PEROT SYSTEMS CORP
Form S-4/A
May 27, 2004

As filed with the Securities and Exchange Commission on May 27, 2004

Registration No. 333-110387

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2
to

Form S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Perot Systems Corporation

(Exact name of registrant as specified in its charter)

Delaware	**7374**	**75-2230700**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

2300 West Plano Parkway
Plano, Texas 75075
(972) 577-0000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Peter A. Altabef

Vice President, General Counsel, and Secretary
2300 West Plano Parkway
Plano, Texas 75075
(972) 577-0000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after the effectiveness of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. þ

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)(2)(3)	Proposed Maximum Offering Price Per Share(4)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Class A Common Stock, par value $0.01 per share	15,000,000	$11.35	$170,250,000	$13,773.23(5)
Rights to Purchase Preferred Stock(2)				

(1) Pursuant to Rule 416(a) under the Securities Act, the number of shares of common stock registered hereby is subject to adjustment to prevent dilution resulting from stock splits, stock dividends, or similar transactions.

(2) Associated with the Class A common stock are rights to purchase Series A Junior Participating Preferred Stock of Perot Systems Corporation (the Series A Preferred Stock) that will not be exercisable or evidenced separately from the Class A common stock prior to the occurrence of certain events. No separate consideration will be received by the Registrant for the initial issuance of the rights to purchase the Series A Preferred Stock.

(3) Some of the securities being registered will be sold pursuant to a secondary offering as from time to time persons who receive shares of Class A common stock in business combinations may be permitted to resell their shares using this prospectus.

(4) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(c) under the Securities Act. The maximum price per share information is based on the average of the high and the low sale prices of the Registrant s Class A common stock, par value $0.01 per share, reported on the New York Stock Exchange on November 6, 2003.

(5) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MAY 27, 2004

PROSPECTUS

15,000,000 Shares

Perot Systems Corporation

Class A Common Stock

This prospectus covers 15,000,000 shares of our Class A common stock, par value $.01 per share, that we may issue and sell from time to time in business combination transactions. We and the owners or controlling persons of the businesses or assets acquired will negotiate the terms of any business combination. We will determine the value of the shares of common stock to be issued at prices reasonably related to market prices current either at the time of agreement on the terms of a business combination or at or about the time of delivery of the shares. This prospectus may also cover sales by persons or entities who have received shares of common stock under this prospectus and who elect to use this prospectus to cover the resale of the shares.

We will pay all expenses of the offering. We will not pay any underwriting discounts or commissions in connection with the issuance or sale of any shares, although we may pay finder s fees in connection with specific business combinations. Any person receiving a finder s fee may be deemed to be an underwriter of the shares issued in the transaction.

Our common stock is listed on the New York Stock Exchange under the symbol PER. On May 26, 2004, the closing price of one share of our Class A common stock on the New York Stock Exchange was $13.35. We have never declared or paid a cash dividend on our common stock.

Before purchasing shares of our Common Stock you should carefully review the Risk Factors section of this prospectus, which begins on page 1.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 27, 2004.

THIS PROSPECTUS INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION THAT IS NOT INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS. THIS INFORMATION IS AVAILABLE WITHOUT CHARGE TO SECURITY HOLDERS UPON ORAL OR WRITTEN REQUEST TO PEROT SYSTEMS CORPORATION, 2300 WEST PLANO PARKWAY, PLANO, TEXAS 75075, ATTENTION: INVESTOR RELATIONS (TEL. (877) 737-6973). TO ENSURE TIMELY DELIVERY OF THE INFORMATION, PLEASE MAKE ANY REQUEST AT LEAST FIVE DAYS BEFORE THE DAY YOU MUST MAKE YOUR INVESTMENT DECISION. SEE WHERE YOU CAN FIND MORE INFORMATION.

WE HAVE NOT AUTHORIZED ANY PERSON TO PROVIDE INFORMATION OR MAKE ANY REPRESENTATION ABOUT THIS OFFERING THAT IS NOT IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. THIS PROSPECTUS IS NOT AN OFFER TO SELL NOR IS IT SEEKING AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS PROHIBITED. INFORMATION IN THIS PROSPECTUS IS CORRECT ONLY AS OF ITS DATE, REGARDLESS OF WHEN ANY LATER OFFER OR SALE OCCURS.

TABLE OF CONTENTS

Our principal executive offices are located at 2300 West Plano Parkway, Plano Texas 75075. Our telephone number is (972) 577-0000 and our website is *www.perotsystems.com.*

Table of Contents

RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. In addition to the other information in this prospectus, you should carefully consider the following risk factors in evaluating an investment in our common stock. The risks described below are not the only ones that we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the following risks actually occurs, our business, financial condition, or results of operations could be materially and adversely affected. In such case, the trading price of our Class A common stock could decline, and you may lose all or part of your investment.

In addition, we specifically direct you to our public filings, which are available from the Securities and Exchange Commission as described under the captions Available Information and Where You Can Find More Information. These public filings will discuss other potential risk factors that may arise in the future.

Our contract with UBS (our largest customer) ends in January 2007 and we may renegotiate its term before then, either of which events we expect would result in lower revenues or profits.

Our largest customer is UBS. During 2003, our UBS relationship generated $242.0 million or 16.6% of our revenue, which is a decline of $7.8 million from 2002 revenue of $249.8 million. For the three months ended March 31, 2004, revenue from UBS was $58.3 million, which is a slight decline from revenue of $58.8 million for the prior year period. We expect this year over year decline in revenue to continue for the full year 2004 as compared to 2003. These revenue amounts do not include revenue recognized under agreements between UBS and Perot Systems TSI, which was acquired in December 2003.

The agreement with UBS that covers most of our business with UBS entitles us to recover our costs plus an annual fixed fee, with a bonus or penalty that can cause this annual fee to vary up or down by as much as 13%, depending on our level of performance as determined by UBS. Additionally and from time-to-time, we provide additional services to UBS for which we may be paid on a time and materials basis. As a result, the revenue and gross profit that we derive from our UBS relationship depends upon the level of services we perform, which may vary from period to period. The amount of gross profit that we have earned from UBS has ranged from $44.2 million to $50.2 million during the three years ended December 31, 2003.

The agreement under which we provide most of our services to UBS expires on January 1, 2007. The agreement may end prior to January 1, 2007, or we may provide services to UBS after the agreement expires. If we provide services to UBS after this contract expires, we expect the scope of services we provide and the terms and conditions by which we provide them would change materially. It is possible that a contract renegotiation would affect the terms of our relationship before the expiration of the contract, including terms related to the contract s expiration date, pricing of services and scope of services. The end of this agreement or a material change in its terms would likely have a material adverse effect on our revenues and profits. In addition, it is unlikely that we could proportionately reduce our costs and overhead in the short or medium term compared to any reduction in our revenue and gross profit from this contract. Therefore, we expect that any termination of this agreement, or any substantial change in its terms, would have a disproportionately large effect on our profitability compared to the effect on our revenues.

Revenue from our contract with UBS may substantially vary between periods because it depends on the levels of service UBS determines we have provided.

Revenue that we derive from our UBS relationship primarily depends upon the level of services we perform, which may vary from period to period depending on UBS s requirements. In addition, the agreement with UBS that covers most of our business with UBS entitles us to recover our costs plus an annual fixed fee, with a bonus or penalty that can cause this annual fee to vary up or down by as much as 13%, depending on our level of performance as determined by UBS. Determination of whether our performance merits a bonus or a penalty depends on many objective and subjective factors, including service quality, product delivery, customer satisfaction, cost effectiveness, and corporate level support. To the extent that UBS determines to diminish our annual fee in any given year, our profitability will be adversely affected.

Table of Contents

We may bear the risk of cost overruns under custom software development contracts, and, as a result, cost overruns could adversely affect our profitability.

We develop custom software applications for some of our customers. The effort and cost associated with the completion of a software development project is difficult to estimate and, in some cases, may significantly exceed the estimate made at the time we begin the project. We provide most of our software development projects under level-of-effort contracts, usually based on time and materials or direct costs plus a fee. Under those arrangements, we are able to bill our customer based on the actual cost of completing the software development project, even if the ultimate cost of the project exceeds our initial estimates. However, if the ultimate cost exceeds our initial estimate by a significant amount, we may have difficulty collecting the full amount that we are due under the contract, depending upon many factors, including the reasons for the increase in cost, our communication with the customer throughout the project and the customer s satisfaction with the developed software. As a result, we could incur losses with respect to software development projects even when they are priced on a level-of-effort basis. For example, during the three months ended June 30, 2003, we exited an under-performing contract that included a software development project in which the actual development costs were expected to exceed the estimated costs as stated in the contract. While the contract provided for us to collect most of the excess of the actual cost over the estimate in the contract, we expected to incur a loss on the software development project beginning in 2002. In the first quarter of 2003, we recorded approximately $19.5 million of expense related to the excess of the actual cost over the estimate in the contract (approximately $12.1 million, net of the applicable income tax benefit), which was included in the cumulative effect of change in accounting principle relating to our adoption of EITF 00-21. In the second quarter of 2003, we and our client were unable to reach agreement on the timing and form of payment for the excess, and we recorded an additional $17.7 million of expense in direct cost of services related to this software development project. If we provide a software development project under a fixed-price contract, we bear all the risk that the ultimate cost of the project will exceed the price to be charged to the customer.

We are currently not aware of any situation that is likely to result in material, non-recoverable cost overruns; however, we are not able to predict the probability of future material non-recoverable cost overruns. Accordingly, there is a risk that we will have material non-recoverable cost overruns in the future.

Our five largest customers account for a substantial portion of our revenue and profits, and the loss of any of these customers could result in decreased revenues and profits.

Our five largest customers accounted for approximately 41.2% of our revenue for 2003 and approximately 46.4% of our revenue in 2002. UBS was the only customer that accounted for more than 10% of our revenue for 2003 and 2002. After UBS our next four largest customers accounted for approximately 24.6% of our revenue in 2003 and 27.7% of our revenue in 2002. Our primary relationship with each of our five largest customers consists of a long-term outsource revenue contract with a term extending at least through 2006. Our success depends substantially upon the retention of UBS and a majority of our other major customers as ongoing customers. If we were to lose one of these major customers, our revenues would generally be materially decreased and our profits would be less. Generally, we may lose a customer as a result of a merger or acquisition, contract expiration, the selection of another provider of information technology services, business failure or bankruptcy, or our performance. These contracts typically require us to maintain specified performance levels with respect to the services that we deliver to our customer, with the result that if we fail to perform at the specified levels, we may be required to pay or credit the customer with amounts specified in the contract. In the event of significant failures to deliver the services at the specified levels, a number of these contracts provide that the customer has the right to terminate the agreement. In addition, some of these contracts provide the customer the right to terminate the contract at the customer s convenience. The customer s right to terminate for convenience typically requires the customer to pay us fees to cover costs that we have incurred but not recovered and an amount that results in the recovery of a portion of profit we had expected to earn over the term of the contract. We may not retain long-term relationships or secure renewals of short-term relationships with our major customers in the future.

We are currently evaluating ways that we can provide our second largest customer with increased cost efficiencies. As part of this process, we are evaluating potential increases and decreases to the scope of services

Table of Contents

we provide, ways to reduce costs, and may look to restructure payment terms. Although we cannot currently predict the impact of any change in our relationship, the actions we are contemplating could lead to reduced near-term cash flow and earnings, with some or all of this potentially being recovered in future years.

If entities we acquire fail to perform in accordance with our expectations or if their liabilities exceed our expectations, our profits per share could be diminished and our financial results could be adversely affected.

In connection with any acquisition we make, there may be liabilities that we fail to discover or that we inadequately assess. To the extent that the acquired entity failed to fulfill any of its contractual obligations, we may be financially responsible for these failures or otherwise be adversely affected. In addition, acquired entities may not perform according to the forecasts that we used to determine the price paid for the acquisition. If the acquired entity fails to achieve these forecasts, our financial condition and operating results may be adversely affected.

Our software development products may cost more than we initially project, encounter delays, or fail to perform well in the market, which could decrease our profits.

Our business has risks associated with the development of software products. There is the risk that capitalized costs of development may not be fully recovered if the market for our products or the ability of our products to capture a portion of the market differs materially from our estimates. In addition, there is the risk that the cost of product development differs materially from our estimates or a delay in product introduction may reduce the portion of the market captured by our product.

If we are unable to successfully integrate acquired entities, our profits may be less and our operations more costly or less efficient.

