than projected financial information, pro forma financial information and information of a general economic or industry nature) and furnished to any Lender Party for purposes of or in connection with this Agreement, any other Credit Document or any transaction contemplated hereby or thereby is true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not materially misleading at such time, in light of the circumstances under which they were made; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed by it to be reasonable at the time so furnished and, if such projected financial information was furnished prior to the date of this Agreement, as of the date of this Agreement (it being understood and agreed that any such projected financial information may vary from actual results and that such variations may be material). There is no fact known to any Responsible Officer of the Borrower on the date of this Agreement that has not been disclosed to the Administrative Agent that could reasonably be expected to result in a Material Adverse Change. The information included in any Beneficial Ownership Certification provided to any Lender in connection with this Agreement is true and correct in all respects.

Section 4.7 **Litigation**. Except as set forth in Schedule 4.7, there are no actions, suits, or proceedings pending or, to the Borrower's knowledge, threatened against the Borrower or any Subsidiary, at law, in equity, or in admiralty, or by or before any Governmental Authority, which could reasonably be expected to result in a Material Adverse Change; provided that this Section 4.7 does not apply with respect to Environmental Claims. Additionally, except as disclosed in writing to the Lender Parties, there is no pending or, to the best of the knowledge of the Borrower, threatened action or proceeding instituted against the Borrower or any Subsidiary which seeks to adjudicate the Borrower or any Subsidiary as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its Property.

Section 4.8 **No Default**. No Default has occurred and is continuing.

Section 4.9 **Pension Plans**. Except for matters that individually or in the aggregate could not reasonably be expected to result in a liability of greater than $50,000,000.00, (a) all Plans are, and have been administered, in compliance in all material respects with all applicable provisions of ERISA and the Code, (b) no Termination Event has occurred with respect to any Plan for which there is any unsatisfied liability, (c) no failure to satisfy the "minimum funding standard" (within the meaning of Section 302 of ERISA) has occurred with respect to any Plan and there has been no excise tax imposed upon the Borrower or any Subsidiary under Section 4971 of the Code, in each case, for which there is any unsatisfied liability, (d) except as set forth on Schedule 4.9, the present value of all benefits vested under each Plan (based on the assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto, exceed the value of the assets of such Plan allocable to such vested benefits, (e) neither the Borrower nor any member of the Controlled Group has had a complete or partial withdrawal from any Multiemployer Plan for which there is any unsatisfied withdrawal liability, and (f) neither the Borrower nor any member of the Controlled Group during the last six years has been a participating employer in a Multiemployer Plan during the last six years. Based upon GAAP existing as of the date of this Agreement and current factual circumstances, neither the Borrower nor any Subsidiary has any reason to believe that the annual cost during the term of this Agreement to the Borrower or any Subsidiary for post-retirement benefits to be provided, except as required by law, to the current and former employees of the Borrower or any Subsidiary under any welfare benefit plans (as defined in Section 3(1) of ERISA) could reasonably be expected to result in a liability of greater than $50,000,000.00.

Section 4.10 Environmental Condition. Except to the extent that any inaccuracy could not reasonably be expected to result in a Material Adverse Change:

(a) Permits, Etc. The Borrower and the Subsidiaries (i) have obtained all material Environmental Permits necessary for the ownership and operation of their respective Properties and the conduct of their respective businesses; (ii) have at all times been and are in material compliance with all terms and conditions of such Permits and with all other material requirements of applicable Environmental Laws; (iii) have not received written notice of any material violation or alleged material violation of any Environmental Law or Environmental Permit; and (iv) are not subject to any actual or contingent Environmental Claim.

(b) Certain Liabilities. None of the present or previously owned or operated Property of the Borrower or any Subsidiary, wherever located, (i) has been placed on or proposed to be placed on the National Priorities List, the Comprehensive Environmental Response Compensation Liability Information System list, or their state or local analogs, or have been otherwise investigated, designated, listed, or identified as a potential site for removal, remediation, cleanup, closure, restoration, reclamation, or other response activity under any Environmental Laws; (ii) is subject to a Lien, arising under or in connection with any Environmental Laws, that attaches to any revenues or to any Property owned or operated by any Credit Party or any Subsidiary, wherever located; or (iii) has been the site of any Release of Hazardous Substances or Hazardous Wastes from present or past operations which has caused at the site or at any third-party site any condition that has resulted in or could reasonably be expected to result in the need for Response will not result in a Material Adverse Change.

(c) Certain Actions. Without limiting the foregoing, (i) all notices have been properly filed, and no further action is required under current applicable Environmental Law as to each Response or other restoration or remedial project undertaken by the Borrower, any Subsidiary, or any Person's former Subsidiaries on any of their presently or formerly owned or operated Property and (ii) the present and, to the Borrower's best knowledge, future liability, if any, of the Borrower or of any Subsidiary which could reasonably be expected to arise in connection with requirements under Environmental Laws will not result in a Material Adverse Change.

Section 4.11 Subsidiaries. As of the Closing Date, the Borrower does not have any Subsidiaries other than those listed on Schedule 4.11. The Equity Interests of each Subsidiary are validly issued, fully paid and non-assessable.

Section 4.12 Investment Company Act. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Neither the Borrower nor any Subsidiary is subject to regulation under any Federal or state statute, regulation or other Legal Requirement which limits its ability to incur Debt.

Section 4.13 Taxes. Proper and accurate (in all material respects (as reasonably determined by the Borrower)) federal, state, local and foreign tax returns required to have been filed (after giving effect to any extension granted in the time for filing) by the Borrower or its Subsidiaries have been filed with the appropriate Governmental Authorities, and all Taxes due and payable have been paid, except to the extent (i) in either case, the failure to do so could not reasonably be expected to result in a Material Adverse Change, or (ii) such Taxes are being contested in good faith and by appropriate proceedings and for which adequate reserves have been established on the books of the appropriate Person in accordance with GAAP.

Section 4.14 Permits, Licenses, etc. The Borrower and each Subsidiary possesses all permits, licenses, patents, patent rights or licenses, trademarks, trademark rights, trade names rights, and copyrights which are material to the conduct of its respective business except where the failure to maintain the same could not reasonably be expected to result in a Material Adverse Change. The Borrower and each Subsidiary manages and operates its business in accordance with all applicable Legal Requirements except where the failure to so manage or operate could not reasonably be expected to result in a Material Adverse Change.

Section 4.15 Use of Proceeds. No Credit Party is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). No proceeds of any Credit Extension will be used (a) to purchase or carry any margin stock (within the meaning of Regulation U) or to extend credit to others for the purpose of purchasing or carrying any margin stock (within the meaning of Regulation U) without completing and delivery to the Lenders a Form U-1 (or such other documentation required under Regulation U), or (b) for any purpose which, in any event, violates or would be inconsistent with, the provisions of Regulation T, U or X.

Section 4.16 Condition of Property; Casualties. The material Properties used or to be used in the continuing operations of the Borrower or any Subsidiary, are in good working order and condition, normal wear and tear excepted, except for certain deficiencies that could not reasonably be expected to result in a Material Adverse Change. Neither the business nor the material Properties of the Borrower or any Subsidiary has, since June 30, 2018, been affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of Property or cancellation of contracts, permits or concessions by a Governmental Authority, riot, activities of armed forces or acts of God or of any public enemy, which effect could reasonably be expected to cause a Material Adverse Change.

Section 4.17 Insurance. The Borrower and each Subsidiary carries insurance (which may be carried by the Borrower on a consolidated basis) or maintains appropriate risk management programs in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are reasonable given the nature of its business, its ability to self-insure, the circumstances and geographic area in which such business is being conducted and the availability of insurance coverage at commercially reasonable rates.

Section 4.18 Anti-Corruption Laws, Anti-Money Laundering/Anti-Terrorism Laws, and Sanctions. None of (a) the Borrower or any Subsidiary, or any of their respective officers or employees, or (b) to the knowledge of the Borrower, any of agent, director, Affiliate or representative of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, (i) is a Sanctioned Person or is currently the subject or target of any Sanctions or (ii) except as disclosed in (A) the Borrower's Form 10-K filed with the SEC on November 26, 2008 for the year ended September 30, 2008 and (B) the Borrower's Form 8-K filed with the SEC on July 30, 2009, has taken any action, directly or indirectly, that would result in a violation by such Persons of any Anti-Corruption Laws or any Anti-Money Laundering/Anti-Terrorism Laws.

ARTICLE V.
AFFIRMATIVE COVENANTS

So long as any Obligation shall remain unpaid (other than contingent indemnity Obligations for which no claim has been made), any Lender shall have any Commitment hereunder, or there shall exist any Letter of Credit Exposure (other than with respect to Letters of Credit that have been cash collateralized pursuant to this Agreement or for which other arrangements acceptable to the applicable Issuing Lender have been entered into), the Borrower agrees to comply with the following covenants.

Section 5.1 Organization. The Borrower shall, and shall cause each Subsidiary to, preserve and maintain its partnership, limited liability company or corporate existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified as a foreign business entity in each jurisdiction in which qualification is necessary in view of its business and operations or the ownership of its Properties and where failure to qualify could reasonably be expected to cause a Material Adverse Change; provided, however, that nothing herein contained shall prevent any transaction permitted by Section 6.7 or Section 6.8.

Section 5.2 Reporting.

(a) Annual Financial Reports. The Borrower shall provide, or shall cause to be provided, to the Administrative Agent with sufficient copies for the Lenders, as soon as available after the end of each fiscal year of the Borrower, but in any event no more than thirty days after the date required under Securities Laws for the filing of its Form 10-K, the audited annual Financial Statements (which shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit), all prepared in conformity with GAAP consistently applied and all as audited by the Borrower's certified public accountants of nationally recognized standing or otherwise reasonably acceptable to the Administrative Agent, together with a duly completed Compliance Certificate.

(b) Quarterly Financial Reports. The Borrower shall provide to the Administrative Agent with sufficient copies for the Lenders, as soon as available after the end of the first three fiscal quarters of each fiscal year of the Borrower, but in any event no more than thirty days after the date required under Securities Laws for the filing of its Form 10-Q: (i) an internally prepared Financial Statement as of the close of such fiscal quarter, (ii) a comparison of such balance sheet and the related consolidated statements of income, retained earnings, and cash flow to the balance sheet and related consolidated statements of income, retained earnings, and cash flow for the corresponding fiscal period of the preceding fiscal year, (iii) any other such items as the Administrative Agent may reasonably request, all of which shall be certified as accurate by a senior financial officer of the Borrower, and (iv) a duly completed Compliance Certificate.

(c) Defaults. The Borrower shall provide to the Administrative Agent promptly, but in any event within three Business Days after knowledge of the occurrence thereof, a notice of each Default or Event of Default known to the Borrower or to any Subsidiary, together with a statement of an Responsible Officer of the Borrower setting forth the details of such Default or Event of Default and the actions which the Borrower or such Subsidiary has taken and proposes to take with respect thereto.

(d) Other Creditors. The Borrower shall provide to the Administrative Agent promptly after the giving or receipt thereof, copies of any default notices given or received by the Borrower or by any Subsidiary pursuant to the terms of any indenture, loan agreement, credit agreement, or similar agreement evidencing or relating to Debt in a principal amount equal to or greater than $50,000,000.00.

