

DIAMOND OFFSHORE DRILLING, INC.

Form DEF 14A

April 03, 2019

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant To Section 14 (a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No.    )**

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

**Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))**

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to § 240.14a-12.

**Diamond Offshore Drilling, Inc.**

**(Name of Registrant as Specified in its Charter)**

**(Name of Person (s) Filing Proxy Statement, if other than the Registrant)**

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**DIAMOND OFFSHORE DRILLING, INC.**

**15415 Katy Freeway**

**Houston, Texas 77094**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On May 15, 2019**

To our Stockholders:

The 2019 annual meeting of stockholders of Diamond Offshore Drilling, Inc. will be held at the offices of Loews Corporation, 667 Madison Avenue, New York, New York, on Wednesday, May 15, 2019, at 8:30 a.m. local time for the following purposes:

- (1) To elect eight directors, each to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal;
- (2) To hold an advisory vote on executive compensation;
- (3) To ratify the appointment of Deloitte & Touche LLP as the independent auditor for our company and its subsidiaries for fiscal year 2019; and
- (4) To transact such other business as may properly come before the annual meeting or any adjournments thereof.

Our stockholders of record at the close of business on March 20, 2019 are entitled to notice of, and to vote at, the annual meeting and any adjournments of the annual meeting. Additional information regarding the annual meeting is included in the attached proxy statement.

**Your vote is important.** Whether or not you plan to attend the annual meeting in person, please vote as promptly as possible by using the internet or telephone, or if you received a paper copy of the proxy materials, by signing, dating and returning the included proxy card.

By Order of the Board of Directors

Sincerely,

David L. Roland

Senior Vice President, General Counsel and Secretary

April 3, 2019

**Important Notice Regarding the Availability of Proxy Materials**

**for the Annual Meeting of Stockholders to be Held on May 15, 2019.**

**Our proxy statement, proxy card and 2018 annual report to stockholders are available at**

**[www.diamondoffshore.com/proxy](http://www.diamondoffshore.com/proxy)**

**Table of Contents**

**Table of Contents**

<b><u>About the Annual Meeting</u></b>	<b>1</b>
<b><u>Stock Ownership of Principal Stockholders</u></b>	<b>4</b>
<b><u>Stock Ownership of Management and Directors</u></b>	<b>5</b>
<b><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></b>	<b>6</b>
<b><u>Election of Directors (Proposal No. 1)</u></b>	<b>7</b>
<b><u>Director Independence</u></b>	<b>9</b>
<b><u>Board Committees</u></b>	<b>11</b>
<b><u>Board Diversity and Director Nominating Process</u></b>	<b>12</b>
<b><u>Majority Vote Standard for Election of Directors</u></b>	<b>14</b>
<b><u>Executive Sessions of Non-Management Directors</u></b>	<b>14</b>
<b><u>Board Leadership Structure</u></b>	<b>14</b>
<b><u>Board Oversight of Risk Management</u></b>	<b>14</b>
<b><u>Director Attendance at Meetings</u></b>	<b>15</b>
<b><u>Director Compensation</u></b>	<b>15</b>
<b><u>Code of Ethics and Corporate Governance Guidelines</u></b>	<b>16</b>
<b><u>Loans to Directors and Executive Officers</u></b>	<b>17</b>
<b><u>Reporting of Ethics and Compliance Concerns</u></b>	<b>17</b>
<b><u>Transactions with Related Persons</u></b>	<b>17</b>
<b><u>Audit Committee Report</u></b>	<b>19</b>
<b><u>Compensation Discussion and Analysis</u></b>	<b>20</b>
<b><u>Executive Summary</u></b>	<b>20</b>
<b><u>Compensation Program Objectives</u></b>	<b>21</b>
<b><u>Elements of Compensation</u></b>	<b>23</b>
<b><u>Indemnification of Directors and Executive Officers</u></b>	<b>32</b>
<b><u>Risk Management Considerations</u></b>	<b>32</b>
<b><u>Employment Agreements</u></b>	<b>33</b>
<b><u>Compensation Committee Report</u></b>	<b>33</b>
<b><u>Executive Compensation</u></b>	<b>34</b>
<b><u>2018 Summary Compensation Table</u></b>	<b>34</b>
<b><u>2018 Nonqualified Deferred Compensation</u></b>	<b>37</b>
<b><u>Potential Payments Upon Termination or Change in Control</u></b>	<b>37</b>
<b><u>Equity Plan</u></b>	<b>43</b>
<b><u>Equity Compensation Plan Information</u></b>	<b>43</b>
<b><u>2018 Grants of Plan-Based Awards</u></b>	<b>44</b>
<b><u>Outstanding Equity Awards at Fiscal Year-End 2018</u></b>	<b>46</b>
<b><u>2018 Option Exercises and Stock Vested</u></b>	<b>47</b>
<b><u>CEO Pay Ratio</u></b>	<b>47</b>
<b><u>Advisory Vote on Executive Compensation (Proposal No. 2)</u></b>	<b>49</b>
<b><u>Ratification of Appointment of Independent Auditor (Proposal No. 3)</u></b>	<b>50</b>
<b><u>Audit Fees</u></b>	<b>50</b>
<b><u>Auditor Engagement and Pre-Approval Policy</u></b>	<b>50</b>
<b><u>Solicitation Expenses</u></b>	<b>51</b>
<b><u>Communications with Diamond Offshore and Others</u></b>	<b>51</b>
<b><u>Other Matters</u></b>	<b>52</b>

**Table of Contents**

**DIAMOND OFFSHORE DRILLING, INC.**

**15415 KATY FREEWAY**

**HOUSTON, TEXAS 77094**

**PROXY STATEMENT**

**For the 2019 Annual Meeting of Stockholders**

**to be held on May 15, 2019**

**ABOUT THE ANNUAL MEETING**

**Why am I receiving these materials?**

The Board of Directors of Diamond Offshore Drilling, Inc. (which we refer to in this proxy statement as we, our, us, our company or the company) is providing you these proxy materials in connection with the Board's solicitation of proxies from our stockholders for our 2019 annual meeting of stockholders (which we refer to as the Annual Meeting) and any adjournments and postponements of the Annual Meeting. The Annual Meeting will be held at the offices of Loews Corporation, 667 Madison Avenue, New York, New York, on Wednesday, May 15, 2019, commencing at 8:30 a.m. local time. On or before April 3, 2019, we expect to begin mailing to our stockholders proxy materials or an Important Notice Regarding the Availability of Proxy Materials (which we refer to as a Notice), containing instructions on how to access our proxy materials, including this proxy statement and our Annual Report, by the Internet and how to vote your shares. If you receive a Notice by mail, you will not receive a printed copy of the proxy materials unless you specifically request it. Whether or not you plan to attend the Annual Meeting, you may submit a proxy to vote your shares by the Internet, telephone or mail as more fully described below.

**What is the purpose of the Annual Meeting?**

At the Annual Meeting, you and our other stockholders entitled to vote at the Annual Meeting are requested to vote on proposals to elect eight members of our Board of Directors to serve until our 2020 annual meeting of stockholders, to approve executive compensation by advisory vote and to ratify the appointment of Deloitte & Touche LLP as our independent auditor for fiscal year 2019.

**Who is entitled to attend and vote at the Annual Meeting?**

Only stockholders of record as of the close of business on March 20, 2019, the record date for the Annual Meeting, or the holders of their valid proxies may attend the Annual Meeting. A list of our stockholders will be available for review at our executive offices in Houston, Texas during ordinary business hours for a period of 10 days prior to the meeting. Each person attending the Annual Meeting may be asked to present a photo ID before being admitted to the meeting. In addition, stockholders who hold their shares through a broker or nominee (*i.e.*, in street name) should provide proof of their beneficial ownership, such as a brokerage statement showing their ownership of shares as of March 20, 2019. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting, and attendees will be subject to security inspections.

Only holders of record of our common stock at the close of business on March 20, 2019 are entitled to notice of and to vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of common stock held. Shares of our common stock represented in person or by a properly submitted proxy will be voted at the Annual Meeting. On the record date, 137,580,203 shares of our common stock were outstanding and entitled to vote.



## **Table of Contents**

### **What constitutes a quorum?**

The presence at the Annual Meeting in person or by proxy of the holders of a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting is required to constitute a quorum for the transaction of business.

### **What vote is required to approve each item to be voted on at the Annual Meeting?**

*Election of Directors.* A nominee for director will be elected to the Board if all votes cast for that nominee's election exceed the votes cast against his or her election. Under our Bylaws, any incumbent director nominee who does not receive a majority of the votes cast for election shall tender his or her resignation. For a more complete explanation of this requirement and process, please see *Election of Directors Majority Vote Standard for Election of Directors* below.

*Votes Required to Adopt Other Proposals.* The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for approval of all other items being submitted to stockholders for consideration.

### **How are abstentions and broker non-votes counted?**

Abstentions and broker non-votes (*i.e.*, shares with respect to which a broker indicates that it does not have authority to vote on a matter) will be counted for purposes of determining whether a quorum is present at the Annual Meeting. Abstentions will not affect the outcome of the election of directors. Abstentions will have the same effect as votes against any matter other than the election of directors. Broker non-votes will not affect the outcome of the election of directors or any other proposal to be voted on at the Annual Meeting.

### **How does the Board recommend that I vote?**

Our Board of Directors recommends that you vote:

FOR each of the nominees for director named in this proxy statement;

FOR the resolution approving executive compensation; and

FOR the ratification of the appointment of Deloitte & Touche LLP as our independent auditor for fiscal year 2019.

### **How do I vote and can I change my vote after I return my proxy card?**

You may vote in person at the Annual Meeting or you may give us your proxy. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. As described below, you can change your vote at the Annual Meeting. You can vote by proxy over the telephone by calling a toll-free number, electronically by using the Internet or through the mail as described below. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions set forth on the Notice or proxy card. If you are a holder of record and received your proxy statement and Annual Report by mail, you can vote by signing, dating and completing the enclosed proxy card and returning it by mail in the enclosed postpaid envelope. If you received a Notice and wish to vote by traditional proxy

card, you may receive a full printed set of the proxy materials for the Annual Meeting at no charge through one of the following methods:

by the Internet at *www.investorelections.com/DO*;

by telephone at 1-866-648-8133; or

by sending a blank e-mail to *paper@investorelections.com* with the 12 digit control number (located in the Notice) in the subject line. No other requests, instructions or other inquiries should be included with your e-mail requesting material.

## **Table of Contents**

Once you receive the proxy statement, Annual Report and proxy card, please sign, date and complete the proxy card and return it in the enclosed postpaid envelope. No postage is necessary if the proxy card is mailed in the United States. If you hold your shares through a bank, broker or other nominee, it will provide you separate instructions for voting your shares.

Your proxy may be revoked at any time before its exercise by sending written notice of revocation to David L. Roland, Corporate Secretary, Diamond Offshore, 15415 Katy Freeway, Suite 100, Houston, Texas 77094, or by submitting a valid proxy that is dated later, or, if you attend the Annual Meeting in person, by giving notice of revocation to the Inspector of Election referred to below at the Annual Meeting.

Unless you revoke your proxy, your shares of common stock represented by your proxy will be voted at the annual meeting in accordance with the directions given in your proxy. If you do not specify a choice on your proxy, your proxy will be voted consistent with the above recommendations of the Board.

### **How will votes be recorded and where can I find the voting results of the Annual Meeting?**

Votes will be tabulated by Mediant Communications Inc., and the results will be certified by our Inspector of Election. In tabulating votes, the Inspector of Election will make a record of the number of shares voted for or against each nominee and each other matter voted upon, the number of shares abstaining with respect to each nominee or other matter, and the number of shares held of record by broker-dealers that are present at the Annual Meeting but not voting. We plan to announce preliminary voting results at the Annual Meeting and to publish the final results in a current report on Form 8-K following the Annual Meeting.

**Table of Contents****STOCK OWNERSHIP OF PRINCIPAL STOCKHOLDERS**

The following table shows certain information as of March 20, 2019 (unless otherwise indicated) as to all persons who, to our knowledge, were the beneficial owners of 5% or more of our common stock, which is our only outstanding class of voting securities. All shares reported were owned beneficially by the persons indicated unless otherwise indicated below.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common Stock	Loews Corporation 667 Madison Avenue New York, NY 10065-8087	73,119,047(1)	53.2%
Common Stock	BlackRock, Inc. 55 East 52 <sup>nd</sup> Street New York, NY 10055	8,630,005(2)	6.3%
Common Stock	FMR LLC 245 Summer Street Boston, MA 02210	7,462,592(3)	5.4%

- (1) Loews Corporation (which we refer to as Loews) has sole investment power and sole voting power over the shares.
- (2) This information is based on a Schedule 13G/A (Amendment No. 2) filed with the Securities and Exchange Commission (which we refer to as the SEC) on February 4, 2019 by BlackRock, Inc., a parent holding company for a number of investment management subsidiaries, which indicates that BlackRock, Inc. has sole voting power over 8,387,520 shares and sole dispositive power over 8,630,005 shares.
- (3) This information is based on a Schedule 13G filed with the SEC on February 13, 2019 by FMR LLC and Abigail P. Johnson, which reported that FMR LLC has sole voting power with respect to 725,525 shares and sole dispositive power with respect to 7,462,592 shares, and Abigail P. Johnson has sole voting power with respect to none of such shares and sole dispositive power with respect to 7,462,592 shares. The Schedule 13G further states that members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act, or Fidelity Funds, advised by Fidelity Management & Research Company, or FMR Co, a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds Boards of Trustees. FMR Co carries out the voting of the shares under written guidelines established by the Fidelity Funds Boards of Trustees.

Loews is a holding company, with principal subsidiaries (in addition to us) consisting of CNA Financial Corporation, an 89%-owned subsidiary engaged in commercial property and casualty insurance; Boardwalk Pipeline Partners, LP, a wholly-owned subsidiary engaged in the transportation and storage of natural gas and natural gas liquids; Loews Hotels & Co, a wholly-owned subsidiary engaged in the operation of a chain of hotels; and Consolidated Container Company LLC, a 99%-owned subsidiary providing packaging solutions to end markets such as beverage, food and household chemicals.

Because Loews holds a majority of the outstanding shares of our common stock, Loews has the power to approve matters submitted for consideration at the Annual Meeting without regard to the votes of the other stockholders. We understand that Loews intends to vote consistent with the above recommendations of the Board of Directors. There are no agreements between us and Loews with respect to the election of our directors or officers or with respect to the other matters that may come before the Annual Meeting.

Table of Contents**STOCK OWNERSHIP OF MANAGEMENT AND DIRECTORS**

The following table shows the shares of our common stock and common stock of Loews (which we refer to as Loews Common Stock) beneficially owned by each of our directors and director nominees, each of our executive officers named in the *2018 Summary Compensation Table* below, and all of our current directors and executive officers as a group, as of March 1, 2019. Our directors and executive officers individually and as a group own less than 1% of our common stock. Except as otherwise noted, the named beneficial owner has sole voting power and sole investment power with respect to the number(s) of shares shown below. The number of shares included with respect to stock appreciation rights (SARs) granted under our Equity Incentive Compensation Plan (which we refer to as our Equity Plan) is the number of shares of our common stock each person would have received had they exercised their SARs, based on the fair market value per share (\$10.70) of our common stock, determined in accordance with the terms of our Equity Plan, on March 1, 2019.

Name of Beneficial Owner	Shares of Loews		
	Shares of Our Common Stock	Common Stock	% of Loews Common Stock
James S. Tisch (1)	5,052	17,063,053	5.5%
Marc Edwards (2)	94,334		*
Charles L. Fabrikant (3)	1,052	1,200	*
Anatol Feygin			*
Paul G. Gaffney II (4)	10,052		*
Edward Grebow (5)	7,052	1,500	*
Kenneth I. Siegel (6)	52	148,204	*
Clifford M. Sobel (5)	52		*
Andrew H. Tisch (7)	52	16,222,957	5.3%
Ronald Woll (8)	26,717		*
Scott L. Kornblau (8)	3,856		*
David L. Roland (9)	16,112		*
Thomas M. Roth	5,399		*
All Directors and Executive Officers as a Group (13 persons, including those listed above other than Mr. Feygin)	174,737	33,436,914	10.9%

\* Less than 1% of the Loews Common Stock.

- (1) The number of shares of our common stock includes 52 shares of common stock issuable upon the exercise of SARs granted under our Equity Plan that are exercisable at March 1, 2019 or within 60 days thereafter. The number of shares of Loews Common Stock includes 413,773 shares of Loews Common Stock issuable upon the exercise of awards granted under the Loews Corporation Stock Option Plan that are currently exercisable. The number of shares of Loews Common Stock also includes 14,997,854 shares held by trusts of which Mr. Tisch is the managing trustee (inclusive of 7,872,043 shares held in trust for his benefit) and 820,000 shares held by a charitable foundation as to which Mr. Tisch has shared voting and investment power.
- (2) The number of shares of our common stock represents shares issued in connection with restricted stock units.
- (3)

The number of shares of our common stock includes 52 shares of common stock issuable upon the exercise of SARs granted under our Equity Plan that are exercisable at March 1, 2019 or within 60 days thereafter. The number of shares of Loews Common Stock includes 600 shares held by a trust of which Mr. Fabrikant and his sister are the trustees and share voting and investment power.

- (4) The number of shares of our common stock includes 7,000 shares held by a trust of which Mr. Gaffney is the trustee and 3,000 shares held by a trust of which his spouse is the trustee. The number of shares of our common stock also includes 52 shares of common stock issuable upon the exercise of SARs granted under our Equity Plan that are exercisable at March 1, 2019 or within 60 days thereafter.
- (5) The number of shares of our common stock includes 52 shares of common stock issuable upon the exercise of SARs granted under our Equity Plan that are exercisable at March 1, 2019 or within 60 days thereafter.
- (6) The number of shares of our common stock includes 52 shares of common stock issuable upon the exercise of SARs granted under our Equity Plan that are exercisable at March 1, 2019 or within 60 days thereafter. The number of shares

**Table of Contents**

of Loews Common Stock represents 148,204 shares of Loews Common Stock issuable upon the exercise of stock awards granted under the Loews Corporation Stock Option Plan that are currently exercisable.

- (7) The number of shares of our common stock includes 52 shares of common stock issuable upon the exercise of SARs granted under our Equity Plan that are exercisable at March 1, 2019 or within 60 days thereafter. The number of shares of Loews Common Stock includes 413,773 shares of Loews Common Stock issuable upon the exercise of stock awards granted under the Loews Corporation Stock Option Plan that are currently exercisable. The number of shares of Loews Common Stock also includes 14,809,184 shares held by trusts of which Mr. Tisch is the managing trustee (inclusive of 7,691,285 shares held in trust for his benefit) and 1,000,000 shares held by a charitable foundation as to which Mr. Tisch has shared voting and investment power.
- (8) The number of shares of our common stock represents shares issued in connection with restricted stock units, as to which the executive officer shares voting and investment power with his spouse.
- (9) The number of shares of our common stock represents 15,302 shares issued in connection with restricted stock units, as to which Mr. Roland shares voting and investment power with his spouse, and 810 shares held by virtue of Mr. Roland's investment in our common stock pursuant to our Retirement Plan (as defined below).