We have completed several acquisitions in recent years and we will continue to analyze and consider potential acquisition candidates. Acquisitions involve significant risks, including the following:

- companies we acquire may have a lower quality of internal controls and reporting standards, which could cause us to incur expenses to increase the effectiveness and quality of the acquired company s internal controls and reporting standards;
- we may have difficulty integrating the systems and operations of acquired businesses, which may increase anticipated expenses relating to integrating our business with the acquired company s business and delay or reduce full benefits that we anticipate from the acquisition;
- integration of an acquired business may divert our attention from normal daily operations of the business, which may adversely affect our management, financial condition, and profits; and
- we may not be able to retain key employees of the acquired business, which may delay or reduce the full benefits that we anticipate from the acquisition and increase costs anticipated to integrate and manage the acquired company.

Our contracts generally contain provisions that could allow customers to terminate the contracts, decreasing our revenue and profits and potentially damaging our business reputation.

Our contracts with customers generally permit termination in the event our performance is not consistent with service levels specified in those contracts. The ability of our customers to terminate contracts creates an uncertain revenue and profit stream. If customers are not satisfied with our level of performance, our reputation in the industry may suffer, which may also adversely affect our ability to market our services to other customers.

Table of Contents

Some contracts contain fixed-price provisions or penalties that could result in decreased profits.

Some of our contracts contain pricing provisions that require the payment of a set fee by the customer for our services regardless of the costs we incur in performing these services, or provide for penalties in the event we fail to achieve certain contract standards. In such situations, we are exposed to the risk that we will incur significant unforeseen costs or such penalties in performing the contract.

Fluctuations in currency exchange rates may adversely affect the profitability of our foreign operations.

Fluctuations in currency exchange rates may adversely affect the profitability of our foreign operations. For instance, with respect to most of our Indian operations, our customers pay us in their local currency (typically Euros or U.S. Dollars), but our costs are primarily incurred in Indian Rupees. Therefore, if the Rupee increases in strength against these local currencies, our profits from our Indian operations would be adversely affected. To attempt to mitigate the effects of foreign currency fluctuations, we sometimes use forward exchange contracts and other hedging techniques. However, we do not currently have such hedges in place with respect to most of our contracts that are being performed in India.

Our international operations expose our assets to increased risks and could result in business loss or in more expensive or less efficient operations.

We have operations in many countries around the world. In addition to the risks related to fluctuations in currency exchange rates discussed in the immediately preceding risk factor and the additional risks associated with doing business in India discussed in the immediately following risk factor, risks that affect these international operations include:

- complicated licensing and work permit requirements may hinder our ability to operate in some jurisdictions;
- our intellectual property rights may not be well protected in some jurisdictions;
- our operations may be vulnerable to terrorist actions or harmed by government responses;
- governments may restrict our ability to convert currencies; and
- additional expenses and risks inherent in conducting operations in geographically distant locations, with customers speaking different languages and having different cultural approaches to the conduct of business.

We have a significant business presence in India, and risks associated with doing business there could decrease our revenue and profits.

In December 2003, we, through a wholly owned subsidiary, completed the acquisition from HCL Technologies Limited, a corporation formed in India, of all of their interest in HCL Perot Systems B.V., a joint venture entity formed by us and HCL in 1996, for approximately $99.4 million (including acquisition costs and net of $12.1 million of cash acquired). Subsequently, we changed the name to Perot Systems TSI B.V. In addition to the risks regarding fluctuations in currency exchange rates and regarding international operations discussed in the two immediately preceding risk factors, the following risks associated with doing business in India could decrease our revenue and profits:

- governments could enact legislation that restricts the provision of services from offshore locations;
- difficulty in staffing and managing operations in India;
- difficulties in collecting accounts receivable;
- developments between the nations of India and Pakistan regarding the threat of war;

Table of Contents

- potential wage increases in India which could prevent us from maintaining our competitive advantage; and
- cost increases if the Government of India reduces or withholds tax benefits and other incentives provided to us.

Our government contracts contain early termination and reimbursement provisions that may adversely affect our revenue and profits.

Perot Systems Government Services provides services as a contractor and subcontractor on various projects with U.S. government entities. Despite the fact that a number of government projects for which we serve as a contractor or subcontractor are planned as multi-year projects, the U.S. government normally funds these projects on an annual or more frequent basis. Generally, the government has the right to change the scope of, or terminate, these projects at its convenience. The termination or a major reduction in the scope of a major government project could have a material adverse effect on our results of operations and financial condition. Approximately 99% of the revenue from the Government Services segment in 2003 is from contracts with the U.S. government.

U.S. government entities audit our contract costs, including allocated indirect costs, or conduct inquiries and investigations of our business practices with respect to our government contracts. If the government finds that we improperly charged any costs to a contract, the costs are not reimbursable or, if already reimbursed, the cost must be refunded to the government. If the government discovers improper or illegal activities in the course of audits or investigations, the contractor may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the U.S. government. These government remedies could have a material adverse effect on our results of operations and financial condition.

If customers reduce spending that is currently above contractual minimums, our revenues and profits could diminish.

Some of our outsourcing customers request services in excess of the minimum level of services required by the contract. These services are often in the form of project work and are discretionary to our customers. Our customers ability to continue discretionary project spending may depend on a number of factors including, but not limited to, their financial condition, and industry and strategic direction. Spending above contractual minimums by customers could end with limited notice and result in lower revenue and earnings.

If we fail to compete successfully in the highly competitive markets in which we operate, our business, financial condition, and results of operations will be materially and adversely affected.

As described in more detail in the bullet points below, we operate in extremely competitive markets, and the technology required to meet our customers needs changes. In all of our segments we frequently compete with companies that have greater financial resources; more technical, sales, and marketing capacity; and larger customer bases than we do. Because many of the factors on which we compete, as discussed below, are outside of our control, we cannot be sure that we will be successful in the markets in which we compete. If we fail to compete successfully against our competitors, our business, financial condition, and results of operations will be materially and adversely affected.

- *IT Solutions.* Our IT Solutions segment competes with a number of different information technology service providers depending upon the region, country, and/or market we are addressing. Some of our more frequent competitors include: Accenture Ltd., Affiliated Computer Services, Inc., Cap Gemini Ernst & Young, CGI Group, Inc., Computer Sciences Corporation, Electronic Data Systems Corporation, Hewlett Packard Company, IBM Global Services (a division of International Business Machines Corporation), McKesson Corporation, and Siemens Business Services, Inc. As we enter new markets, we expect to encounter additional competitors. Our IT Solutions segment competes on the basis of a number of factors, including the attractiveness and breadth of the business strategy and services that we offer, pricing, technological innovation, quality of service, ability to invest in or acquire assets of potential customers and our scale in certain industries. In addition, we frequently compete with our customers own internal information technology capability, which may constitute a fixed cost for our customer. This may increase pricing pressure on us.

Government Services. Our Government Services segment competes with a number of different information technology service providers depending upon the federal agency or department as well as the market we are addressing. Some of our more frequent competitors include: Accenture Ltd., Affiliated Computer Services, Inc., Anteon International Corporation, BearingPoint, Inc., Booz-Allen and Hamilton, CACI International, Inc., Cap Gemini Ernst & Young, Computer Sciences Corporation, Electronic Data Systems Corporation, General Dynamics, Lockheed Martin Corporation, Northrop Grumman Corporation, Science Applications International Corporation, SRA International, and Unisys Corporation. We compete on the basis of a number of factors, including the attractiveness and breadth of the business strategy and professional services that we offer, pricing, technological innovation and quality of service. We must frequently compete in federal and defense programs with declining budgets, which creates pressure to lower our prices.

Consulting. Our Consulting segment competes with a number of different consulting practices including large consulting firms such as Accenture Ltd., BearingPoint, Inc., Cap Gemini Ernst & Young, Cognizant Technology Solutions Corporation, Computer Sciences Corporation, and Wipro Limited; smaller consulting firms with industry expertise in areas such as healthcare or financial services, and the consulting divisions of large systems integrators and information technology services providers. We compete on many factors, including price, industry expertise, our process methodologies and intellectual property, and our past successes in executing assignments. The market for consulting services is affected by an oversupply of consulting talent, both domestically and offshore, which results in downward price pressure for our services. Emerging offshore development capacity in countries such as India and China is also increasing the degree of competition for our consulting services generally and for our software development services in particular.

Increasingly complex regulatory environments may increase our costs.

Our customers are subject to complex and constantly changing regulatory environments. These regulatory environments change in ways that cannot be predicted. For example, our financial services clients are subject to domestic and foreign privacy and electronic record handling rules and regulations, and our clients in the health care industry have been made subject to increasingly complex and pervasive privacy laws and regulations. These regulations may increase our potential liabilities if our services contribute to a failure by our clients to comply with the regulatory regime and may increase the cost to comply as regulatory requirements increase or change.

Our quarterly operating results may vary.

We expect our revenue and operating results to vary from quarter to quarter. Such variations are likely to be caused by many factors that are, to some extent, outside our control, including:

- mix and timing of customer projects;
- completing customer projects;
- hiring, integrating, and utilizing associates;
- timing of new contracts;
- issuance of common shares and options to associates; and
- costs to exit certain activities.

Accordingly, we believe that quarter-to-quarter comparisons of operating results for preceding quarters are not necessarily meaningful. You should not rely on the results of one quarter as an indication of our future performance.

Table of Contents

Loss of key personnel could adversely affect our ability to attract and retain business.

Our success depends in part on the skills, experience, and performance of some key members of our management, including our Chairman, Ross Perot, and our President and Chief Executive Officer, Ross Perot, Jr. The loss of any key member of our management may materially and adversely affect our ability to attract or retain business with the effect of adversely affecting our business, financial condition, and results of operations.

Outside interests of Perot family could adversely affect our business, financial condition, or results of operations.

Ross Perot and Ross Perot, Jr. each have extensive interests outside of Perot Systems. These interests could result in conflicts of interest, or the appearance of conflicts of interest, with Perot Systems despite any efforts undertaken to avoid a conflict or appearance of a conflict. In addition, adverse events affecting any of these outside interests could have a material adverse effect on our business, financial condition, or results of operations as a result of adverse publicity, the distraction of either Ross Perot or Ross Perot, Jr. from the business of Perot Systems or, in certain cases, Perot Systems involvement in any legal proceedings that may arise from such adverse events.

Changes in technology could adversely affect our competitiveness, revenue, and profit.

The markets for our information technology services change rapidly because of technological innovation, new product introductions, changes in customer requirements, declining prices, and evolving industry standards, among other factors. New products and new technology often render existing information services or technology infrastructure obsolete, excessively costly, or otherwise unmarketable. As a result, our success depends on our ability to timely innovate and integrate new technologies into our service offerings. We cannot guarantee that we will be successful at adopting and integrating new technologies into our service offerings in a timely manner.

Ross Perot has substantial control over any major corporate action.

Ross Perot, our Chairman, is the managing general partner of HWGA, Ltd., a partnership that owned 31,705,000 shares of our Class A common stock as of December 31, 2003. Mr. Perot also beneficially owns 58,100 shares of our Class A common stock. Accordingly, Mr. Perot, primarily through HWGA, Ltd., controls approximately 29% of our outstanding voting common stock. As a result, Mr. Perot, through HWGA, Ltd., effectively has the power to block corporate actions such as an amendment to our Certificate of Incorporation, a change of control or the sale of all or substantially all of our assets. In addition, Mr. Perot may significantly influence the election of directors and any other action requiring stockholder approval. The other general partner of HWGA, Ltd. is Ross Perot, Jr., our President and Chief Executive Officer, who has the authority to manage the partnership and direct the voting or sale of the shares of our Class A common stock held by HWGA, Ltd. if Mr. Perot is no longer the managing general partner.

We could lose rights to our company name, which may adversely affect our ability to market our services.

We do not own the right to our company name. In 1988, we entered into a license agreement with Ross Perot, our Chairman, and the Perot Systems Family Corporation that allows us to use the name Perot and Perot Systems in our business on a royalty-free basis. Mr. Perot and the Perot Systems Family Corporation may terminate this agreement at any time and for any reason. Beginning one year following such a termination, we would not be allowed to use the names Perot or Perot Systems in our business. Mr. Perot s or the Perot Systems Family Corporation s termination of our license agreement could materially and adversely affect our ability to attract and retain customers, which could have a material adverse affect our business, financial condition, and results of operations.

Table of Contents

Failure to recruit, train, and retain technically skilled personnel could increase costs or limit growth.