(e) Litigation. The Borrower shall provide to the Administrative Agent promptly after the commencement thereof, notice of all actions, suits, and proceedings before any Governmental Authority, affecting the Borrower or any Subsidiary that could reasonably be expected to result in a Material Adverse Change.

(f) Environmental Notices. Promptly upon, and in any event no later than 15 days after, the receipt thereof, or the acquisition of knowledge thereof, by the Borrower or any Subsidiary, the Borrower shall provide the Administrative Agent with a copy of any form of request, claim, complaint, order, notice, summons or citation received from any Governmental Authority or any other Person, (i) concerning violations or alleged violations of Environmental Laws, which seeks to impose liability therefor in excess of $50,000,000.00, (ii) concerning any action or omission on the part of the Borrower or any of its Subsidiaries in connection with Hazardous Waste or Hazardous Substances which could reasonably result in the imposition of liability in excess of $50,000,000.00 or requiring that action be taken to respond to or clean up a Release of Hazardous Substances or Hazardous Waste into the environment and such action or clean-up could reasonably be expected to exceed $50,000,000.00, including without limitation any information request related to, or notice of, potential responsibility under CERCLA, or (iii) concerning the filing of a Lien (other than Permitted Lien) upon, against or in connection with the Borrower or any Subsidiary, or any of their leased or owned Property, wherever located.

(g) Material Changes. The Borrower shall provide to the Administrative Agent prompt written notice of any condition or event of which the Borrower or any Subsidiary has knowledge, which condition or event has resulted or could reasonably be expected to result in a Material Adverse Change.

(h) Termination Events. As soon as possible and in any event (i) within 30 days after the Borrower or any member of the Controlled Group knows or has reason to know that any Termination Event described in clause (a) of the definition of Termination Event with respect to any Plan which could reasonably be expected to result in a Material Adverse Change has occurred, and (ii) within 10 days after the Borrower or any member of the Controlled Group knows or has reason to know that any other Termination Event with respect to any Plan which could reasonably be expected to result in a Material Adverse Change has occurred, the Borrower shall provide to the Administrative Agent a statement of a Responsible Officer of the Borrower describing such Termination Event and the action, if any, which the Borrower or any Affiliate of the Borrower proposes to take with respect thereto;

(i) Termination of Plans. Promptly and in any event within five Business Days after receipt thereof by the Borrower or any other member of the Controlled Group from the PBGC, the Borrower shall provide to the Administrative Agent copies of each notice received by the Borrower or any such other member of the Controlled Group of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan, in each case, which could reasonably be expected to result in a Material Adverse Change;

(j) Other ERISA Notices. (i) Promptly and in any event within five Business Days after receipt thereof by the Borrower or any other member of the Controlled Group from a Multiemployer Plan sponsor, the Borrower shall provide to the Administrative Agent a copy of each notice received by the Borrower or any other member of the Controlled Group concerning the imposition or amount of withdrawal liability imposed on the Borrower or any other member of the Controlled Group pursuant to Section 4202 of ERISA which could reasonably be expected to result in a Material Adverse Change; (ii) as soon as possible and in any event no later than 30 days prior to the occurrence of such event, the Borrower shall provide to the Administrative Agent written notice of an assumption by the Borrower, any Subsidiary, or any member of the Controlled Group of an obligation to contribute to any Multiemployer Plan which could reasonably be expected to result in a Material Adverse Change and (iii) as soon as possible and in any event no later than 30 days prior to the occurrence of such event, the Borrower shall provide to the Administrative Agent written notice of an acquisition by the Borrower, any Subsidiary, or any member of the Controlled Group of an interest in any Person that causes such Person to become a member of the Controlled Group if such

Person sponsors, maintains or contributes to, or at any time in the six-year period preceding such acquisition has sponsored, maintained, or contributed to, (1) any Multiemployer Plan, or (2) any other Plan under which the present value of all benefits vested under such Plan (based on the assumptions used to fund such Plan), as of the last annual valuation date applicable thereto, exceeded the value of the assets of such Plan allocable to such vested benefits;

(k) Other Governmental Notices. Promptly and in any event within five Business Days after receipt thereof by the Borrower or any Subsidiary, the Borrower shall provide to the Administrative Agent a copy of any notice, summons, citation, or proceeding seeking to modify in any material respect, revoke, or suspend any material contract, license, permit, or agreement with any Governmental Authority if such modification, revocation or suspension could reasonably be expected to result in a Material Adverse Change;

(l) Disputes; etc. Promptly and in any event within five Business Days after knowledge thereof by the Borrower or any Subsidiary, the Borrower shall provide to the Administrative Agent written notice of (i) any claims, legal or arbitration proceedings, proceedings before any Governmental Authority, or disputes, or to the knowledge of the Borrower or any Subsidiary, any such actions threatened, or affecting the Borrower or any Subsidiary, which, if adversely determined, could reasonably be expected to cause a Material Adverse Change, or any material labor controversy of which the Borrower or any Subsidiary has knowledge resulting in or reasonably considered to be likely to result in a strike against the Borrower or any Subsidiary if such strike could reasonably be expected to result in a Material Adverse Change, and (ii) any claim, judgment, Lien or other encumbrance (other than a Permitted Lien) affecting any Property of the Borrower or any Subsidiary, if the value of the claim, judgment, Lien, or other encumbrance affecting such Property shall exceed $50,000,000.00;

(m) SEC. Promptly after the same become publicly available, the Borrower shall provide to the Administrative Agent copies of all periodic and other reports, proxy statements and other materials (other than filings under Section 16 of the Securities Exchange Act of 1934) filed by the Borrower or any Subsidiary with the SEC, or any Governmental Authority succeeding to any or all of the functions of said Commission or distributed by the Borrower or any Subsidiary to its shareholders generally, as the case may be; and

(n) Beneficial Ownership. The Borrower shall provide to the Administrative Agent prompt written notice of any change in the information provided in any Beneficial Ownership Certification delivered to a Lender that would result in a change to the list of beneficial owners identified in such Beneficial Ownership Certification.

(o) Other Information. Subject to the confidentiality provisions of Section 9.8, the Borrower shall provide to the Administrative Agent such other information respecting the business, operations, or Property of the Borrower or any Subsidiary, financial or otherwise, as any Lender through the Administrative Agent may reasonably request.

Documents required to be delivered pursuant to Section 5.2(a), (b), or (m) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule III; or (ii) on which such documents are posted on the Borrower's behalf on IntraLinks/IntraAgency, Syndtrak or another relevant website (including, without limitation, the SEC's website), if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent). The Administrative Agent shall not have an obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

Section 5.3 Insurance. The Borrower shall, and shall cause each Subsidiary to, carry insurance (which may be carried by the Borrower on a consolidated basis) or maintain appropriate risk management programs in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are reasonable given the nature of its business, its ability to self-insure, the circumstances and geographic area in which such business is being conducted and the availability of insurance coverage at commercially reasonable rates.

Section 5.4 Compliance with Laws. The Borrower shall, and shall cause each Subsidiary to, comply with all federal, state, provincial, territorial and local Legal Requirements (including Environmental Laws and the Patriot Act) which are applicable to the operations and Property of the Borrower or such Subsidiary and maintain all related permits necessary for the ownership and operation of the Borrower's and such Subsidiary's Property and business, except in any case where the failure to so comply could not reasonably be expected to result in a Material Adverse Change, provided that this Section 5.4 shall not prevent the Borrower or any of its Subsidiaries from, in good faith and with reasonable diligence, contesting the validity or application of any such Legal Requirements by appropriate legal proceedings for which adequate reserves have been established.

Section 5.5 Taxes. The Borrower shall, and shall cause each Subsidiary to, timely and accurately file all federal and all other material state, local, and foreign tax returns required to be filed by it and pay and discharge all Taxes imposed on the Borrower or any of its Subsidiaries, respectively, that are due and payable by it prior to the date on which penalties attach, except to the extent (i) in either case, the failure to do so could not reasonably be expected to result in a Material Adverse Change or (ii) such Taxes are being contested in good faith by the appropriate proceedings and for which adequate reserves have been established on the books of the appropriate Person in accordance with GAAP.

Section 5.6 Records; Inspection. The Borrower shall, and shall cause each Subsidiary to, maintain proper, complete and consistent books of record with respect to such Person's operations, affairs, and financial condition. From time to time (but, unless an Event of Default has occurred and is continuing, not more than once per year in the case of clauses (a) and (b) below) upon reasonable prior notice, the Borrower shall permit any Lender and shall cause each Subsidiary to permit any Lender, at such reasonable times and intervals and to a reasonable extent and under the reasonable guidance of officers of or employees delegated by officers of the Borrower or such Subsidiary, to, subject to any applicable confidentiality considerations, (a) examine the books and records of the Borrower or such Subsidiary, (b) to visit and inspect the Property of the Borrower or such Subsidiary, and (c) to discuss the business operations and Property of the Borrower or such Subsidiary with the officers and directors thereof.

Section 5.7 Maintenance of Property. The Borrower shall, and shall cause each Subsidiary to, maintain their owned, leased, or operated Property in good condition and repair, normal wear and tear excepted, except to the extent any failure to so maintain could not reasonably be expected to result in a Material Adverse Change; and shall abstain from, and cause each Subsidiary to abstain from, knowingly or willfully permitting the commission of waste or other injury, destruction, or loss of natural resources, or the occurrence of pollution, contamination, or any other condition in, on or about the owned or operated Property involving the Environment that could reasonably be expected to result in Response activities and that could reasonably be expected to cause a Material Adverse Change.

Section 5.8 Compliance with Anti-Corruption Laws, Anti-Money Laundering/Anti-Terrorism Laws, and Sanctions. The Borrower will maintain in effect and enforce policies and procedures reasonably designed to promote compliance by the Borrower and its Subsidiaries and its and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering/Anti-Terrorism Laws, and applicable Sanctions.

ARTICLE VI.
NEGATIVE COVENANTS

So long as any Obligation shall remain unpaid (other than contingent indemnity Obligations for which no claim has been made), any Lender shall have any Commitment hereunder, or there shall exist any Letter of Credit Exposure (other than with respect to Letters of Credit that have been cash collateralized pursuant to this Agreement or for which other arrangements acceptable to the applicable Issuing Lender have been entered into), the Borrower agrees to comply with the following covenants.

Section 6.1 Debt. The Borrower shall not, nor shall it permit any Subsidiary to, create, assume, incur, suffer to exist, or in any manner become liable, directly, indirectly, or contingently in respect of, any Debt, unless the Borrower shall be in compliance, on a pro forma basis after giving effect to such transactions, with the remaining covenants contained in this Article VI recomputed as of the last day of the most recently ended fiscal quarter of the Borrower as if the transaction in question had occurred on the first day of each relevant period for testing such compliance; provided that, in any event, the aggregate principal amount of Priority Debt shall not exceed 17.5% of the Net Worth of the Borrower and its consolidated Subsidiaries at any time.