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely on our records and other information available to us, we believe that during 2018 all reports that were required to be filed by our directors and executive officers under Section 16(a) of the Securities Exchange Act of 1934, as amended (which we refer to as the Exchange Act), were timely filed.



**Table of Contents****ELECTION OF DIRECTORS****(Proposal No. 1)**

Our Board of Directors currently consists of eight directors. On January 31, 2019, Charles L. Fabrikant informed us of his intention to resign from our Board effective at the Annual Meeting. Consequently, our Board has nominated Anatol Feygin as a candidate for election to the Board at the Annual Meeting, in addition to the seven remaining directors nominated for re-election at the Annual Meeting. All directors are elected annually to serve until their respective successors are duly elected and qualified at the next annual meeting of stockholders or until their earlier resignation or removal. The names and information regarding our nominees, including their business experience during the past five years and other background information and individual qualifications, attributes and skills, are described below. With the exception of Mr. Feygin, each of the nominees is currently a director, and James S. Tisch and Andrew H. Tisch are brothers. Each of the eight directors to be elected at the Annual Meeting will serve a term of one year to expire at our 2020 annual meeting of stockholders.

In the absence of contrary instructions, the proxies received from holders of our common stock will be voted at the Annual Meeting for the election of each of the below nominees. Although we do not contemplate that any of the nominees will be unable to serve, decline to serve or otherwise be unavailable as a nominee at the time of the Annual Meeting, if that occurs we expect that the proxies will be voted for such other candidate(s) as our Board of Directors may nominate or our Board may adopt a resolution reducing the number of directors constituting our entire Board.

<b>Name</b>	<b>Position</b>	<b>Age as of January 31, 2019</b>	<b>Director Since</b>
James S. Tisch	Chairman of the Board	66	1989
Marc Edwards	Director, President and CEO	58	2014
Anatol Feygin	Director Nominee	50	
Paul G. Gaffney II	Director	72	2004
Edward Grebow	Director	69	2008
Kenneth I. Siegel	Director	62	2014
Clifford M. Sobel	Director	69	2011
Andrew H. Tisch	Director	69	2011

*James S. Tisch* has served as our Chairman of the Board since 1995. He served as our Chief Executive Officer (which we refer to as CEO) from 1998 to 2008. Mr. Tisch is the President and CEO and a member of the Office of the President of Loews, and has been a director of Loews since 1986. Mr. Tisch also serves as a director of General Electric Company and CNA Financial Corporation, a subsidiary of Loews.

Mr. Tisch's extensive background with our company provides him with unique knowledge of and insight into our business and operations, and enables him to more effectively provide us and our Board with strategic direction and operational oversight. In addition, Mr. Tisch's status as the President and CEO of Loews, a significant stockholder of our company, enables our Board to have direct access to the perspective of our stockholders and ensures that the Board will take into consideration the interests of our stockholders in all Board decisions.

*Marc Edwards* has served as our President and CEO and as a director since March 2014. Prior to joining our company, Mr. Edwards served as a member of Halliburton Company's Executive Committee and as its Senior Vice President responsible for its Completion and Production Division from 2010 to 2014. He served as Vice President for

Production Enhancement of Halliburton Company from 2008 through 2009. Since January 2017, Mr. Edwards has also served as the Lead Director, Chairman of the Nominating and Corporate Governance Committee and a member of the Audit and Risk and Compensation Committees of Keane Group, Inc., a NYSE-listed integrated well completion service company.

## **Table of Contents**

Mr. Edwards developed an extensive background in the global energy industry during his tenure at Halliburton that enables him to provide valuable contributions and perspective to our Board. His broad experience and understanding of the worldwide energy services industry provides valuable insight to our Board's strategic and other deliberations. In addition, Mr. Edwards' day-to-day leadership and involvement with our company as our President and CEO provides him with personal knowledge and insight regarding our operations.

*Anatol Feygin* has served as Executive Vice President and Chief Commercial Officer of Cheniere Energy, Inc., a NYSE-listed international energy company, since September 2016. Mr. Feygin joined Cheniere in March 2014 as Senior Vice President, Strategy and Corporate Development. Prior to joining Cheniere, Mr. Feygin worked with Loews from November 2007 to March 2014, most recently as its Vice President, Energy Strategist and Senior Portfolio Manager. Prior to joining Loews, Mr. Feygin spent three years at Bank of America, most recently as Head of Global Commodity Strategy. Mr. Feygin began his banking career at J.P. Morgan Securities Inc. as Senior Analyst, Natural Gas Pipelines and Distributors.

Mr. Feygin's experience in the global energy industry will enable him to advise our Board on industry issues and perspectives. As a result of his extensive experience in oil and gas executive, corporate development and financial matters, Mr. Feygin will be able to provide the Board with expertise in industry corporate leadership, financial management, corporate planning and strategic development.

*Paul G. Gaffney II* is a retired Navy Vice Admiral and President Emeritus of Monmouth University, having served as President from 2003 to 2013. He was President of the National Defense University from 2000 to 2003. Prior to assuming those duties, Mr. Gaffney was the chief of naval research with responsibility for the Department of the Navy's science and technology investment and commanded the Navy's Meteorology and Oceanography program. He was also the commanding officer of the Naval Research Laboratory. Mr. Gaffney was appointed to the U.S. Ocean Policy Commission in 2001, and served during its full tenure from 2001 to 2004. He chaired the federal Ocean Research/Resources Advisory Panel (ORRAP) and the federal Ocean Exploration Advisory Board and is a member of the National Academy of Engineering, a private nonprofit institution that advises the federal government and conducts independent studies to examine important topics in engineering and technology. He is also a fellow in the Urban Coast Institute at Monmouth University, a member of the National Academy's Gulf Research Program Advisory Board, a Trustee of the Ocean Exploration Trust and also serves as the Counselor to the Dean of Engineering and Computing of the University of South Carolina.

Mr. Gaffney's military experience, leadership in academia and expertise in ocean policy have provided him with valuable knowledge of the complex management and oversight issues faced by large institutions as well as policy and operational issues affecting the offshore drilling industry. As a result of this knowledge and experience, Mr. Gaffney provides our Board meaningful insights and a unique perspective to benefit the Board's decision-making processes.

*Edward Grebow* is the Managing Director of Lakewood Advisors, LLC, a financial and business advisory firm. Prior to founding Lakewood Advisors, LLC in March 2018, Mr. Grebow had served as Managing Director of TriArtisan Capital Advisors, LLC, an investment and merchant bank, since 2013. He served as President and CEO of Amalgamated Bank, a commercial bank, from 2011 to 2013. Mr. Grebow also served as managing director of J.C. Flowers & Co. LLC, a private equity firm, from 2007 to 2011, and as President of ULLICO Inc., an insurance and financial services firm, from 2003 to 2006. Mr. Grebow also has served as a director and Chairman of the Audit Committee of Alcentra Capital Corporation, a NASDAQ-listed closed-end management investment company since 2016 and served on the Board of Directors and Audit Committee of Xenith Bankshares, Inc., a NASDAQ-listed holding company for Xenith Bank, a full service commercial bank, from 2016 to 2018.

Mr. Grebow is an experienced financial leader with the skills necessary to lead our Audit Committee. His broad experience in financial services, commercial and investment banking, private equity and insurance

## **Table of Contents**

enables him to provide our Board with valued insight. This experience and knowledge also qualifies him to serve as the financial expert on our Audit Committee.

*Kenneth I. Siegel* has served as a Senior Vice President of Loews since 2009. He has also served as a director of the general partner of Boardwalk Pipeline Partners, LP, a subsidiary of Loews, since 2009 and as its Chairman of the Board since 2011. Mr. Siegel served as a senior investment banker at Barclay's Capital from 2008 to 2009, and he served in a similar capacity at Lehman Brothers from 2000 to 2008.

Mr. Siegel has extensive experience with capital markets and merger and acquisition transactions as a result of his positions at Loews, Barclay's Capital and Lehman Brothers. Mr. Siegel's experience in his position at Loews also provides him with knowledge of the energy industry and broad knowledge of and insight into the operations of Loews and the businesses in which it is engaged, including our company. This experience, combined with his financial and transactional expertise, enables Mr. Siegel to provide effective insight for our Board.

*Clifford M. Sobel* served as U.S. Ambassador to The Netherlands from 2001 until 2005 and U.S. Ambassador to Brazil from 2006 until 2009. Mr. Sobel is presently Managing Partner of Valor Capital Group LLC, an investment group investing in Brazil. Previously he served as Chairman of Net2Phone, a NASDAQ-listed Internet provider, and on the Boards of Directors of Aegon Insurance, a NYSE-listed insurance company, and Alpinvest, a global private equity fund. Mr. Sobel has served on the Millennium Promise Board, a non-governmental organization supporting the UN Millennium Development Goals, and on the Advisory Boards to the American Military Commander of Europe and NATO, as well as the Command for American Forces for Central and South America.

Mr. Sobel's experience in foreign service and diplomatic background in important markets for our offshore drilling services provide a unique perspective that adds significant value to our Board, particularly with respect to our international operations.

*Andrew H. Tisch* is Co-Chairman of the Board of Directors of Loews, as well as Chairman of the Executive Committee and a member of the Office of the President of Loews. Mr. Tisch served as a director of K12 Inc., a NYSE-listed technology-based education company, from 2001 until 2017 and served as its Chairman of the Board from 2007 until 2012. He is also a director of CNA Financial Corporation and a director of the general partner of Boardwalk Pipeline Partners, LP, each a subsidiary of Loews. Mr. Tisch has been a director of Loews since 1985.

Mr. Tisch's extensive executive leadership experience provides him with broad knowledge of and insight into the operations of Loews and the businesses in which it is engaged, including our company. This experience, coupled with Mr. Tisch's institutional knowledge, is especially beneficial to our Board.

## **Director Independence**

Because more than 50% of our outstanding common stock is held by Loews, we are a controlled company under the corporate governance listing standards (which we refer to as the NYSE Listing Standards) of the New York Stock Exchange (which we refer to as the NYSE). The NYSE Listing Standards do not require controlled companies to have a majority of independent directors. Currently, 50% of our Board of Directors is comprised of independent directors. In determining independence, each year our Board determines whether directors have any material relationship with our company or with any members of our senior management. On an annual basis, and more frequently as necessary, each director and each executive officer discloses any transactions with our company in which the director or executive officer, or any member of his or her immediate family, has a direct or indirect material interest. When assessing the materiality of a director's relationship with us, the Board considers all relevant facts and circumstances known to it, not merely from the director's standpoint, but from that of the persons or organizations with which the

director has an affiliation,

**Table of Contents**

and the frequency or regularity of the services provided by the director or such other persons or organizations to us or our affiliates, whether the services are being carried out at arm's length in the ordinary course of business and whether the services are being provided substantially on the same terms to us as those prevailing at the time from unrelated parties for comparable transactions.

The Board has established guidelines to assist it in determining director independence. Under these guidelines, a director would not be considered independent if:

- (1) any of the following relationships existed during the past three years:
  - (i) the director is our employee or the employee of any of our subsidiaries or has received more than \$120,000 per year in direct compensation from us or any of our subsidiaries, other than director and committee fees and pension or certain other forms of deferred compensation for prior service;
  - (ii) the director provided significant advisory or consultancy services to us or any of our subsidiaries or is affiliated with a company or a firm that has provided significant advisory or consultancy services to us or any of our subsidiaries (annual revenue of the greater of 2% of the other company's consolidated gross revenues or \$1 million is considered significant);
  - (iii) the director has been a significant customer or supplier of ours or any of our subsidiaries or has been affiliated with a company or firm that is a significant customer or supplier of ours or any of our subsidiaries (annual revenue of the greater of 2% of the other company's consolidated gross revenues or \$1 million is considered significant);
  - (iv) the director has been employed by or affiliated with an internal or external auditor that within the past three years provided services to us or any of our subsidiaries; or
  - (v) the director has been employed by another company where any of our current executives serve on that company's compensation committee;
- (2) the director's spouse, parent, sibling, child, mother- or father-in-law, son- or daughter-in-law or brother- or sister-in-law, or any other person sharing the director's home (other than a domestic employee), has a relationship described in (1) above; or
- (3) the director has any other relationships with us or any of our subsidiaries or with any member of our senior management that our Board of Directors determines to be material.

After considering all known relevant facts and circumstances and applying the independence guidelines described above, our Board has determined that Messrs. Fabrikant, Gaffney, Grebow and Sobel (whom we refer to as our Independent Directors) are independent under the NYSE Listing Standards and our independence guidelines. Our

Board has also determined that Mr. Feygin, the new nominee to the Board at the Annual Meeting, is independent under the NYSE Listing Standards and our independence guidelines. In making its determination with respect to Mr. Fabrikant, our Board also considered the commercial relationship between our company and SEACOR Holdings Inc. (of which Mr. Fabrikant is the Executive Chairman of the Board and CEO), SEACOR Marine Holdings Inc. (of which Mr. Fabrikant is the Non-Executive Chairman of the Board) and Era Group Inc. (of which Mr. Fabrikant is the Non-Executive Chairman of the Board), and determined that Mr. Fabrikant meets all of the requirements described above for Independent Directors and does not have a material relationship with us. Please read *Transactions with Related Persons* *Transactions with Other Related Parties* below for more information concerning Mr. Fabrikant's relationship with us.



**Table of Contents****Board Committees**

Our Board of Directors has three standing committees: the Executive Committee, Audit Committee and Compensation Committee. The current members of our three standing Board committees are identified below:

<b>Director</b>	<b>Executive Committee</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>
James S. Tisch	*		
Marc Edwards	*		
Charles L. Fabrikant		*	*
Paul G. Gaffney II		*	Chair
Edward Grebow		Chair	*
Andrew H. Tisch	*		

As a controlled company under the NYSE Listing Standards, our Board is not required to have a nominating committee. Our Board has determined that, because the full Board can perform the same functions that would normally be performed by a nominating committee and because our Board includes independent directors, there would be no meaningful benefit to having a separate nominating committee. In lieu of a separate nominating committee, our entire Board performs the usual nominating committee functions, including participation in the consideration of director nominees.

Our Audit and Compensation Committees operate under written charters that describe the functions and responsibilities of each committee. Each charter can be viewed on our website at [www.diamondoffshore.com](http://www.diamondoffshore.com) in the Investor Relations section under Corporate Governance. A copy of each charter can also be obtained by writing to us at Diamond Offshore, Attention: Corporate Secretary, 15415 Katy Freeway, Suite 100, Houston, Texas 77094.

Please note that the preceding Internet address and all other Internet addresses referenced in this proxy statement are for information purposes only and are not intended to be a hyperlink. Accordingly, no information found or provided at such Internet addresses or at our website in general is intended or deemed to be incorporated by reference in this proxy statement.

***Executive Committee***

Our Bylaws describe the functions and responsibilities of the Executive Committee of our Board of Directors. Our Executive Committee is authorized to exercise all of the powers of the Board in the management of our business that may lawfully be delegated to it by the Board.

***Audit Committee***

The primary function of the Audit Committee is to assist our Board of Directors with its responsibility of overseeing the integrity of our financial statements, our compliance with legal and regulatory requirements, the qualifications and independence of our independent auditor, the performance of our internal audit function and independent auditor and our systems of disclosure controls and procedures, internal control over financial reporting and compliance with our adopted ethical standards. Our internal audit controls function maintains critical oversight over the key areas of our business and financial processes and controls, and provides reports directly to the Audit Committee. The committee has sole authority to directly appoint, retain, compensate, evaluate and terminate the independent auditor and to approve all engagement fees and terms for the independent auditor. The members of the committee meet regularly

with representatives of our independent auditor firm and with our manager of internal audit without the presence of management.

Our Board has determined that each member of the Audit Committee is an Independent Director and satisfies the additional independence and other requirements for Audit Committee members provided for in the NYSE Listing Standards and SEC rules. The Board has also determined that Mr. Grebow qualifies as an audit committee financial expert under SEC rules.

---

**Table of Contents**

***Compensation Committee***

The primary function of the Compensation Committee is to assist our Board of Directors in discharging its responsibilities relating to compensation of our executive officers. The Compensation Committee determines and approves compensation for our executive officers and administers our Incentive Compensation Plan and our Equity Plan. In accordance with its charter, the committee may form and delegate authority to sub-committees consisting of one or more of its members when appropriate. The committee does not delegate to management any of its functions in setting executive compensation under its charter. The committee has authority to retain or obtain advice of outside legal counsel, compensation consultants or other advisors to assist in the evaluation of director, CEO or executive officer compensation, including responsibility for the appointment, compensation and oversight of any such advisor retained by the committee. During 2018, the committee did not engage a compensation advisor in determining or recommending amounts or forms of executive or director compensation.

The Compensation Committee completes a review of all elements of compensation at least annually. If it is determined that any changes to any executive officer's total compensation are necessary or appropriate, the committee obtains input from management as it determines to be necessary or appropriate. All compensation decisions with respect to executive officers other than our CEO are determined in discussion with, and frequently based in part upon the recommendation of, our CEO. The committee makes all determinations with respect to the compensation of our CEO, including establishing performance objectives and criteria related to the payment of his compensation, and determining the extent to which such objectives have been achieved. See *Compensation Discussion and Analysis* for more information about the responsibilities of the Compensation Committee and the role of management with respect to compensation matters.

***Compensation Committee Interlocks and Insider Participation.*** The members of the Compensation Committee are Paul G. Gaffney II, Charles L. Fabrikant and Edward Grebow. In addition, Raymond S. Troubh was a member of the Compensation Committee in 2018 until his resignation from our Board of Directors as of our 2018 annual meeting of stockholders. Our Board has determined that each member of the Compensation Committee is independent and satisfies the additional independence requirements for compensation committee members provided for in the NYSE Listing Standards and the SEC rules. No member of the Compensation Committee is, or was during 2018, an officer or employee of the company. During 2018:

None of our executive officers served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee;

None of our executive officers served as a director of another entity, one of whose executive officers served on our Compensation Committee; and

None of our executive officers served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Board of Directors.

**Board Diversity and Director Nominating Process**

Our Board of Directors recognizes the benefits of diversity throughout our company and the merits of achieving diversity. In identifying, evaluating and nominating individuals to serve as our directors, including those identified by stockholders, our Board does not have formal diversity requirements or rules. Rather, the Board believes that our company is best served by directors with a wide range of perspectives, professional experience, skills and other individual qualities and attributes. Our Board considers diversity broadly to include diversity of race, ethnicity and gender, as well as diversity of viewpoint, professional experience and individual characteristics, qualities and skills, resulting in the inclusion of naturally varying perspectives among the

## Table of Contents

directors. Our Board also considers whether these capabilities and characteristics will enhance and complement the full Board so that, as a unit, the Board possesses the appropriate skills and experience to oversee the company's business, ensure consideration of a wide range of perspectives and serve the long-term interests of our stockholders.