We must continue to hire and train technically skilled people in order to perform services under our existing contracts and new contracts into which we will enter. The people capable of filling these positions have historically been in great demand, and recruiting and training such personnel requires substantial resources. We may be required to pay an increasing amount to hire and retain a technically skilled workforce. In addition, during periods in which demand for technically skilled resources is great, our business may experience significant turnover. These factors could create variations and uncertainties in our compensation expense and efficiencies that could directly affect our profits. If we fail to recruit, train, and retain sufficient numbers of these technically skilled people, our business, financial condition, and results of operations may be materially and adversely affected.

Alleged or actual infringement of intellectual property rights could result in substantial additional costs.

Our suppliers, customers, competitors and others may have or obtain patents and other proprietary rights that cover technology we employ. We are not, and cannot be, aware of all patents or other intellectual property rights of which our services may pose a risk of infringement. Others asserting rights against us could force us to defend ourselves or our customers against alleged infringement of intellectual property rights. We could incur substantial costs to prosecute or defend any intellectual property litigation and we could be forced to do one or more of the following:

- cease selling or using products or services that incorporate the disputed technology;
- obtain from the holder of the infringed intellectual property right a license to sell or use the relevant technology; or
- redesign those services or products that incorporate such technology.

Provisions of our certificate of incorporation, bylaws, stockholders rights plan and Delaware law could deter takeover attempts.

Our Board of Directors may issue up to 5,000,000 shares of preferred stock and may determine the price, rights, preferences, privileges, and restrictions, including voting and conversion rights, of these shares of preferred stock without any further vote or action by our stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may make it more difficult for a third party to acquire a majority of our outstanding voting stock.

In addition, we have adopted a stockholders rights plan. Under this plan, after the occurrence of specified events that may result in a change of control, our stockholders will be able to buy stock from us or our successor at half the then current market price. These rights will not extend, however, to persons participating in takeover attempts without the consent of our Board of Directors or that our Board of Directors determines to be adverse to the interests of the stockholders. Accordingly, this plan could deter takeover attempts.

Some provisions of our Certificate of Incorporation and Bylaws and of Delaware General Corporation Law could also delay, prevent, or make more difficult a merger, tender offer, or proxy contest involving our company. Among other things, these provisions:

- require a 66 2/3% vote of the stockholders to amend our Certificate of Incorporation or approve any merger or sale, lease, or exchange of all or substantially all of our property and assets;
- require an 80% vote for stockholders to amend our Bylaws;
- require advance notice for stockholder proposals and director nominations to be considered at a vote of a meeting of stockholders;
- permit only our Chairman, President, or a majority of our Board of Directors to call stockholder meetings, unless our Board of Directors otherwise approves;

Table of Contents

prohibit actions by stockholders without a meeting, unless our Board of Directors otherwise approves; and

limit transactions between our company and persons that acquire significant amounts of stock without approval of our Board of Directors.

FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, forecasts, expects, plans, anticipates, b estimates, predicts, potential, or continue or the negative of such terms and other comparable terminology. These statements are only prediction Actual events or results may differ materially. In evaluating all forward-looking statements, you should specifically consider various factors that may cause actual results to vary from those contained in the forward-looking statements, such as the factors listed in the Risk Factors section of this prospectus. Please also refer to our Annual Report on Form 10-K for our most recently ended fiscal year and subsequent public filings, as filed with the U.S. Securities and Exchange Commission and available at www.sec.gov, for additional information regarding risk factors. We disclaim any intention or obligation to revise any forward-looking statements contained or incorporated by reference into this prospectus whether as a result of new information, future developments, or otherwise.

Table of Contents

THE COMPANY

We are a worldwide provider of information technology (commonly referred to as IT) services and business solutions to a broad range of customers. We offer our customers integrated solutions designed around their specific business objectives, chosen from a breadth of services, including technology outsourcing, business process outsourcing, development and integration of systems and applications, and business and technology consulting services.

With this approach, our customers benefit from integrated service offerings that help synchronize their strategy, systems, and infrastructure. As a result, we help our customers achieve their business objectives, whether those objectives are to accelerate growth, streamline operations, or enhance customer service capabilities.

Our customers may contract with us for any one or more of our services, which fall into the following categories:

IT outsourcing services

Business process services

Consulting services

IT Outsourcing Services

IT outsourcing services includes multi-year contracts in which we assume operational responsibility for various aspects of our customers businesses, including IT outsourcing (such as data center management, desktop solutions, and messaging services), application services, infrastructure management, program management, and security. We typically hire a significant portion of the customers staff that has supported these functions. We then apply our expertise and operating methodologies to increase the efficiency of the operations, which usually results in increased operational quality at a lower cost. Our IT outsourcing contracts are priced using a variety of mechanisms, including level-of-effort, direct costs plus a fee (which may be either a fixed amount or a percentage of direct costs incurred), fixed-price, unit price, and risk/reward. Depending on a customer s business requirements and the pricing structure of the contract, the cash flows from a contract can vary significantly during a contract s term. With fixed-price contracts or when an upfront payment is required to purchase assets, an IT outsourcing contract will typically produce less cash flow at the beginning of the contract with significantly more cash flow generated as efficiencies are realized later in the term. With a cost plus contract, the cash flows tend to be relatively consistent over the term of the contract.

Business Process Services

Business process services includes services such as call center management, health and dental claims processing, energy management, payment and settlement management, security, and collection of receivables, which we offer on a stand-alone basis. We classify our Business Process Services in three categories: transaction processing services, back-office services, and professional services related to non-technical functions.

Consulting Services

Consulting services includes services such as application development and maintenance, system design and implementation services, application systems migration and testing, and management consulting and IT strategy services, which we offer to customers typically on a short-term basis. We market these services through two primary channels our standalone Consulting segment and the four vertical industry groups of our IT Solutions segment as additional project work for our customers with whom we have a long-term IT outsourcing contract. The consulting services provided through our Consulting segment relate primarily to the implementation of prepackaged software applications, offshore application development and maintenance, and offshore systems migration and testing, primarily under short-term contracts related to specific projects. The consulting services provided to customers within our IT Solutions segment typically consist of customized,

Table of Contents

industry-specific business solutions provided by associates with industry expertise. All consulting services are typically viewed as discretionary services by our customers, with the level of business activity depending on many factors, including economic conditions and specific customer needs.

Our Contracts

Our contracts utilize a wide variety of pricing mechanisms, used to meet customer business requirements. In determining how to price a contract, we consider the delivery, credit and pricing risk of a business relationship. For the year ended December 31, 2003:

Approximately 33% of our revenue is from fixed price contracts where our customers pay us a set amount for contracted services. For some of these fixed price contracts, the price will be set so that the customer realizes an immediate savings in relation to their current expense for an operation we are assuming. On contracts of this nature, our profitability generally increases over the term of the contract as we become more efficient. The timeframe it takes for us to realize these efficiencies can range from a few months to a few years, depending on the complexity of the operation. We have experienced a substantial increase in our fixed price contract revenue during the past three years.

Approximately 30% of our revenue is from cost plus contracts where our billings are based in part on the amount of expense we incur in providing services to a customer.

Approximately 26% of our revenue is from time and materials contracts where our billings are based on time measurements such as hours, days or months and an agreed upon rate. In some cases, the rate the customer pays for a unit of time can vary over the term of a contract, which may result in the customer realizing immediate savings at the beginning of a contract.

Approximately 11% of our revenue is from per-unit pricing where we bill our customers based upon the volume of technology or business units used at the unit rate specified. In some contracts, the per-unit prices may vary over the term of the contract, which may result in the customer realizing immediate savings at the beginning of a contract.

We also utilize other pricing mechanisms, including license fees and risk/reward relationships where we participate in the benefit associated with delivering a certain outcome. Revenue from these other pricing mechanisms totaled less than one percent of our revenue.

We offer our services under three primary lines of business IT Solutions, Government Services and Consulting. We consider these three lines of business to be reportable segments and include financial information and disclosures about these reportable segments in our consolidated financial statements.

IT Solutions

IT Solutions, our largest line of business, provides services to our customers primarily under long-term contracts in strategic relationships. The primary services that we provide to the majority of our customers include the following:

IT outsourcing includes data center management, web hosting and internet access, desktop solutions, messaging services, and video, voice, and data services.

Application services includes application assessment and evaluation, hardware and architecture consulting, systems integration, custom application development, system testing, application management and maintenance, business intelligence, and web-based services.

Infrastructure management includes process and change management, hardware maintenance and monitoring, network management, including VPN services, and service desk capabilities.

Program management includes project assessments, project management, transition and contingency planning.

Security includes physical security, network security, and risk management.

Table of Contents

Business process services includes call center management, health and dental claims processing, energy management, payment and settlement management, security, and collection of receivables.

Consulting includes strategic consulting, technology consulting, and enterprise solutions and applications.

Within IT Solutions, we face the market through our four vertical industry groups Healthcare, Financial Services, Industrial Services and Strategic Markets. Supporting these vertical industry groups is our Global Infrastructure Services group, the delivery organization for our technology outsourcing services and our network and system operations services.

Government Services

We formed Perot Systems Government Services in July of 2002 through the acquisition of ADI Technology Corporation and then expanded it in February 2003 through the acquisition of Soza & Company, Ltd. This line of business provides consulting and technology-based business process solutions for the Department of Defense, law enforcement agencies, and other governmental agencies.

Consulting

Our Consulting line of business includes Perot Systems TSI B.V., Perot Systems Solutions Consulting, our Global Software Services group, and a group of management consultants. This line of business provides our customers high-value and repeatable services related to business and technical expertise and the design and implementation of business and software solutions, primarily under short-term contracts related to specific projects.

Ross Perot and eight associates founded Perot Systems Corporation in June 1988. Our principal executive offices are located at 2300 West Plano Parkway, Plano, Texas 75075. Our telephone number is (972) 577-0000 and our website is *www.perotsystems.com*.

SELECTED FINANCIAL DATA

(IN MILLIONS, EXCEPT PER SHARE DATA)

	Three Months Ended March 31,		Year Ended December 31,				
	2004	**2003**	**2003**	**2002**	**2001**	**2000**	**1999**
Operating Data (1):							
Revenue	$ 419.8	$336.4	$1,460.8	$1,332.1	$1,204.7	$1,105.9	$1,151.6
Direct cost of services	335.4	272.1	1,193.6	1,020.8	949.7	851.6	875.8
Gross profit	84.4	64.3	267.2	311.3	255.0	254.3	275.8
Selling, general and administrative expenses(2)	53.4	43.4	187.8	195.6	256.6	220.0	169.2
Operating income (loss)	31.0	20.9	79.4	115.7	(1.6)	34.3	106.6
Interest income, net	(0.1)	0.7	2.6	3.9	8.9	16.6	10.9
Equity in earnings (loss) of unconsolidated affiliates		1.5	(1.9)	4.7	8.4	(4.3)	9.0
Other income (expense), net	(1.0)	1.3	2.3	(2.1)	(1.9)	45.1	(0.7)
Income before taxes	29.9	24.4	82.4	122.2	13.8	91.7	125.8
Provision for income taxes	11.2	9.5	30.5	43.9	16.5	36.2	50.3
Income (loss) before cumulative effect of changes in accounting principles	18.7	14.9	51.9	78.3	(2.7)	55.5	75.5
Cumulative effect of changes in accounting principles, net of tax		(43.0)	(49.4)				
Net income (loss)	$ 18.7	$ (28.1)	$ 2.5	$ 78.3	$ (2.7)	$ 55.5	$ 75.5
Basic earnings (loss) per common share:							
Income (loss) before cumulative effect of changes in accounting principles	$ 0.16	$ 0.14	$ 0.47	$ 0.74	$ (0.03)	$ 0.58	$ 0.85
Cumulative effect of changes in accounting principles, net of tax		(0.40)	(0.45)				
Net income (loss)	$ 0.16	$ (0.26)	$ 0.02	$ 0.74	$ (0.03)	$ 0.58	$ 0.85
Weighted average common shares outstanding	113.9	109.0	110.6	106.3	99.4	96.2	88.4
Diluted earnings (loss) per common share:							
Income (loss) before cumulative effect of changes in accounting principles	$ 0.16	$ 0.13	$ 0.45	$ 0.68	$ (0.03)	$ 0.49	$ 0.67
Cumulative effect of changes in accounting principles, net of tax		(0.38)	(0.43)				
Net income (loss)	$ 0.16	$ (0.25)	$ 0.02	$ 0.68	$ (0.03)	$ 0.49	$ 0.67

Weighted average diluted common shares outstanding(3)	119.5	114.0	115.3	115.4	99.4	113.5	113.2
Balance Sheet Data (at Period End):							
Cash and cash equivalents	$ 118.7	$ 127.8	$ 123.8	$ 212.9	$ 259.2	$ 239.7	$ 294.6
Total assets	1,064.0	851.9	1,010.6	842.3	757.6	673.2	613.9
Long-term debt	75.5		75.5			0.4	0.6
Stockholders equity	757.0	652.9	712.8	676.6	530.8	501.1	390.7
Book value per common share	$ 6.62	$ 5.97	$ 6.35	$ 6.23			
Other Data:							
Capital expenditures	$ 10.5	$ 13.2	$ 28.4	$ 36.9	$ 30.7	$ 30.7	$ 25.2

Table of Contents

(1) Our results of operations include the effects of business acquisitions made in 2003, 2002, 2001 and 2000 as discussed in Note 4 to the Consolidated Financial Statements incorporated herein by reference to our Annual Report of Form 10-K for the year ended December 31, 2003. In addition, see Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes 1, 2, 6, and 19 to the Consolidated Financial Statements incorporated herein by reference to our Annual Report on Form 10-K for the year ended December 31, 2003 for discussions of significant charges and cumulative effect of changes in accounting principles recorded during 2003, 2002, 2001 and 2000.