Section 6.2 Liens. The Borrower shall not, nor shall it permit any of its Subsidiaries to, create, assume, incur, or suffer to exist any Lien on the Property of the Borrower or any Subsidiary, whether now owned or hereafter acquired, or assign any right to receive any income, other than the following:

(a) Liens securing the Obligations;

(b) Liens imposed by law, such as materialmen's, mechanics', builder's, carriers', workmen's and repairmen's liens, and other similar liens arising in the ordinary course of business securing obligations which are not overdue for a period of more than 30 days or are being contested in good faith by appropriate procedures or proceedings and for which adequate reserves have been established;

(c) Liens arising in the ordinary course of business out of pledges or deposits under workers compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation to secure public or statutory obligations;

(d) Liens for Taxes, assessments, or other governmental charges which are not yet due and payable or which are being actively contested in good faith by appropriate proceedings and for which adequate reserves for such items have been made in accordance with GAAP;

(e) Liens arising from precautionary UCC financing statements regarding leases to the extent such leases are permitted hereby;

(f) encumbrances consisting of minor easements, zoning restrictions, or other restrictions on the use of real property that do not (individually or in the aggregate) materially affect the value of the assets encumbered thereby or materially impair the ability of the Borrower or any Subsidiary to use such assets in its business, and none of which is violated in any material aspect by existing or proposed structures or land use to the extent such violation could reasonably be expected to result in a Material Adverse Change;

(g) Liens arising solely by virtue of any statutory or common law provision or customary account documentation relating to banker's liens, rights of set-off or similar rights and remedies and burdening only deposit accounts or other funds maintained with a depository institution;

(h) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business;

(i) judgment and attachment Liens not giving rise to an Event of Default, provided that (i) any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired and (ii) no action to enforce such Lien has been commenced;

(j) Liens in favor of a seller on any segregated cash earnest money deposits made by the Borrower or any of its Subsidiaries in connection with any executed letter of intent or purchase agreement for a purchase of Property not prohibited by this Agreement;

(k) Liens on cash collateral deposited into any escrow account pursuant to customary escrow arrangement but only to the extent (i) such cash collateral represents proceeds of Debt incurred for the purpose of funding an acquisition and additional amounts to pay accrued interest on and redemption premiums payable on such Debt, and (ii) such cash collateral is released only to fund such acquisition and related costs, and in the event such acquisition is not effected, to repay such Debt, accrued interest thereon and premium amounts, if any, on such Debt; and

(l) Liens securing Debt and not otherwise permitted under this Section 6.2; provided that (i) the aggregate principal amount of Priority Debt shall not exceed 17.5% of the Net Worth of the Borrower and its consolidated Subsidiaries at any time, and (ii) the Borrower and its Subsidiaries shall be in compliance with the covenants set forth in this Agreement, both before and after giving effect to each incurrence of such Debt to be secured by a Lien under this Section 6.2(l).

Section 6.3 **Reserved**.

Section 6.4 **Acquisitions**. The Borrower shall not, nor shall it permit any Subsidiary to, make an Acquisition in a transaction or related series of transactions unless no Default exists both before and after giving effect to such Acquisition.

Section 6.5 **Restrictive Agreements**. The Borrower shall not, nor shall it permit any Subsidiary to, create, incur, assume or permit to exist any contract, agreement or understanding (other than this Agreement) which in any way, directly or indirectly, prohibits or restricts any Subsidiary from paying Restricted Payments to the Borrower; provided, that this Section 6.5 shall not apply to any prohibitions or restrictions with respect to any Person or the property or assets of a Person acquired by the Borrower or any of its Subsidiaries (including through merger, amalgamation or consolidation) existing at the time of such acquisition and not 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 and any amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacements or refinancings thereof.

Section 6.6 **Use of Proceeds; Use of Letters of Credit**.

(a) The Borrower shall not, nor shall it permit any Subsidiary to use the proceeds of Advances and Letters of Credit for any purposes other than (i) for working capital and other general corporate purposes, including the funding of capital expenditures, (ii) for the payment of fees and expenses related to the entering into of this Agreement and the other Credit Documents, and (iii) for the refinancing of the extensions of credit under the Existing Credit Agreement.

(b) The Borrower shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly use any part of the proceeds of Advances or Letters of Credit for any purpose which violates, or is inconsistent with, Regulations T, U, or X. The Borrower shall not permit more than 25% of the consolidated assets of the Borrower and its Subsidiaries to consist of margin stock (within the meaning of Regulation U).

(c) The Borrower shall not, nor shall it permit any of its Subsidiaries or its or their respective directors, officers, employees and agents to, directly or knowingly indirectly, use any part of the proceeds of Advances or Letters of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Money Laundering/Anti-Terrorism Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country in violation of any Sanction, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 6.7 **Corporate Actions; Fundamental Changes**.

(a) The Borrower shall not, nor shall it permit any Credit Party to, merge, amalgamate or consolidate with or into any other Person, except that (i) the Borrower may merge or amalgamate with any other Person; provided that (A) immediately after giving effect to any such proposed transaction no Default would exist, (B) no Change in Control occurs and (C) the Borrower is the surviving entity, and (ii) any Subsidiary of the Borrower may merge, amalgamate or be consolidated with or into any other Person; provided that immediately after giving effect to any such proposed transaction no Default would exist.

(b) The Borrower shall not, nor shall it permit any Credit Party to, sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Subsidiary of the Borrower may sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), to any Person, (ii) any Subsidiary of the Borrower may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and (iii) the Borrower may sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), to any Person; provided, however that notwithstanding the foregoing, the Borrower and its Subsidiaries, taken as whole, shall not sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all its assets (in each case, whether now owned or hereafter acquired).

(c) The Borrower shall not reorganize in any jurisdiction outside the United States.

Section 6.8 **Sale of Assets**. The Borrower shall not, nor shall it permit any Subsidiary to, sell, convey, or otherwise transfer any of its assets outside the ordinary course of business unless (a) no Default exists both prior to and after giving effect to such sale, conveyance or transfer and (b) such sale, conveyance or transfer is not prohibited under Section 6.7 above.

Section 6.9 **Restricted Payments**. The Borrower shall not, nor shall it permit any Subsidiary to make any Restricted Payments if at the time of the making of such Restricted Payments a Default exists or a Default would result from the making of such Restricted Payment.

Section 6.10 **Affiliate Transactions**. The Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly, enter into or permit to exist any transaction or series of transactions (including, but not limited to, the purchase, sale, lease or exchange of Property, the making of any investment, the giving of any guaranty, the assumption of any obligation or the rendering of any service) with any of their Affiliates unless such transaction or series of transactions is on terms (taken as a whole) substantially as favorable to the Borrower or any Subsidiary, as applicable, than those that could be obtained in a comparable arm's length transaction with a Person that is not such an Affiliate, provided that the foregoing restriction shall not apply to transactions between or among the Borrower and any of its wholly-owned (other than directors' qualifying shares and shares issued to other persons to the extent required or necessary under applicable law) Subsidiaries or between or among any wholly-owned (other than directors' qualifying shares and shares issued to other persons to the extent required or necessary under applicable law) Subsidiaries.

Section 6.11 **Line of Business**. The Borrower and its Subsidiaries (taken as a whole) shall not change the character of its business such that the principal business of the Borrower and its Subsidiaries (taken as a whole) is not contract drilling or oilfield services and any business substantially related or incidental thereto as conducted on the date of this Agreement.

Section 6.12 **Compliance with ERISA**. Except for matters that individually or in the aggregate could not reasonably be expected to result in a liability of greater than $50,000,000.00, the Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly: (a) engage in any transaction in connection with which the Borrower or any Subsidiary could be subjected to either a civil penalty assessed pursuant to section 502(c), (i) or (l) of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code; (b) fail to make, or permit any member of the Controlled Group to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable Legal Requirement, the Borrower, a Subsidiary or member of the Controlled Group is required to pay as contributions thereto; (c) permit to exist, or allow any Subsidiary or any member of the Controlled Group to permit to exist, any failure to satisfy the "minimum funding standard" within the meaning of Section 302 of ERISA or section 412 of the Code, whether or not waived, with respect to any Plan; (d) permit, or allow any member of the Controlled Group to permit, the present value of all benefits vested under such Plan (based on the assumptions used to fund such Plan), as of the last annual valuation date applicable thereto, to exceed the value of the assets of such Plan allocable to such vested benefits except as shown on Schedule 6.12; or (e) incur, or permit any member of the Controlled Group to incur, a liability to or on account of a Plan under sections 515, 4062, 4063, 4064, 4201 or 4204 of ERISA.

Section 6.13 **Hedging Arrangements**. The Borrower shall not, nor shall it permit any Subsidiary to, (a) purchase, assume, or hold a speculative position in any commodities market or futures market or enter into any Hedging Arrangement for speculative purposes; or (b) be party to or otherwise enter into any Hedging Arrangement which (i) is entered into for reasons other than as a part of its normal business operations as a risk management strategy and/or hedge against changes resulting from market conditions related to the Borrower's or its Subsidiaries' operations, or (ii) obligates the Borrower or any Subsidiary to any margin call requirements.

Section 6.14 **Funded Leverage Ratio**. The Borrower shall not permit the Funded Leverage Ratio, at the end of each fiscal quarter of the Borrower, to be greater than 50%.

Section 6.15 Senior Unsecured Notes Guarantee. The Borrower shall not permit any of its Subsidiaries to guarantee or otherwise become obligated under or in connection with Senior Unsecured Notes unless, prior to or concurrently with providing a guarantee or becoming obligated in respect of the Senior Unsecured Notes, the Borrower or such Subsidiary, as applicable, (a) executes and delivers to the Administrative Agent a Guaranty or a joinder or supplement to a Guaranty (in form and substance reasonably satisfactory to the Administrative Agent) to the extent such Subsidiary is not already a party thereto, and (b) delivers (i) such evidence of corporate authority to enter into such Credit Document, (ii) favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (a)) and, (iii) to the extent not already provided to the Administrative Agent, all documentation and other information that is required by regulatory authorities under applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act and the Beneficial Ownership Regulation, all as the Administrative Agent may reasonably request. Notwithstanding the foregoing, pursuant to Section 8.10(b)(ii), the Administrative Agent shall release such applicable Guarantor from its obligations under a Guaranty and any other applicable Credit Document if such Guarantor is released as a guarantor of the Borrower's obligations under the Senior Unsecured Notes prior to or simultaneously with such release from a Guaranty in accordance with the terms thereof and pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent.