Our Board nominees vary in age from 50 to 72 and range in Board tenure from zero to 30 years. As described above under our director biographies, the current composition of our Board also reflects a variety of expertise, skills, experience and professional and personal backgrounds, including in the following areas:

*Company history*  
*Strategy, leadership and core business skills*  
*Finance and risk management*  
*Global energy and business*

*Offshore oil and gas*  
*Public company boards*  
*Investment and M&A*  
*Public policy and government*

Our Board of Directors will, subject to the terms of our Certificate of Incorporation and Bylaws, review any candidates recommended by stockholders for positions on the Board. Our Bylaws provide that any stockholder entitled to vote generally in the election of directors at a meeting of stockholders who complies with the procedures specified in the Bylaws may nominate persons for election to the Board, subject to any conditions, restrictions and limitations imposed by our Certificate of Incorporation or Bylaws. These procedures include a requirement that our Corporate Secretary receive timely written notice of the nomination, which, for the 2020 annual meeting of stockholders, means that the nomination must be received no later than February 15, 2020. Any notice of nomination must be addressed to Diamond Offshore, 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary, and must include, in addition to any other information or matters required by our Certificate of Incorporation or Bylaws:

the name and address of the stockholder submitting the nomination and of the person or persons to be nominated;

a representation that the stockholder is a holder of our capital stock entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

a description of all contracts, arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;

such other information regarding each nominee proposed by the stockholder as would be required to be included in a proxy or information statement filed pursuant to the Exchange Act and the rules and regulations under it; and

the consent of each nominee to serve as our director if so elected.

Nominations of directors may also be made by our Board of Directors or as otherwise provided in our Certificate of Incorporation or Bylaws. In determining whether it will nominate a candidate for a position on our Board, the Board considers those matters it deems relevant, which may include the candidate's integrity; business specialization; career achievements; breadth of experience; soundness of judgment; ability to make independent analytical inquiries; independence and potential conflicts of interest; potential to meet the present needs of the Board in light of the current mix of director skills and attributes; ability to represent the total corporate interests of our company and our stockholders; and diversity of race, ethnicity and gender. While our Board believes that its current membership comprises a variety of perspectives, professional experience, skills and other qualities and attributes, the Board is committed to efforts to increase diversity and will continue to consider diversity of race, ethnicity and gender among other relevant factors when assessing individual candidates and nominees to fill Board vacancies that occur in the future.

## **Table of Contents**

### **Majority Vote Standard for Election of Directors**

Our Bylaws require a mandatory majority voting, director resignation procedure. A nominee for director in an uncontested election (such as this one) will be elected to the Board if all votes cast for that nominee's election exceed the votes cast against his or her election. In the event that an incumbent director nominee does not receive a majority of the votes cast, the Board will require that director to tender his or her resignation and will establish a committee to consider whether to accept or reject the resignation. The Board will act on the committee's recommendation and publicly disclose its decision.

### **Executive Sessions of Non-Management Directors**

Our non-management directors, our Independent Directors and each of the Audit Committee and the Compensation Committee meet regularly in executive sessions without the presence of management. Upon the recommendation of the non-management directors and Independent Directors, our Board of Directors has selected Edward Grebow to act as the Lead Director and to serve as the presiding director at meetings of our non-management directors and our Independent Directors.

### **Board Leadership Structure**

Our Board's leadership structure consists of a Chairman of the Board (who is not our current CEO), a Lead Director and independent Audit Committee and Compensation Committee chairs. James S. Tisch, a non-employee director, serves as our Chairman of the Board. Our Lead Director is Edward Grebow, who is also the Chairman of our Audit Committee. The Board believes this structure provides independent Board leadership and engagement and strong oversight of management while providing the benefit of having our Chairman lead regular Board meetings as we discuss key business and strategic issues. Mr. Edwards has served as our CEO since March 2014. We separate the roles of CEO and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for setting the strategic direction for the company and providing the day-to-day leadership of the company, while the Chairman provides guidance to the CEO and sets the agenda for Board meetings and presides over the meetings of the full Board. Separating these positions allows our CEO to focus on our day-to-day business, while allowing our Chairman to lead the Board in its fundamental role of providing advice to, and oversight of, management.

Although our Board currently separates the roles of CEO and Chairman of the Board, the Board has no fixed policy with respect to combining or separating the positions. In our company's history, there have been times that our CEO also served as Chairman. The Board has exercised discretion in combining or separating the positions as it has deemed appropriate in light of prevailing circumstances, and the Board may in the future reevaluate this determination.

### **Board Oversight of Risk Management**

Our Board recognizes the importance of understanding, evaluating and managing risk and its impact on the financial health of our company. Our management periodically has discussions with our Board, Audit Committee and Compensation Committee to, among other things, assist in identifying the principal risks facing our company, identifying and evaluating policies and practices that promote a culture designed to appropriately balance risk and reward, and evaluating risk management practices. These opportunities to interact enable the non-management directors to conduct meaningful discussions concerning these issues with senior management during Board, Audit Committee and Compensation Committee meetings.

Our Board oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, improve long-term organizational performance and enhance stockholder value. A fundamental component of risk management is not only understanding the risks and the measures management is taking to manage the risks, but also understanding



---

**Table of Contents**

what level of risk is appropriate for the company. The involvement of the full Board in setting our business strategy is a key part of the Board's assessment of the company's tolerance for risk. The Board also regularly reviews information regarding the company's credit, liquidity and operations, as well as the associated risks. While the Board has the ultimate oversight responsibility for the risk management process, committees of the Board and the company's management also share responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and discusses risk assessment with management and our internal and external auditors. In addition, in setting compensation, the Compensation Committee endeavors to create incentives that encourage a level of risk-taking behavior consistent with the company's business strategies and long-term stockholder value. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee and management reports about such risks.

**Director Attendance at Meetings**

During 2018, our Board of Directors held six meetings, our Audit Committee held seven meetings and our Compensation Committee held three meetings. Our Executive Committee did not meet during 2018. Overall, during 2018 the rate of attendance by our directors at Board and committee meetings was 98%. In 2018, all but one of our directors attended all of the meetings of the Board and committees on which they served, and no director attended less than 75% of the meetings of the Board and committees on which he served. We do not require our Board members to attend our annual meeting of stockholders; however, all of our directors then in office were present at our annual meeting held in May 2018.

**Director Compensation**

Company employees who are also members of our Board of Directors do not receive any cash or equity fee or other remuneration for services as directors. In addition, employees of Loews who are also directors do not receive any cash fee for services as members of our Board. We currently have four non-employee directors who qualify for cash compensation as directors. In addition to reimbursing all reasonable out-of-pocket expenses that each director incurs attending Board meetings, we currently pay each of our eligible non-employee directors a cash retainer of \$50,000 per year, paid in quarterly installments. In addition, the Chairman of the Audit Committee receives an annual cash retainer of \$15,000, the Chairman of the Compensation Committee receives an annual cash retainer of \$10,000 and the Lead Director receives an annual cash retainer of \$10,000. We also pay each of our qualified non-employee directors a cash fee of \$1,500 for each Board meeting attended and \$1,000 for each meeting of the Audit Committee or Compensation Committee attended.

During 2018, with the exception of James S. Tisch, each member of our Board of Directors who is not also employed by our company received an award of 1,000 SARs each quarter. In recognition of his additional duties as Chairman of the Board, Mr. Tisch received an award of 7,500 SARs for the first quarter of 2018. Commencing with the quarterly grant on April 1, 2018, the number of SARs received by Mr. Tisch decreased to 1,000 SARs per quarter, consistent with all other non-employee directors. The SARs awarded to non-employee directors during 2018 vested immediately upon grant and have a term of 10 years from the date of grant.

**Table of Contents****Director Compensation for 2018**

The following table summarizes the compensation earned by our non-employee directors in 2018:

<b>Name(1)</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option Awards (\$)(2)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
James S. Tisch		75,008		75,008
John R. Bolton	17,099	12,723		29,822
Charles L. Fabrikant	66,000	29,153		95,153
Paul G. Gaffney II	75,000	29,153		104,153
Edward Grebow	95,000	29,153		124,153
Herbert C. Hofmann	29,500	12,723		42,223
Kenneth I. Siegel		29,153		29,153
Clifford M. Sobel	57,500	29,153		86,653
Andrew H. Tisch		29,153		29,153
Raymond S. Troubh	35,500	12,723		48,223

- (1) Mr. Bolton resigned from our Board effective April 8, 2018 as a result of his appointment as U.S. national security advisor. Messrs. Hofmann and Troubh served as directors until our 2018 annual meeting held in May 2018. Marc Edwards, our President and CEO, is not included in this table because he was an employee of our company during 2018, and therefore received no compensation for his services as director. The compensation received by Mr. Edwards as an employee of the company during 2018 is shown in the *2018 Summary Compensation Table* below.
- (2) These amounts represent the aggregate grant date fair value of awards of SARs granted pursuant to our Equity Plan for the year ended December 31, 2018, computed in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 718 (which we refer to as FASB ASC Topic 718). Assumptions used in the calculation of dollar amounts of these awards are included in Note 5, *Stock-Based Compensation*, to our audited consolidated financial statements for the fiscal year ended December 31, 2018 included in our Annual Report on Form 10-K filed with the SEC on February 13, 2019.

As of December 31, 2018, our non-employee directors held the following outstanding company equity awards:

<b>Name</b>	<b>Unexercised Option Awards (#)</b>
James S. Tisch	280,500
Charles L. Fabrikant	34,000
Paul G. Gaffney II	34,000
Edward Grebow	34,500
Kenneth I. Siegel	19,000
Clifford M. Sobel	28,500
Andrew H. Tisch	29,000

**Code of Ethics and Corporate Governance Guidelines**

We have a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Our code can be found on our website at [www.diamondoffshore.com](http://www.diamondoffshore.com) in the Investor Relations section under *Corporate Governance* and is available in print to any stockholder who requests a copy by writing to our Corporate Secretary. We intend to post any changes to or waivers of our code for our principal executive officer, principal financial officer and principal accounting officer on our website.

In addition, our Board of Directors has adopted written Corporate Governance Guidelines to assist our directors in fulfilling their responsibilities. The guidelines can be found on our website at [www.diamondoffshore.com](http://www.diamondoffshore.com) in the Investor Relations section under *Corporate Governance* and is available in print to any stockholder who requests a copy from our Corporate Secretary.

## **Table of Contents**

### **Loans to Directors and Executive Officers**

We comply and operate in a manner consistent with regulations prohibiting loans to our directors and executive officers.

### **Reporting of Ethics and Compliance Concerns**

We have a dedicated hotline and website available to all employees to report ethics and compliance concerns, anonymously if preferred, including concerns related to accounting, accounting controls, financial reporting and auditing matters. The hotline and website are administered and monitored by an independent monitoring company. A description of our procedures for confidential anonymous complaints regarding accounting, internal accounting controls and auditing matters can be found on our website at [www.diamondoffshore.com](http://www.diamondoffshore.com) in the Investor Relations section under Corporate Governance Confidential Reporting and is available in print to any stockholder who requests a copy from our Corporate Secretary.

### **Transactions with Related Persons**

We have a written policy requiring that any transaction, regardless of the size or amount, involving us or any of our subsidiaries in which any of our directors, director nominees, executive officers, principal stockholders or any of their immediate family members has had or will have a direct or indirect material interest, be reviewed and approved or ratified by our Audit Committee. All such transactions are to be submitted to our General Counsel for review and reported to our Audit Committee for its consideration. In each case, the Audit Committee will consider, in light of all of the facts and circumstances known to it that it deems relevant, whether the transaction is fair and reasonable to our company.

*Transactions with Loews.* Prior to the initial public offering of our common stock in 1995, we were a wholly-owned subsidiary of Loews. In connection with the initial public offering, we entered into agreements with Loews pursuant to which Loews agreed to provide certain management, administrative and other services to us and certain other obligations were assumed by the parties. These agreements, which are described below, were not the result of arm's length negotiations between the parties.

*Services Agreement.* We are party to a services agreement with Loews pursuant to which Loews performs certain administrative and technical services on our behalf. Such services include personnel, internal audit, accounting and cash management services, in addition to advice and assistance with respect to preparation of tax returns and obtaining insurance. Under the services agreement, we are required to reimburse Loews for (i) allocated personnel costs (such as salaries, employee benefits and payroll taxes) of the Loews personnel providing such services and (ii) all out-of-pocket expenses related to the provision of such services on our behalf. The services agreement may be terminated by us with 30 days' notice to Loews and may be terminated by Loews with six months' notice to us. In addition, we have agreed to indemnify Loews for all claims and damages arising from the provision of services by Loews under the services agreement unless due to the gross negligence or willful misconduct of Loews. During 2018, we were charged approximately \$600,000 by Loews for these support functions.

*Registration Rights Agreement.* Under a Registration Rights Agreement dated October 16, 1995, between us and Loews, we agreed to file, upon the request of Loews and subject to certain limitations, one or more registration statements under the Securities Act of 1933, as amended, subject to a maximum of two remaining requests, in order to permit Loews to offer and sell any of our common stock that Loews may hold. Under the agreement, Loews will bear the costs of any such registered offering, including any underwriting commissions relating to shares it sells in any such offering, any related transfer taxes and the costs of complying with non-U.S. securities laws, and any fees and

expenses of separate counsel and accountants retained by Loews. Subject to certain conditions, we have also granted Loews the right to include its shares of our common stock in any registration statements covering offerings of our common stock by us, and we will pay all costs of such offerings other than underwriting commissions and transfer taxes attributable to the shares sold on behalf of Loews.

**Table of Contents**

*Transactions with Other Related Parties.* From time to time, we hire marine vessels and helicopter transportation services at prevailing market rates from subsidiaries of SEACOR Holdings Inc. and from SEACOR Marine Holdings Inc. and Era Group Inc. Mr. Fabrikant, who is a member of our Board of Directors, is the Executive Chairman of the Board and CEO of SEACOR Holdings Inc. and the Non-Executive Chairman of the Board of each of SEACOR Marine Holdings Inc. and Era Group Inc. and is the beneficial owner of more than 5% of a class of outstanding voting securities of each company. During 2018, we collectively paid approximately \$400,000 for the hire of such vessels and such services. On January 31, 2019, Mr. Fabrikant informed us of his intention to resign from our Board effective at the Annual Meeting.

**Table of Contents**

**AUDIT COMMITTEE REPORT**

As discussed above under the heading *Board Committees Audit Committee*, a primary role of the Board's Audit Committee is to oversee the company's financial reporting process and manage its relationship with the independent auditor. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the company's audited financial statements for the year ended December 31, 2018 with the company's management and independent auditor. The Audit Committee has also discussed with the company's independent auditor the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, as adopted and amended by the Public Company Accounting Oversight Board. In addition, the Audit Committee has discussed with the independent auditor its independence in relation to the company and its management, including the matters in the written disclosures provided to the Audit Committee as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and has determined that the provision of non-audit services provided by the auditor is compatible with maintaining the auditor's independence.

The members of the Audit Committee rely without independent verification on the information provided to them by management and the independent auditor and on management's representation that the company's financial statements have been prepared with integrity and objectivity. The Audit Committee does not provide any expert or special assurance as to the company's financial statements or any professional certification as to the independent auditor's work. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has applied appropriate accounting and financial reporting principles or internal controls and procedures, that the audit of the company's financial statements has been carried out in accordance with generally accepted auditing standards, that the company's financial statements are presented in accordance with generally accepted accounting principles, or that the company's auditor is in fact independent.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which has been filed with the SEC.

THE AUDIT COMMITTEE

Edward Grebow, Chairman

Charles L. Fabrikant

Paul G. Gaffney II

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

*Introductory note: The following discussion of executive compensation contains descriptions of various employee benefit plans and employment-related agreements. These descriptions are qualified in their entirety by reference to the full text or detailed descriptions of the plans and agreements, which are filed or incorporated by reference as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2018.*

This Compensation Discussion and Analysis describes our executive compensation program for 2018. In particular, it explains how our Compensation Committee made its compensation decisions for 2018 for our executive officers identified in the following table, consisting of our CEO, Chief Financial Officer (which we refer to as CFO) and three other most highly compensated executive officers as of December 31, 2018. We refer to the below group of executive officers collectively as our named executive officers.

<b>Name</b>	<b>Title</b>
Marc Edwards	President and CEO (our principal executive officer)
Ronald Woll	Executive Vice President and Chief Commercial Officer
Scott L. Kornblau	Senior Vice President and CFO (our principal financial officer)
David L. Roland	Senior Vice President, General Counsel and Secretary
Thomas M. Roth	Senior Vice President Worldwide Operations

**Executive Summary**

With one exception described below, the objectives and major components of our executive compensation program did not materially change from 2017 to 2018. While we regularly review and refine our compensation program, we believe consistency in our compensation program and philosophy is important to effectively motivate and reward top-level management performance and for the creation of stockholder value. We continue to provide our named executive officers with total annual compensation that includes three principal elements: base salary, performance-based annual incentive cash compensation and long-term equity-based incentive awards. In addition, in 2018 we awarded long-term cash incentive awards to our named executive officers. Major elements of our compensation program continue to be performance-based, and a significant portion of each executive's total annual compensation is at risk and dependent upon our company's achievement of specific, measurable performance goals. Our performance-based pay is designed to align our executive officers' interests with those of our stockholders and to promote the creation of stockholder value, without encouraging excessive risk-taking.

At our annual meeting of stockholders held in May 2018, our stockholders approved all of our director nominees and proposals, including a non-binding advisory (say-on-pay) vote to approve the compensation of our executive officers. In the say-on-pay vote, over 85% of the votes cast on the proposal voted in favor of our compensation practices and policies. After our 2018 annual meeting, our Compensation Committee considered these results of the say-on-pay vote in its review of our compensation policies. Our general goal since our 2018 annual meeting has been to continue to act consistently with the established practices that were overwhelmingly approved by our stockholders and to take appropriate actions to further link pay and performance when advisable. We believe that we have accomplished those goals during 2018.

With the exception of increases related to promotions, base salaries for our named executive officers did not increase in 2018, and we do not plan to increase base salaries for our named executive officers for 2019. Since 2015, depressed market conditions in the oil and gas industry have caused us to undertake numerous cost-cutting measures, including substantial reductions-in-force as well as general freezes on salary increases and new hiring.



In recognition of the critical need to retain key company leaders who are instrumental to achieving our business and strategic plans, particularly in depressed market conditions, in January 2017 our Board adopted an

## **Table of Contents**

executive retention plan (which we refer to as the 2017 Retention Plan) upon the recommendation of our Compensation Committee and made retention awards under the 2017 Retention Plan to Messrs. Edwards and Woll. The 2017 Retention Plan provided for us to pay each participating executive a cash retention payment if the executive remained actively employed through January 1, 2018 and another payment if the executive remains actively employed through January 1, 2019. To qualify for a payment, the executive was required to also remain actively employed by us through the payment date, not be on a leave (other than a legally protected leave), not be subject to any performance improvement plan and have complied with all company agreements and policies. The retention payments were paid to Messrs. Edwards and Woll in February 2018 and 2019. As a result of the continuation of the depressed market conditions, in June 2018 we entered into an extended retention arrangement with Mr. Woll to cover 2019 under the same terms as the 2017 Retention Plan. As a result of the 2019 extension, Mr. Woll will be paid \$750,000 during the first quarter of 2020 if he remains actively employed through January 1, 2020 and meets the other conditions for the payment.