(2) Includes a $22.1 million compensation charge related to an acquisition for 2000.

(3) All options to purchase shares of our common stock were excluded from the calculation of weighted average diluted common shares outstanding for 2001 because the impact was antidilutive given the reported net loss for the period.

PLAN OF DISTRIBUTION

General

This prospectus relates to 15,000,000 shares of our Class A common stock that we may offer and issue from time to time in connection with our acquisition of other businesses, properties, or equity and/or debt securities in business combination transactions. This prospectus will also relate to some shares of Class A common stock that persons who acquired shares pursuant to this prospectus may resell or reoffer.

We intend to concentrate our acquisitions in areas related to our current business. If the opportunity arises, however, we may make acquisitions that are either complementary to our present operations or that we consider advantageous even though the business may not be the same as our present activities. The consideration for any acquisition will be determined by negotiations between us and the owners or controlling persons of the acquired businesses or assets. We expect that the shares of Class A common stock issued in any acquisition will be valued at a price reasonably related to the market value of the Class A common stock either at the time we agree on the terms of an acquisition or at the time of delivery of the shares.

We do not expect to pay underwriting discounts or commissions in connection with the issuance of shares of Class A common stock under this prospectus. However, we may pay finders fees or brokers commissions in connection with specific acquisitions, and these fees may be paid in shares of Class A common stock covered by this prospectus. Any person receiving a fee may be an underwriter within the meaning of the Securities Act of 1933.

Selling Stockholders

We may from time to time permit persons who receive shares of Class A common stock in business combinations to resell their shares using this prospectus.

These sales may be effected from time to time on the New York Stock Exchange at prevailing prices or at negotiated prices. The selling stockholders may also sell shares of Class A common stock in private transactions or in the over-the-counter market at prices related to the prevailing prices of the shares on the New York Stock Exchange.

The selling stockholders may use broker-dealers to effect these transactions. These broker-dealers may receive compensation in the form of underwriting discounts, concessions, or commissions from the sales. The selling stockholders and any broker-dealers that participate in the distribution may, under certain circumstances, be deemed to be underwriters within the meaning of the Securities Act, and any commissions received or profits realized may be deemed to be underwriting discounts and commissions under the Securities Act. We and the selling stockholders may also agree to indemnify the broker-dealers against certain liabilities under the Securities Act. In addition, we may agree to indemnify the selling stockholders and any underwriter of the shares of Class A common stock against certain liabilities under the Securities Act or, if indemnity is unavailable, to contribute toward amounts required to be paid in respect of such liabilities.

If required under the Securities Act, we will file a supplemental prospectus disclosing the name of any selling stockholder, the name of any broker-dealers involved in a sale, the number of shares involved, the price at which such shares are to be sold, the commissions paid or discounts or concessions allowed, and other facts material to the transaction.

We may agree to pay certain costs and expenses that the selling stockholders incur in connection with the registration of their shares, but we expect that the selling stockholders will pay all selling commissions, transfer taxes, and related charges in connection with the offer and sale of their shares of Class A common stock.

The selling stockholders may sell the shares of Class A common stock offered hereby from time to time and may choose to sell less than all or none of those shares.

AVAILABLE INFORMATION

We file annual, quarterly, and special reports; proxy statements; and other information with the Securities and Exchange Commission. You may read and copy any document we file with the Securities Exchange Commission at the Securities and Exchange Commission s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our Securities and Exchange Commission filings are also available to the public from the Securities and Exchange Commission s website at *http://www.sec.gov*. Our common stock is listed on the New York Stock Exchange under the symbol PER and the periodic reports, proxy statements, and other information we file with the Securities and Exchange Commission may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

WHERE YOU CAN FIND MORE INFORMATION

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is part of this prospectus, and the information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents and information filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004.

Our Current Reports on Form 8-K dated January 5, 2004, February 10, 2004, February 20, 2004, and May 4, 2004.

The Registration Statement of our Class A common stock on Form 8-A filed on January 21, 1999.

The Registration Statement of Rights to Purchase our Series A and Series B Junior Participating Preferred Stock on Form 8-A filed on February 18, 1999.

In addition, this prospectus incorporates by reference any future filings we will make with the Securities and Exchange Commission under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 from the date of the initial filing of the registration statement that includes this prospectus until the termination of the offering. Information in this prospectus supersedes related information in the documents listed above and information in subsequently filed documents supersedes related information in both this prospectus and the incorporated documents.

Table of Contents

You may request a copy of these filings, at no cost, by writing us at the following address or calling us at the following telephone number:

2300 West Plano Parkway

Plano, Texas 75075
Attention: Investor Relations
(877) 737-6973

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission. You should rely only on the information or representations provided in this prospectus. We have not authorized nor have any of the selling stockholders authorized anyone to provide you with different information. The selling stockholders are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

LEGAL MATTERS

The validity of the Class A common stock has been passed upon for us by Hughes & Luce, L.L.P., Dallas, Texas.

EXPERTS

The financial statements incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2003 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. ***Indemnification of Directors and Officers.***

The Registrant s (the Company) Third Amended and Restated Certificate of Incorporation and Third Amended and Restated Bylaws provide that officers and directors who are made a party to or are threatened to be made a party to or are otherwise involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a proceeding), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was an officer or a director of the Company or is or was serving at the request of the Company as a director or an officer of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan (an indemnitee), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law (DGCL), as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than permitted prior thereto), against all expense, liability, and loss (including, without limitation, attorneys fees, judgments, fines, excise taxes or penalties, and amounts paid or to be paid in settlement) incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue with respect to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee s heirs, executors, and administrators; provided, however, that the Company shall indemnify any such indemnitee in connection with a proceeding initiated by such indemnitee only if such proceeding was authorized by the Board of Directors. The right to indemnification includes the right to be paid by the Company for expenses incurred in defending any such proceeding in advance of its final disposition. Officers and directors are not entitled to indemnification if such persons did not meet the applicable standard of conduct set forth in the DGCL for officers and directors.

DGCL Section 145 provides, among other things, that the Company may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding (other than an action by or in the right of the Company) by reason of the fact that the person is or was a director, officer, agent, or employee of the Company or who is or was serving at the Company s request as a director, officer, agent, or employee of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit, or proceeding. The power to indemnify applies (a) if such person is successful on the merits or otherwise in defense of any action, suit, or proceeding, or (b) if such person acted in good faith and in a manner he or she reasonably believed to be in the best interest, or not opposed to the best interest, of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The power to indemnify applies to actions brought by or in the right of the Company as well, but only to the extent of defense expenses (including attorneys fees but excluding amounts paid in settlement) actually and reasonably incurred and not to any satisfaction of a judgment or settlement of the claim itself, and with the further limitation that in such actions no indemnification shall be made in the event of any adjudication of liability to the Company, unless the court believes that in light of all the circumstances indemnification should apply.

The indemnification provisions contained in the Company s Third Amended and Restated Certificate of Incorporation and Third Amended and Restated Bylaws are not exclusive of any other rights to which a person may be entitled by law, agreement, vote of stockholders or disinterested directors, or otherwise. In addition, the Company maintains insurance on behalf of its directors and executive officers insuring them against any liability asserted against them in their capacities as directors or officers or arising out of such status.

Table of Contents

Item 21. ***Exhibits and Financial Statement Schedules.***

(a) The following exhibits are filed herewith or incorporated herein by reference.

Exhibit Number	Description of Exhibit
3.1	Third Amended and Restated Certificate of Incorporation of Perot Systems Corporation (the Company) (Incorporated by reference to Exhibit 3.1 of the Company s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002.)
3.2	Third Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.2 of the Company s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002.)
4.1	Specimen of Class A Common Stock Certificate (Incorporated by reference to Exhibit 4.1 of the Company s Registration Statement on Form S-1, Registration No. 333-60755.)
4.2	Rights Agreement dated January 28, 1999 between the Company and The Chase Manhattan Bank (Incorporated by reference to Exhibit 4.2 of the Company s Registration Statement on Form S-1, Registration No. 333-60755.)
4.3	Form of Certificate of Designation, Preferences, and Rights of Series A Junior Participating Preferred Stock (included as Exhibit A-1 to the Rights Agreement) (Incorporated by reference to Exhibit 4.3 of the Company s Registration Statement on Form S-1, Registration No. 333-60755.)
4.4	Form of Certificate of Designation, Preferences, and Rights of Series B Junior Participating Preferred Stock (included as Exhibit A-2 to the Rights Agreement) (Incorporated by reference to Exhibit 4.4 of the Company s Registration Statement on Form S-1, Registration No. 333-60755.)
5.1*	Opinion of Hughes & Luce, L.L.P., regarding legality of securities being registered.
10.1	Restricted Stock Plan (Incorporated by reference to Exhibit 10.3 of the Company s Form 10, dated April 30, 1997.)
10.2	Form of Restricted Stock Agreement (Restricted Stock Plan) (Incorporated by reference to Exhibit 10.4 of the Company s Form 10, dated April 30, 1997.)
10.3	1996 Non-Employee Director Stock Option/ Restricted Stock Incentive Plan (Incorporated by reference to Exhibit 10.5 of the Company s Form 10, dated April 30, 1997.)
10.4	Form of Restricted Stock Agreement (1996 Non-Employee Director Stock Option/ Restricted Stock Incentive Plan) (Incorporated by reference to Exhibit 10.6 of the Company s Form 10, dated April 30, 1997.)
10.5	Form of Stock Option Agreement (1996 Non-Employee Director Stock Option/ Restricted Stock Incentive Plan) (Incorporated by reference to Exhibit 10.7 of the Company s Form 10, dated April 30, 1997.)
10.6	1999 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.32 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 1999.)
10.7	Amended and Restated 1991 Stock Option Plan (Incorporated by reference to Exhibit 10.10 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2002.)
10.8	Form of Stock Option Agreement (Amended and Restated 1991 Stock Option Plan) (Incorporated by reference to Exhibit 10.34 of the Company s Registration Statement on Form S-1, Registration No. 333-60755.)
10.9	2001 Long Term Incentive Plan (Incorporated by reference to Exhibit 10.47 of Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2001.)
10.10	Form of Nonstatutory Stock Option Agreement (2001 Long Term Incentive Plan) (Incorporated by reference to Exhibit 10.13 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2002.)
10.11*	Form of Unit Certificate Restricted Stock Unit Agreement (2001 Long Term Incentive Plan).
10.12*	Form of Unit Certificate Restricted Stock Unit Agreement (Deferral Option) (2001 Long Term Incentive Plan).
10.13*	Form of Unit Certificate Restricted Stock Unit Agreement (Deferral Option Brian Maloney) (2001 Long Term Incentive Plan).