ARTICLE VII.
DEFAULT AND REMEDIES

Section 7.1 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Agreement and any other Credit Document:

(a) Payment Failure. Any Credit Party (i) fails to pay any principal when due under this Agreement or (ii) fails to pay, within three Business Days of when due, any other amount due under this Agreement or any other Credit Document, including payments of interest, fees, reimbursements, and indemnifications;

(b) False Representation or Warranties. Any representation or warranty made or deemed to be made by any Credit Party or any Responsible Officer thereof in this Agreement, in any other Credit Document or in any certificate delivered in connection with this Agreement or any other Credit Document is incorrect, false or otherwise misleading in any material respect at the time it was made or deemed made;

(c) Breach of Covenant. (i) Any breach by any Credit Party of any of the covenants in Section 5.1 (as to the existence of the Borrower), Section 5.2(c), or Article VI of this Agreement or the corresponding covenants in any Guaranty or (ii) any breach by any Credit Party of any other covenant contained in this Agreement or any other Credit Document and such breach is not cured within 30 days after the earlier of the date notice thereof is given to the Borrower by any Lender Party or the date any Responsible Officer of the Borrower or any Subsidiary obtained actual knowledge thereof;

(d) Guaranty. (i) Any provision in the Guaranty shall at any time (before its expiration according to its terms) and for any reason cease to be in full force and effect and valid and binding on the Guarantors party thereto or shall be contested by any party thereto; (ii) any Guarantor shall deny it has any liability or obligation under such Guaranty; or (iii) any Guarantor shall cease to exist other than as expressly permitted by the terms of this Agreement;

(e) Cross-Default. (i) The Borrower or any Subsidiary shall fail to pay any principal of or premium or interest on its Debt which is outstanding in a principal amount of at least $50,000,000.00 individually or when aggregated with all such Debt of such Persons so in default (but excluding Debt constituting Obligations) when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or (ii) any other default or breach shall exist under any agreement or instrument relating to Debt which is outstanding in a principal amount of at least $50,000,000.00 individually or when aggregated with all such Debt of such Persons so in default or breach (other than Debt constituting Obligations), and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or breach is to accelerate, or to permit the acceleration of, the maturity of such Debt prior to the stated maturity thereof or the effect of such default or breach is to otherwise require, or permit the requirement of, the prepayment (other than by regularly scheduled required prepayment) of such Debt; provided that, for purposes of this subsection 7.1(e), the "principal amount" of the obligations in respect of any Hedging Arrangements at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that would be required to be paid if such Hedging Arrangements were terminated at such time;

(f) Bankruptcy and Insolvency. (i) The Borrower shall terminate its existence or dissolve or (ii) any Credit Party (A) admits in writing its inability to pay its debts generally as they become due; makes an assignment for the benefit of its creditors; consents to or acquiesces in the appointment of a receiver, liquidator, fiscal agent, or trustee of itself or any of its Property; files a petition under any Debtor Relief Law; or consents to any reorganization, arrangement, workout, liquidation, dissolution, or similar relief under any Debtor Relief Law, (B) shall have had, without its consent, any court enter an order appointing a receiver, liquidator, fiscal agent, or trustee of itself or any of its Property; any petition filed against it seeking reorganization, arrangement, workout, liquidation, dissolution or similar relief under any Debtor Relief Law and such petition shall not be dismissed, stayed, or set aside for an aggregate of 60 days, whether or not consecutive, or (C) shall have had any order for relief entered by a court under any Debtor Relief Law;

(g) Adverse Judgment. The Borrower or any Subsidiary suffers final judgments against any of them since the date of this Agreement in an aggregate amount, less any insurance proceeds covering such judgments which are received or as to which the insurance carriers admit liability, greater than $50,000,000.00 and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgments or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgments, by reason of a pending appeal or otherwise, shall not be in effect;

(h) Termination Events. Any Termination Event with respect to a Plan shall have occurred, and, 30 days after notice thereof shall have been given to the Borrower by the Administrative Agent, such Termination Event shall not have been corrected and shall have created and caused to be continuing a material risk of Plan termination or liability for withdrawal from the Plan as a "substantial employer" (as defined in Section 4001(a)(2) of ERISA), which termination could reasonably be expect to result in a liability of, or liability for withdrawal could reasonably be expected to be, greater than $50,000,000.00;

(i) Plan Withdrawals. The Borrower or any member of the Controlled Group as a participating employer under a Multiemployer Plan shall have made a complete or partial withdrawal from such Multiemployer Plan and such withdrawing employer shall have incurred a withdrawal liability in an annual amount exceeding $50,000,000.00; or

(j) Change in Control. The occurrence of a Change in Control without the approval of the Majority Lenders.

Section 7.2 Optional Acceleration of Maturity. If any Event of Default (other than an Event of Default pursuant to Section 7.1(f)) shall have occurred and be continuing, then, and in any such event,

(a) the Administrative Agent (i) may, and shall at the request of the Majority Lenders, by notice to the Borrower, declare that the obligation of each Lender, the Swingline Lender and each Issuing Lender to make Credit Extensions shall be terminated, whereupon the same shall forthwith terminate, and (ii) may, and shall at the request of the Majority Lenders, by notice to the Borrower, declare all outstanding Advances, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon such Advances, all such interest, and all such amounts shall become and be forthwith due and payable in full, without presentment, demand, protest or further notice of any kind (including, without limitation, any notice of intent to accelerate or notice of acceleration), all of which are hereby expressly waived by the Borrower,

(b) the Borrower shall, on demand of the Administrative Agent at the request or with the consent of the Majority Lenders, deposit with the Administrative Agent into the Cash Collateral Account an amount of cash equal to 103% of the outstanding Letter of Credit Exposure as security for the Obligations to the extent the Letter of Credit Obligations are not otherwise paid or cash collateralized at such time, and

(c) the Administrative Agent may, and shall at the request of the Majority Lenders, proceed to enforce its rights and remedies under the Guaranty or any other Credit Document by appropriate proceedings.

Section 7.3 **Automatic Acceleration of Maturity**. If any Event of Default pursuant to Section 7.1(f) shall occur,

(a) the obligation of each Lender, the Swingline Lender and each Issuing Lender to make Credit Extensions shall immediately and automatically be terminated and all Advances, all interest on the Advances, and all other amounts payable under this Agreement shall immediately and automatically become and be due and payable in full, without presentment, demand, protest or any notice of any kind (including, without limitation, any notice of intent to accelerate or notice of acceleration), all of which are hereby expressly waived by the Borrower,

(b) the Borrower shall deposit with the Administrative Agent into the Cash Collateral Account an amount of cash equal to 103% of the outstanding Letter of Credit Exposure as security for the Obligations to the extent the Letter of Credit Obligations are not otherwise paid or cash collateralized at such time, and

(c) the Administrative Agent may, and shall at the request of the Majority Lenders, proceed to enforce its rights and remedies under the Guaranty or any other Credit Document by appropriate proceedings.

Section 7.4 **Set-off**. If an Event of Default shall have occurred and be continuing, the Administrative Agent, each Lender, each Issuing Lender, and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Legal Requirement, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Administrative Agent, such Lender, such Issuing Lender or any such Affiliate to or for the credit or the account of any Credit Party against any and all of the obligations of such Credit Party now or hereafter existing under this Agreement or any other Credit Document to the Administrative Agent, such Lender or such Issuing Lender, irrespective of whether or not the Administrative Agent, such Lender or such Issuing Lender shall have made any demand under this Agreement or any other Credit Document and although such obligations of any Credit Party may be contingent or unmatured or are owed to a branch or office of the Administrative Agent, such Lender or such Issuing Lender different from the branch or office holding such deposit or obligated on such indebtedness; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Lenders, the Swingline Lender and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender Party and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or Affiliates may have. Each Lender Party agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 7.5 Remedies Cumulative, No Waiver. No right, power, or remedy conferred to any Lender, Administrative Agent, or Issuing Lender in this Agreement or the Credit Documents, or now or hereafter existing at law, in equity, by statute, or otherwise shall be exclusive, and each such right, power, or remedy shall to the full extent permitted by law be cumulative and in addition to every other such right, power or remedy. No course of dealing and no delay in exercising any right, power, or remedy conferred to any Lender, Administrative Agent, or Issuing Lender in this Agreement and the Credit Documents or now or hereafter existing at law, in equity, by statute, or otherwise shall operate as a waiver of or otherwise prejudice any such right, power, or remedy. Any Lender, Administrative Agent, or Issuing Lender may cure any Event of Default without waiving the Event of Default. No notice to or demand upon the Borrower shall entitle the Borrower to similar notices or demands in the future.

Section 7.6 Application of Payments.

(a) Prior to Event of Default. Prior to an Event of Default, all payments made hereunder shall be applied as directed by the Borrower, but such payments are subject to the terms of this Agreement.

(b) After Event of Default. If an Event of Default has occurred and is continuing and subject to Section 2.16, any amounts received or collected from, or on account of assets held by, any Credit Party shall be applied to the Obligations by the Administrative Agent in the following order and manner:

(i) First, to payment of that portion of such Obligations constituting fees, indemnities, expenses, and other amounts (including fees, charges, and disbursements of counsel to the Administrative Agent and amounts payable under Sections 2.11, 2.12, and 2.14) payable by any Credit Party to the Administrative Agent, in its capacity as such, the Issuing Lenders, in their capacity as such, and the Swingline Lender, in its capacity as such, ratably among the Administrative Agent, the Issuing Lenders, and the Swingline Lender, in proportion to the respective amounts described in this clause First payable to them;

(ii) Second, to payment of that portion of such Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable by any Credit Party to the Lender Parties (including fees, charges and disbursements of counsel to the respective Lender Parties and amounts payable under Article II), ratably among Lender Parties;

(iii) Third, to payment of that portion of such Obligations constituting accrued and unpaid interest, allocated ratably among the Lender Parties;

(iv) Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Obligations payable by any Credit Party allocated ratably among the Lender Parties;

(v) Fifth, to the Administrative Agent for the account of the applicable Issuing Lenders, ratably between the Issuing Lenders, to cash collateralize that portion of the Letter of Credit Obligations comprised of the aggregate undrawn amount of Letters of Credit;

(vi) Sixth, to the remaining Obligations owed by any Credit Party including all Obligations for which any Guarantor is liable, allocated among such remaining Obligations as determined by the Administrative Agent and the Majority Lenders and applied to such Obligations in the order specified in this clause (b); and

(vii) Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, the Letters of Credit have been terminated or cash collateralized and all Commitments have been terminated, to Borrower or as otherwise required by any Legal Requirement.

Subject to Section 2.3(i), amounts used to cash collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Sixth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as cash collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

ARTICLE VIII.
THE ADMINISTRATIVE AGENT AND ISSUING LENDERS

Section 8.1 **Appointment and Authority**. Each Lender, the Swingline Lender and each Issuing Lender hereby irrevocably (a) appoints Wells Fargo to act on its behalf as the Administrative Agent hereunder and under the other Credit Documents, and (b) authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VIII are solely for the benefit of the Lender Parties, and neither the Borrower nor any other Credit Party shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Credit Document (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Legal Requirement. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 8.2 **Rights as a Lender**. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders. Wells Fargo (and any successor acting as Administrative Agent) and its Affiliates may accept fees and other consideration from the Borrower or any Affiliate of the Borrower for services in connection with this Agreement or otherwise, without having to account for the same to the Lenders or the Issuing Lenders.

Section 8.3 **Exculpatory Provisions**. The Administrative Agent (which term as used in this Section 8.3 shall include its Related Parties) shall not have any duties or obligations except those expressly set forth herein and in the other Credit Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Credit Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Credit Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Credit Document or applicable Legal Requirement, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law;

(c) shall not, except as expressly set forth herein and in the other Credit Documents, have any duty to disclose, nor shall it be liable for the failure to disclose, any information relating to the Borrower, any other Credit Party or any of their respective Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity; and

(d) does not warrant or accept responsibility for, and shall not have any liability with respect to, the administration, submission, or any other matter related to the rates in the definition of "Eurodollar Rate".