Payments under our annual cash incentive awards for 2018 reflected our company's performance and level of achievement of our 2018 plan performance goals. As discussed further in this proxy statement under the heading *Annual Cash Incentive Awards*, our 2018 adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (which we refer to as EBITDA) exceeded the target adjusted EBITDA established at the beginning of 2018 for our 2018 annual cash incentive awards, despite the negative impact on our business from the steep decline in oil prices, the continued dramatic reduction in capital spending by our oil and gas customers and the oversupply of offshore drilling rigs in the market. As a result, annual cash incentive awards paid to our named executive officers for 2018 were generally comparable to 2017 and other recent years where we exceeded the applicable incentive plan target performance criteria.

When our previous CFO resigned, Scott L. Kornblau, our then-Vice President and Treasurer, was appointed as our acting CFO. In recognition of his increased duties and responsibilities as acting CFO, Mr. Kornblau received supplemental payments of \$17,000 for each month that he served in such interim capacity. Mr. Kornblau was appointed Senior Vice President and CFO on July 1, 2018.

On April 1, 2018, each of our named executive officers received an award of restricted stock units, or RSUs, and long-term cash incentive awards. The RSUs and long-term cash incentive awards granted to our CEO in 2018 vest solely upon the level of attainment against a designated three-year financial performance goal. Most of the RSUs and long-term cash incentive awards granted to our other named executive officers in 2018 vest upon the level of attainment of the same three-year financial performance goal, and the remainder of the RSUs and long-term cash incentive awards granted to our other named executive officers time-vest (half two years after the grant date and half three years after the grant date). The RSU and long-term cash incentive award agreements for all named executive officers obligate the officer to comply with certain restrictive covenants, including obligations of confidentiality, non-solicitation and noncompetition.

## **Compensation Program Objectives**

Through our executive compensation program, we seek to achieve the following general goals:

Attract and retain highly qualified and productive executives by striving to provide total compensation generally comparable to compensation paid by other companies in the energy industry (although we do not benchmark our compensation to any particular group of companies);

Motivate our executives to achieve strong financial and operational performance for our stockholders;

Structure compensation to create meaningful links between corporate and individual performance and financial rewards;

Align the interests of our executives with those of our stockholders by providing a significant portion of total compensation in the form of stock-based incentives;

## **Table of Contents**

Encourage long-term commitment to our company; and

Limit corporate perquisites.

We do not rely on formula-driven plans when determining the aggregate amount of compensation for each named executive officer. The primary factor in setting compensation is our evaluation of the individual's performance in the context of our company's performance and our compensation objectives, policies and practices. Our Compensation Committee considers individual performance factors, including the committee's view of the individual's performance, the responsibilities of the individual's position and the individual's contribution to our company and to our financial and operational performance for the most recently-completed fiscal year.

*Role of Management in Establishing and Awarding Compensation.* On an annual basis, Mr. Edwards, with the assistance of our Human Resources department, recommends to the Compensation Committee any proposed annual or long-term cash incentive awards, equity awards and increases in base salary for our executive officers other than him. No executive officer is involved in determining any element of his or her own compensation. Mr. Edwards' recommendations are reviewed with and are acted upon by the Compensation Committee in accordance with its charter. At least once a year, the Compensation Committee reviews the compensation of Mr. Edwards and, following discussions with the Chairman of the Board, considers any necessary adjustments to his compensation level. Mr. Edwards' annual base salary has not increased since his hire in March 2014.

*Internal Pay Equity.* We strive to pay our executive officers levels of compensation that reflect their individual responsibilities to our company, while providing incentives to achieve our business and financial objectives. While comparisons to market data can be useful in assessing competitiveness of compensation, we believe that our executive compensation also should be internally consistent. Each year, the Compensation Committee reviews the total compensation paid to our CEO and our other executive officers, which allows a comparison for internal pay equity purposes and allows the committee to analyze both the individual elements of compensation (including the compensation mix) as well as the aggregate total amount of compensation.

*Market Considerations.* When making compensation decisions, we have also looked at the compensation of our executive officers relative to the compensation paid to executives of comparably-sized companies engaged in businesses similar to ours (although we do not benchmark our compensation to any particular group of companies). In doing so, we have considered executive compensation surveys and other information related to compensation levels and practices. We believe, however, that any such comparison should be merely a point of reference and not the determinative factor for our executives' compensation. The purpose of the comparison is to inform, but not supplant, the analyses of internal pay equity and individual performance that we consider when making compensation decisions. Accordingly, the Compensation Committee has discretion in determining the nature and extent of its use of comparative compensation information.

When reviewing executive compensation, the committee may also consider our company's performance during the person's tenure and the anticipated level of compensation that would be required to replace the person with someone of comparable experience and skill. In addition to our periodic compensation review, we also regularly monitor market conditions and may adjust compensation levels as necessary to remain competitive and retain valuable employees.

These principles apply to compensation policies for all of our executive officers. We do not follow the principles in a mechanistic fashion; rather, we apply experience and judgment in determining the appropriate mix of compensation for each individual.



## **Table of Contents**

### **Elements of Compensation**

In 2018, the principal components of compensation for our named executive officers were:

#### ***Base Salary***

The position of each of our salaried employees, including our named executive officers, is assigned a salary grade at the commencement of employment. The salary grade, which is reviewed periodically, considers objective criteria relevant to the position, such as the position's level of financial and operational responsibility and supervisory duties, as well as the education and skills required to perform the functions of the position. Each salary grade has a designated salary range. Within each grade, salaries are determined within the applicable salary range based primarily on subjective factors such as the employee's contribution to our company and individual performance. On occasion, an employee's compensation may be fixed at a level above the maximum level for the employee's salary grade in response to a subjective determination that the employee's compensation, if set at the maximum level for his or her grade, would be below the level merited by the employee's contributions to our company.

The Compensation Committee recognizes that Mr. Edwards' compensation as CEO should reflect his greater policy- and decision-making authority and his higher level of responsibility with respect to our strategic direction and our financial and operating results. At January 1, 2019, our CEO's annual base salary was approximately 94% higher than the annual base salary for the next highest-paid named executive officer and approximately 130% higher than the average annual base salary for all of our other named executive officers.

In typical years, base salaries are reviewed at least annually and may also be adjusted from time to time to realign salaries with external market levels after taking into account individual responsibilities, performance and contribution to our company, experience, internal pay equity and budgetary issues. Since 2014, however, crude oil prices declined significantly and oil markets have been volatile and unpredictable. The depressed fundamentals in the oil and gas industry caused most oil companies and exploration and production companies to significantly reduce their capital spending plans, which in turn negatively impacted our business. As a result of the depressed market, we undertook numerous cost-cutting measures, including reductions-in-force and freezes on general salary increases and new hiring. Consistent with those measures, with the exception of increases resulting from promotions, base salaries for our named executive officers were not increased during 2018, and we do not plan to increase executive base salaries for 2019.

## **Table of Contents**

When our previous CFO resigned, Scott L. Kornblau, our then-Vice President and Treasurer, was appointed as our acting CFO. In recognition of his increased duties and responsibilities as acting CFO, Mr. Kornblau received supplemental payments of \$17,000 for each month that he served in such interim capacity. Mr. Kornblau was appointed Senior Vice President and CFO on July 1, 2018, and the Compensation Committee approved an increase in Mr. Kornblau's annual base salary from \$222,784 to \$410,000, to reflect the promotion.

On January 1, 2019, Ronald Woll was promoted from Senior Vice President and Chief Commercial Officer to Executive Vice President and Chief Commercial Officer, and the Compensation Committee approved a corresponding increase in annual base salary for Mr. Woll from \$435,435 to \$515,630.

### ***Annual Cash Incentive Awards***

Our Incentive Compensation Plan is intended to promote company performance objectives and to recognize certain employees who contributed to the company's achievements. The plan provides the opportunity to earn cash compensation that is at-risk on an annual basis and is contingent on achievement of high individual performance and an annual company financial performance goal, in addition to applicable award caps and the exercise of negative discretion by the Compensation Committee, as described below.

For annual incentive awards under our Incentive Compensation Plan, performance is measured with respect to the designated plan fiscal year. The annual performance goal under the plan and the cap on each participating executive's award are established by the Compensation Committee during the first calendar quarter of the performance year. Annual incentive award payments under the plan are paid in cash in an amount reviewed and approved by the committee and are ordinarily made in the first quarter following the completion of the performance year, after the actual financial results for that year have been determined and the committee has determined whether applicable performance goals have been met.

Our Incentive Compensation Plan specifies an overall general cap that limits the maximum amount payable under the plan to any participant to \$7.5 million per year. However, as described below, the Compensation Committee also establishes a lower separate cap on the amount of annual cash incentive award that can be paid to an executive officer in any given year. In addition, the committee retains the authority under the plan to reduce or eliminate these awards, a concept called negative discretion, when the committee deems appropriate.

Under our Incentive Compensation Plan, participants who cease to be employed by us before the end of a performance period due to retirement (defined in the plan as termination without cause at age 60 or older), death or disability are eligible to receive an annual cash incentive award that is prorated to the employment termination date but based upon the actual performance for the entire performance period.

Historically, the performance goal under our Incentive Compensation Plan has required attainment of a pre-determined level of adjusted EBITDA during the applicable plan year. Under the plan, the committee employs factors that are both quantitative (attainment of the performance goal) and qualitative (the committee's assessment of the individual's performance and the committee's exercise of negative discretion). For 2018, the committee established a performance goal for executive officers under the plan expressed as an amount of target adjusted EBITDA. The committee selected adjusted EBITDA as the appropriate financial performance measure for 2018 because adjusted EBITDA generally tracks our financial performance and establishes a clear and consistent link between our executive officer cash incentive compensation and our company's performance.

In addition, the adjusted EBITDA formula includes adjustments to remove the positive or negative impact of unusual or one-time events that tend to obscure the core operational performance of our company. For purposes of determining

the 2018 adjusted EBITDA performance goal under our Incentive Compensation Plan, adjusted EBITDA was defined as an amount equal to consolidated net income (excluding the cumulative effect



## Table of Contents

of any change in accounting principle), for 2018, plus or minus, as applicable, the following to the extent excluded in calculating such consolidated net income:

Plus an amount equal to interest expense in accordance with GAAP, for 2018,

Plus or minus the provision for tax expense or benefit accrued for 2018,

Plus the amount of depreciation and amortization expense for 2018,

Minus, without duplication, interest income for 2018, as determined in accordance with GAAP, and

Plus or minus, without duplication, the amount of non-operating expenses or income for 2018, all as determined in accordance with GAAP,

in each case excluding (i) the effects of any asset impairments recorded during 2018, (ii) any gain or loss on the sale of assets during 2018, (iii) any rig margin defined as rig revenue less controllable expenses associated with an asset acquired during 2018, (iv) any expenses (other than capital expenditures) incurred in relation to reactivating any rigs that have been warm- or cold-stacked and (v) the negative financial impact on such year of any transaction entered into with any customer that has the effect of reducing the amount of EBITDA during 2018 in exchange for a commensurate material benefit to be received by the company, such as a drilling contract blend and extend transaction. In addition, the Compensation Committee reserved the right to make equitable adjustments to the target adjusted EBITDA or the calculation of the target adjusted EBITDA in recognition of unusual or non-recurring events affecting the company, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles or any other unusual transaction or event occurring after approval of the target adjusted EBITDA.

During the first calendar quarter of 2018, the Compensation Committee approved for our executive officers (including our CEO) a 2018 target adjusted EBITDA goal under our Incentive Compensation Plan of \$271 million. The target adjusted EBITDA goal established for 2018 was lower than the target goal applicable to 2017 as a result of the continuing negative impact on our business caused by the steep decline in oil prices and customer capital spending and the market oversupply of offshore drilling rigs. For all participating executive officers other than Mr. Edwards, the maximum amount of each annual cash incentive award for 2018 was determined using the following formula approved by the committee during the first calendar quarter of 2018:

$$\frac{A \times D}{(B + C)/2}$$

$$(B + C)/2$$

A = Eligible Annual Base Salary for 2018

B = \$271,000,000 (target adjusted EBITDA for 2018)

C = \$561,000,000 (actual adjusted EBITDA for 2017)

D = Actual Adjusted EBITDA for 2018

but in any event the 2018 annual cash incentive award could not exceed the officer's eligible annual base salary for 2018.

In recognition of his leadership role in setting company policy and strategic planning, during the first calendar quarter of 2018 the Compensation Committee determined that Mr. Edwards' annual cash incentive award for 2018 would be calculated differently than other executive officers. Mr. Edwards was eligible to receive an annual cash incentive award of up to \$500,000 upon achievement of 50% of the target goal, up to \$1,500,000 upon achievement of the target goal and a maximum of up to \$2,500,000 upon achievement of 150% or more of the target goal.

**Table of Contents**

When determining annual cash incentive awards for our executive officers (including Mr. Edwards), the Compensation Committee reserved the right to apply, and historically has applied, its discretion to lower the amount of awards to be paid. In determining whether or not to exercise its negative discretion, the committee has the ability to reassess the individual's performance during the performance year or to consider any other factors the committee deems relevant. Although the amount of a performance award is a function of the actual adjusted EBITDA achieved for 2018, failure to achieve the adjusted EBITDA target does not necessarily preclude the payment of an award under the plan or otherwise, but rather has the effect generally of reducing the amount that would have been payable if the target had been achieved.

In February 2019, the Compensation Committee determined that, for purposes of consideration of 2018 annual cash incentive awards, we achieved adjusted EBITDA for 2018 of approximately \$334 million. The committee then evaluated the individual performance during the year of each participating executive and authorized annual cash incentive awards under the Incentive Compensation Plan. In each case, the committee exercised its business judgment to apply negative discretion to authorize awards in amounts that were significantly less than the maximum amounts available for awards. Annual cash incentive awards for 2018 were paid in February 2019. The Non-Equity Incentive Plan Compensation column of the *2018 Summary Compensation Table* below reflects the annual cash incentive awards that our named executive officers received for 2018.

In addition to overall company performance, when considering the 2018 annual cash incentive awards paid to our named executive officers under our Incentive Compensation Plan, the Compensation Committee also considered the individual performance and accomplishments of each officer. For example, when considering the award paid to Mr. Edwards, among the factors the committee took into consideration was Mr. Edwards' effective leadership in achieving positive financial results in a challenging market and our achievement of important strategic objectives during the year, such as increasing operating efficiency and safety and developing innovations to reduce the cost of offshore drilling projects. When considering the award paid to Mr. Woll, among the factors that the committee considered were his leadership in progressing corporate development strategies and his successful efforts in pursuing new rig contract opportunities. When considering the award paid to Mr. Kornblau, the committee considered his leadership and efforts in managing and improving our liquidity position. When considering the award paid to Mr. Roland, the committee considered his contributions and leadership in achieving positive litigation results during the year. When considering the award paid to Mr. Roth, the committee considered his leadership in improving operating fleet efficiency and managing important customer relationships.

*Executive Retention Payments.* The Board recognizes that it is critical to retain key company leaders who are instrumental to achieving our business and strategic plans, particularly in a depressed offshore drilling market. Consequently, in January 2017, the Board adopted the 2017 Retention Plan upon the recommendation of the Compensation Committee and made retention awards under the plan to Messrs. Edwards and Woll. In accordance with the 2017 Retention Plan, in February 2018 we paid Messrs. Edwards and Woll a lump sum retention payment in cash, and in February 2019 we paid each of them a second lump sum retention payment in cash. To qualify for the payments, the executives were required to remain actively employed by us through the respective payment date, not be on a leave (other than a legally protected leave), not be subject to any performance improvement plan and have complied with all company agreements and policies. The amounts received by the executives were:

<b>Executive</b>	<b>2018 Retention Payment (\$)</b>	<b>2019 Retention Payment (\$)</b>
Marc Edwards	1,500,000	1,500,000
Ronald Woll	750,000	750,000



## **Table of Contents**

As a result of the continuation of the depressed market, in June 2018 we entered into an extended retention arrangement with Mr. Woll to cover 2019 under the same general terms as the 2017 Retention Plan. Pursuant to the 2019 extended arrangement, Mr. Woll will be paid \$750,000 in a lump sum in cash during the first quarter of 2020 if he remains actively employed through January 1, 2020 and meets the other conditions for the payment.

### ***Long-Term Stock-Based and Cash-Incentive Awards***

We have structured our long-term incentive compensation to achieve an appropriate balance between rewarding performance and encouraging employee retention and stock ownership. Stock-based awards and long-term cash incentive awards to the named executive officers are designed to reward them for taking actions that benefit the long-term performance of our company and enhance stockholder value. Because the awards will be forfeited in most circumstances if an executive voluntarily leaves our company before the awards vest, these awards are also designed to promote the retention of our executive officers during the vesting period. As a result, these awards recognize performance over a longer term and encourage executive officers to continue their employment with us. In addition, the stock-based awards directly link the ultimate value of the awards to the price of our common stock. All of these elements further serve to align the executives' interest with those of our stockholders. The Compensation Committee reviews our long-term incentive program each year to ensure that the key elements of this program continue to meet the objectives described above.

There is no pre-established policy or target for the allocation between either cash or non-cash or short-term and long-term incentive compensation; however, at executive management levels, the Compensation Committee intends for a significant portion of compensation to be performance-based and linked to longer-term incentives.

*Approval and Granting Process.* The Compensation Committee reviews and approves all RSU and long-term cash incentive awards made to executive officers, regardless of amount. In accordance with our Equity Plan, the Compensation Committee has granted to Mr. Edwards the authority to approve and grant to any employee, other than an executive officer, time-vesting RSUs with a grant date value of \$25,000 or less, under terms that have been approved by the committee. We believe that this delegation is beneficial because it enables smaller awards to be made more efficiently, which is particularly important with respect to attracting, hiring and retaining non-executive employees. With the exception of significant promotions, new hires or unusual circumstances, we intend to make most awards of RSUs and other long-term awards to employees on April 1 of each year to enable consideration of individual and company performance from the previous year.