Table of Contents

Exhibit Number	Description of Exhibit
10.14	Associate Agreement dated July 8, 1996 between the Company and James Champy (Incorporated by reference to Exhibit 10.20 of the Company s Form 10, dated April 30, 1997.)
10.15	Restricted Stock Agreement dated July 8, 1996 between the Company and James Champy (Incorporated by reference to Exhibit 10.21 of the Company s Form 10, dated April 30, 1997.)
10.16	Letter Agreement dated July 8, 1996 between James Champy and the Company (Incorporated by reference to Exhibit 10.22 of the Company s Form 10, dated April 30, 1997.)
10.17	Employment Agreement dated March 11, 2002, between the Company and Brian T. Maloney (Incorporated by reference to Exhibit 10.48 of the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.)
10.18	Nonstatutory Stock Option Agreement dated March 11, 2002, between the Company and Brian T. Maloney (Incorporated by reference to Exhibit 10.49 of the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.)
10.19	Amended and Restated Master Operating Agreement dated January 1, 1997 between Swiss Bank Corporation (predecessor of UBS AG) and the Company (Incorporated by reference to Exhibit 10.31 to the Company s Form 10, dated April 30, 1997.)
10.20	Amendment No. 1 to Amended and Restated Master Operating Agreement dated September 15, 2000, between UBS AG and the Company (Incorporated by reference to Exhibit 10.43 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
10.21	Amended and Restated PSC Stock Option and Purchase Agreement dated April 24, 1997 between Swiss Bank Corporation (predecessor of UBS AG) and the Company (Incorporated by reference to Exhibit 10.30 to the Company s Form 10, dated April 30, 1997.)
10.22	Second Amended and Restated Agreement for EPI Operational Management Services dated June 28, 1998 between Swiss Bank Corporation (predecessor of UBS AG) and the Company (Incorporated by reference to Exhibit 10.46 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2001.)
10.23	Amendment No. 1 to Second Amended and Restated Agreement for EPI Operational Management Services dated September 15, 2000, between UBS AG and the Company. (Incorporated by reference to Exhibit 10.44 to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
10.24	Memorandum Agreement dated August 24, 2001, between UBS AG and Perot Systems Corporation (Incorporated by reference to Exhibit 10.45 of the Company s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001.)
10.25	Asset Purchase Agreement dated as of June 8, 2001 by and among the Company, PSARS, LLC, Advanced Receivables Strategy, Inc. (ARS), Advanced Receivables Strategy Government Accounts Division, Inc. (GAD), Meridian Healthcare Staffing, LLC (Meridian), Cash-Net, LLC (Cash-Net) and the owners of ARS, GAD, Meridian and Cash-Net (Incorporated by reference to Exhibit 2.1 of the Company s Current Report on Form 8-K filed August 10, 2001.)
10.26	Stock Purchase Agreement dated as of February 4, 2003 by and among the Company, Perot Systems Government Services, Inc., Soza & Company, Ltd. and the stockholders of Soza (Incorporated by reference to Exhibit 2.1 of the Company s Current Report on Form 8-K filed July 22, 2003.)
10.27	Master Lease Agreement and Mortgage and Deed of Trust dated as of June 22, 2000, between Perot Systems Business Trust No. 2000-1 and PSC Management Limited Partnership (Incorporated by reference to Exhibit 10.44 to the Company s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000.)
10.28	Commercial Sublease dated September 18, 2002, by and between PSC Management Limited Partnership, as sublessor, and Perot Services Company, LLC, as sublessee (Incorporated by reference to Exhibit 10.51 of the Company s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002.)

Exhibit Number	Description of Exhibit
10.29	Employment Agreement dated April 7, 2003, between the Company and Jeff Renzi (Incorporated by reference to Exhibit 10.29 of the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003.)
10.30*	Amended and Restated License Agreement dated as of August 1, 1992 between Perot Systems Family Corporation and H.R. Perot and the Company.
10.31*	Amendment to Amended and Restated License Agreement effective nunc pro tunc as of May 18, 1988 between Perot Systems Family Corporation and H.R. Perot and the Company.
10.32*	Credit Agreement dated as of January 20, 2004 among the Company, JPMorgan Chase Bank, KeyBank National Association, SunTrust Bank, Wells Fargo Bank, National Association, Southwest Bank of Texas, N.A., Southtrust Bank, and Comerica Bank.
10.33	Stock Purchase Agreement, dated as of December 12, 2003, by and among the Company, Perot Systems Investments B.V., HCL Technologies Limited, HCL Holdings GmbH, Austria, HCL Technologies (Bermuda) Limited, HCL Perot Systems B.V., HCL Perot Systems (Mauritius) Private Limited, and HCL Perot Systems Limited. (Incorporated by reference to Exhibits 99.1 and 99.2 of the Company s Current Report on Form 8-K dated January 5, 2004.)
10.34*	Amendment to Employment Agreement of Brian Maloney dated March 10, 2004.
10.35**	Master Agreement for Information Technology Services dated April 1, 2001 between Hillwood Enterprises, L.P. and the Company.
10.36**	Statement of Work #1 dated April 11, 2001 between Hillwood Enterprises L.P. and the Company.
21.1*	Subsidiaries of the Company.
23.1*	Consent of Hughes & Luce, L.L.P. (included in Exhibit 5.1).
23.2**	Consent of PricewaterhouseCoopers LLP.
24.1	Power of Attorney (included in Part II to this Registration Statement.)

* Previously filed.

** Filed herewith.

Item 22. ***Undertakings.***

The undersigned registrant hereby undertakes:

(1) To file, during any period in which any offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) That, prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an

Table of Contents

underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(6) That, every prospectus (i) that is filed pursuant to paragraph (5) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(8) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(9) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Plano, State of Texas, on May 27, 2004.

PEROT SYSTEMS CORPORATION

By: /s/ ROSS PEROT, JR.

Ross Perot, Jr.,
President, Director and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROSS PEROT, JR. Ross Perot, Jr.	President, Director and Chief Executive Officer (Principal Executive Officer)	May 27, 2004
/s/ RUSSELL FREEMAN Russell Freeman	Vice President and Chief Financial Officer (Principal Financial Officer)	May 27, 2004
/s/ ROBERT J. KELLY Robert J. Kelly	Corporate Controller (Principal Accounting Officer)	May 27, 2004
* Ross Perot	Chairman	May 27, 2004
* Steve Blasnik	Director	May 27, 2004
* DeSoto Jordan	Director	May 27, 2004
* John S. T. Gallagher	Director	May 27, 2004
* Carl Hahn	Director	May 27, 2004
* Thomas Meurer	Director	May 27, 2004

II-6

Table of Contents

Signature	Title	Date
* Cecil H. Moore	Director	May 27, 2004
*By: /s/ PETER A. ALTABEF Peter A. Altabef *Attorney-in-Fact*		May 27, 2004

le="TEXT-ALIGN: right">

(129)

-

Exercise of employee stock options

36

36

503

539

Stock option and restricted stock

award compensation expense

-

-

5,561

-

5,561

March 31, 2010

64,401

$ 64,401

$ 128,392

$ 1,049,339

$ 1,242,132

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

6

PART I. ITEM 1 - FINANCIAL STATEMENTS
ATWOOD OCEANICS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED INTERIM INFORMATION

The unaudited interim condensed consolidated financial statements as of March 31, 2010, and for the three and six month periods ended March 31, 2010 and 2009, included herein, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. The year end condensed consolidated balance sheet data was derived from the audited financial statements as of September 30, 2009. Although these financial statements and related information have been prepared without audit, and certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, we believe that the note disclosures are adequate to make the information not misleading. The interim financial results may not be indicative of results that could be expected for a full fiscal year. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report to Shareholders for the year ended September 30, 2009. In our opinion, the unaudited interim financial statements reflect all adjustments considered necessary for a fair statement of our financial position and results of operations for the periods presented.

2. SHARE-BASED COMPENSATION

We recognize compensation expense on grants of share-based compensation awards on a straight-line basis over the required service period for each award. As of March 31, 2010, unrecognized compensation cost, net of estimated forfeitures, related to stock options and restricted stock awards was approximately $——6.7 million and $12.5 million, respectively, which we expect to recognize over a weighted average period of approximately 2.3 years.

Awards of restricted stock and stock options have both been granted under our stock incentive plans during the six months ended March 31, 2010. We deliver newly issued shares of common stock for restricted stock awards upon vesting and upon exercise of stock options. All stock incentive plans currently in effect have been approved by the shareholders of our outstanding common stock.

Stock Options

Under our stock incentive plans, the exercise price of each stock option equals the fair market value of one share of our common stock on the date of grant, with all outstanding options having a maximum term of 10 years. Options vest ratably over a period from the end of the first to the fourth year from the date of grant. Each option is for the purchase of one share of our common stock.

The per share weighted average fair value of stock options granted during the six months ended March 31, 2010 was $14.69. We estimated the fair value of each stock option then outstanding using the Black-Scholes pricing model and the following assumptions for the six months ended March 31, 2010:

Risk-Free Interest Rate	2.1%
Expected Volatility	43%
Expected Life (Years)	5.3
Dividend Yield	None

The average risk-free interest rate is based on the five-year U.S. treasury security rate in effect as of the grant date. We determined expected volatility using a six year historical volatility figure and determined the expected term of the stock options using 10 years of historical data. We have never paid any cash dividends on our common stock.

A summary of stock option activity during the six months ended March 31, 2010 is as follows:

	Number of Options (000s)	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life (Years)	Aggregate Intrinsic Value (000s)
Outstanding at September 30, 2009	1,499	$ 18.03	6.2	$ 25,846
Granted	355	$ 35.69		
Exercised	(36)	$ 14.40		$ 843
Forfeited	(26)	$ 29.73		
Outstanding at March 31, 2010	1,792	$ 21.44	6.5	$ 23,647
Exercisable at March 31, 2010	1,113	$ 16.41	5.0	$ 20,272

Restricted Stock

We have also awarded restricted stock to certain employees and to our non-employee directors. The awards of restricted stock to employees are subject to a vesting period ranging from three to four years. Awards of restricted stock to non-employee directors prior to Amendment No. 1 to the 2007 Plan, which was approved by our shareholders on February 14, 2008, vested immediately, while awards granted subsequent to the adoption of Amendment No. 1 to the 2007 Plan are subject to a vesting period of at least thirteen months, ranging from thirteen months to three years. All restricted stock awards granted to date are restricted from transfer for at least three or four years, depending on the terms of the award, from the date of grant, whether vested or unvested. We value restricted stock awards at fair market value of our common stock on the date of grant.

A summary of restricted stock activity for the six months ended March 31, 2010 is as follows:

	Number of Shares (000s)	Wtd. Avg. Fair Value
Unvested at September 30, 2009	558	$ 31.09
Granted	263	$ 35.67
Vested	(129)	$ 24.84
Forfeited	(20)	$ 27.24
Unvested at March 31, 2010	672	$ 34.20

3. EARNINGS PER COMMON SHARE

The computation of basic and diluted earnings per share is as follows (in thousands, except per share amounts):

	Three Months Ended			Six Months Ended		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
March 31, 2010:						
Basic earnings per share	$ 66,755	64,396	$ 1.04	$ 133,739	64,349	$ 2.08
Effect of dilutive securities:						
Stock options	---	707	$ (0.01)	---	714	$ (0.02)
Diluted earnings per share	$ 66,755	65,103	$ 1.03	$ 133,739	65,063	$ 2.06
March 31, 2009:						
Basic earnings per share	$ 56,427	64,186	$ 0.88	$ 134,790	64,134	$ 2.10

Effect of dilutive securities:										
Stock options		---	49	$	-		---	150	$	-
Diluted earnings per share	$	56,427	64,235	$	0.88	$	134,790	64,284	$	2.10

The calculation of diluted earnings per share for the six month period ended March 31, 2010 excludes consideration of shares of common stock related to 516,000 outstanding stock options because such options were anti-dilutive. These options could potentially dilute basic earnings per share in the future.

9

4. PROPERTY AND EQUIPMENT

A summary of property and equipment by classification is as follows (in thousands):

	March 31, 2010	September 30, 2009
Drilling vessels and related equipment		
Cost	$ 1,621,711	$ 1,536,904
Accumulated depreciation	(375,565)	(356,907)
Net book value	1,246,146	1,179,997
Drill Pipe		
Cost	15,468	15,417
Accumulated depreciation	(13,422)	(13,022)
Net book value	2,046	2,395
Furniture and other		
Cost	10,011	9,750
Accumulated depreciation	(7,987)	(7,842)
Net book value	2,024	1,908
NET PROPERTY AND EQUIPMENT	$ 1,250,216	$ 1,184,300

Warehouse Fire

On October 25, 2008, a fire occurred in a third party warehouse facility in Houston, Texas that we use to store fleetwide spare capital equipment. In addition, this third party provides international freight forwarding services, and thus, the location was also used as a staging area for equipment shipments to our international fleet. Although the fire was contained primarily to one area of the facility, we did incur significant damage to our fleet spares and other equipment in-transit. At the time of the incident we had insurance to cover the cost of replacing and repairing damaged equipment in excess of a $1,000 deductible.

As of March 31, 2010 we have collected insurance proceeds equal to our $5.7 million property loss claim and costs incurred to inspect and evaluate damaged equipment.