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 9.2 and 7.1) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall not be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent in writing by the Borrower, a Lender, the Swingline Lender or an Issuing Lender. In the event that the Administrative Agent receives such a notice of the occurrence of a Default, the Administrative Agent shall (subject to Section 9.2) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Majority Lenders, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action) with respect to such Default as it shall deem advisable in the best interest of the Lender Parties.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any recital, statement, warranty or representation (whether written or oral) made in or in connection with this Agreement or any other Credit Document, (ii) the contents of any certificate, report or other document delivered hereunder or under any other Credit Document or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or under any other Credit Document or the occurrence of any Default, (iv) the value, validity, enforceability, effectiveness, enforceability, sufficiency or genuineness of this Agreement, any other Credit Document or any other agreement, instrument or document, (v) the inspection of the Property (including the books and records) of any Credit Party or any Subsidiary or Affiliate thereof, (vi) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent, or (vii) any litigation or collection proceedings (or to initiate or conduct any such litigation or proceedings) in connection with any Credit Document, unless requested by the Majority Lenders in writing and the Administrative Agent shall receive indemnification satisfactory to it from the Lenders.

Section 8.4 **Reliance by Administrative Agent, Swingline Lender and Issuing Lenders**. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document, writing or other communication (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Credit Extension or any Conversion or continuance of an Advance that by its terms must be fulfilled to the satisfaction of a Lender, the Swingline Lender or an Issuing Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender, the Swingline Lender or Issuing Lender, unless the Administrative Agent shall have received notice to the contrary from such Lender, the Swingline Lender or Issuing Lender prior to the making of such Credit Extension or Conversion or continuance of an Advance. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 8.5 **Delegation of Duties**. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Credit Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 8.6 **Resignation of Administrative Agent or Issuing Lender**.

(a) The Administrative Agent and each Issuing Lender may at any time give notice of its resignation to the other Lender Parties and the Borrower. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, to appoint, as applicable, a successor Administrative Agent or a successor Issuing Lender, which shall be a Lender with the prior written consent of (i) the Borrower (which consent is not required if a Default or Event of Default has occurred and is continuing and which consent shall not be unreasonably withheld or delayed) and (ii) such successor Administrative Agent or successor Issuing Lender, as applicable. If no such successor Administrative Agent or Issuing Lender shall have been so appointed and shall have accepted such appointment within 30 days after the retiring Administrative Agent or Issuing Lender gives notice of its resignation (or such earlier day as shall be agreed by the applicable Majority Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent or Issuing Lender, as applicable, may on behalf of the Lenders and Issuing Lenders, appoint a successor agent or issuing lender meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation by the Administrative Agent or the Issuing Lender shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Majority Lenders may, to the extent permitted by applicable Legal Requirement, with the prior written consent of the Borrower (which consent is not required if a Default or Event of Default has occurred and is continuing and which consent shall not be unreasonably withheld or delayed) (i) by notice in writing to such Person remove such Person as Administrative Agent and (ii) appoint a successor. If no such successor shall have been so appointed by applicable Majority Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the applicable Majority Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (i) the retiring or removed Administrative Agent or Issuing Lender, as applicable, shall be discharged from its duties and obligations as Administrative Agent and Issuing Lender hereunder and under the other Credit Documents (except that (v) in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the Issuing Lenders under any of the Credit Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed and (z) the retiring Issuing Lender shall remain the Issuing Lender with respect to any Letters of Credit outstanding on the effective date of its resignation and the provisions affecting the Issuing Lender with respect to such Letters of Credit shall inure to the benefit of the retiring Issuing Lender until the termination of all such Letters of Credit) and (ii) all payments, communications and determinations provided to be made by, to or through the retiring or removed Administrative Agent or Issuing Lender, as applicable, shall instead be made by or to each applicable class of Lenders, until such time as the Majority Lenders appoint a successor Administrative Agent or Issuing Lender as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Administrative Agent or Issuing Lender hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent or Issuing Lender, as applicable, and the retiring or removed Administrative Agent or Issuing Lender, as applicable, shall be discharged from all of its duties and obligations hereunder or under the other Credit Documents. The fees payable by the Borrower to a successor Administrative Agent or Issuing Lender, as applicable, shall be the same as those payable to its predecessor, unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's or Issuing Lender's resignation or removal hereunder and under the other Credit Documents, the provisions of this Article and Sections 9.1(b) and (c), Section 8.9 and Section 2.3(h) shall continue in effect for the benefit of such retiring or removed Administrative Agent and Issuing Lender, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent or Issuing Lender, as applicable, was acting as Administrative Agent or Issuing Lender.

(d) The Swingline Lender may resign at any time by giving 30 days' prior notice to the Administrative Agent, the Lenders and the Borrower. After the resignation of the Swingline Lender hereunder, the retiring Swingline Lender shall remain a party hereto and shall continue to have all the rights and obligations of the Swingline Lender under this Agreement and the other Credit Documents with respect to Swingline Advances made by it prior to such resignation, but shall not be required to make any additional Swingline Advances. Upon such notice of resignation, the Borrower shall have the right to designate any other Lender as the Swingline Lender with the consent of such Lender so long as operational matters related to the funding of Advances have been adequately addressed to the reasonable satisfaction of such new Swingline Lender and the Administrative Agent (if such new Swingline Lender and the Administrative Agent are not the same Person). Upon such notice of resignation, the Borrower shall (so long as no Default or Event of Default has occurred and is continuing) also have the right, if the resigning Swingline Lender and the Administrative Agent are the same Person, to remove the Administrative Agent by notice in writing to the Administrative Agent and each Lender. Upon such removal of the Administrative Agent, the Majority Lenders may, to the extent permitted by applicable Legal Requirement, with the prior written consent of the Borrower (which shall not be unreasonably withheld or delayed), appoint a successor. If no such successor shall have been so appointed by applicable Majority Lenders, and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the applicable Majority Lenders) (the "Replacement Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Replacement Effective Date.

Section 8.7 **Non-Reliance on Administrative Agent and Other Lenders**. Each Lender Party acknowledges and agrees that it has, independently and without reliance upon the Administrative Agent or any other Lender Party or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender Party also acknowledges and agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender Party or any of their Related Parties, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Credit Document or any related agreement or any document furnished hereunder or thereunder. Except for notices, reports, and other documents and information expressly required to be furnished to the Lenders or the Issuing Lenders by the Administrative Agent hereunder and for other information in the Administrative Agent's possession which has been requested by a Lender and for which such Lender pays the Administrative Agent's expenses in connection therewith, the Administrative Agent shall not have any duty or responsibility to provide any Lender or any Issuing Lender with any credit or other information concerning the affairs, financial condition, or business of any Credit Party or any of its Subsidiaries or Affiliates that may come into the possession of the Administrative Agent or any of its Affiliates.

Section 8.8 **No Other Duties, etc**. Anything herein to the contrary notwithstanding, the Joint Lead Arrangers, Joint Bookrunners, and Co-Syndication Agents listed on the cover page hereof shall not have any powers, duties or responsibilities under this Agreement or any of the other Credit Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or an Issuing Lender hereunder.

Section 8.9 **Indemnification**.

(a) INDEMNITY OF ADMINISTRATIVE AGENT. THE LENDERS SEVERALLY AGREE TO INDEMNIFY THE ADMINISTRATIVE AGENT AND EACH AFFILIATE THEREOF AND ITS RELATED PARTIES (TO THE EXTENT NOT REIMBURSED BY THE BORROWER), RATABLY ACCORDING TO THE RESPECTIVE PRINCIPAL AMOUNTS OF THE ADVANCES THEN HELD BY EACH OF THEM (OR IF NO PRINCIPAL OF THE ADVANCES IS AT THE TIME OUTSTANDING, RATABLY ACCORDING TO THE RESPECTIVE APPLICABLE COMMITMENTS HELD BY EACH OF THEM IMMEDIATELY PRIOR TO THE TERMINATION, EXPIRATION OR FULL REDUCTION OF EACH SUCH COMMITMENT), FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE ADMINISTRATIVE AGENT OR ANY OF ITS RELATED PARTIES IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT, ANY CREDIT DOCUMENT OR ANY ACTION TAKEN OR OMITTED BY THE ADMINISTRATIVE AGENT UNDER THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT (INCLUDING SUCH INDEMNITEE'S OWN NEGLIGENCE REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE OR CONTRIBUTORY, ACTIVE OR PASSIVE, IMPUTED, JOINT OR TECHNICAL), AND INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL LIABILITIES, PROVIDED THAT NO LENDER SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS FOUND IN A FINAL, NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED FROM SUCH INDEMNITEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. WITHOUT LIMITATION OF THE FOREGOING, EACH LENDER AGREES TO REIMBURSE THE

ADMINISTRATIVE AGENT PROMPTLY UPON DEMAND FOR ITS RATABLE SHARE (DETERMINED AS SET FORTH ABOVE IN THIS PARAGRAPH) OF (i) ANY OUT OF POCKET EXPENSES (INCLUDING REASONABLE COUNSEL FEES) INCURRED BY THE ADMINISTRATIVE AGENT IN CONNECTION WITH THE PREPARATION, EXECUTION, DELIVERY, ADMINISTRATION, MODIFICATION, OR AMENDMENT, AND (ii) ANY OUT OF POCKET EXPENSES (INCLUDING COUNSEL FEES) INCURRED BY THE ADMINISTRATIVE AGENT IN CONNECTION WITH ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, IN ANY EVENT, INCLUDING LEGAL ADVICE IN RESPECT OF RIGHTS OR RESPONSIBILITIES UNDER THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND TO THE EXTENT THAT THE ADMINISTRATIVE AGENT IS NOT REIMBURSED FOR SUCH BY THE BORROWER.

(b) THE LENDERS SEVERALLY AGREE TO INDEMNIFY EACH ISSUING LENDER AND EACH AFFILIATE THEREOF AND ITS RELATED PARTIES (TO THE EXTENT NOT REIMBURSED BY THE BORROWER) FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE ISSUING LENDER OR ANY OF ITS RELATED PARTY IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT, ANY CREDIT DOCUMENT OR ANY ACTION TAKEN OR OMITTED BY SUCH ISSUING LENDER UNDER THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT (**INCLUDING SUCH INDEMNITEE'S OWN NEGLIGENCE REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE OR CONTRIBUTORY, ACTIVE OR PASSIVE, IMPUTED, JOINT OR TECHNICAL**), AND INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL LIABILITIES, PROVIDED THAT NO LENDER SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS FOUND IN A FINAL, NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED FROM SUCH INDEMNITEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

Section 8.10 **Certain Authorization of Administrative Agent; Release of Guarantors**.

(a) The Administrative Agent is authorized (but not obligated) on behalf of the Lender Parties, without the necessity of any notice to or further consent from the Lender Parties, from time to time, to take any action (other than enforcement actions requiring the consent of, or request by, the Majority Lenders as set forth in Section 7.2 or Section 7.3 above) in exigent circumstances as may be reasonably necessary to preserve any rights or privileges of the Lender Parties under the Credit Documents or applicable Legal Requirement.

