



**Part II** Organizational Action *(continued)*

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE ATTACHED

Horizontal lines for providing the applicable Internal Revenue Code section(s) and subsection(s).

**18** Can any resulting loss be recognized? ▶ SEE ATTACHED

Horizontal lines for providing information regarding the recognition of a resulting loss.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHED

Horizontal lines for providing any other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature ▶  Date ▶ 7 June 2021

Print your name ▶ Dominic A. Savarino Title ▶ Vice President and Chief Accounting & Tax Officer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

**Report of Organizational Action Affecting Basis of Securities**

Disclaimer: The information contained in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account any note holder's specific circumstances. Note holders are urged to consult their own tax advisors regarding U.S. tax consequences of the transaction described herein and the impact to tax basis resulting from the transaction.

**Form 8937 – Part I – Lines 9 and 10**

Description of Specified Security	CUSIP or Other Identification
<b><i>Old Specified Securities</i></b>	
\$436 million 5-year Revolving Credit Facility maturing October 2, 2023	
\$500 million principal 5.7% Senior Notes due 2039 issued by Diamond Offshore Drilling, Inc. (the “2039 Notes”)	CUSIP: 25271CAL6
\$250 million principal 3.45% Senior Notes due 2023 issued by Diamond Offshore Drilling, Inc. (the “2023 Notes”)	CUSIP: 25271CAM4
\$750 million principal 4.875% Senior Notes due 2043 issued by Diamond Offshore Drilling, Inc. (the “2043 Notes”)	CUSIP: 25271CAN2
\$500 million principal 7.875% Senior Notes due 2025 issued by Diamond Offshore Drilling, Inc. (the “2025 Notes”)	CUSIP: 25271CAP7
Old Diamond Common Shares	
<b><i>New Specified Securities</i></b>	
\$300 to \$400 million principal Revolving Credit Facility maturing in 2026.	Published CUSIP: G2863YAC4 Revolving Credit CUSIP: G2863YAD2
\$100 million to \$200 million principal Exit Term Loan Facility maturing in 2027.	Published CUSIP: G2863YAA8 Term Loan CUSIP: G2863YAB6
\$114.7 million principal Exit Notes maturing in 2027.	
New Diamond Common Shares	
New warrants entitling the holders to purchase in the aggregate, 7 percent of the New Diamond Common Shares pursuant to terms set forth in the Plan (“New Warrants”).	

**Form 8937 – Part II – Line 14**

***Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action***

On April 26, 2020, Diamond Offshore Drilling, Inc. (the “Issuer” or “we” or “Diamond”) and certain of its subsidiaries (the “Debtors”) filed voluntary petitions for relief under chapter 11 of Title 11 of the U.S. Bankruptcy Code (the “Bankruptcy Proceedings”) in the U.S. Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”). The Bankruptcy Proceedings were jointly administered under the case captioned *In re Diamond Offshore Drilling, Inc., et al.*, Case No. 20-32307. We filed with the Bankruptcy Court, on January 22, 2021, the *Joint Chapter 11 Plan of Reorganization of Diamond Offshore*

*Drilling, Inc. and its Debtor Affiliates*, on February 24, 2021, the *First Amended Joint Chapter 11 Plan of Reorganization of Diamond Offshore Drilling, Inc. and its Debtor Affiliates*, and on February 26, 2021, the *Second Amended Joint Chapter 11 Plan of Reorganization of Diamond Offshore Drilling, Inc. and its Debtor Affiliates* (as amended, supplemented or modified, the “Plan of Reorganization”). On April 8, 2021, the Bankruptcy Court confirmed the Plan of Reorganization subject to certain conditions. The conditions to effectiveness of the Plan of Reorganization were satisfied and we emerged from Chapter 11 bankruptcy on April 23, 2021 (the “Effective Date”).