10

New Semisubmersible Construction Projects

During fiscal year 2008, we entered into construction contracts with Jurong Shipyard Pte. Ltd. to construct two Friede & Goldman ExD Millennium semisubmersible drilling units (the ATWOOD OSPREY, a conventionally moored 6,000 foot water depth unit and a to-be-named dynamically positioned 10,000 foot water depth unit). As of March 31, 2010, we had committed approximately $389 million and $282 million in construction costs respectively related to the construction of the ATWOOD OSPREY and our new to-be-named dynamically positioned semisubmersible.

5. LONG-TERM DEBT

A summary of long-term debt is as follows (in thousands):

	March 31, 2010	September 30, 2009
2007 credit facility, bearing interest (market adjustable) at approximately 1.1% and 1.9% per annum at March 31, 2010 and September 30, 2009, respectively	$ 200,000	$ 200,000
2008 credit facility, bearing interest (market adjustable) at approximately 1.9% and 2.2% per annum at March 31, 2010 and September 30, 2009, respectively	50,000	75,000
	$ 250,000	$ 275,000

As of March 31, 2010, we had approximately $100 million of funds available under our 5-year $300 million credit facility executed in October 2007 (the “2007 Credit Agreement”) and approximately $230 million available under our 5-year $280 million credit facility executed in November 2008 (the “2008 Credit Agreement”), with standby letters of credit in the aggregate amount of approximately $5.1 million and $0.6 million outstanding under the 2007 Credit Agreement and the 2008 Credit Agreement, respectively.

The 2008 Credit Agreement and the 2007 Credit Agreement contain various financial covenants that, among other things, require the maintenance of a leverage ratio, not to exceed 5.0 to 1.0, an interest expense coverage ratio not to be less than 2.5 to 1.0 and a required level of collateral maintenance whereby the aggregate appraised collateral value shall not be less than 150% of the total credit facility commitment. As of March 31, 2010, our leverage ratio was 0.23 our interest expense coverage ratio was 55.5 and our collateral maintenance percentage was in excess of 150%. We were in compliance with all financial covenants under the 2008 Credit Agreement and the 2007 Credit Agreement at March 31, 2010 and at all times during the quarter ended March 31, 2010. As of May 7, 2010, no additional funds have been borrowed under either the 2007 Credit Agreement or the 2008 Credit Agreement subsequent to March 31, 2010.

On April 30, 2010, the parties to the 2008 Credit Agreement entered into a First Amendment. In accordance with the 2008 Credit Agreement, ownership of the collateral rig ATWOOD FALCON was transferred to Swiftdrill Malta, a newly-formed Maltese subsidiary of the Company. The First Amendment provides for an appointment of a security trustee in order to satisfy Maltese law requirements relating to security interests granted in connection with the transfer of the ATWOOD FALCON.

6. INCOME TAXES

At March 31, 2010, we had approximately $6.5 million of reserves for uncertain tax positions, including estimated accrued interest and penalties of $0.9 million which are included as Other Long Term Liabilities in the Consolidated Balance Sheet. At March 31, 2010, all $6.5 million of the net uncertain tax liabilities would affect the effective tax rate if recognized. A summary of activity related to the net uncertain tax liabilities for the six months ended March 31, 2010 is as follows (in thousands):

		Liability for Uncertain Tax Positions
Balance at September 30, 2009	$	4,947
Increases based on tax positions related to the current fiscal year		965
Increases based on tax positions related to prior fiscal years		629
Balance March 31, 2010	$	6,541

Our United States tax returns for fiscal year 2006 and subsequent years remain subject to examination by tax authorities. As we conduct business globally, we have various tax years remaining open to examination in our international tax jurisdictions. We do not anticipate that any tax contingencies resolved during the next 12 months will have a material impact on our consolidated financial position, results of operations or cash flows.

As a result of working in foreign jurisdictions, we earned a high level of operating income in certain nontaxable and deemed profit tax jurisdictions, which significantly reduced our effective tax rate for the three and six months ended March 31, 2010 and 2009 when compared to the United States statutory rate. During the second quarter of fiscal year 2010, we received an income tax refund related to prior years in Malaysia which contributed to our effective tax for the current quarter and fiscal year to date periods ended March 31, 2010 of 13% and 16%, respectively. There were no significant transactions that materially impacted our effective tax rate for the three and six months ended March 31, 2009.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

At March 31, 2010, the carrying amounts of our cash and cash equivalents, receivables and payables approximated their fair values due to the short maturity of such financial instruments. The carrying amount of our floating-rate debt approximated its fair value at March 31, 2010, as such instruments bear short-term, market-based interest rates.

8. SUBSEQUENT EVENTS

We have performed an evaluation of subsequent events through the date the financial statements were issued and found no significant events that we would be required to recognize or disclose in our financial statements.

9. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2010, the FASB issued ASU 2010-09. The amendments in this Update addresses both the interaction of the requirements of Topic 855, “Subsequent Events”, with the SEC’s reporting requirements and the intended breadth of the reissuance disclosures provision related to subsequent events (paragraph 855-10-50-4). We adopted the amendments in this Update and have changed our financial statements to not specifically include an “as of” date in our financial statement disclosure #8, “Subsequent Events”.

In January 2010, the FASB issued ASU 2010-01. The amendments in this Update clarify the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying ASC 505, "Equity" and ASC 260, "Earnings Per Share". We adopted the amendments in this update during the second quarter of fiscal year 2010 with no impact to our equity balance or earnings per share calculations.

Also in January 2010, the FASB issued ASU 2010-02. The amendments in this Update provide guidance to ASC 810-10, "Non-Controlling Interests in Consolidated Financial Statements" to clarify the scope of the decrease in ownership provisions of the original guidance. We adopted the amendments in this update during the second quarter of fiscal year 2010 with no impact to our financial position, operating results or cash flows.

Also in January 2010, the FASB issued ASU 2010-06. The amendments in this Update require new disclosures for ASC 820, "Fair Value Measurements and Disclosures" to provide additional information and clarity regarding classes of assets and liabilities, valuation techniques and activities in certain levels regarding to Fair Value Measurement. We adopted the amendments in this update during the second quarter of fiscal year 2010 with no impact to our financial position, operating results or cash flows.

In June 2009, the FASB issued ASC 260-10-45, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities". ASC260-10-45 clarified that share-based payment awards that entitle their holders to receive nonforfeitable dividends before vesting should be considered participating securities and, if participating, the instruments should be included in the calculation of diluted earnings per share. We adopted ASC 260-10-45 during the first quarter of fiscal year 2010 with no impact to our earnings per share.

In December 2007, the FASB issued ASC 805, "Business Combinations". ASC 805 retains the fundamental requirement that the acquisition method be used for all business combinations and expands the same method of accounting to all transactions and other events in which one entity obtains control over one or more other businesses or assets at the acquisition date and in subsequent periods. ASC 805 requires measurement at the acquisition date of the fair value of assets acquired, liabilities assumed and noncontrolling interest. Additionally, ASC 805 requires that acquisition-related costs, including restructuring costs, be recognized separately from the acquisition. ASC 805 applies prospectively to business combinations for fiscal years beginning after December 15, 2008. We adopted ASC 805 during the first quarter of 2010 with no impact on our consolidated financial position, results of operations and cash flows. The future impact of ASC 805 on us will depend on the nature and extent of any future acquisitions.

Also in December 2007, the FASB issued ASC 810-10-65, "Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51". ASC 810-10-65 establishes the accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810-10-65 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. ASC 810-10-65 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests and applies prospectively to business combinations for fiscal years beginning after December 15, 2008. We adopted ASC 810-10-65 during the first quarter of fiscal year 2010 with no material impact to our financial position, operating results or cash flows.

10. COMMITMENTS AND CONTINGENCIES

Litigation

We are party to a number of lawsuits which are ordinary, routine litigation incidental to our business, the outcome of which, individually, or in the aggregate, is not expected to have a material adverse effect on our financial position, results of operations, or cash flows.

Other Matters

The ATWOOD BEACON operated in India from early December 2006 to the end of July 2008. A service tax was enacted in 2004 on revenues derived from seismic and exploration activities. This service tax law was subsequently amended in June 2007 and again in May 2009 to state that revenues derived from mining services and drilling services were specifically subject to this service tax. The ATWOOD BEACON contract terms with our customer in India provided that any liability incurred by us related to any taxes pursuant to laws not in effect at the time the contract was executed in 2005 was to be reimbursed by our customer. In our opinion, which is supported by our legal and tax advisors, any such service taxes assessed by the Indian tax authorities under either provision of the 2007 or 2008 amendments would be the obligation of our customer. Our customer is disputing this obligation on the basis, in their opinion, that revenues derived from drilling services were taxable under the initial 2004 law, which, based on our contract terms, would provide that the service tax is our obligation.

After reviewing the status of the drilling service we provided to our customer, the Indian tax authorities assessed service tax obligations on revenues derived from the ATWOOD BEACON commencing on June 1, 2007. The relevant Indian tax authority issued an extensive written ruling on this matter setting forth the proper application of the June 1, 2007 service tax regulation, confirming, in our opinion, our position on this matter that the drilling services were not covered by the original 2004 service tax law. Therefore, as the Indian tax authority’s service tax assessments were made under the provision of the 2007 amendment to the service tax law and not pursuant to a law in effect at the time we executed the ATWOOD BEACON contract, we believe our customer is obligated under the terms of our contract to reimburse us for all service tax payments.

As of March 31, 2010, we have paid to the Indian government $10.1 million in service taxes and have accrued $1.7 million of additional service tax obligations in accrued liabilities. We have recorded a corresponding $15.8 million long-term other receivable due from our customer for such service taxes which includes an approximately $4.0 million of accounts receivable related to revenues earned during fiscal year 2009 under the subject contract. We plan to pursue all options available to us to collect this other receivable from our customer for such service taxes, including amounts of accounts receivable withheld by the customer.

PART I. ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Form 10-Q for the quarterly period ended March 31, 2010 includes statements about Atwood Oceanics, Inc. (which together with its subsidiaries is identified as the “Company,” “we” or “our,” unless the context indicates otherwise) which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) which are forward-looking statements. In addition, we and our representatives may, from time to time, make other oral or written statements which are also forward-looking statements.

These forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us, and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Important factors that could cause our actual results of operations, financial conditions or cash flows to differ include, but are not necessarily limited to:

- our dependence on the oil and gas industry;
- the operational risks involved in drilling for oil and gas;
- the occurrence of a major operation incident which could significantly damage a rig or result in the total loss of a rig;
- the future implications on the drilling industry resulting from the Deepwater Horizon incident in the Gulf of Mexico;
- the risks associated with capital markets, liquidity, and financing of future drilling activity;
- changes in rig utilization and dayrates in response to the level of activity in the oil and gas industry, which is significantly affected by indications and expectations regarding the level and volatility of oil and gas prices, which in turn are affected by political, economic and weather conditions affecting or potentially affecting regional or worldwide demand for oil and gas, actions or anticipated actions by OPEC, inventory levels, deliverability constraints, and future market activity;
- the extent to which customers and potential customers continue to pursue deepwater drilling;
- exploration success or lack of exploration success by our customers and potential customers;
- the highly competitive and volatile nature of our business, with periods of low demand and excess rig availability;
- the impact of possible disruption in operations due to terrorism, acts of piracy, embargoes, war or other military operations;
- our ability to enter into and the terms of future drilling contracts;

- the availability of qualified personnel;
- our failure to retain the business of one or more significant customers;
- the termination or renegotiation of contracts by customers;
- the availability of adequate insurance at a reasonable cost;
- the occurrence of an uninsured loss;

- the risks of international operations, including possible economic, political, social or monetary instability, and compliance with foreign laws;
- the effect public health concerns could have on our international operations and financial results;
- compliance with environmental laws or any breach which could result in a potential damage claim;
- the incurrence of secured debt or additional unsecured indebtedness or other obligations by us or our subsidiaries;
- the adequacy of sources of liquidity for our operations and those of our customers;
- currently unknown rig repair needs and/or additional opportunities to accelerate planned maintenance expenditures due to presently unanticipated rig downtime;
- higher than anticipated accruals for performance-based compensation due to better than anticipated performance by us, higher than anticipated severance expenses due to unanticipated employee terminations, higher than anticipated legal and accounting fees due to unanticipated financing or other corporate transactions, and other factors that could increase general and administrative expenses;
- the actions of our competitors in the offshore drilling industry, which could significantly influence rig dayrates and utilization;
- changes in the geographic areas in which our customers plan to operate or the tax rate in such jurisdiction, which in turn could change our expected effective tax rate;
- changes in oil and gas drilling technology or in our competitors' drilling rig fleets that could make our drilling rigs less competitive or require major capital investments to keep them competitive;
- rig availability;
- the effects and uncertainties of legal and administrative proceedings and other contingencies;
- the impact of governmental laws and regulations and the uncertainties involved in their administration and the associated access to offshore acreage for drilling activities;
- changes in accepted interpretations of accounting guidelines and other accounting pronouncements and tax laws;
- risks involved in the construction of a dynamically positioned semisubmersible drilling unit without a contract;
- although our current long-term contract commitments do not provide for early termination due to market deterioration, the risk that customers could seek to amend some of these contracts due to market decline which could alter the timing and amount of our current contracted cash flows;
- the risks involved in the construction, upgrade, and repair of our drilling units including project delays affecting our ability to meet contractual commitments, as well as commencement of operations of our drilling units following delivery; and
- such other factors as may be discussed in this report and our other reports filed with the Securities and Exchange Commission, or SEC.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. The words “believe,” “impact,” “intend,” “estimate,” “anticipate,” “plan,” and simila expressions identify forward-looking statements. These forward-looking statements are found at various places throughout the Management’s Discussion and Analysis in this Part I, Item 2 and elsewhere in this report. When considering any forward-looking statement, you should also keep in mind the risk factors described in other reports or filings we make with the SEC from time to time, including our Form 10-K for the year ended September 30, 2009. Undue reliance should not be placed on these forward-looking statements, which are applicable only on the date hereof. Neither we nor our representatives have a general obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof or to reflect the occurrence of unanticipated events.