(b) The Lender Parties irrevocably authorize the Administrative Agent to (i) release all Guarantors from their obligations under the Guaranties (other than such obligations which expressly survive termination thereof) and release any Lien granted to or held by the Administrative Agent upon any Cash Collateral Account upon termination of this Agreement, termination of all Letters of Credit (other than Letters of Credit as to which other arrangements reasonably satisfactory to the Issuing Lender have been made), and the payment in full of all outstanding Advances, Letter of Credit Obligations (other than with respect to Letters of Credit as to which other arrangements reasonably satisfactory to the applicable Issuing Lender have been made) and all other Obligations (other than contingent indemnity obligations for which no claim has been made) payable under this Agreement and under any other Credit Document and (ii) release a Guarantor from its obligations under a Guaranty and any other applicable Credit Document if such Guarantor is fully released as an obligor under the Senior Unsecured Notes prior to or simultaneously with such release from a Guaranty in accordance with the terms thereof and pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent.

(c) Upon request by the Administrative Agent at any time, the Lender Parties will confirm in writing the Administrative Agent's authority to release its interest in particular types or items of property or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 8.10. The Administrative Agent shall not be responsible for nor have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Credit Party in connection therewith, nor shall either Administrative Agent be responsible or liable to other Lender Party for any failure to monitor or maintain any portion of the collateral.

(d) Notwithstanding anything contained in any of the Credit Documents to the contrary, the Credit Parties, the Administrative Agent, and each Lender Party hereby agree that no Lender Party shall have any right individually to enforce the Credit Documents, it being understood and agreed that all powers, rights and remedies under the Credit Documents may be exercised solely by the Administrative Agent on behalf of the Lender Parties in accordance with the terms hereof and the other Credit Documents.

Section 8.11 <u>**Certain ERISA Matters**</u>.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Advances, the Letters of Credit, the Commitments, or this Agreement,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of, and performance of the Advances, the Letters of Credit, the Commitments, and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer, and perform the Advances, the Letters of Credit, the Commitments, and this Agreement, (C) the entrance into, participation in, administration of, and performance of the Advances, the Letters of Credit, the Commitments, and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14, and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of, and performance of the Advances, the Letters of Credit, the Commitments, and this Agreement, or

(iv) such other representation, warranty, and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty, and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of, and performance of the Advances, the Letters of Credit, the Commitments, and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Credit Document, or any documents related hereto or thereto).

ARTICLE IX.
MISCELLANEOUS

Section 9.1 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrower shall pay, on demand, (i) all reasonable and documented out-of-pocket fees and expenses incurred by the Administrative Agent (including the reasonable and documented fees, charges and disbursements of one primary outside firm for the Administrative Agent, and, if applicable, one local firm for each applicable jurisdiction), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Credit Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable and documented out-of-pocket expenses incurred by Issuing Lenders in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by any Lender Party (including the documented fees, charges and disbursements of any firm for any Lender Party), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Credit Documents, including its rights under this Section, or (B) in connection with the Advances made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring, negotiations or legal proceedings in respect of such Advances or Letters of Credit.

(b) **Indemnification by the Borrower. The Borrower shall, and does hereby indemnify, the Administrative Agent (and any sub-agent thereof), each Lender, the Swingline Lender and each Issuing Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable and documented fees and disbursements of one firm of all Indemnitees in connection with indemnification claims arising out of the same facts or circumstances and, if reasonably necessary or advisable in the judgment of the Administrative Agent, one local firm to the Indemnitees in each applicable jurisdiction and, solely in the case of an actual or perceived conflict of interest, one additional firm in each applicable jurisdiction to the affected Indemnitees similarly situated taken as a whole), incurred by any Indemnitee or asserted against any Indemnitee by any third-party or by the Borrower or any other Credit Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Credit Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case**

of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Credit Documents, (ii) any Advance or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by an Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any Subsidiary, or any Environmental Liability related in any way to the Borrower or any Subsidiary, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third-party or by the Borrower or any other Credit Party, and regardless of whether any Indemnitee is a party thereto, IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (x) the gross negligence or willful misconduct of such Indemnitee, (y) material breach in bad faith of such Indemnitee's obligations under this Agreement or any other Credit Document in any material respect, or (z) any dispute solely among Indemnitees that does not involve any action, omission, or representation by the Borrower or any of its Subsidiaries or any of their respective Affiliates and does not involve any claim against any Lender Party or any of its Affiliates in its capacity as Administrative Agent, Issuing Lender, Swingline Lender, an arranger, an agent, or a similar role under this Agreement or the other Credit Documents. Notwithstanding the foregoing, this Section 9.1(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Legal Requirement, no Credit Party and no other party (on behalf of itself and any of its related Indemnitees that such party can legally bind) hereto shall assert, and the Borrower (on behalf itself and the other Credit Parties) and each other party (on behalf of itself and any of its related Indemnitees that such party can legally bind) hereto agrees not to assert and hereby waives, any claim against any Credit Party or any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Credit Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Advance or Letter of Credit or the use of the proceeds thereof; provided that this Section 9.1(c) shall not waive, release or otherwise limit any obligation of any Credit Party set forth in Section 9.1(d) (including, without limitation, to indemnify, pay and hold harmless any Indemnitee from and against such damages) to the extent such damages are included in any claim in connection with which an Indemnitee is otherwise entitled to indemnification under this Agreement.

(d) Electronic Communications. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Credit Documents or the transactions contemplated hereby or thereby unless such damages result from a breach of the confidentiality provisions of Section 9.8 or except where the same are a result of such Indemnitee's gross negligence or willful misconduct as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall, unless otherwise set forth above, be payable not later than ten Business Days after written demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent and any Issuing Lender, the replacement of any Lender, the termination of the Commitments, termination or expiration of all Letters of Credit, and the repayment, satisfaction or discharge of all the other Obligations.

Section 9.2 **Waivers and Amendments**. No amendment or waiver of any provision of this Agreement, the Notes, or any other Credit Document (other than the Fee Letter), nor consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders and the Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that, no such agreement shall (a) increase the Commitment of any Lender (including any Defaulting Lender) without the written consent of such Lender, (b) increase the aggregate Revolving Commitments other than pursuant to Section 2.1(c) as in effect on the date hereof without the written consent of each Lender (including any Defaulting Lender), (c) reduce the principal amount of any Advance (other than prepayments or repayments in accordance with the terms of this Agreement) or reduce the amount of or rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender (including any Defaulting Lender) affected thereby, (d) postpone the scheduled date of payment of the principal amount of any Advance, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender (including any Defaulting Lender) affected thereby, (e) change Section 2.13(f), Section 2.5(e), Section 7.6, this Section 9.2 or any other provision in any Credit Document which expressly requires the consent of, or action or waiver by, all of the Lenders, (f) amend, modify or waive any provision in a manner that would alter the pro rata sharing of payments to or disbursements by Lenders required thereby, without the written consent of each Lender (including any Defaulting Lender), (g) release all or substantially all of the value of the Guaranty without the written consent of each Lender except as permitted under Section 8.10(b), (h) change any of the provisions of this Section or the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender (including any Defaulting Lender); provided, further, that, notwithstanding anything in this Agreement or the other Credit Documents to the contrary (i) the Administrative Agent and the Borrower may, without the consent of any Lender or any other party hereto, enter into amendments or modifications to this Agreement and any of the other Credit Documents to correct any obvious error or any error, ambiguity, defect, or inconsistency or omission of a technical or immaterial nature in any provision as jointly identified by the Administrative Agent and the Borrower, and (ii) the Administrative Agent and the Borrower may, without the consent of any Lender or any other party hereto, enter into amendments or modifications to this Agreement and any of the other Credit Documents or enter into additional Credit Documents as the Administrative Agent reasonably deems appropriate in order to implement any Replacement Rate or otherwise effectuate the terms of Section 2.5(g) in accordance with Section 2.5(g); provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Lenders or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, such Issuing Lender or the Swingline Lender, as the case may be.

Notwithstanding anything in this Agreement to the contrary, each Lender, Issuing Lender, and Swingline Lender hereby irrevocably authorizes the Administrative Agent on its behalf, and without further consent of any Lender, Issuing Lender, or Swingline Lender (but with the consent of the Borrower and the Administrative Agent), to amend and restate this Agreement if, upon giving effect to such amendment and restatement, such Lender, Issuing Lender, and/or Swingline Lender shall no longer be a party to this Agreement (as so amended and restated), the Commitments of such Lender, Issuing Lender, and/or Swingline Lender shall have terminated, such Lender, Issuing Lender, and/or Swingline Lender shall have no other commitment or other obligation hereunder and shall have been paid in full all principal, interest and other amounts owing to it or accrued for its account under this Agreement.

Section 9.3 **Severability**. In case one or more provisions of this Agreement or the other Credit Documents shall be invalid, illegal or unenforceable in any respect under any applicable Legal Requirement, the validity, legality, and enforceability of the remaining provisions contained herein or therein shall not be affected or impaired thereby. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.4 **Survival of Representations and Obligations**. All representations and warranties contained in this Agreement or made in writing by or on behalf of the Borrower or any Subsidiary in connection herewith shall survive the execution and delivery of this Agreement and the other Credit Documents, the making Credit Extensions and any investigation made by or on behalf of the Lenders, none of which investigations shall diminish any Lender's right to rely on such representations and warranties. All obligations of the Borrower provided for in Sections 2.11, 2.12, 2.14, and 9.1 and all of the obligations of the Lenders in Section 8.9 and Section 9.8 shall survive any termination of this Agreement, repayment in full of the Obligations, and termination or expiration of all Letters of Credit.

Section 9.5 **Successors and Assigns Generally**. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender Party and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (a) to an Eligible Assignee in accordance with the provisions of Section 9.6(a), (b) by way of participation in accordance with the provisions of Section 9.6(c) by way of pledge or assignment of a security interest subject to the restrictions of Section 9.6(e) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 9.6(c) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and each Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

Section 9.6 **Lender Assignments and Participations**.

(a) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Advances at the time owing to it); provided that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Advances under such Commitment at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Advances outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Advances of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $10,000,000, unless the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower, otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that (A) the Borrower shall be deemed to have consented to any such lesser amount unless it shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof and (B) concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met;

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the applicable Class of Advances or the Commitment assigned;

(iii) any assignment of a Commitment must be approved by the Administrative Agent and the Issuing Lenders unless the Person that is the proposed assignee is itself a Lender with a Revolving Commitment (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500 (which fee may be waived by the Administrative Agent in its sole discretion) and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (b) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.11, 2.12, 2.14 and 9.1 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(b) Register. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at one of its offices in the United States a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Advances and Letter of Credit Obligations (if any) owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower and the Lender Parties shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice. Borrower hereby agrees that the Administrative Agent, as its agent solely for the purpose set forth above in this clause (b), shall not be subject to any fiduciary or other implied duties, all of which are hereby waived by the Borrower.