On the Effective Date, shares of our common stock outstanding immediately prior to the Effective Date (the “Old Diamond Common Shares”) were cancelled, and we issued the new common equity representing 100 percent of our equity interest (the “New Diamond Common Shares”) and new warrants exercisable into 7 percent of the New Diamond Common Shares in accordance with the terms set forth in the Plan and subject to dilution by the certain equity interest issued under a management incentive compensation plan to be established after the Effective Date (the “MIP Equity Shares”) (the “New Warrants”). Holders of our Old Diamond Common Shares received their pro rata share of our New Warrants. Holders of allowed claims under our 2039 Notes, 2023 Notes, 2043 Notes, and 2025 Notes (collectively, the “Senior Notes” and such claims the “Senior Notes Claims”) received their pro rata share of 70 percent of the New Diamond Common Shares, subject to dilution by the MIP Equity Shares and the New Warrants. The remaining 30 percent of New Diamond Common Shares were issued to holders of Senior Notes who purchased or committed to purchase,<sup>1</sup> as applicable, [up to \$114.675 million] aggregate principal amount in first lien, last out exit notes that mature in 2027 (the “Exit Notes”) pursuant to the Plan, also subject to dilution by the MIP Equity Shares and the New Warrants as described above.

**Form 8937 – Part II – Line 15**

***Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U. S. taxpayer as an adjustment per share or as a percentage of old basis***

**Effect of New Diamond Common Shares issuance to Senior Notes Claim holders**

The Issuer is taking the position that the Senior Notes Claims constitute securities within the meaning of section 354, and that the exchange of the Senior Notes Claims for the New Diamond Common Shares qualifies as a recapitalization under section 368(a)(1)(E).

If such is the case, a holder of a Senior Notes Claim generally is expected to take an aggregate tax basis in its pro rata share of the New Diamond Common Shares received, other than with respect to any

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<sup>1</sup> Pursuant to the Plan, the Debtors underwent certain private placement and rights offering transactions with certain holders of the Senior Notes, when eligible holders of Senior Notes received subscription rights to commit to purchase the Exit Notes and receive in the aggregate the remaining 30 percent of the New Diamond Common Shares. Such eligible holders, upon exercising their subscription rights on or after the Effective Date, tender cash purchase price for the Exit Notes and receive their pro rata portion of the 30 percent New Diamond Common Shares.

amounts received that may be attributable to accrued but unpaid interest (or accrued OID), equal to the tax basis of the Claim surrendered plus gain recognized (if any), and decreased by the amount of “boot” received.

Each holder of a Senior Notes Claim generally is expected to realize gain in an amount equal to the difference, if any, between (i) the fair market value of the New Diamond Common Shares received in respect of the Claim, other than amounts received that may be attributable to accrued but unpaid interest or accrued original issue discount, and the fair market value of the Subscription Rights (as discussed below under “Treatment of the Subscription Rights”) and (ii) the holder’s adjusted tax basis in the Claim exchanged. A Holder of a Senior Notes Claim generally is not expected to recognize any loss and is expected to recognize interest income, if any, and any gain to the lesser of (i) the amount of gain realized and (ii) the fair market value of any “boot” received. The holding period for the Senior Notes Claim holder’s pro rata share of the New Diamond Common Shares received generally is expected to include the holding period for the exchanged Senior Notes Claim, provided the exchanged Senior Notes Claim was a capital asset in such holder’s hands.

#### **Treatment of the Subscription Rights**

The Issuer is taking the position that any value attributable to the subscription rights to purchase the Exit Notes (the “Subscription Rights”) is considered for U.S. federal income tax purposes as value received by the holders of the Senior Notes Claim as recovery on such claims under the Plan. If such is the case, the fair market value of the Subscription Rights is expected to be taken into account in determining a U.S. Holder’s realized gain or loss, if any, with respect to its Senior Notes Claim.

If the exchange of the Senior Notes Claims for the New Diamond Common Shares is treated as a tax-free transaction and the Subscription Rights are treated as a recovery on Senior Notes Claims, a Senior Notes holder is expected to have either (i) an exchanged basis in the Subscription Rights (if the Subscription Right is treated as a security) equal to the holder’s basis in that portion of the Holder’s Claim allocated to the Subscription Right or (ii) a tax basis in the Subscription Right equal to the fair market value of the Subscription Right (if the Subscription Right is not treated as a security).