*Award of RSUs and Long-Term Performance Cash Incentives to CEO in 2018.* In April 2018, Mr. Edwards was awarded a target number of 115,207 performance-vesting RSUs, which was determined based on a target grant date value of \$1,750,000, as determined by the Compensation Committee, and the volume-weighted average price per share of our common stock on the NYSE for the 10 consecutive trading days immediately preceding the date of grant, which we refer to as VWAP. RSUs are contractual rights to receive shares of our common stock in the future if the applicable vesting conditions are met. RSUs were deemed by the committee to be advantageous because they align the interests of named executive officers with achievement of longer-term financial objectives that enhance stockholder value and further strengthen our link between pay and performance. The value of an RSU is equal to the market value of one share of our common stock; as a result, RSUs can be effective incentives for our superior performers to remain with the company and continue performing during periods of stock market fluctuations. The vesting of RSU awards can be dependent on a number of factors, including continued employment over a specified period and/or the attainment of specified performance targets over a specified period, which we believe further incentivizes our executive officers and aligns their interests more closely with those of our stockholders. The RSUs awarded to Mr. Edwards in 2018 cliff vest in three years subject to our level of achievement of a specified target of average ratio of Adjusted EBITDA to Adjusted Net PP&E (as such terms are defined below) for each of 2018, 2019 and 2020, as

set forth in

**Table of Contents**

the table below and subject to the negative discretion of the Compensation Committee to reduce or eliminate the number of the RSUs that would otherwise be eligible to vest:

Performance as a		RSUs
Performance Level	Percentage of Target	Vesting (#)
Below Threshold	Less than 50%	0
Threshold	50%	77,189 (67% of target)
Target	100%	115,207 (100% of target)
Maximum	150% or greater	153,225 (133% of target)

In April 2018, Mr. Edwards also received a performance-vesting long-term cash incentive award with a target value of \$1,750,000. The award cliff vests in three years subject to our level of achievement of the same target of average ratio of Adjusted EBITDA to Adjusted Net PP&E (as such terms are defined below) for each of 2018, 2019 and 2020, as set forth in the table below and subject to the negative discretion of the Compensation Committee to reduce or eliminate the amount that would otherwise be eligible to vest:

Performance as a		Dollar Amount
Performance Level	Percentage of Target	Vesting (\$)
Below Threshold	Less than 50%	0
Threshold	50%	1,172,500 (67% of target)
Target	100%	1,750,000 (100% of target)
Maximum	150% or greater	2,327,500 (133% of target)

In the event of performance falling between the levels stated above, linear interpolation will be applied to determine the amount of the award eligible to vest.

For purposes of the performance-vesting RSU awards and performance-vesting long-term cash incentive awards granted in 2018, Adjusted EBITDA means, for any calendar year, an amount equal to consolidated net income (excluding the cumulative effect of any change in accounting principle) for such year plus or minus, as applicable, the following to the extent excluded in calculating such consolidated net income: (a) plus an amount equal to interest expense for such year, (b) plus or minus the provision for accrued tax expense or benefit accrued for such year, (c) plus the amount of depreciation and amortization expense for such year, (d) minus, without duplication, interest income for such year, (e) plus or minus, without duplication, the amount of non-operating expenses or income for such year, and (f) excluding (i) the effects of any asset impairments recorded during such year, (ii) any gain or loss on the sale of assets during such year, (iii) any rig margin defined as rig revenue less controllable expenses associated with an asset acquired during the performance period, (iv) any expenses (other than capital expenditures) incurred in relation to reactivating any rigs that have been warm- or cold-stacked and (v) the negative financial impact on such year of any transaction entered into with any customer that has the effect of reducing the amount of EBITDA during such year in exchange for a commensurate material benefit to be received by the company, such as a drilling contract blend and extend transaction.

For purposes of the performance-vesting RSU awards and performance-vesting long-term cash incentive awards granted in 2018, Adjusted Net PP&E means, at any date of determination, on a consolidated basis, an amount equal to the net book value of all property, plant and equipment (including, without limitation, land, mineral rights, buildings,

structures, machinery and equipment), plus an amount equal to the net book value of all property, plant and equipment (including, without limitation, land, mineral rights, buildings, structures, machinery and equipment) classified on our balance sheet as held for sale, in each case excluding, over the elapsed portion of the performance period to the date of such determination, (i) the effects of any impairment of assets and (ii) the net book value added to or removed from net property, plant and equipment or assets held for sale as a result of any asset acquired or sold during such period.



**Table of Contents**

As an additional condition to the vesting of RSUs and long-term cash incentive awards granted to him in 2018, Mr. Edwards is required to remain our employee through the vesting date, except as follows:

Upon Mr. Edwards' termination without Cause or for Good Reason on or after April 1, 2020, he will receive 50% of his RSUs and long-term cash incentive awards that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon termination of Mr. Edwards' employment for any other reason (other than for Cause), including voluntary resignation, on or after April 1, 2020, he will receive 20% of his RSUs and long-term cash incentive awards that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

Under Mr. Edwards' RSU award agreement and long-term cash incentive award agreement, Cause means any of the following events: (i) conviction for committing a felony; (ii) dishonesty in the course of fulfilling employment duties; (iii) willful and deliberate failure to perform employment duties in any material respect; or (iv) such other events as shall be determined in good faith by the Board.

Under Mr. Edwards' RSU award agreement and long-term cash incentive award agreement, Good Reason means any of the following events: (i) the assignment of duties that are materially inconsistent with his position (including his status, offices, titles and reporting relationships), authority, duties or responsibilities; (ii) actions by us that have resulted in a substantial diminution in his position, authority, duties or responsibilities; (iii) a substantial breach by us of any material obligation to him as our employee; (iv) any failure to maintain him as President and Chief Executive Officer prior to the vesting date; (v) any reduction in base salary or target annual bonus opportunity prior to the vesting date; (vi) any failure by us to nominate him as a director at each election prior to the vesting date; or (vii) any failure by us to obtain the assumption in writing of our obligation to perform the award agreement by any successor to all or substantially all of our business or assets after a merger, consolidation, sale or similar transaction.

The RSUs do not have voting rights. We reserve the right to settle any vested RSU by cash payment in lieu of stock. In accordance with his RSU award agreement, upon our payment of any cash or stock dividend in respect of our common stock prior to vesting of an RSU award, Mr. Edwards will be credited with a number of additional RSUs based upon the amount of the dividend that would be payable with respect to shares underlying the RSUs outstanding on the record date for such dividend (based on the target number of RSUs), subject to the same vesting schedule and conditions as the original RSUs to which they are attributable. The RSU award agreement and the long-term cash incentive award agreement also obligate Mr. Edwards to comply with certain restrictive covenants, including obligations of confidentiality, a prohibition on solicitation of our employees for a period of two years after termination of employment and a prohibition on competition for a period of one year after termination of employment.

*Award of RSUs and Long-Term Cash Incentives to Other Named Executive Officers in 2018.* In April 2018, our non-CEO named executive officers were granted RSUs and long-term cash incentive awards. The majority of the RSUs and long-term cash incentive awards granted to those named executive officers cliff vest under the same performance standards and percentage caps applicable to the RSUs and long-term cash incentive awards granted to Mr. Edwards in 2018, and a smaller number of RSUs and long-term cash incentive awards will separately time-vest (half two years after the grant date and half three years after the grant date). The number of RSUs awarded to each of these officers in April 2018 was determined based on the VWAP and a designated



**Table of Contents**

target grant date value for performance-vesting RSUs and a designated grant date value for time-vesting RSUs, as set forth below:

Name	Performance-Vesting		Time-Vesting	
	Target Grant Date Value of Performance-Vesting RSUs (\$)	RSUs Granted (#)	Grant Date Value of Time-Vesting RSUs (\$)	RSUs Granted (#)
Ronald Woll	180,000	11,850	120,000	7,900
Scott L. Kornblau	45,000	2,962	30,000	1,975
David L. Roland	120,000	7,900	80,000	5,267
Thomas M. Roth	97,500	6,419	65,000	4,279

The target value of performance-vesting long-term cash incentive awards and the value of time-vesting long-term cash incentive awards granted to each of these officers in April 2018 were as follows:

Name	Value of	
	Target Value of Performance-Vesting Cash Incentives (\$)	Time-Vesting Cash Incentives (\$)
Ronald Woll	180,000	120,000
Scott L. Kornblau	45,000	30,000
David L. Roland	120,000	80,000
Thomas M. Roth	97,500	65,000

As an additional condition to the vesting of RSUs and long-term cash incentive awards granted to our four non-CEO named executive officers in April 2018, the officers are required to remain employed by us through the vesting date, except as follows:

Upon termination without Cause on or after April 1, 2020, the officer will receive 50% of his performance-vesting RSUs and performance-vesting long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon retirement at age 63 or older before the end of the 3-year performance period, the officer will receive a pro rata portion of his performance-vesting RSUs and performance-vesting long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

Cause is defined for our four non-CEO named executive officers the same as it is defined under Mr. Edwards' RSU award agreement and long-term cash incentive award agreement as described above.

In addition to the April 1, 2018 RSUs and long-term cash incentive awards, Mr. Kornblau was also awarded RSUs and long-term cash incentive awards on July 1, 2018 in connection with his promotion to CFO. The majority of the RSUs and long-term cash incentive awards granted to Mr. Kornblau in July 2018 cliff vest under the same performance standards and percentage caps applicable to the RSUs and long-term cash incentive awards granted to him in April 2018, and a smaller number of RSUs and long-term cash incentive awards separately time-vest (half two

years after the grant date and half three years after the grant date). The number of RSUs awarded to Mr. Kornblau in July 2018 was determined based on the VWAP and a designated target grant date value for performance-vesting RSUs and a designated grant date value for time-vesting RSUs, as set forth below:

<b>Target Grant Date Value of Performance-Vesting RSUs (\$)</b>	<b>Performance-Vesting RSUs Granted (#)</b>	<b>Grant Date Value of Time-Vesting RSUs (\$)</b>	<b>Time-Vesting RSUs Granted (#)</b>
52,500	2,662	35,000	1,775

**Table of Contents**

The target value of the performance-vesting long-term cash incentive award and the value of the time-vesting long-term cash incentive award granted to Mr. Kornblau in July 2018 were as follows:

**Target Value of****Performance-Vesting****Value of Time-Vesting****Cash Incentives (\$)****Cash Incentives (\$)**

52,500

35,000

As an additional condition to the vesting of RSUs and long-term cash incentives awarded to Mr. Kornblau in July 2018, he is required to remain employed by us through the vesting date, except that upon termination without Cause on or after July 1, 2020, Mr. Kornblau will receive 50% of his performance-vesting RSUs and performance-vesting long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

The RSUs do not have voting rights. We reserve the right to settle any vested RSU by cash payment in lieu of stock. If we pay a special cash dividend in respect of our common stock prior to vesting of an RSU award, each officer will be credited with a dollar amount equal to the special cash dividend multiplied by the total number of his unvested RSUs that are outstanding on the record date for the dividend (based on the target number of RSUs with respect to performance-vesting RSUs). Any dividend equivalent rights credited as described in the foregoing sentence are payable in cash and are subject to the same vesting, payment and other terms, conditions and restrictions as the original RSUs to which they relate. No crediting of dividend equivalent rights will be made with respect to any regular or ordinary cash dividends. We did not declare any special cash dividends during 2018.

The RSU and long-term cash incentive award agreements also obligate the above officers to comply with certain restrictive covenants, including obligations of confidentiality, a prohibition on solicitation of our employees for a period of two years after termination of employment and a prohibition on competition for a period of one year after termination of employment.

*Performance-Vesting RSUs Realized for the Performance Period Ending in 2018.* The performance-vesting RSUs that were granted by the Compensation Committee to our named executive officers in April 2016 for the three-year performance period beginning January 1, 2016 and ending December 31, 2018 vested on February 7, 2019 upon determination of the level of attainment of the performance goals and the number of RSUs eligible to vest. These RSUs cliff vested subject to our level of achievement of a target average ratio of 5.8% of Adjusted EBITDA (as defined in the applicable grant agreement) to Adjusted Net PP&E (as defined above) for each of 2016, 2017 and 2018, subject to the negative discretion of the Compensation Committee to reduce the number of the RSUs that would otherwise be eligible to vest. Following the end of the performance period, the Compensation Committee evaluated our company's performance for the three-year period and determined performance to be 8.5%, which was above the target. After giving effect to the committee's exercise of negative discretion with respect to each such award, the committee determined to vest the RSUs at target level and the following number of performance-vesting RSUs vested for each named executive officer: Mr. Edwards, 155,857 RSUs; Mr. Woll, 16,031 RSUs; Mr. Kornblau, 1,781 RSUs; Mr. Roland, 8,683 RSUs; and Mr. Roth, 5,650 RSUs.

***Personal Benefits, Perquisites and Employee Benefits***

We do not offer many perquisites traditionally offered to executives of similarly-sized companies. Perquisites and any other similar personal benefits generally offered to our executive officers are substantially the same as those generally available on a non-discriminatory basis to all of our full-time salaried employees, such as medical and dental insurance, life insurance, disability insurance, a 401(k) plan with a company match and other customary employee benefits. We make contributions for group term life insurance, spouse/dependent life insurance, and long-term disability insurance for our employees, including our named executive officers, as indicated in the *2018 Summary Compensation Table* below. Business-related relocation benefits may be reimbursed on a case-by-case basis.

## **Table of Contents**

We maintain a defined contribution plan (which we refer to as our Retirement Plan) designed to qualify under Section 401(k) of the Internal Revenue Code of 1986, as amended (which, together with the regulations promulgated thereunder, we refer to as the Code). Pursuant to our Retirement Plan, in 2018 we matched 100% of the first 5% of each participant's compensation contributed. In addition, under our Amended and Restated Supplemental Executive Retirement Plan (which we refer to as our SERP), we contribute to participants any portion of the applicable percentage of the base salary contribution and the matching contribution that cannot be contributed under the Retirement Plan because of the limitations within the Code. Participants in this plan are a select group of our management or highly compensated employees, including the named executive officers, and are fully vested in all amounts paid into the plan.

## **Indemnification of Directors and Executive Officers**

Our Bylaws provide certain rights of indemnification to our directors and employees (including our executive officers) in connection with legal actions brought against them by reason of the fact that they are or were a director, officer, employee or agent of our company, to the fullest extent permitted by law.

## **Risk Management Considerations**

Our Compensation Committee has concluded that the company's compensation program does not encourage excessive or inappropriate risk-taking. Several elements of our 2018 compensation program are designed to promote the creation of long-term value and thereby discourage behavior that leads to excessive risk:

Our compensation program consists of both fixed and variable compensation. The fixed (or salary) portion is designed to provide a steady income regardless of our stock performance, in part so that executives do not focus exclusively on stock performance to the detriment of other important business metrics. The variable (annual cash incentive, long-term cash incentive and equity award) portions of compensation are designed to reward both short-term and long-term corporate performance. We believe that the variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce positive short- and long-term corporate results, while the fixed element is also sufficiently high such that executives are not encouraged to take unnecessary or excessive risks.

Executives receive a significant portion of their compensation in the form of equity and long-term cash incentive awards, which discourages them from making short-term decisions that may result in long-term harm to the organization.

All of the RSUs and long-term cash incentives awarded to Mr. Edwards, and the majority of the RSUs and long-term cash incentives awarded to our other named executive officers, are performance-vesting rather than time-vesting. The performance-vesting RSUs and performance-vesting long-term cash incentives cliff vest after a three-year performance period from the date of grant, encouraging executives to focus on long-term financial results and appreciation in equity values. Likewise, time-vesting RSUs and long-term cash incentive awards vest over 2-year and 3-year periods from the date of grant.

Our Compensation Committee retains the discretion to decrease the value of performance-vesting equity or cash incentive awards received by executive officers, and historically has regularly exercised negative discretion to reduce awards.

The financial metrics used to determine the amount eligible to vest of an executive's annual cash incentive award, performance-vesting long-term cash incentive award and performance-vesting RSUs are measures the Compensation Committee believes contribute to long-term stockholder value and promote the best interests of the company. Moreover, the committee attempts to set ranges for these measures that encourage success without encouraging excessive risk taking to achieve short-term results. In addition, the overall maximum annual cash incentive award for each participating named executive officer other than our CEO cannot exceed 100% of the executive's base salary, and



## **Table of Contents**

the annual cash incentive award for Mr. Edwards for 2018 could not exceed \$2,500,000 (250% of his base salary), in each case no matter how much the company's financial performance exceeds the ranges established at the beginning of the year. Likewise, the number of performance-vesting RSUs and the value of performance-vesting long-term cash incentive awards granted in 2018 that may become eligible for vesting is capped at 133% of the grant date value, regardless of our financial performance.

We have strict internal controls over the measurement and calculation of the metrics used in determining the executives' cash incentive awards and the vesting of RSUs, designed to prevent the metrics from being susceptible to manipulation by any employee, including our executives.

We maintain policies that prohibit our directors and employees (including our executive officers) from engaging in any hedging or short sale transactions related to our stock or our other securities, thereby preventing our directors, executives and other employees from insulating themselves from the effects of poor stock price performance.

## **Employment Agreements**

We do not have employment agreements with any of our named executive officers. In connection with his hire as our CEO, in 2014 we entered into an employment agreement with Mr. Edwards that commenced in March 2014 and continued until December 31, 2016, when the agreement expired by its terms. Mr. Edwards' agreement was not extended or renewed after it expired, and he is continuing his employment as our CEO without an employment agreement in effect.

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management of the company. Based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Paul G. Gaffney II, Chairman

Charles L. Fabrikant

Edward Grebow

Table of Contents**EXECUTIVE COMPENSATION****2018 Summary Compensation Table**

The following table summarizes the compensation of our named executive officers for 2018, using the disclosure rules required by the SEC. Mr. Roth was hired as our Senior Vice President Worldwide Operations on December 1, 2016. When our previous CFO resigned, Mr. Kornblau, our then-Vice President and Treasurer, was appointed as our acting CFO on December 1, 2017, and was promoted to Senior Vice President and Chief Financial Officer on July 1, 2018.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Non-Equity	All	Total (\$)
				Awards	Incentive	Other	
				(\$)	Plan	Compensation (\$)	
Marc Edwards President and CEO	2018	1,000,000	1,500,000	1,669,349	1,500,000	62,734	5,732,083
	2017	1,000,000		3,665,511	1,500,000	61,421	6,226,932
	2016	1,000,000		3,357,160	1,500,000	67,043	5,924,203
Ronald Woll Executive Vice President and Chief Commercial Officer	2018	435,435	750,000	286,178	261,300	30,660	1,763,573
	2017	435,435		628,373	261,300	29,790	1,354,898
	2016	435,435		575,506	237,500	26,657	1,275,098
Scott L. Kornblau Senior Vice President and CFO	2018	424,850		165,646	205,000	22,274	817,770
	2017	252,700		104,726	89,100	19,093	465,619
David L. Roland Senior Vice President, General Counsel and Secretary	2018	405,600		190,790	202,800	28,065	827,255
	2017	405,600		340,372	156,000	27,849	929,821
	2016	390,000		311,727	156,000	28,191	885,918
Thomas M. Roth Senior Vice President Worldwide Operations	2018	410,000		155,014	205,000	27,608	797,622
	2017	410,000		340,372	205,000	27,428	982,800

**Notes to 2018 Summary Compensation Table**

**Salary Column.** In recognition of Mr. Kornblau's increased duties and responsibilities as acting CFO from December 1, 2017 until he was promoted to Senior Vice President and CFO on July 1, 2018, Mr. Kornblau received a supplemental payment of \$17,000 per month that he served in such capacity. Mr. Kornblau's salary reported for 2018 and 2017 includes a supplemental salary payment of \$102,000 and \$17,000, respectively. For a discussion of the relative mix of compensation received by our named executive officers during 2018, see *Compensation Discussion and Analysis Long-Term Stock-Based and Cash-Incentive Awards* above.

*Bonus Column.* The amounts shown in the *Bonus* column consist of lump sum retention payments earned and paid in February 2018 pursuant to our 2017 Retention Plan.

*Stock Awards Column.* All amounts in the *Stock Awards* column reflect the grant-date fair value of RSUs (excluding any impact of assumed forfeiture rates) awarded under our Equity Plan, computed in accordance with FASB ASC Topic 718. For a description of the rights and terms of the RSUs granted in 2018, see *Compensation Discussion and Analysis Long-Term Stock-Based and Cash-Incentive Awards* above.