MARKET OUTLOOK

We continue to anticipate drilling market challenges for the remainder of fiscal year 2010 and fiscal year 2011. The continuing delivery of newly constructed jack-up rigs, the contract expiration of several deep-water drilling rigs in 2010 and 2011, and the possible assignment of already contracted rigs could continue to exert pressure on dayrates and also negatively impact the worldwide supply related to current market demand. Thus, despite a relatively high oil price and recent increases in bidding activities, the awards of new drilling contracts in the industry have been slow to improve, especially for jack-up rigs. However, we believe that the market for jack-up rigs will continue to recover as long as fundamentals regarding oil price and bidding activity maintain and/or improve. There have also been virtually no drilling programs awarded over the last year for semisubmersible drilling units technically similar to the ATWOOD SOUTHERN CROSS although we are beginning to see some improvement in future contract opportunities for that rig.

The ATWOOD SOUTHERN CROSS, currently our only idle rig, has a one well commitment (estimated to take 45 days to complete) commencing in June 2010. The ATWOOD BEACON, RICHMOND, VICKSBURG and SEAHAWK also have contracts that could terminate during fiscal year 2010. We are pursuing additional contract commitments for all of these rigs; however, there is no guarantee that we will not incur idle days on some or all of these rigs upon expiration of their current contracts. Of our nine (9) owned operational drilling units, and the two (2) drilling units currently under construction, five (5) have current contract commitments that extend into fiscal year 2011 or later; five (5) have contract commitments that expire during fiscal year 2010; and one (1) under construction, scheduled for delivery in mid-2012, is currently without a contract. At March 31, 2010, we had estimated contract revenue backlog of approximately $1.5 billion compared to approximately $900 million of estimated capital expenditures relating primarily to the new semisubmersibles under construction.

We currently have approximately 80% of available rig days contracted for the second half of fiscal year 2010, with 35% and 20% of available rig days contracted in fiscal years 2011 and 2012, respectively. An analysis of our contract commitments is as follows:

		Estimated Contract Termination	Operating Dayrate	Percentage of Revenues	
				First Six Months of Fiscal Year 2010	Fiscal Year 2009
ATWOOD HUNTER		October 2012	$538,000 to $545,000	30 %	31 %
ATWOOD EAGLE		February/March 2011	405,000 to 465,000	22	25
ATWOOD FALCON		August 2011	431,000	24	14
ATWOOD SOUTHERN CROSS	(1)	July 2010	154,500	0	4
ATWOOD OSPREY	(2)	Early 2014	470,000	0	0
ATWOOD AURORA		April 2011	133,000	7	4
ATWOOD BEACON		July 2010	110,000	5	7
VICKSBURG		September 2010	90,000	5	7
SEAHAWK		September 2010	90,000	5	5
RICHMOND		June 2010	36,000	2	3

1) Rig has been idle since mid-December 2008 and is expected to commence working under its current contract commitments of approximately 45 days in June 2010.
2) Rig under construction in Singapore with delivery expected in early 2011 at which time it will be mobilized to Australia.

A comparison of the average per day revenues for fiscal year 2008 and 2009 and the first six months of fiscal year 2010 for each of our current nine (9) active drilling units are as follows:

Average Per Day Revenues

	Fiscal	First Six Months of Fiscal Year

	Fiscal Year 2008	Year 2009	2010	
ATWOOD HUNTER	$246,000	$500,000	$542,000	
ATWOOD EAGLE	241,000	398,000	388,000	
ATWOOD FALCON	216,000	223,000	418,000	
VICKSBURG	155,000	118,000	90,000	
ATWOOD BEACON	128,000	105,000	92,000	
SEAHAWK	88,000	85,000	86,000	
ATWOOD SOUTHERN CROSS	321,000	70,000	---	(1)
ATWOOD AURORA	---	56,000	132,000	(2)
RICHMOND	44,000	52,000	29,000	

---

(1) Rig has been idle since mid-December 2008.
(2) Rig commenced operations in April 2009.

17

The construction of our two (2) semisubmersibles for deepwater drilling: (1) the ATWOOD OSPREY, a conventionally moored, 6,000 foot water depth unit, (scheduled for delivery in early 2011, with an estimated total cost of approximately $625 million), and (2) the to-be-named dynamically positioned, 10,000 foot water depth unit (scheduled for delivery in mid-2012, with an estimated total cost of approximately $750 million) continues on schedule. Through March 31, 2010, we have invested approximately $670 million toward the construction of these two drilling units. We expect funding of the approximately $705 million remaining on the construction of these two units will come from internally generated funds and borrowings under our two credit facilities.

RESULTS OF OPERATIONS

Revenues for the three and six months ended March 31, 2010 increased 13% and 6%, respectively, compared to the three and six months ended March 31, 2009. A comparative analysis of revenues is as follows:

REVENUES
(In millions)

	Three Months Ended March 31,			Six Months Ended March 31,		
	2010	2009	Variance	2010	2009	Variance
ATWOOD FALCON	$ 35.9	$ 16.0	$ 19.9	$ 76.1	$ 36.7	$ 39.4
ATWOOD AURORA	11.8	-	11.8	24.0	-	24.0
SEAHAWK	7.9	7.7	0.2	15.7	15.5	0.2
ATWOOD HUNTER	49.3	49.2	0.1	98.5	91.8	6.7
ATWOOD BEACON	10.6	12.0	(1.4)	16.7	23.8	(7.1)
ATWOOD EAGLE	32.9	35.0	(2.1)	70.6	71.4	(0.8)
RICHMOND	3.1	7.3	(4.2)	5.4	14.5	(9.1)
VICKSBURG	7.6	13.5	(5.9)	16.3	26.9	(10.6)
ATWOOD SOUTHERN CROSS	-	-	-	-	25.6	(25.6)
	$ 159.1	$ 140.7	$ 18.4	$ 323.3	$ 306.2	$ 17.1

The increase in revenues for the ATWOOD FALCON is due to the rig working under a higher dayrate contract during the current fiscal year compared to the prior fiscal year. Our new drilling rig, the ATWOOD AURORA, commenced drilling operations in April 2009, earning no revenue during the first six months of fiscal year 2009. Revenues for the SEAHAWK, ATWOOD HUNTER and ATWOOD EAGLE during the current fiscal year periods are relatively consistent with the prior fiscal year periods with the exception of the increase in the ATWOOD HUNTER's revenues for the six months ended March 31, 2010, compared to the six months ended March 31, 2009, which is due to the rig working under a lower dayrate contract for a portion of the first quarter of fiscal year 2009. Decreases in revenues for the ATWOOD BEACON, RICHMOND and VICKSBURG are related to each of these drilling units working under lower dayrate contracts during the current quarter and fiscal year to date periods compared to the prior fiscal year periods. The decrease in revenues for the ATWOOD SOUTHERN CROSS is due to the rig's idle status during the current fiscal year compared to working for most of the first quarter of the prior fiscal year before going idle in December 2008.

Contract drilling costs for the three and six months ended March 31, 2010 increased 18% and 14%, respectively, compared to the three and six months ended March 31, 2009. An analysis of contract drilling costs by rig is as follows:

CONTRACT DRILLING COSTS
(In millions)

	Three Months Ended March 31,			Six Months Ended March 31,		
	2010	2009	Variance	2010	2009	Variance
ATWOOD AURORA	$ 5.0	$ -	$ 5.0	$ 10.9	$ -	$ 10.9
ATWOOD BEACON	7.8	4.9	2.9	14.2	9.3	4.9
ATWOOD FALCON	9.3	6.5	2.8	16.9	13.1	3.8
ATWOOD EAGLE	12.7	11.4	1.3	25.2	21.4	3.8
RICHMOND	3.7	3.0	0.7	7.3	6.8	0.5
VICKSBURG	4.5	4.1	0.4	8.2	8.2	-
SEAHAWK	6.0	5.6	0.4	12.9	11.6	1.3
ATWOOD HUNTER	8.6	8.5	0.1	17.7	17.4	0.3
ATWOOD SOUTHERN CROSS	3.1	6.0	(2.9)	6.1	14.1	(8.0)
OTHER	2.1	3.0	(0.9)	4.4	6.5	(2.1)
	$ 62.8	$ 53.0	$ 9.8	$ 123.8	$ 108.4	$ 15.4

Our newest active drilling rig, the ATWOOD AURORA, commenced drilling operations in April 2009, incurring no contract drilling costs during the first six months of fiscal year 2009. The increase in contract drilling costs for the ATWOOD BEACON is primarily due to the amortization of deferred mobilization expenses and an increase in the amount of maintenance projects during the current quarter and year to date periods compared to the prior fiscal year quarter and year to date periods. The increase in contract drilling costs for the ATWOOD FALCON during the three and six months ended March 31, 2010 is primarily due to higher agent fees, which are based on a percentage of dayrates, when compared to the same periods in the previous fiscal year. In addition, the ATWOOD FALCON incurred less contract drilling costs during the second quarter of fiscal year 2009 while undergoing a shipyard upgrade. The increase in contract drilling costs for the ATWOOD EAGLE is attributable to higher local payroll and payroll related costs due to the continuing tight labor market in Australia and requirements for increased payroll related benefits for the quarter and year to date periods. The increase in contract drilling costs for the RICHMOND is attributable to an increase in equipment related costs due to an increase in maintenance projects during the current quarter when compared to the prior fiscal year quarter. Contract drilling costs for the VICKSBURG, SEAHAWK and ATWOOD HUNTER for the current quarter and fiscal year to date periods were consistent with drilling costs for the prior fiscal year periods. The decrease in drilling costs for the ATWOOD SOUTHERN CROSS is due to a decrease in equipment related costs and headcount reduction of non-essential personnel as the rig has been idle since mid-December 2008. Other drilling costs decreased during the current fiscal year primarily due to a strengthening United States dollar that resulted in fewer exchange rate losses when compared to the prior fiscal year to date periods.

Depreciation expense for the three and six months ended March 31, 2010 increased 19% and 20%, respectively, compared to the three and six months ended March 31, 2009. An analysis of depreciation expense by rig is as follows:

	DEPRECIATION EXPENSE (In millions)			DEPRECIATION EXPENSE (In millions)		
	Three Months Ended March 31,			Six Months Ended March 31,		
	2010	2009	Variance	2010	2009	Variance
ATWOOD AURORA	$ 1.8	$ -	$ 1.8	$ 3.7	$ -	$ 3.7
ATWOOD EAGLE	1.2	1.1	0.1	2.4	2.3	0.1
RICHMOND	0.4	0.4	-	0.9	0.9	-
ATWOOD HUNTER	1.6	1.6	-	3.1	3.1	-
ATWOOD SOUTHERN CROSS	1.0	1.0	-	2.0	1.9	0.1
ATWOOD FALCON	1.3	1.3	-	2.8	2.6	0.2
SEAHAWK	0.5	0.6	(0.1)	1.0	1.2	(0.2)
ATWOOD BEACON	1.1	1.3	(0.2)	2.3	2.5	(0.2)
VICKSBURG	0.5	0.7	(0.2)	1.0	1.4	(0.4)
OTHER	0.2	0.1	0.1	0.2	0.2	-
	$ 9.6	$ 8.1	$ 1.5	$ 19.4	$ 16.1	$ 3.3

Our new drilling rig, the ATWOOD AURORA, was placed into service during April 2009, incurring no depreciation expense prior to the third quarter of fiscal year 2009. Effective October 1, 2009, we extended the remaining depreciable life of the VICKSBURG from four to ten years due to the rig undergoing a life enhancing upgrade during the fourth quarter of the prior fiscal year. Depreciation expense for all other rigs has remained consistent with the prior fiscal year periods.