(c) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower, any other Credit Party or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitments and/or the Advances owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower and the Lender Parties shall continue to deal solely and directly with such Lender Party in connection with such Lender Party's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity provided under Section 8.9 with respect to any payments made by such Lender to its Participant(s).

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clauses (a), (b), (c) or (d) of this Section 9.6 (that adversely affects such Participant). Subject to paragraph (d) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of, subject to the requirements and limitations of, Sections 2.11, 2.12 and 2.14 (it being understood that the documentation required under Section 2.14(g) shall be delivered to the participating Lender) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (a) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 2.15 as if it were an assignee under paragraph (a) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.12 or 2.14, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.15(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 7.4 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13(f) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Advances or other obligations under the Credit Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Credit Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register. Borrower hereby agrees that each Lender acting as its agent solely for the purpose set forth above in this clause (c) shall not subject such Lender to any fiduciary or other implied duties, all of which are hereby waived by the Borrower.

(d) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 2.12 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.14 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.14.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Information. Any Lender may furnish any information concerning the Credit Parties or any of their Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants) subject to the provisions of Section 9.8.

(g) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Advances previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (i) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the Issuing Lenders, the Swingline Lender and each other Lender hereunder (and interest accrued thereon), and (ii) acquire (and fund as appropriate) its full pro rata share of all Advances and participations in Letters of Credit and Swingline Advances in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Legal Requirement without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Section 9.7 Notices, Etc.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile or e-mail as follows: (i) if to the Borrower or any other Credit Party, at the applicable address (or facsimile numbers or e-mail address) set forth on Schedule III; (ii) if to the Administrative Agent or the Swingline Lender, at the applicable address (or facsimile numbers or e-mail address) set forth on Schedule III; and (iii) if to a Lender or an Issuing Lender, to it at its address (or facsimile number or e-mail address) set forth in its Administrative Questionnaire. Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications.

(i) The Borrower and the Lenders agree that the Administrative Agent may make any material delivered by the Borrower or any other Credit Party to the Administrative Agent, as well as any amendments, waivers, consents, and other written information, documents, instruments and other materials relating to the Borrower, any Subsidiary, or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such notices on an electronic delivery system (which may be provided by the Administrative Agent, an Affiliate of the Administrative Agent, or any Person that is not an Affiliate of the Administrative Agent), such as IntraLinks, Syndtrak or a substantially similar electronic system (the "Platform"); provided that the foregoing shall not apply to notices to any Lender or Issuing Lender pursuant to Article II if such Lender or Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) none of the Administrative Agent nor any of its Affiliates warrants the accuracy, completeness, timeliness, sufficiency, or sequencing of the Communications posted on the Platform. The Administrative Agent and its Affiliates expressly disclaim with respect to the Platform any liability for errors in transmission, incorrect or incomplete downloading, delays in posting or delivery, or problems accessing the Communications posted on the Platform and any liability for any losses, costs, expenses or liabilities that may be suffered or incurred in connection with the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by the Administrative Agent or any of its Affiliates in connection with the Platform. In no event shall the Administrative Agent or any of its Related Parties have any liability to the Borrower or the other Credit Parties, any Lender Party or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Credit Party's or any Lender Party's transmission of communications through the Platform except to the extent of such Credit Party's direct damages arising from the gross negligence or willful misconduct of the Administrative Agent (as determined by a court of competent jurisdiction in a final non-appealable judgment) in providing Platform login credentials to a Person to whom it is not otherwise permitted to disclose the Information under Section 9.8.

(ii) Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communication has been posted to the Platform shall for purposes of this Agreement constitute effective delivery to such Lender of such information, documents or other materials comprising such Communication. Each Lender agrees (i) to notify, on or before the date such Lender becomes a party to this Agreement, the Administrative Agent in writing of such Lender's e-mail address to which a Notice may be sent (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

(iii) Unless the Administrative Agent otherwise prescribes, notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(c) Change of Address, Etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

Section 9.8 Confidentiality. The Administrative Agent, each Lender and each Issuing Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (the "Representatives") (it being understood that the Representative to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Legal Requirement or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Credit Document or any action or proceeding relating to this Agreement or any other Credit Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower or any Subsidiary and their respective obligations, (iii) any rating agency in connection with rating the Borrower or its Subsidiaries or the credit facility established hereby, or (iv) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to this Agreement, (g) with the prior consent of the Borrower, (h) to Thomson Reuters, other bank market data collectors, and similar service providers to the lending industry and service providers to the Administrative Agent and the Lenders in connection with the administration of the Credit Documents, or (i) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Lender Party or any of their respective Affiliates on a nonconfidential basis from a source other than a Credit Party; provided that such source is not known by the Administrative Agent, such Lender, or such Issuing Lender, as applicable, to be subject to any confidentiality obligations to the Borrower. For purposes of this Section, "Information" means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to a Lender Party on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. The Administrative Agent, each Lender and each Issuing Lender agrees to be responsible for any breaches of this Section 9.8 by its Representatives. ALL INFORMATION, INCLUDING REQUESTS FOR WAIVERS AND AMENDMENTS, FURNISHED BY THE CREDIT PARTIES OR THE ADMINISTRATIVE AGENT IN CONNECTION WITH, OR IN THE COURSE OF ADMINISTERING, THIS AGREEMENT WILL BE SYNDICATE-LEVEL INFORMATION, WHICH MAY CONTAIN MATERIAL, NON-PUBLIC INFORMATION ABOUT THE BORROWER, THE OTHER CREDIT PARTIES AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES.

Section 9.9 Usury Not Intended. It is the intent of the Borrower and each Lender in the execution and performance of this Agreement and the other Credit Documents to contract in strict compliance with applicable usury laws, including conflicts of law concepts, governing the Advances of each Lender including such applicable Legal Requirements of the State of New York and the United States from time to time in effect, and any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement. In furtherance thereof, the Lenders and the Borrower stipulate and agree that none of the terms and provisions contained in this Agreement or the other Credit Documents shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the Maximum Rate and that for purposes of this Agreement and all other Credit Documents, "interest" shall include the aggregate of all charges which constitute interest under such laws that are contracted for, charged or received under this Agreement or any other Credit Document; and in the event that, notwithstanding the foregoing, under any circumstances the aggregate amounts taken, reserved, charged, received or paid on the Obligations, include amounts which by applicable Legal Requirement are deemed interest which would exceed the Maximum Rate, then such excess shall be deemed to be a mistake and each Lender receiving same shall credit the same on the principal of the Obligations owing to such Lender (or if all such Obligations shall have been paid in full, refund said excess to the Borrower). In the event that the maturity of the Obligations are accelerated by reason of any election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the Maximum Rate, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the applicable Obligations (or, if the applicable Obligations shall have been paid in full, refunded to the Borrower of such interest). In determining whether or not the interest paid or payable under any specific contingencies exceeds the Maximum Rate, the Borrower and the Lenders shall to the maximum extent permitted under applicable Legal Requirement amortize, prorate, allocate and spread in equal parts during the period of the full stated term of the Advances all amounts considered to be interest under applicable Legal Requirement at any time contracted for, charged, received or reserved in connection with the Obligations. The provisions of this Section shall control over all other provisions of this Agreement or the other Credit Documents which may be in apparent conflict herewith.

Section 9.10 <u>**Usury Recapture**</u>. In the event the rate of interest chargeable under this Agreement or any other Credit Document at any time is greater than the Maximum Rate, the unpaid principal amount of the Obligations shall bear interest at the Maximum Rate until the total amount of interest paid or accrued on the Obligations equals the amount of interest which would have been paid or accrued on the Advances if the stated rates of interest set forth in this Agreement or applicable Credit Document had at all times been in effect. In the event, upon payment in full of the Obligations, the total amount of interest paid or accrued under the terms of this Agreement and the Obligations is less than the total amount of interest which would have been paid or accrued if the rates of interest set forth in this Agreement or such Credit Document had, at all times, been in effect, then the Borrower shall, to the extent permitted by applicable Legal Requirement, pay the Administrative Agent for the account of the applicable Lender Party an amount equal to the difference between (i) the lesser of (A) the amount of interest which would have been charged on Obligations owed to it if the Maximum Rate had, at all times, been in effect and (B) the amount of interest which would have accrued on such Obligations if the rates of interest set forth in this Agreement had at all times been in effect and (ii) the amount of interest actually paid under this Agreement or any Credit Document on Obligations owed to it. In the event the any Lender Party ever receive, collect or apply as interest any sum in excess of the Maximum Rate, such excess amount shall, to the extent permitted by law, be applied to the reduction of the principal balance of the Obligations, and if no such principal is then outstanding, such excess or part thereof remaining shall be paid to the Borrower.

Section 9.11 <u>**Payments Set Aside**</u>. To the extent that any payment by or on behalf of the Borrower or any other Credit Party is made to any Lender Party, or any Lender Party exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by any Lender Party in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and each Issuing Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect, in the applicable currency of such recovery or payment. The obligations of the Lenders, the Swingline Lender and the Issuing Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 9.12 <u>**Governing Law; Submission to Jurisdiction**</u>.

(a) <u>Governing Law</u>. This Agreement, the Notes and the other Credit Documents (unless otherwise expressly provided therein) shall be deemed a contract under, and shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without regard to conflicts of laws principles (other than Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York).

(b) Submission to Jurisdiction. The Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Administrative Agent, any Lender, any Issuing Lender, the Swingline Lender, or any Related Party of the foregoing in any way relating to this Agreement or any other Credit Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable Legal Requirement, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Credit Document shall affect any right that the Administrative Agent, any Lender, any Issuing Lender, the Swingline Lender, or any Related Party of the foregoing may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against the Borrower or any other Credit Party or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. **Each party hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable Legal Requirement, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Credit Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Legal Requirement, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.**

(d) Service of Process. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 9.7. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable Legal Requirement.

Section 9.13 Execution and Effectiveness.

(a) Execution in Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Credit Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic transmission (in .pdf format or otherwise) shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Legal Requirement, including the Federal

Electronic Signatures in Global and National Commerce Act, or any state laws based on the Uniform Electronic Transactions Act.

Section 9.14 Waiver of Jury. EACH PARTY HERETO HEREBY ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED BY AND HAS CONSULTED WITH COUNSEL OF ITS CHOICE, AND HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LEGAL REQUIREMENT, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.15 USA PATRIOT ACT Notice. Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. Promptly following a request from the Administrative Agent, a Lender, or Issuing Lender, the Borrower hereby agrees to deliver all documentation and other information that the Administrative Agent, a Lender, or an Issuing Lender, as applicable, may reasonably request in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act and the Beneficial Ownership Regulation.

Section 9.16 Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

Section 9.17 <u>**No Advisory or Fiduciary Responsibility**</u>.