The grants and awards to our named executive officers under our Equity Plan in 2018 are described in the *2018 Grants of Plan-Based Awards* table below. In addition, the amounts shown under *Stock Awards* for 2017

**Table of Contents**

and 2016 represent the grant date fair value of RSUs granted to the named executive officer on April 1, 2017 and April 1, 2016, respectively, as applicable. In each case, a target number of performance-vesting RSUs was granted to the named executive officer, determined based on a target grant date value and the VWAP. In addition, a number of time-vesting RSUs was granted to named executive officers other than Mr. Edwards, determined based on a grant date value and the VWAP.

The number of RSUs awarded to each of the named executive officers in April 2017 is set forth below:

Name	Target Grant Date Value of Performance-Vesting RSUs (\$)	Performance-Vesting RSUs	Grant Date Value of Time-Vesting RSUs	Time-Vesting RSUs Granted (#)
		Granted (#)		
Marc Edwards	3,500,000	220,681		
Ronald Woll	360,000	22,699	240,000	15,132
Scott L. Kornblau	60,000	3,783	40,000	2,522
David L. Roland	195,000	12,295	130,000	8,197
Thomas M. Roth	195,000	12,295	130,000	8,197

The number of RSUs awarded to Messrs. Edwards, Woll and Roland in April 2016 is set forth below:

Name	Target Grant Date Value of Performance-Vesting RSUs (\$)	Performance-Vesting RSUs	Grant Date Value of Time-Vesting RSUs	Time-Vesting RSUs Granted (#)
		Granted (#)		
Marc Edwards	3,500,000	155,857		
Ronald Woll	360,000	16,031	240,000	10,687
David L. Roland	195,000	8,683	130,000	5,789

The RSUs awarded to Mr. Edwards during 2018, 2017 and 2016 cliff vest in three years upon the attainment of the three-year financial performance goal specified in his respective award agreement. The RSUs granted to named executive officers other than Mr. Edwards either cliff vest in three years under the same performance standards applicable to the RSUs granted to Mr. Edwards or time-vest (half two years after the grant date and half three years after the grant date). In all cases, the RSUs are subject to forfeiture if the applicable vesting conditions are not met.

Under the terms of the RSU award agreements for the RSUs awarded to Mr. Edwards in 2018, 2017 and 2016, the maximum number of RSUs that could vest regardless of how far our company exceeded the applicable performance goals would be 153,225 RSUs, 293,506 RSUs and 207,290 RSUs, respectively, and the grant-date value of the awards of RSUs to Mr. Edwards in 2018, 2017 and 2016, assuming the highest level of performance conditions were achieved and the maximum number of RSUs would vest, would have been an estimated \$2,220,230, \$4,875,135 and \$4,465,023, respectively. Under the terms of the RSU award agreements for the performance-vesting RSUs awarded to Mr. Woll in 2018, 2017 and 2016, the maximum number of performance-vesting RSUs that could vest regardless of how far our company exceeded the applicable performance goals would be 15,761 RSUs, 30,190 RSUs and 21,321 RSUs, respectively, and the grant-date value of the awards of performance-vesting RSUs to Mr. Woll in 2018, 2017 and 2016, assuming the highest level of performance conditions were achieved and the maximum number of

performance-vesting RSUs would vest, would have been an estimated \$228,377, \$501,456 and \$459,254, respectively. Under the terms of the RSU award agreements for the performance-vesting RSUs awarded to Mr. Kornblau in 2018 and 2017, the maximum number of performance-vesting RSUs that could vest regardless of how far our company exceeded the applicable performance goals would be 7,479 RSUs and 5,031 RSUs, respectively, and the grant-date value of the awards of performance-vesting RSUs to Mr. Kornblau in 2018 and 2017, assuming the highest level of performance conditions were achieved and the maximum number of performance-vesting RSUs would vest, would have been an estimated \$132,159 and \$83,565, respectively. Under the terms of the RSU award agreements for the performance-vesting RSUs awarded to Mr. Roland in 2018, 2017 and 2016, the maximum number of performance-vesting RSUs that could vest regardless of how far our company exceeded the

**Table of Contents**

applicable performance goals would be 10,507 RSUs, 16,352 RSUs and 11,548 RSUs, respectively, and the grant-date value of the awards of performance-vesting RSUs to Mr. Roland in 2018, 2017 and 2016, assuming the highest level of performance conditions were achieved and the maximum number of performance-vesting RSUs would vest, would have been an estimated \$152,246, \$271,607 and \$248,744, respectively. Under the terms of the RSU award agreements for the performance-vesting RSUs awarded to Mr. Roth in 2018 and 2017, the maximum number of performance-vesting RSUs that could vest regardless of how far our company exceeded the applicable performance goals would be 8,537 RSUs and 16,352 RSUs, respectively, and the grant-date value of the awards of performance-vesting RSUs to Mr. Roth in 2018 and 2017, assuming the highest level of performance conditions were achieved and the maximum number of performance-vesting RSUs would vest, would have been an estimated \$123,701 and \$271,607, respectively.

For a discussion of the valuation assumptions for the RSU awards, see Note 5, *Stock-Based Compensation*, to our audited consolidated financial statements for the fiscal year ended December 31, 2018 included in our Annual Report on Form 10-K filed with the SEC on February 13, 2019.

*Non-Equity Incentive Plan Compensation Column.* All payments of annual cash incentive awards reported for 2018 were made in February 2019 with regard to the 2018 fiscal year and were earned and paid pursuant to our Incentive Compensation Plan.

See *Compensation Discussion and Analysis Long-Term Stock-Based and Cash-Incentive Awards* for a description of long-term cash incentive awards granted to named executive officers in 2018.

*All Other Compensation Column.* The amounts shown in the All Other Compensation column consist of the following:

**2018 All Other Compensation Table**

Name	Retirement Plan	Insurance (\$)	SERP (\$)	Anti-Dilution Adjustment for Special	Total (\$)
	Matching (\$)			Dividends (\$)	
Marc Edwards	13,750	7,886	41,098		62,734
Ronald Woll	13,750	7,886	8,649	375	30,660
Scott L. Kornblau	13,750	5,288	2,394	842	22,274
David L. Roland	13,750	6,861	7,079	375	28,065
Thomas M. Roth	13,750	6,922	6,936		27,608

Under our SERP, we contribute to participants any portion of the applicable percentage of the base salary contribution and the matching contribution that cannot be contributed under the Retirement Plan because of the limitations within the Code. Participants in this plan are fully vested in all amounts paid into the plan. The following table summarizes 2018 nonqualified deferred compensation of our named executive officers under our SERP.

**Table of Contents****2018 Nonqualified Deferred Compensation**

<b>Name</b>	<b>Registrant Contributions in 2018 \$(1)</b>	<b>Aggregate Earnings in 2018 \$(2)</b>	<b>Aggregate Withdrawals/ Distributions in 2018 \$(3)</b>	<b>Aggregate Balance at December 31, 2018 \$(4)</b>
Marc Edwards	36,250	4,848		233,612
Ronald Woll	8,022	627	375	33,911
Scott L. Kornblau	2,393	1	842	2,394
David L. Roland	6,530	549	375	29,419
Thomas M. Roth	6,750	186		13,956

- (1) These amounts include our contributions under our SERP. Our contributions under this plan are further described in our *Compensation Discussion and Analysis* above under the heading *Personal Benefits, Perquisites and Employee Benefits*. These contributions are also reported in the *All Other Compensation* column of the 2018 *Summary Compensation Table* and in the *SERP* column of the 2018 *All Other Compensation Table*.
- (2) These amounts represent interest earned on contributions under our SERP. These amounts are also reported in the *All Other Compensation* column of the 2018 *Summary Compensation Table* and in the *SERP* column of the 2018 *All Other Compensation Table*. These earnings were calculated by applying a fixed interest rate based on the annual yield on 10-year U.S. Treasury Securities to current year and deferred contributions.
- (3) These amounts represent payments made in 2018 for accrued anti-dilution adjustments after awards of SARs vested in 2018.
- (4) These amounts represent the aggregate balances as of December 31, 2018 for each of the named executive officers pursuant to our SERP and either a dividends equivalent or the amount payable pursuant to anti-dilution adjustments under the terms of our Equity Plan. The deferred balances related to our SERP were reported in the *Summary Compensation Table* in each contribution year. The deferred balances related to the amounts payable pursuant to the anti-dilution adjustments under the terms of our Equity Plan were reported in the *All Other Compensation* column of the *Summary Compensation Table* and in the *Anti-Dilution Adjustment for Special Dividends* column of the *All Other Compensation Table* in the year in which such anti-dilution adjustments were made, irrespective of when they are paid.

**Potential Payments Upon Termination or Change in Control**

Under the terms of our compensation plans and award agreements, our named executive officers are entitled to certain payments and benefits upon the occurrence of specified events, including termination of employment. The following summaries and tables describe the specific terms of these arrangements and the estimated potential payments payable to each of our named executive officers upon termination of employment under our stock plans and other compensation programs as if his employment had terminated for these reasons on December 31, 2018. We do not currently have any plans, programs or agreements under which the named executive officers would be entitled to receive either a severance payment or a payment triggered by a change in control of our company. For purposes of the following summaries, dollar amounts are estimates based on annual base salary as of December 31, 2018, benefits paid to the named executive officer in fiscal year 2018 and RSU and cash incentive holdings of the named executive officer as of December 31, 2018. The actual amounts to be paid to the named executive officers can only be determined at the time of each executive's separation from the company.

In addition to the amounts in the below summaries, if the named executive officer resigns or his employment is terminated for any reason, he may be paid for his unused vacation days. The summaries assume that there is no earned but unpaid base salary or unpaid business expense reimbursements as of the time of termination.

The amounts of potential future payments and benefits as set forth in the tables below, and the descriptions of the assumptions upon which such future payments and benefits are based and derived, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are estimates of payments and benefits to certain of our executives upon their termination of employment, and actual payments and benefits may vary materially from these estimates.



**Table of Contents**

Actual amounts can only be determined at the time of such executive's actual separation from our company. Factors that could affect these amounts and assumptions include, among others, the timing during the year of any such event, our company's stock price, unforeseen future changes in our company's benefits and compensation methodology, the age of the executive and the circumstances of the executive's termination of employment.

*Marc Edwards*

In April 2016, Mr. Edwards was awarded a target number of 155,857 RSUs that were scheduled to cliff vest in three years subject to our level of achievement towards a specified performance target for each of 2016, 2017 and 2018. As an additional condition to the vesting of the RSUs awarded to him in 2016, Mr. Edwards was required to remain our employee through the vesting date (which occurred on February 7, 2019), except as follows:

Upon Mr. Edwards' termination without Cause or for Good Reason on or after April 1, 2018, he would have received 50% of his RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon termination of Mr. Edwards' employment for any other reason (other than for Cause), including voluntary resignation, on or after April 1, 2018, he would have received 20% of his RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

In April 2017, Mr. Edwards was awarded a target number of 220,681 RSUs that cliff vest in three years subject to our level of achievement towards a specified performance target for each of 2017, 2018 and 2019. As an additional condition to the vesting of the RSUs awarded to him in 2017, Mr. Edwards is required to remain our employee through the vesting date, except as follows:

Upon Mr. Edwards' termination without Cause or for Good Reason on or after April 1, 2019, he will receive 50% of his RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon termination of Mr. Edwards' employment for any other reason (other than for Cause), including voluntary resignation, on or after April 1, 2019, he will receive 20% of his RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

In April 2018, Mr. Edwards was awarded a target number of 115,207 RSUs and a long-term cash incentive award with a target value of \$1,750,000, each of which awards cliff vest in three years subject to our level of achievement towards a specified performance target for each of 2018, 2019 and 2020. As an additional condition to the vesting of the RSUs and long-term cash incentive award granted to him in 2018, Mr. Edwards is required to remain our employee through the vesting date, except as follows:

Upon Mr. Edwards' termination without Cause or for Good Reason on or after April 1, 2020, he will receive 50% of his RSUs and long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon termination of Mr. Edwards' employment for any other reason (other than for Cause ), including voluntary resignation, on or after April 1, 2020, he will receive 20% of his RSUs and long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

**Table of Contents**

Assuming Mr. Edwards' employment was terminated under each of these circumstances on December 31, 2018, his payments and benefits would have had an estimated value as follows (less applicable withholding taxes):

<b>Marc Edwards</b>	<b>Termination For Good Reason or Without Cause (\$)</b>	<b>Termination for Death or Disability (\$)</b>	<b>Termination for Cause (\$)</b>	<b>Other Voluntary Termination (\$)(1)</b>
<b>Executive Benefits &amp; Payments</b>				
Annual Cash Incentive (2)		1,500,000		
Accelerated RSUs (3)	546,850	218,734		218,734
SERP	233,612	233,612	233,612	233,612
Total	780,462	1,952,346	233,612	452,346

- (1) The above table does not include a scenario for termination due to retirement because, as of December 31, 2018, Mr. Edwards was not yet retirement-eligible under our policies and plans.
- (2) The actual annual cash incentive award payment that Mr. Edwards would be entitled to receive upon his termination may be different from the estimated amount included in the above table, depending on the achievement of payment criteria under the Incentive Compensation Plan.
- (3) The value of the RSUs that would accelerate and fully vest in the event of the termination of employment without Cause or for Good Reason was calculated by multiplying 57,929 unvested RSUs by \$9.44 (the closing price per share of our common stock on December 31, 2018, as reported on the NYSE). The value of the RSUs that would accelerate and fully vest in the event of death, disability or voluntary termination of employment was calculated by multiplying 23,171 unvested RSUs by \$9.44. The amounts shown are based on the estimated number of RSUs that would have vested assuming achievement of the target level of performance.

*Other Named Executive Officers*

In April 2016, each of Messrs. Woll, Kornblau and Roland was awarded time-vesting RSUs and a target number of RSUs that were scheduled to cliff vest in three years subject to our level of achievement towards a specified performance target for each of 2016, 2017 and 2018. In April 2017, each of Messrs. Woll, Kornblau, Roland and Roth was awarded time-vesting RSUs and a target number of RSUs that cliff vest in three years subject to our level of achievement towards a specified performance target for each of 2017, 2018 and 2019. In April 2018, each of those executives was awarded time-vesting RSUs, a time-vesting long-term cash incentive award and a target number of performance-vesting RSUs and target amount under a performance-vesting long-term cash incentive award, which cliff vest in three years subject to our level of achievement towards a specified performance target for each of 2018, 2019 and 2020.

As an additional condition to the vesting of the RSUs awarded in April 2016, the respective recipient was required to remain our employee through the vesting date (which occurred on February 7, 2019), except as follows:

Upon termination without Cause on or after April 1, 2018, the officer would have received 50% of his performance-vesting RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon retirement at age 63 or older before the end of the 3-year performance period, the officer would have received a pro rata portion of his performance-vesting RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

As an additional condition to the vesting of the RSUs awarded in April 2017, the respective recipient is required to remain our employee through the vesting date, except as follows:

Upon termination without Cause on or after April 1, 2019, the officer will receive 50% of his performance-vesting RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

**Table of Contents**

Upon retirement at age 63 or older before the end of the 3-year performance period, the officer will receive a pro rata portion of his performance-vesting RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

As an additional condition to the vesting of the RSUs and long-term cash incentives awarded in April 2018, the respective recipient is required to remain our employee through the vesting date, except as follows:

Upon termination without Cause on or after April 1, 2020, the officer will receive 50% of his performance-vesting RSUs and performance-vesting long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon retirement at age 63 or older before the end of the 3-year performance period, the officer will receive a pro rata portion of his performance-vesting RSUs and performance-vesting long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period. In addition, in connection with his hire by the company, in December 2016 Mr. Roth was awarded time-vesting RSUs and a target number of RSUs that cliff vest subject to our level of achievement towards a specified performance target for each of 2016, 2017 and 2018. As an additional condition to the vesting of the RSUs awarded to him in December 2016, Mr. Roth is required to remain our employee through the vesting date, except as follows:

Upon termination without Cause on or after December 1, 2018, Mr. Roth will receive 50% of his performance-vesting RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period; and

Upon retirement at age 63 or older before the end of the 3-year performance period, Mr. Roth will receive a pro rata portion of his performance-vesting RSUs that eventually vest upon attainment of the performance goals after the end of the 3-year performance period. In connection with his promotion to CFO, in July 2018 Mr. Kornblau was awarded additional time-vesting RSUs and time-vesting long-term cash incentives and a target number of performance-vesting RSUs and target amount under a performance-vesting long-term cash incentive award, which cliff vest subject to our level of achievement towards a specified performance target for each of 2018, 2019 and 2020. As an additional condition to the vesting of RSUs and long-term cash incentives awarded to Mr. Kornblau in July 2018, Mr. Kornblau is required to remain employed by us through the vesting date, except that upon termination without Cause on or after July 1, 2020, Mr. Kornblau will receive 50% of his performance-vesting RSUs and performance-vesting long-term cash incentive award that eventually vest upon attainment of the performance goals after the end of the 3-year performance period.

Under our Incentive Compensation Plan, participants who cease to be employed by us before the end of a performance period due to retirement (defined in the plan as termination without cause at age 60 or older), death or disability are eligible to receive an annual cash incentive award that is prorated to the employment termination date but based upon the actual performance for the entire performance period.

**Table of Contents**

Assuming the listed executive was terminated under each of these circumstances on December 31, 2018, the executive's payments and benefits would have an estimated value as follows (less applicable withholding taxes):

<b>Ronald Woll</b>	<b>Termination Without Cause (\$)</b>	<b>Termination for Death or Disability (\$)</b>	<b>Termination for Cause (\$)</b>	<b>Other Voluntary Termination (\$)(1)</b>
<b>Executive Benefits &amp; Payments</b>				
Annual Cash Incentive (2)		261,261		
Accelerated RSUs (3)	75,671			
SERP	33,911	33,911	33,911	33,911
Total	109,582	295,172	33,911	33,911

- (1) The above table does not include a scenario for termination due to retirement because, as of December 31, 2018, Mr. Woll was not yet retirement-eligible under our policies and plans.
- (2) The actual annual cash incentive award payment that Mr. Woll would be entitled to receive upon his termination may be different from the estimated amount included in the above table, depending on the achievement of payment criteria under the Incentive Compensation Plan.
- (3) The value of the RSUs that would accelerate and fully vest in the event of the termination of employment without Cause was calculated by multiplying 8,016 unvested RSUs by \$9.44 (the closing price per share of our common stock on December 31, 2018, as reported on the NYSE). The amounts shown are based on the estimated number of RSUs that would have vested assuming achievement of the target level of performance.