#### **Effect of New Warrants issuance to holders of Old Diamond Common Shares**

The Issuer is taking the position that the cancellation of the Old Diamond Common Shares and issuance of the New Warrants together is treated as a taxable exchange under section 1001. In that case, a holder of Old Diamond Common Shares will generally recognize gain or loss in an amount equal to (x) the fair market value of the New Warrants received in respect of its Old Diamond Common Shares *less* (y) such holder’s adjusted tax basis in such Old Diamond Common Shares. The holder’s initial aggregate tax basis in a New Warrant would generally equal its fair market value. The holder’s holding period for a New Warrant would begin the day following the exchange. Any such gain or loss recognized by the holder will be a capital gain or loss. Capital gain will generally be taxable at preferential rates to non-corporate holders whose holding period in the Old Diamond Common Shares is greater than one year at the time of such exchange. The deductibility of capital loss is subject to significant limitations.

**Each holder should consult their tax advisors to determine the tax consequences of the exchange to them. The Internal Revenue Service may take a position contrary to what is included in this document.**

**Form 8937 – Part II – Line 16*****Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates***

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how a holder should determine the fair market values of the Diamond Stock, Warrants, or Subscription Rights for purposes of determining a holder's tax basis. The fair market value listed below are based on a valuation performed by an independent outside advisor as of the Effective Date.

<b>Instrument</b>	<b>Aggregate Value</b>	<b># Units Issued</b>	<b>Fair Market Value per Unit as of Effective Date</b>
Equity Received by Holders of Senior Notes Claims	\$603,374,800	70,000,019	\$8.62
Warrants Received by Old Diamond Common Shareholders	\$20,057,000	7,526,894	\$2.66
Subscription Rights Received by Participating Holders of Senior Notes Claims	\$258,589,200	30,000,000	\$8.62

**Senior Notes**

As discussed on Line 15, based on our position that the Senior Notes Claims constitute securities within the meaning of section 354, and that the Senior Notes Claims-for-equity exchange qualifies as a section 368(a)(1)(E) reorganization, a prepetition Senior Note holder's aggregate basis in the New Diamond Common Shares received generally is expected to equal the holder's basis in the Senior Notes exchanged therefore, decreased by the amount of boot received (e.g., the portion of the Subscription Rights related to the right to acquire Exit Notes), and increased by the amount of gain recognized by the Senior Note Holder on the exchange.<sup>2</sup>

**Old Diamond Common Shares**

As discussed on Line 15, based on our position that the exchange of New Warrant for Old Diamond Common Shares will be treated as a taxable exchange under section 1001, a holder's initial aggregate tax basis in a New Warrant would generally equal its fair market value.

<sup>2</sup> Given our position was to view the exchange as occurring in two separate steps, such basis first is allocated according to the fair market value of the 70 percent New Diamond Common Shares and the portion of the Subscription Rights that is solely attributable to such holder's right to acquire a pro rata portion of the 30 percent New Diamond Common Shares. Upon exercise of the Subscription Rights, the Senior Note Holders receive in the aggregate and have basis in the 30 percent New Diamond Common Shares equal to the basis of the Subscription Rights solely related to the 30 percent New Diamond Common Shares as allocated in the prior step.

**Form 8937 – Part II – Line 17**

***List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based***

Sections 354, 356, 358, 368(a)(1)(E), 1001, 1223, and 1273 of the Internal Revenue Code and corresponding Treasury Regulations.

**Form 8937 – Part II – Line 18**

***Can any resulting loss be recognized?***

As discussed on Line 15, if the receipt of consideration under the Plan qualifies as a taxable exchange for U.S. federal income tax purposes, a holder of Old Diamond Common Shares will generally recognize loss to the extent the holder's adjusted tax basis in its Old Diamond Common Shares exceeds the fair market value of the New Warrants received in respect of its Old Diamond Common Shares.

**Form 8937 – Part II – Line 19**

***Provide any other information necessary to implement the adjustment, such as the reportable tax year***

The transaction is reportable by each holder in the tax year that includes April 23, 2021.