(a) In connection with all aspects of each transaction contemplated hereby, each Credit Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that (i) the facilities provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver, or other modification hereof or of any other Credit Document) are an arm's-length commercial transaction between the Borrower and its Affiliates, on the one hand, and the Administrative Agent, the arrangers, and the Lenders, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents (including any amendment, waiver or other modification hereof or thereof), (ii) in connection with the process leading to such transaction, each of the Administrative Agent, the arrangers, and the Lenders is and has been acting solely as a principal and is not the financial advisor, agent, or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors, or employees or any other Person, (iii) none of the Administrative Agent, the arrangers, or the Lenders has assumed or will assume an advisory, agency, or fiduciary responsibility in favor of the Borrower with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver, or other modification hereof or of any other Credit Document (irrespective of whether any arranger or Lender has advised or is currently advising the Borrower or any of its Affiliates on other matters) and none of the Administrative Agent, the arrangers, or the Lenders has any obligation to the Borrower or any of its Affiliates with respect to the financing transactions contemplated hereby except those obligations expressly set forth herein and in the other Credit Documents, (iv) the arrangers and the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from, and may conflict with, those of the Borrower and its Affiliates, and none of the Administrative Agent, the arrangers, or the Lenders has any obligation to disclose any of such interests by virtue of any advisory, agency, or fiduciary relationship, and (v) the Administrative Agent, the arrangers, and the Lenders have not provided and will not provide any legal, accounting, regulatory, or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver, or other modification hereof or of any other Credit Document) and the Credit Parties have consulted their own legal, accounting, regulatory, and tax advisors to the extent they have deemed appropriate.

(b) Each Credit Party acknowledges and agrees that each Lender, the arrangers, and any Affiliate thereof may lend money to, invest in, and generally engage in any kind of business with, any of the Borrower, any Affiliate thereof, or any other Person that may do business with or own securities of any of the foregoing, all as if such Lender, arranger, or Affiliate thereof were not a Lender or arranger or an Affiliate thereof (or an agent or any other Person with any similar role under any Credit Document) and without any duty to account therefor to any other Lender, the arrangers, the Borrower, or any Affiliate of the foregoing. Each Lender, the arrangers, and any Affiliate thereof may accept fees and other consideration from the Borrower or any Affiliate thereof for services in connection with this Agreement, the credit facility established hereby, or otherwise without having to account for the same to any other Lender, the arrangers, the Borrower, or any Affiliate of the foregoing.

Section 9.18 <u>**Integration**</u>. **THIS WRITTEN AGREEMENT AND THE CREDIT DOCUMENTS, AS DEFINED IN THIS AGREEMENT, REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND SUPERSEDE ALL PRIOR UNDERSTANDINGS AND AGREEMENTS, WHETHER WRITTEN OR ORAL, RELATING TO THE TRANSACTIONS PROVIDED FOR HEREIN AND THEREIN. ADDITIONALLY, THIS AGREEMENT AND THE CREDIT DOCUMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES**.

IN EXECUTING THIS AGREEMENT, EACH CREDIT PARTY HERETO HEREBY WARRANTS AND REPRESENTS IT IS NOT RELYING ON ANY STATEMENT OR REPRESENTATION OTHER THAN THOSE IN THIS AGREEMENT AND IS RELYING UPON ITS OWN JUDGMENT AND ADVICE OF ITS ATTORNEYS.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of this page intentionally left blank. Signature pages follow.]

EXECUTED as of the date first above written.

BORROWER: **HELMERICH & PAYNE, INC**.

By: /s/ Mark W. Smith
Name: Mark W. Smith
Title: Vice President and Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Swingline Lender, an Issuing Lender and a Lender

By: /s/ Robert Corder
Name: Robert Corder
Title: Director

BOKF, NA, as a Lender

By: /s/ Timberly J. Harding
Name: Timberly J. Harding
Title: Senior Vice President

BARCLAYS BANK PLC, as a Lender

By: /s/ Sydney C. Dennis
Name: Sydney C. Dennis
Title: Director

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

By: /s/ Michael Bustios
Name: Michael Bustios
Title: Senior Vice President

THE BANK OF NOVA SCOTIA, HOUSTON BRANCH, as a Lender

By: /s/ Scott Nickel
Name: Scott Nickel
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Nupur Kumar
Name: Nupur Kumar
Title: Authorized Signatory

By: /s/ Sophie Bulliard
Name: Sophie Bulliard
Title: Authorized Signatory

GOLDMAN SACHS BANK USA, as a Lender

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

MORGAN STANLEY BANK, N.A., as a Lender

By: /s/ Julie Lilienfeld
Name: Julie Lilienfeld
Title: Authorized Signatory

MIDFIRST BANK, as a Lender

By: /s/ Kevin M. Lackner
Name: Kevin M. Lackner
Title: Senior Vice President

ARVEST BANK, as a Lender

By: /s/ Andrew Coffey
Name: Andrew Coffey
Title: Vice President

SCHEDULE I

Pricing Schedule

The Applicable Margin with respect to Commitment Fees and Advances shall be based on the Borrower's debt rating for senior unsecured debt as determined by Moody's and S&P (the "Rating"); provided that (a) if there is a one level difference between the Ratings, then the level corresponding to the higher Rating shall be used, (b) if there is a greater than one level difference between the Ratings, then the level immediately below the higher Rating shall be used, (c) if there is only one Rating, then such Rating shall be applicable, (d) if the Borrower has no Rating but a Guarantor has one or more Ratings for senior unsecured debt and such Guarantor has not been released of its obligations under the Guaranty, then "Rating" shall be based on such Guarantor's Rating, (e) if neither Moody's nor S&P shall have in effect a Rating (other than by reason of the circumstances referred to in clause (f) of this paragraph), then the level shall be deemed to be Level V, and (f) if the rating system of Moody's or S&P shall change, or if both such rating agencies shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this Schedule I to reflect such changed rating system or the unavailability of ratings from such rating agencies and, pending the effectiveness of any such amendment, the Applicable Margin shall be determined by reference to the Rating most recently in effect prior to such change or cessation. For the avoidance of doubt, the Rating for Level I shall be the highest and the Rating for Level V shall be the lowest.

Applicable Margin	Rating (Moody's / S&P)	Eurodollar Margin	Base Rate Margin	Commitment Fee
Level I	$\geq$ A/A2	0.875%	0.000%	0.075%
Level II	A-/A3	1.000%	0.000%	0.100%
Level III	BBB+/Baa1	1.125%	0.125%	0.125%
Level IV	BBB/Baa2	1.250%	0.250%	0.150%
Level V	$\leq$ BBB-/Baa3	1.500%	0.500%	0.200%

SCHEDULE II

Revolving Commitments

Lenders	Revolving Commitment
Wells Fargo Bank, National Association	$100,000,000.00
BOKF, NA	$87,500,000.00
Barclays Bank Plc	$87,500,000.00
HSBC Bank USA, N.A.	$87,500,000.00
The Bank of Nova Scotia, Houston Branch	$87,500,000.00
Credit Suisse AG, Cayman Islands Branch	$70,000,000.00
Goldman Sachs Bank USA	$70,000,000.00
Morgan Stanley Bank, N.A.	$70,000,000.00
MidFirst Bank	$50,000,000.00
Arvest Bank	$40,000,000.00
TOTAL:	**$750,000,000.00**

SCHEDULE III

Notice Information

ADMINISTRATIVE AGENT AND SWINGLINE LENDER	
Wells Fargo Bank, National Association	**Address**: Wells Fargo Bank, National Association 1525 West W.T. Harris Boulevard Mail Code: D1109-019 Charlotte, NC 28262 **Attn**: Syndication Agency Services **Telephone**: 704-590-2706 **Facsimile**: 704-590-2790 **E-mail**: Agencyservices.requests@wellsfargo.com with a copy to: **Address**: Wells Fargo Bank, National Association 1000 Louisiana Street, 9th Floor Mail Code: T0002-090 Houston, TX 77002 **Attn**: Robert L. Corder **Telephone**: 713-319-1955 **Facsimile**: 713-739-1087 **E-mail**: Robert.l.corder@wellsfargo.com
Credit Parties	
Borrower and Guarantor	**Address**: 1437 South Boulder Ave. Tulsa, Oklahoma 74119 **Attn:** Mark W. Smith, Vice President and Chief Financial Officer **Telephone**: 918-588-2622 **E-mail:** Mark.Smith@hpinc.com with a copy to: **Address**: 1437 South Boulder Ave. Tulsa, Oklahoma 74119 **Attn**: Cara M. Hair, Vice President, Corporate Services and Chief Legal Officer **Telephone**: 918-588-5432 **E-mail:** cara.hair@hpinc.com

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Name of Company	State or Country of Incorporation
4D Directional Services, L.L.C.	United States, Delaware
Helmerich & Payne (Argentina) Drilling Co.	United States, Oklahoma
Helmerich & Payne (Boulder) Drilling Co.	United States, Oklahoma
Helmerich & Payne (Colombia) Drilling Co.	United States, Oklahoma
Helmerich & Payne del Ecuador, Inc.	United States, Oklahoma
Helmerich & Payne de Venezuela, C.A.	Venezuela
Helmerich & Payne Equatorial Guinea, S.A.R.L.	Equatorial Guinea*
Helmerich & Payne International Drilling Co.	United States, Delaware
Helmerich & Payne Rasco, Inc.	United States, Oklahoma
Helmerich and Payne Mexico Drilling, S. De R.L. de C.V.	Mexico
Helmerich and Payne Technologies Private Limited	India
Magnetic Variation Services, LLC	United States, Colorado
Motive Drilling Technologies, Inc.	United States, Delaware
Motive Drilling Technologies Canada, Inc.	Canada, Alberta
Surcon, Ltd.	United States, Colorado
TerraVici Drilling Solutions, Inc.	United States, Delaware
The Space Center, Inc.	United States, Oklahoma
Helmerich & Payne Properties, Inc.	United States, Oklahoma
Utica Resources Co.	United States, Oklahoma
Utica Square Shopping Center, Inc.	United States, Oklahoma
White Eagle Assurance Company	United States, Vermont

Unless otherwise indicated, all subsidiaries are 100% owned by the indicated parent entity.

* Helmerich & Payne Rasco, Inc. holds 65% of the share capital of Helmerich & Payne Equatorial Guinea, S.A.R.L.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-137144)—Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan,

(2) Registration Statement (Form S-8 No. 333-176911)—Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan,

(3) Registration Statement (Form S-8 No. 333-213053)—Helmerich & Payne, Inc. 2016 Omnibus Incentive Plan;

of our reports dated November 16, 2018, with respect to the consolidated financial statements of Helmerich & Payne, Inc. and the effectiveness of internal control over financial reporting of Helmerich & Payne, Inc. included in this Annual Report (Form 10-K) of Helmerich & Payne, Inc. for the year ended September 30, 2018.

/s/ Ernst & Young LLP

Tulsa, Oklahoma
November 16, 2018

Exhibit 31.1

CERTIFICATION

I, John W. Lindsay, certify that:

1. I have reviewed this annual report on Form 10-K of Helmerich & Payne, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 16, 2018

/s/ John W. Lindsay
John W. Lindsay
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark W. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Helmerich & Payne, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2018

/s/ Mark W. Smith

Mark W. Smith
Chief Financial Officer

Exhibit 32

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Helmerich & Payne, Inc. (the “Company”) on Form 10-K for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), John W. Lindsay, as Chief Executive Officer of the Company, and Mark W. Smith, as Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John W. Lindsay	/s/ Mark W. Smith
John W. Lindsay *Chief Executive Officer* Date: November 16, 2018	Mark W. Smith *Chief Financial Officer* Date: November 16, 2018