<b>Scott L. Kornblau</b>	<b>Termination Without Cause (\$)</b>	<b>Termination for Death or Disability (\$)</b>	<b>Termination for Cause (\$)</b>	<b>Other Voluntary Termination (\$)(1)</b>
<b>Executive Benefits &amp; Payments</b>				
Annual Cash Incentive (2)		164,000		
Accelerated RSUs (3)	8,411			
SERP	2,394	2,394	2,394	2,394
Total	10,805	166,394	2,394	2,394

- (1) The above table does not include a scenario for termination due to retirement because, as of December 31, 2018, Mr. Kornblau was not yet retirement-eligible under our policies and plans.
- (2) The actual annual cash incentive award payment that Mr. Kornblau would be entitled to receive upon his termination may be different from the estimated amount included in the above table, depending on the achievement of payment criteria under the Incentive Compensation Plan.
- (3) The value of the RSUs that would accelerate and fully vest in the event of the termination of employment without Cause was calculated by multiplying 891 unvested RSUs by \$9.44 (the closing price per share of our common stock on December 31, 2018, as reported on the NYSE). The amounts shown are based on the estimated number of RSUs that would have vested assuming achievement of the target level of performance.

**David L. Roland**

<b>Executive Benefits &amp; Payments</b>	<b>Termination Without Cause (\$)</b>	<b>Termination for Death or Disability (\$)</b>	<b>Termination for Cause (\$)</b>	<b>Other Voluntary Termination \$(1)</b>
Annual Cash Incentive (2)		162,240		
Accelerated RSUs (3)	40,988			
SERP	29,419	29,419	29,419	29,419
Total	70,407	191,659	29,419	29,419

- (1) The above table does not include a scenario for termination due to retirement because, as of December 31, 2018, Mr. Roland was not yet retirement-eligible under our policies and plans.
- (2) The actual annual cash incentive award payment that Mr. Roland would be entitled to receive upon his termination may be different from the estimated amount included in the above table, depending on the achievement of payment criteria under the Incentive Compensation Plan.
- (3) The value of the RSUs that would accelerate and fully vest in the event of the termination of employment without Cause was calculated by multiplying 4,342 unvested RSUs by \$9.44 (the closing price per share of our common stock on December 31, 2018, as reported on the NYSE). The amounts shown are based on the estimated number of RSUs that would have vested assuming achievement of the target level of performance.

**Table of Contents**

<b>Thomas M. Roth</b>	<b>Termination Without Cause (\$)</b>	<b>Termination for Retirement, Death or Disability (\$)</b>	<b>Termination for Cause (\$)</b>	<b>Other Voluntary Termination (\$)</b>
<b>Executive Benefits &amp; Payments</b>				
Annual Cash Incentive (1)		205,000		
Accelerated RSUs (2)	26,668			
SERP	13,956	13,956	13,956	13,956
Total	40,624	218,956	13,956	13,956

- (1) The actual annual cash incentive award payment that Mr. Roth would be entitled to receive upon his termination may be different from the estimated amount included in the above table, depending on the achievement of payment criteria under the Incentive Compensation Plan.
- (2) The value of the RSUs that would accelerate and fully vest in the event of the termination of employment without Cause was calculated by multiplying 2,825 unvested RSUs by \$9.44 (the closing price per share of our common stock on December 31, 2018, as reported on the NYSE). The amounts shown are based on the estimated number of RSUs that would have vested assuming achievement of the target level of performance.



**Table of Contents****EQUITY PLAN**

Our Equity Plan authorizes the issuance of awards including stock options, SARs, RSUs and other stock-based awards (including dividend equivalents) to acquire up to 7,500,000 shares of our common stock, of which 1,330,944 shares had been issued as of December 31, 2018. Stock options have a maximum term of 10 years, subject to earlier termination under certain conditions, and, unless otherwise specified at the time of the grant, vest in four equal, annual installments over four years. SARs represent the right to receive stock or cash, or a combination of stock and cash, equal in value to the difference between the exercise price of the SAR and the market price of the corresponding amount of common stock on the exercise date. SARs have a maximum term of 10 years, subject to earlier termination under certain conditions, and vest as specified at the time of the grant. During 2018, we granted a total of 40,500 SARs and 330,322 RSUs under our Equity Plan.

**Equity Compensation Plan Information**

The following table provides information regarding securities authorized for issuance under our equity compensation plans as of December 31, 2018, categorized by (i) equity compensation plans previously approved by our stockholders and (ii) equity compensation plans not previously approved by our stockholders. As indicated in the table, all of our equity compensation plans have been approved by our stockholders.

<b>Plan Category</b>	<b>Number of securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (1)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$)(2)</b>	<b>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
			<b>(c)</b>
Equity compensation plans approved by stockholders	1,409,427	54.07	4,759,629
Equity compensation plans not approved by stockholders			
<b>Total</b>	<b>1,409,427</b>	<b>54.07</b>	<b>4,759,629</b>

(1) This number does not include any shares of our common stock with respect to SARs granted under our Equity Plan because the exercise prices of all outstanding SARs as of December 31, 2018 were higher than \$9.44, which was the closing price per share on December 31, 2018, as reported on the NYSE. The number of shares included with respect to RSUs includes 987,369 shares of our common stock that would be issued under these awards outstanding at December 31, 2018 if the maximum level of performance is achieved under the awards. If actual performance falls below the maximum level of performance for these awards, fewer shares would be issued.

(2) The weighted-average exercise price does not take into account RSUs because RSUs do not have an exercise price.

**Table of Contents****2018 Grants of Plan-Based Awards**

Name and Type of Award (1)	Grant Date	Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards \$(2)			Estimated Future Payouts Under Equity Incentive Plan Awards (#) (3)			All Other Awards: RSUs (#)(4)	Grant Date Fair Value of Stock Awards \$(5)
			Threshold	Target	Maximum	Threshold	Target	Maximum		
Marc Edwards										
Annual Cash			500,000	1,500,000	2,500,000					
LT Cash (P)			1,172,500	1,750,000	2,327,500					
RSUs (P)	04/01/18	03/13/18				77,189	115,207	153,225		2,220,230
Ronald Woll										
Annual Cash					435,435					
LT Cash (P)			120,600	180,000	239,400					
RSUs (P)	04/01/18	03/13/18				7,940	11,850	15,761		228,377
RSUs (T)	04/01/18	03/13/18							7,900	114,471
Scott L. Kornblau										
Annual Cash					235,700					
LT Cash (P)			30,150	45,000	59,850					
LT Cash (P)			35,175	52,500	69,825					
RSUs (P)	04/01/18	03/13/18				1,985	2,962	3,939		57,076
RSUs (T)	04/01/18	03/13/18							1,975	28,618
RSUs (P)	07/01/18	06/29/18				1,784	2,662	3,540		75,083
RSUs (T)	07/01/18	06/29/18							1,775	37,648
David L. Roland										
Annual Cash					405,600					
LT Cash (P)			80,400	120,000	159,600					
RSUs (P)	04/01/18	03/13/18				5,293	7,900	10,507		152,246
RSUs (T)	04/01/18	03/13/18							5,267	76,319
Thomas M. Roth										
Annual Cash					410,000					
LT Cash (P)			65,325	97,500	129,675					
RSUs (P)	04/01/18	03/13/18				4,301	6,419	8,537		123,701
RSUs (T)	04/01/18	03/13/18							4,279	62,003

(1) All annual cash incentive awards are performance-vesting. See *Compensation Discussion and Analysis Annual Cash Incentive Awards*. Long-term (LT) cash incentive awards and RSUs are either performance-vesting (P) or time-vesting (T). Time-vesting long-term cash incentive awards granted on April 1, 2018 under our Incentive Compensation Plan to our named executive officers (and to Mr. Kornblau on July 1, 2018) are not presented in this table because these awards do not vest based on a performance measure and do not constitute non-equity incentive plan awards under the SEC's rules. These awards time vest (half after two years and half after three years) and are

not subject to the negative discretion of the Compensation Committee to reduce or eliminate the amount that would otherwise be eligible to vest. See *Compensation Discussion and Analysis Long-Term Stock-Based and Cash-Incentive Awards*.

- (2) These amounts represent threshold, target and maximum awards, as applicable, under the following types of cash incentive awards granted in 2018 under our Incentive Compensation Plan:

*Annual Cash Incentive Awards.* Mr. Edwards participated in our Incentive Compensation Plan for 2018 with the potential to earn an annual cash incentive award of up to \$500,000 upon achievement of 50% of the company's target performance goal, up to \$1,500,000 upon achievement of the target goal and a maximum of up to \$2,500,000 upon achievement of 150% or more of the target goal. For our named executive officers other than Mr. Edwards, the Compensation Committee did not establish threshold or target amounts for 2018 annual cash incentive awards under our Incentive Compensation Plan, but the 2018 annual award cannot exceed the officer's annual base salary; accordingly, these amounts represent the maximum annual cash incentive awards under our Incentive Compensation Plan for these officers for 2018, regardless of level of company performance. The Compensation Committee retains the right to exercise negative discretion to reduce the amount of each payment under these types of awards at its discretion.

*Performance-Vesting Long-Term Cash Incentive Awards.* These amounts represent threshold, target and maximum values of performance-vesting long-term cash incentive awards granted on April 1, 2018 under our Incentive

## Table of Contents

Compensation Plan (and threshold, target and maximum values of the performance-vesting long-term cash incentive award granted to Mr. Kornblau on July 1, 2018 under our Incentive Compensation Plan). Performance-vesting long-term cash incentive awards cliff vest subject to our level of achievement towards a specified performance target for each of 2018, 2019 and 2020 and subject further to the negative discretion of the Compensation Committee to reduce or eliminate the amount that would otherwise be eligible to vest. Although the minimum payout is zero, the award provides the respective executive officer the potential to earn up to the amount specified in the Threshold column upon achievement of 50% of the company's target performance goal, up to the amount specified in the Target column upon achievement of the target goal and a maximum of up to the amount specified in the Maximum column upon achievement of 150% or more of the target goal.

In all cases, these cash incentive awards are subject to forfeiture if the applicable vesting conditions are not met. Because determinations of annual cash incentive awards and performance-vesting long-term cash incentive awards under our Incentive Compensation Plan are based in part on outcomes of company performance and because the Compensation Committee retains the right to exercise negative discretion to reduce the amount of each payment under these types of awards at its discretion, the computation of actual annual cash incentive awards and performance-vesting long-term cash incentive awards generated under the plan upon achievement of certain levels of company performance criteria may differ from the above amounts. For actual annual cash incentive awards paid for 2018, see the *Non-Equity Incentive Plan Compensation* column in the *2018 Summary Compensation Table* above. Please read *Compensation Discussion and Analysis Annual Cash Incentive Awards* and *Long-Term Stock-Based and Cash-Incentive Awards* for more information concerning awards under our Incentive Compensation Plan.

(3) These amounts represent threshold, target and maximum awards, as applicable, under performance-vesting RSUs granted in 2018 under our Equity Plan, including threshold, target and maximum numbers of performance-vesting RSUs granted on April 1, 2018 and threshold, target and maximum numbers of performance-vesting RSUs granted to Mr. Kornblau on July 1, 2018. These performance-vesting RSUs cliff vest subject to our level of achievement towards a specified performance target for each of 2018, 2019 and 2020 and subject further to the negative discretion of the Compensation Committee to reduce or eliminate the number of RSUs that would otherwise be eligible to vest. Although the minimum payout is zero, the award provides the respective executive officer the potential to earn up to the amount specified in the Threshold column upon achievement of 50% of the company's target performance goal, up to the amount specified in the Target column upon achievement of the target goal and a maximum of up to the amount specified in the Maximum column upon achievement of 150% or more of the target goal.

In addition, upon our payment of any cash or stock dividend on our common stock prior to vesting of an RSU award, Mr. Edwards will be credited with a number of additional RSUs in respect of the award outstanding on the dividend record date in an amount equal to the aggregate dividend payable with respect to the shares subject to such award (based on the target number of RSUs) divided by the VWAP immediately preceding such record date, subject to the same vesting schedule and conditions as the original RSUs to which they are attributable. Upon our payment of a special cash dividend on our common stock prior to vesting of a performance-vesting RSU award, the other named executive officers will be credited with a dollar amount equal to the special cash dividend multiplied by the total number of unvested RSUs that are outstanding on the dividend record date (based on the target number of RSUs with respect to performance-vesting RSUs). Any dividend equivalent rights credited to the other named executive officers pursuant to the preceding sentence are payable in cash and are subject to the same vesting, payment and other terms, conditions and restrictions as the original RSUs to which they relate. All RSUs may be settled in cash or our common stock. In all cases, the RSUs are subject to forfeiture if the applicable vesting conditions are not met. Because determinations of performance-vesting RSU awards under our Equity Plan are based in part on outcomes of company performance and because the Compensation Committee retains the right to exercise negative discretion to reduce or eliminate these types of awards at its discretion, the number of actual performance-vesting RSU awards generated under the plan upon achievement of certain levels of company performance criteria may differ from the above

numbers. Please read *Compensation Discussion and Analysis Long-Term Stock-Based and Cash-Incentive Awards* for more information concerning awards under our Equity Plan.

- (4) The amounts shown represent the number of time-vesting RSUs granted on April 1, 2018 under our Equity Plan to our named executive officers other than Mr. Edwards (and the value of the time-vesting RSUs granted to Mr. Kornblau on July 1, 2018 under our Equity Plan). These RSUs time vest (half after two years and half after three years) and are not subject to the negative discretion of the Compensation Committee to reduce or eliminate the number of RSUs that would otherwise be eligible to vest.

In addition, upon our payment of a special cash dividend on our common stock prior to vesting of a time-vesting RSU award, these named executive officers will be credited with a dollar amount equal to the special cash dividend multiplied by the total number of unvested RSUs that are outstanding on the record date for the dividend. Any dividend equivalent rights credited to these named executive officers pursuant to the preceding sentence are payable in cash and are subject to the same vesting, payment and other terms, conditions and restrictions as the original RSUs

**Table of Contents**

to which they relate. All RSUs may be settled in cash or our common stock. In all cases, the RSUs are subject to forfeiture if the applicable vesting conditions are not met. Please read *Compensation Discussion and Analysis Long-Term Stock-Based and Cash-Incentive Awards* for more information concerning awards under our Equity Plan.

(5) Represents the maximum fair value of each equity award recognizable in accordance with FASB ASC Topic 718 (based upon the probable outcome of performance conditions) and does not include any estimates of forfeitures for service-based vesting. See Note 5, *Stock-Based Compensation*, to our audited consolidated financial statements for the fiscal year ended December 31, 2018 included in our Annual Report on Form 10-K filed with the SEC on February 13, 2019.

**Outstanding Equity Awards at Fiscal Year-End 2018**

Name	SAR Awards (1)				Stock Awards (2)			Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised SARs (#)		SAR Exercise Price (\$)	SAR Expiration Date	Shares or Units of Stock that Have Not Vested (#)(3)	Market Value of Shares or Units of Stock that Have Not Vested (\$)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4)
	Number of Securities Underlying Unexercised SARs (#)	Number of Securities Underlying Unexercised SARs (#)						
Marc Edwards							491,745	4,642,073
Ronald Woll	2,000		34.54	10/01/2024	28,375	267,860	78,955	745,335
	2,000		37.16	01/02/2025				
Scott L. Kornblau	750		64.51	04/01/2019	7,608	71,820	18,796	177,434
	750		83.57	07/01/2019				
	750		95.61	10/01/2019				
	750		99.55	12/31/2019				
	750		87.65	04/01/2020				
	750		61.79	07/01/2020				
	750		68.52	10/01/2020				
	750		64.94	12/01/2020				
	750		78.90	04/01/2021				
	750		70.38	07/01/2021				
	750		55.64	10/01/2021				
	750		60.13	12/01/2021				
	750		66.68	04/02/2022				
	750		59.19	07/02/2022				
	750		66.04	10/01/2022				
	750		68.17	12/03/2022				

Edgar Filing: DIAMOND OFFSHORE DRILLING, INC. - Form DEF 14A

	750	69.71	04/01/2023				
	750	68.62	07/01/2023				
	750	62.31	10/01/2023				
	750	56.55	01/02/2024				
	750	48.36	04/01/2024				
	750	49.57	07/01/2024				
	750	34.54	10/01/2024				
	750	37.16	01/02/2025				
David L. Roland	2,000	34.54	10/01/2024	16,358	154,420	45,236	427,028
	2,000	37.16	01/02/2025				
Thomas M. Roth				14,359	135,549	38,723	365,545

(1) Each SAR granted to the named executive officers and reported above vested and became exercisable with respect to 25% of its underlying common stock per year over the first four years of its term, and commenced vesting nine years prior to a date on or about April 1 in the respective calendar year indicated above.

**Table of Contents**

- (2) The number of performance-vesting RSUs was based on the target amount of the award and also includes RSUs credited to Mr. Edwards as a result of payment of cash dividends in respect of our common stock prior to vesting that were outstanding as of December 31, 2018. Pursuant to SEC rules, the market value of each executive's unvested RSUs was calculated by multiplying the number of unvested RSUs by \$9.44 (the closing price per share of our common stock on December 31, 2018, as reported on the NYSE). In April 2016, Mr. Edwards was awarded a target number of 155,857 performance-vesting RSUs, which cliff vest subject to our level of achievement towards a specified performance target for each of 2016, 2017 and 2018. In April 2017, Mr. Edwards was awarded a target number of 220,681 performance-vesting RSUs, which cliff vest subject to our level of achievement towards a specified performance target for each of 2017, 2018 and 2019. In April 2018, Mr. Edwards was awarded a target number of 115,207 performance-vesting RSUs, which cliff vest subject to our level of achievement towards a specified performance target for each of 2018, 2019 and 2020. The performance-vesting RSUs awarded to our other named executive officers in April 2016, April 2017 and April 2018 are subject to cliff-vesting depending on the level of achievement against the financial performance goals during a comparable three-year performance period, and the time-vesting RSUs awarded to our other named executive officers in April 2016, April 2017 and April 2018 vest over a three-year period (half of the time-vesting RSUs awarded in 2016 vested on April 1, 2018 and the other half vest on April 1, 2019; half of the time-vesting RSUs awarded in 2017 vest on April 1, 2019 and the other half vest on April 1, 2020; and half of the time-vesting RSUs awarded in 2018 vest on April 1, 2020 and the other half vest on April 1, 2021). The performance-vesting RSUs awarded to Mr. Roth in December 2016 are subject to cliff-vesting depending on the level of achievement against the performance goals during a three-year performance period, and the time-vesting RSUs awarded to Mr. Roth in December 2016 vest over a three-year period (half of the time-vesting RSUs vested on December 1, 2018 and the other half vest on December 1, 2019). The performance-vesting RSUs awarded to Mr. Kornblau in July 2018 are subject to cliff-vesting depending on the level of achievement against the performance goals during a three-year performance period, and the time-vesting RSUs awarded to Mr. Kornblau in July 2018 vest over a three-year period (half of the time-vesting RSUs vest on July 1, 2020 and the other half vest on July 1, 2021). All of the RSUs are subject to forfeiture if the applicable vesting conditions are not met. See *Compensation Discussion and Analysis Long-Term Stock-Based and Cash-Incentive Awards* above.
- (3) These represent unvested time-vesting RSUs granted pursuant to our Equity Plan in 2016, 2017 and 2018 to named executive officers other than Mr. Edwards.
- (4) These represent unvested performance-vesting RSUs granted pursuant to our Equity Plan in 2016, 2017 and 2018.

**2018 Option Exercises and Stock Vested**

Name	SARs Awards		RSU Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares	
			Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Marc Edwards			112,438	1,677,575
Ronald Woll			18,638	275,825
Scott L. Kornblau			3,533	52,121
David L. Roland			12,496	185,064
Thomas M. Roth			1,884	23,738

(1)



The values realized upon vesting of RSU awards contained in the table are based on the market value of our common stock on the date of vesting.

**CEO Pay Ratio**

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of our CEO, Mr. Edwards. For 2018:

the annual total compensation of the employee identified at median of our company (other than our CEO) was \$116,226; and

the annual total compensation of Mr. Edwards, as reflected in the *2018 Summary Compensation Table* above, was \$5,732,083.

## **Table of Contents**

Based on this information, for 2018 the ratio of the annual total compensation of Mr. Edwards to the median of the annual total compensation of all employees was estimated to be approximately 49 to 1.

This pay ratio is a reasonable estimate calculated in accordance with SEC rules based on our payroll and employment records and the methodology described below. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their particular compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of Mr. Edwards and our median employee, we used the following methodology, material assumptions, adjustments and estimates:

We identified our median-compensated employee from all full-time, part-time and temporary workers (with the exception of our employees in Singapore as described below) who were included as employees on our payroll records as of December 31, 2018, based on actual base salary, overtime and bonuses paid for calendar year 2018. We believe the use of such cash compensation for all employees is a consistently-applied compensation measure because we do not widely distribute equity awards to employees.

We determined that, as of December 31, 2018, our employee population for purposes of this pay ratio calculation consisted of approximately 2,189 individuals globally. As permitted by SEC rules, when identifying our median employee for purposes of the pay ratio calculation, we excluded the compensation of our three employees based in Singapore. After adjusting for the excluded Singapore employees, our employee population consisted of approximately 2,186 individuals.

Compensation for newly-hired employees who worked less than a full year was annualized. The pay for employees based outside of the U.S. was converted to U.S. dollars using the average of the exchange rates in effect on each of January 1, 2018 and December 31, 2018. We did not make any cost of living adjustments in identifying the median employee. The median employee from our analysis had anomalous compensation characteristics and was substituted with a similarly-situated employee with a materially equivalent compensation level.

After identifying the median employee based on total cash compensation, we calculated annual total compensation for such employee using the same methodology we use for our named executive officers as set forth in the *2018 Summary Compensation Table*.

**Table of Contents**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**(Proposal No. 2)**

As required by Section 14A of the Exchange Act, we are asking our stockholders to approve, on an advisory basis, the compensation of our named executive officers as we have described it in the *Compensation Discussion and Analysis*, *Executive Compensation* and *Equity Plan* sections of this proxy statement. This advisory vote is sometimes referred to as say-on-pay.

While this say-on-pay advisory vote is not binding on our company, management and the Compensation Committee will review the voting results for purposes of obtaining information regarding investor sentiment about our executive compensation philosophy, policies and practices. If there is a significant number of negative votes, we will seek to understand the concerns that influenced the negative votes, and consider them in making decisions about our executive compensation program in the future. At our 2018 annual meeting, our stockholders approved our non-binding advisory vote on the compensation of our named executive officers, with more than 85% of the votes cast on the proposal voting in favor of its approval.

We believe that the information we have provided within this proxy statement demonstrates that our executive compensation program is designed appropriately and is working to ensure management's interests are aligned with our stockholders' interests to support long-term value creation. As described above in detail under the *Compensation Discussion and Analysis*, *Executive Compensation* and *Equity Plan* sections of this proxy statement, our compensation program reflects a balance of short-term incentives (including performance-based annual cash incentive awards) and long-term incentives (including performance equity and cash incentive awards that are subject to vesting after a 3-year period) that are designed to support our long-term business strategies and promote creation of stockholder value. We believe that our program does not exceed the competitive market for talent and is (i) sensitive to our financial performance and (ii) oriented to long-term incentives, in order to seek to promote our long-term profitability. We believe our program delivers reasonable pay that is strongly linked to our performance over time and rewards sustained performance that is aligned with long-term stockholder interests.

**Accordingly, our Board of Directors strongly endorses the company's executive compensation program and recommends a vote FOR the following resolution:**

RESOLVED, that the compensation paid to our company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved on an advisory basis.

**Table of Contents****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR****(Proposal No. 3)**

The Audit Committee of our Board of Directors has selected Deloitte & Touche LLP (D&T) to serve as our independent registered public accounting firm (independent auditor) for fiscal year 2019. Although it is not required to do so, our Board is submitting the selection of D&T for ratification by our stockholders at the Annual Meeting. If our stockholders do not ratify the selection of D&T, the Audit Committee will reconsider its selection. Regardless of the outcome of the vote, however, the Audit Committee at all times has the authority within its discretion to recommend and approve any appointment, retention or dismissal of our independent auditor.

D&T has served as our independent auditor since 1989. We expect that representatives of D&T will be present at the Annual Meeting. If representatives from D&T attend the meeting, they will be afforded an opportunity to make a statement if they so desire and to respond to appropriate questions from stockholders.

**Audit Fees**

D&T and its affiliates billed the following fees for the years ended December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Audit Fees (1)	\$ 2,144,700	\$ 2,389,100
Audit-Related Fees		
Tax Fees (2)		25,000
All Other Fees (3)	5,745	9,200
<b>Total</b>	<b>\$ 2,150,445</b>	<b>\$ 2,423,300</b>

(1) Audit Fees include the aggregate fees and expenses for the audit of our annual financial statements and internal control over financial reporting, reviews of our quarterly financial statements, various statutory audits of our foreign subsidiaries and aggregate fees and expenses associated with the consent for our Registration Statement on Form S-3 filed with the SEC in March 2018.

(2) Tax Fees include the aggregate fees and expenses for tax compliance and tax planning and consulting services.

(3) All Other Fees include fees and expenses for a subscription to an accounting research tool and the 2017 review of our Mexico import registry.

**Auditor Engagement and Pre-Approval Policy**

In order to assure the continued independence of our independent auditor, currently D&T, the Audit Committee has a policy requiring pre-approval of all audit and non-audit services performed by the independent auditor. Under this policy, the Audit Committee annually pre-approves certain limited, specified recurring services that may be provided by D&T. All other engagements for services that may be provided by D&T must be specifically pre-approved by the Audit Committee, or a designated committee member to whom this authority has been delegated. Since its adoption of this policy, the Audit Committee or its designee has pre-approved all engagements by us and our subsidiaries for services of D&T, including the terms and fees thereof, and concluded that such engagements were compatible with the continued independence of D&T in serving as our independent auditor.

**Our Board of Directors recommends a vote FOR Proposal No. 3.**



**Table of Contents**

**SOLICITATION EXPENSES**

We will bear the cost of preparing, printing and mailing Notices, this proxy statement and the accompanying proxy card and of this solicitation of proxies on behalf of our Board of Directors. In addition to solicitation by mail, we may solicit proxies personally, by telephone or other means. We intend to request brokerage houses, custodians, nominees and others who hold our common stock in their names to solicit proxies from the persons who beneficially own such stock and we will reimburse these brokerage houses, custodians, nominees and others for the reasonable costs of sending the proxy materials to the beneficial owners of our common stock.

**COMMUNICATIONS WITH DIAMOND OFFSHORE AND OTHERS**

Stockholders and other interested parties may communicate directly with our Lead Director, other non-management directors or our Board as a whole by writing to Diamond Offshore, 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary. Stockholders should clearly specify in each communication the name of the individual director or group of directors to whom the communication is addressed. Inquiries sent by mail will be reviewed by our Corporate Secretary and, if they pertain to the functions of the Board or Board committees or if the Corporate Secretary otherwise determines that they should be brought to the intended recipient's attention, they will be forwarded to the intended recipient. Concerns relating to accounting, internal controls, auditing or compliance matters will be brought to the attention of our Audit Committee and handled in accordance with procedures established by the Audit Committee. Items that are unrelated to the duties and responsibilities of the Board, such as personal employee complaints, resumes and other forms of job inquiries, surveys, service complaints, requests for donations, business solicitations or advertisements, will not be forwarded to the directors. In addition, material that is considered to be hostile, threatening, illegal or similarly unsuitable will not be forwarded.

Stockholder proposals intended for inclusion in the proxy statement to be issued in connection with our 2020 annual meeting of stockholders must be addressed to: Diamond Offshore, 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary, and must be received no later than December 5, 2019.

Stockholder proposals submitted outside of the SEC's procedures for including such proposals in our proxy statement must be mailed or delivered to the attention of the Corporate Secretary at the address above and must be received by our Corporate Secretary no later than February 15, 2020. If a proposal is received after that date, our proxy for the 2020 annual meeting of stockholders may confer discretionary authority to vote on such matter without any discussion of such matter in the proxy statement for the 2020 annual meeting of stockholders.

**Table of Contents**

**OTHER MATTERS**

While management has no reason to believe that any other business will be presented, if any other matters should properly come before the Annual Meeting, the proxies will be voted as to such matters in accordance with the best judgment of the proxy holders.

By Order of the Board of Directors

DAVID L. ROLAND

*Senior Vice President, General Counsel and  
Secretary*

## Table of Contents

AnnUAL meeTing OF DiAmOnD OFFshORE DRiLLing, inc. Annual Meeting of Diamond Offshore Drilling, Inc. (the "Company") Date: May 15, 2019 to be held on Wednesday, May 15, 2019 Time: 8:30 a.m. (Eastern Time) Place: Loews Corporation for Holders as of March 20, 2019 667 Madison Avenue This proxy is being solicited on behalf of the Board of Directors New York, New York 10065 Please make your marks like this: Use dark black pencil or pen only VOTE BY: inTeRneT TeLePhOne Call The Board of Directors recommends a vote FOR the following nominees: Go To 866-895-6890 [www.proxypush.com/DO](http://www.proxypush.com/DO) 1: Election of Directors • Use any touch-tone telephone. Directors • Cast your vote online. OR Recommend • Have your Proxy Card/V oting Instruction Form ready. For Against Abstain• View Meeting Documents. • Follow the simple recorded instructions. 01 James S. Tisch For mAiL For 02 Marc Edwards • Mark, sign and date your Proxy Card/V oting Instruction Form. OR 03 Anatol Feygin For • Detach your Proxy Card/V oting Instruction Form. For 04 Paul G. Gaffney II • Return your Proxy Card/V oting Instruction Form in the postage-paid envelope provided. For 05 Edward Grebow For 06 Kenneth I. Siegel The undersigned hereby appoints Marc Edwards and David L. Roland, and each or either of them, as the true and For lawful attorneys of the undersigned, with full power of substitution and revocation, and authorizes them, and each of 07 Clifford M. Sobel them, to vote all the shares of capital stock of the Company which the undersigned is entitled to vote at said meeting 08 Andrew H. Tisch For and any adjournment thereof upon the matters specified and upon such other matters as may be properly brought before the meeting or any adjournment thereof, conferring authority upon such true and lawful attorneys to vote in their The Board of Directors recommends a vote FOR proposals 2 and 3. discretion on such other matters as may properly come before the meeting and revoking any proxy heretofore given. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, For Against Abstain SHARES WILL BE VOTED FOR THE ELECTION OF THE DIRECTORS IN ITEM 1 AND FOR THE PROPOSALS IN ITEMS 2 AND 3, AND IN ACCORDANCE WITH THE DISCRETION OF THE PERSONS APPOINTED ABOVE WITH 2: To approve, on an advisory basis, executive For RESPECT TO ANY OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING. compensation. All votes by 401(k) Plan participants must be received by 5:00 P.M., Eastern Time, May 13, 2019. 3: T o ratify the appointment of Deloitte & For Touche LLP as the independent auditor for our company and its subsidiaries for fiscal year 2019. PROXY TABULATOR FOR NOTE: Such other business as may properly come before the annual meeting or any DiAmOnD OFFshORE DRiLLing, inc. adjournments thereof. P.O. BOX 8016 cARY, nc 27512-9903 Authorized Signatures - This section must be completed for your Instructions to be executed. Please Sign Here Please Date Above Please Sign Here Please Date Above Please sign exactly as your name(s) appears on your stock certificate. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy. Please separate carefully at the perforation and return just this portion in the envelope provided. AnnUAL meeTing OF DiAmOnD OFFshORE DRiLLing, inc. Annual Meeting of Diamond Offshore Drilling, Inc. (the "Company") Date: May 15, 2019 to be held on Wednesday, May 15, 2019 Time: 8:30 a.m. (Eastern Time) Place: Loews Corporation for Holders as of March 20, 2019 667 Madison Avenue This proxy is being solicited on behalf of the Board of Directors New York, New York 10065 Please make your marks like this: Use dark black pencil or pen only VOTE BY: inTeRneT TeLePhOne Call The Board of Directors recommends a vote FOR the following nominees: Go To 866-895-6890 [www.proxypush.com/DO](http://www.proxypush.com/DO) 1: Election of Directors • Use any touch-tone telephone. Directors • Cast your vote online. OR Recommend • Have your Proxy Card/V oting Instruction Form ready. For Against Abstain• View Meeting Documents. • Follow the simple recorded instructions. 01 James S. Tisch For mAiL For 02 Marc Edwards • Mark, sign and date your Proxy Card/V oting Instruction Form. OR 03 Anatol Feygin For • Detach your Proxy Card/V oting Instruction Form. For 04 Paul G. Gaffney II • Return your Proxy Card/V oting Instruction Form in the postage-paid envelope provided. For 05 Edward Grebow For 06 Kenneth I. Siegel The undersigned hereby appoints Marc Edwards and David L. Roland, and each or either of them, as the true and For lawful attorneys of the undersigned, with full power of substitution and revocation, and authorizes them, and each of 07 Clifford M. Sobel them, to vote all the shares of capital stock of the Company which the undersigned is entitled to vote at said meeting 08 Andrew H. Tisch For and any adjournment thereof upon the matters specified and upon such other matters as may be properly brought



before the meeting or any adjournment thereof, conferring authority upon such true and lawful attorneys to vote in their The Board of Directors recommends a vote FOR proposals 2 and 3. discretion on such other matters as may properly come before the meeting and revoking any proxy heretofore given. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, For Against Abstain SHARES WILL BE VOTED FOR THE ELECTION OF THE DIRECTORS IN ITEM 1 AND FOR THE PROPOSALS IN ITEMS 2 AND 3, AND IN ACCORDANCE WITH THE DISCRETION OF THE PERSONS APPOINTED ABOVE WITH 2: To approve, on an advisory basis, executive For RESPECT TO ANY OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING. compensation. All votes by 401(k) Plan participants must be received by 5:00 P.M., Eastern Time, May 13, 2019. 3: T o ratify the appointment of Deloitte & For Touche LLP as the independent auditor for our company and its subsidiaries for fiscal year 2019. PROXY TABULATOR FOR NOTE: Such other business as may properly come before the annual meeting or any DiAmOnD OFFshORe DRiLLing, inc. adjournments thereof. P.O. BOX 8016 cARY, nc 27512-9903 Authorized Signatures - This section must be completed for your Instructions to be executed. Please Sign Here Please Date Above Please Sign Here Please Date Above Please sign exactly as your name(s) appears on your stock certificate. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy. Please separate carefully at the perforation and return just this portion in the envelope provided.

## **Table of Contents**

Please separate carefully at the perforation and return just this portion in the envelope provided. Proxy — Diamond Offshore Drilling, inc. (the “company”) Annual meeting of stockholders to be held on Wednesday, May 15, 2019 at 8:30 a.m. (Eastern Time) This Proxy is solicited on Behalf of the Board of Directors The undersigned appoints Marc Edwards and David L. Roland (the “Named Proxies”) and each of them as proxies for the undersigned, with full power of substitution, to vote the shares of common stock of the Company that the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held at the offices of Loews Corporation, 667 Madison Avenue, New York, New York 10065, on Wednesday, May 15, 2019 at 8:30 a.m. (Eastern Time) and all adjournments thereof. The purpose of the Annual Meeting is to take action on the following: 1. To elect eight directors, each to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal; 2. To approve, on an advisory basis, executive compensation; and 3. To ratify the appointment of Deloitte & Touche LLP as the independent auditor for our company and its subsidiaries for fiscal year 2019; 4. To transact such other business as may properly come before the annual meeting or any adjournments thereof. The eight directors nominated for re-election are: James S. Tisch, Marc Edwards, Anatol Feygin, Paul G. Gaffney II, Edward Grebow, Kenneth I. Siegel, Clifford M. Sobel and Andrew H. Tisch. The Board of Directors of the Company recommends a vote “FOR” all nominees for director and “FOR” the items in proposals 2 and 3. This proxy, when properly executed, will be voted in the manner directed herein. if no direction is made, this proxy will be voted “FOR” all nominees for director and “FOR” the items in proposals 2 and 3. in their discretion, the named Proxies are authorized to vote upon such other matters that may properly come before the Annual meeting or any adjournment or postponement thereof. You are encouraged to specify your choice by marking the appropriate box (see ReVeRse siDe) but you need not mark any box if you wish to vote in accordance with the Board of Directors’ recommendation. The named Proxies cannot vote your shares unless you sign and return this card. To attend the meeting and vote your shares in person, please mark this box.

Please separate carefully at the perforation and return just this portion in the envelope provided. Proxy — Diamond Offshore Drilling, inc. (the “company”) Annual meeting of stockholders to be held on Wednesday, May 15, 2019 at 8:30 a.m. (Eastern Time) This Proxy is solicited on Behalf of the Board of Directors The undersigned appoints Marc Edwards and David L. Roland (the “Named Proxies”) and each of them as proxies for the undersigned, with full power of substitution, to vote the shares of common stock of the Company that the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held at the offices of Loews Corporation, 667 Madison Avenue, New York, New York 10065, on Wednesday, May 15, 2019 at 8:30 a.m. (Eastern Time) and all adjournments thereof. The purpose of the Annual Meeting is to take action on the following: 1. To elect eight directors, each to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified or until their earlier resignation or removal; 2. To approve, on an advisory basis, executive compensation; and 3. To ratify the appointment of Deloitte & Touche LLP as the independent auditor for our company and its subsidiaries for fiscal year 2019; 4. To transact such other business as may properly come before the annual meeting or any adjournments thereof. The eight directors nominated for re-election are: James S. Tisch, Marc Edwards, Anatol Feygin, Paul G. Gaffney II, Edward Grebow, Kenneth I. Siegel, Clifford M. Sobel and Andrew H. Tisch. The Board of Directors of the Company recommends a vote “FOR” all nominees for director and “FOR” the items in proposals 2 and 3. This proxy, when properly executed, will be voted in the manner directed herein. if no direction is made, this proxy will be voted “FOR” all nominees for director and “FOR” the items in proposals 2 and 3. in their discretion, the named Proxies are authorized to vote upon such other matters that may properly come before the Annual meeting or any adjournment or postponement thereof. You are encouraged to specify your choice by marking the appropriate box (see ReVeRse siDe) but you need not mark any box if you wish to vote in accordance with the Board of Directors’ recommendation. The named Proxies cannot vote your shares unless you sign and return this card. To attend the meeting and vote your shares in person, please mark this box.