General and administrative expenses for the three and six months ended March 31, 2010 increased compared to the prior fiscal year quarter primarily due to rising personnel costs, which include wage increases and increased annual bonus and equity compensation costs.

As a result of working in foreign jurisdictions, we earned a high level of operating income in certain nontaxable and deemed profit tax jurisdictions, which significantly reduced our effective tax rate for quarters ended March 31, 2010 and 2009 when compared to the United States statutory rate. During the second quarter of fiscal year 2010, we received an income tax refund related to prior years in Malaysia which contributed to our effective tax for the current quarter and fiscal year to date periods ended March 31, 2010 of 13% and 16%, respectively. The effective tax rate for the three and six months ended March 31, 2010 is lower due to a higher level of operating income earned in certain nontaxable and deemed profit tax jurisdictions when compared to the effective rate of 22% and 18%, respectively, for the three and six months ended March 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2010, and May 7, 2010, we have $200 million borrowed under our 5-year $300 million credit facility executed in October 2007 (the “2007 Credit Agreement”) and $50 million borrowed under our 5-year $280 million credit facility executed in November 2008 (the “2008 Credit Agreement”) with a total debt to capitalization ratio of approximately 17%. Both credit facilities contain various financial covenants that, among other things, require the maintenance of certain leverage and interest expense coverage ratios. The collateral for these two credit facilities, collectively, primarily consists of preferred mortgages on six of our drilling units (ATWOOD EAGLE, ATWOOD HUNTER, ATWOOD FALCON, ATWOOD SOUTHERN CROSS, ATWOOD AURORA and ATWOOD BEACON). These credit facilities will provide funding to complete the construction of the ATWOOD OSPREY and our to-be-named dynamically positioned semisubmersible being constructed in Singapore, as well as funding for general corporate needs. We were in compliance with all financial covenants under both credit facilities at March 31, 2010, and at all times during the first six months of fiscal year 2010. For more information regarding financial covenants, see Note 5 to our Consolidated Financial Statements for the quarter ended March 31, 2010.

Since we operate in a very volatile industry, maintaining high equipment utilization is a key factor in generating cash to satisfy current and future obligations. For fiscal years 2002 through 2009, net cash provided by operating activities ranged from a low of approximately $14 million in fiscal year 2003 to a high of approximately $305 million in fiscal year 2009. Our operating cash flows are primarily driven by our operating income, which reflects dayrates and rig utilization.

As of March 31, 2010, we had expended approximately $389 million towards the construction of the ATWOOD OSPREY and $282 million towards the construction of our to-be-named dynamically positioned semisubmersible, with expected total construction costs of approximately $625 million and approximately $750 million, respectively. We estimate that our total capital expenditures for the fiscal year 2010 will be approximately $260 million and expect to end fiscal year 2010 with outstanding long-term debt between $250 million and $275 million. With our current contract commitments providing for approximately $1.5 billion of future revenues, coupled with our current additional borrowing capacity of approximately $330 million under our credit facilities having a current average interest cost of approximately 2%, we believe that we will be able to fund the remaining construction costs of the ATWOOD OSPREY and our to-be-named dynamically positioned semisubmersible, and maintain a strong balance sheet without the need for any additional sources of capital.

Our portfolio of accounts receivable is primarily comprised of large independent or multinational corporate entities with stable payment experience. Historically, we have not encountered significant difficulty in collecting receivables and typically do not require collateral for our receivables. Accounts receivable at March 31, 2010, has decreased by approximately $44.6 million when compared to September 30, 2009 due to more timely payment from customers during the current quarter. As discussed in Note 10 to our Consolidated Financial Statements, under “Other Matters”, at March 31, 2010, we have approximately $15.8 million in outstanding receivables due from a customer in India; as this receivable is currently in dispute, we expect that this collection effort will extend beyond one year and have, therefore, reclassified this receivable as a long-term asset.

Income tax receivable has increased by approximately $11.6 million at March 31, 2010, when compared to September 30, 2009, due to operations in a higher number of tax jurisdictions whereby we have made estimated income tax payments over and above our estimated income tax liability, usually as a result of local regulations requiring high estimated tax payments.

Prepaid expenses and deferred costs have decreased by approximately $10.0 million at March 31, 2010 compared to September 30, 2009 primarily due to the amortization of annual rig insurance premiums which are generally renewed and paid for during the fourth quarter of each fiscal year.

Accounts payable has increased by approximately $16.3 million at March 31, 2010, compared to September 30, 2009, primarily due to an accrued but unpaid construction invoice for approximately $11.0 million related to our to-be-named dynamically positioned semisubmersible at March 31, 2010.

Income tax payable has decreased by approximately $10.2 million at March 31 2010, compared to September 30, 2009, due to the timing of tax payments associated with tax accruals in certain tax jurisdictions.

Short-term deferred credits have decreased by approximately $16.2 million at March 31, 2010, compared to September 30, 2009, due to the reduction of prepayments of revenue by a customer during the quarter ended March 31, 2010, which will be recognized as revenue when the related services are performed during the quarter ended June 30, 2010.

Deferred income taxes have decreased by approximately $5.1 million at March 31, 2010, compared to September 30, 2009 due the recognition of tax benefits associated with United States net operating losses incurred during the current fiscal year.

PART I. ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including adverse changes in interest rates and foreign currency exchange rates as discussed below.

INTEREST RATE RISK

All of our $250 million of long-term debt outstanding at March 31, 2010, was floating rate debt. As a result, our annual interest costs in fiscal year 2010 will fluctuate based on interest rate changes. The impact on annual cash flow of a 10% change in the floating rate (approximately 13 basis points) would be approximately $0.3 million, which we believe to be immaterial. We did not have any open derivative contracts relating to our floating rate debt at March 31, 2010.

FOREIGN CURRENCY RISK

Certain of our subsidiaries have monetary assets and liabilities that are denominated in a currency other than their functional currencies. Based on March 31, 2010 amounts, a decrease in the value of 10% in the foreign currencies relative to the United States Dollar from the year-end exchange rates would result in a foreign currency transaction loss of approximately $0.6 million. Thus, we consider our current risk exposure to foreign currency exchange rate movements, based on net cash flows, to be immaterial. We did not have any open derivative contracts relating to foreign currencies at March 31, 2010.

PART I. ITEM 4
CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the most recent fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

Our annual meeting of shareholders was held on February 11, 2010, at which the shareholders voted on the election of seven director nominees. In addition to voting on election of seven director nominees, the shareholders voted to ratify PricewaterhouseCoopers as our Independent Registered Public Accounting Firm for fiscal year 2010. No other matters were presented for a vote at the annual meeting. Of the shares of common stock present in person or by proxy, the number of shares voted for or against in connection with the election of each director and to ratify PricewaterhouseCoopers as our Independent Registered Public Accounting Firm - are as follows:

ELECTION OF DIRECTORS

NAME	CAST FOR	VOTES WITHHELD
Deborah A. Beck	53,790,185	927,022
Robert W. Burgess	53,425,877	1,291,336
George S. Dotson	53,429,879	1,287,328
Jack E. Golden	53,907,834	809,373
Hans Helmerich	53,739,161	998,046
James R. Montague	53,795,173	922,034
Robert J. Saltiel	53,883,456	833,751

RATIFICATION OF PRICEWATERHOUSECOOPERS AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2010

VOTES FOR	VOTES AGAINST	VOTES WITHHELD
58,238,469	1,656,670	35,999

25

ITEM 6. EXHIBITS

(a) Exhibits

3.1 Amended and Restated Certificate of Formation dated February 9, 2006 (Incorporated herein by reference to Exhibit 3.1 of our Form 10-Q filed May 12, 2008).

3.2 Amendment No. 1 to Amended and Restated Certificate of Formation dated February 14, 2008 (Incorporated herein by reference to Exhibit 3.2 of our Form 10-Q filed May 12, 2008).

3.3 Second Amended and Restated By-Laws, dated May 5, 2006 (Incorporated herein by reference to Exhibit 3.3 of our Form 10-Q filed May 12, 2008).

3.4 Amendment No. 1 to Second Amended and Restated By-Laws, dated June 7, 2007 (Incorporated herein by reference to Exhibit 3.4 of our Form 10-Q filed May 12, 2009).

4.1 Rights Agreement dated effective October 18, 2002 between the Company and Continental Stock Transfer & Trust Company (Incorporated herein by reference to Exhibit 4.1 of our Form 8-A filed October 21, 2002).

4.2 Certificate of Adjustment of Atwood Oceanics, Inc. dated as of March 17, 2006 (Incorporated herein by reference to Exhibit 4.1 of our Form 8-K filed March 23, 2006).

4.3 Certificate of Adjustment of Atwood Oceanics, Inc. dated as of June 25, 2008 (Incorporated herein by reference to Exhibit 4.1 of our Form 8-K filed June 25, 2008).

4.4 See Exhibit Nos. 3.1, 3.2, 3.3, and 3.4 hereof for provisions of our Amended and Restated Certificate of Formation (as amended) and Second Amended and Restated By-Laws (as amended) defining the rights of our shareholders (Incorporated herein by reference to Exhibits 3.1, 3.2, 3.3 and 3.4 of our Form 10-Q filed May 12, 2008).

10.1 Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees dated as of January 1, 2010 (Incorporated herein by reference to Exhibit 10.2 of our Form 10-Q filed February 4, 2010).

10.2 First Amendment to the 2008 Credit Agreement dated as of April 30, 2010 (Incorporated herein by reference to Exhibit 10.1 of our Form 8-K filed May 5, 2010).

*31.1 Certification of Chief Executive Officer.

*31.2 Certification of Chief Financial Officer.

*32.1 Certificate of Chief Executive Officer pursuant to Section 906 of Sarbanes – Oxley Act of 2002.

*32.2 Certificate of Chief Financial Officer pursuant to Section 906 of Sarbanes – Oxley Act of 2002.

*Filed herewith

26

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	ATWOOD OCEANICS, INC (Registrant)
Date: May 7, 2010	/s/JAMES M. HOLLAND James M. Holland Senior Vice President, Chief Financial Officer, and Chief Accounting Officer

27

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Formation dated February 9, 2006 (Incorporated herein by reference to Exhibit 3.1 of our Form 10-Q filed May 12, 2008).
3.2	Amendment No. 1 to Amended and Restated Certificate of Formation dated February 14, 2008 (Incorporated herein by reference to Exhibit 3.2 of our Form 10-Q filed May 12, 2008).
3.3	Second Amended and Restated By-Laws, dated May 5, 2006 (Incorporated herein by reference to Exhibit 3.3 of our Form 10-Q filed May 12, 2008).
3.4	Amendment No. 1 to Second Amended and Restated By-Laws, dated June 7, 2007 (Incorporated herein by reference to Exhibit 3.4 of our Form 10-Q filed May 12, 2009).
4.1	Rights Agreement dated effective October 18, 2002 between the Company and Continental Stock Transfer & Trust Company (Incorporated herein by reference to Exhibit 4.1 of our Form 8-A filed October 21, 2002).
4.2	Certificate of Adjustment of Atwood Oceanics, Inc. dated as of March 17, 2006 (Incorporated herein by reference to Exhibit 4.1 of our Form 8-K filed March 23, 2006).
4.3	Certificate of Adjustment of Atwood Oceanics, Inc. dated as of June 25, 2008 (Incorporated herein by reference to Exhibit 4.1 of our Form 8-K filed June 25, 2008).
4.4	See Exhibit Nos. 3.1, 3.2, 3.3, and 3.4 hereof for provisions of our Amended and Restated Certificate of Formation (as amended) and Second Amended and Restated By-Laws (as amended) defining the rights of our shareholders (Incorporated herein by reference to Exhibits 3.1, 3.2, 3.3 and 3.4 of our Form 10-Q filed May 12, 2008).
10.1	Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees dated as of January 1, 2010 (Incorporated herein by reference to Exhibit 10.2 of our Form 10-Q filed February 4, 2010).
10.2	First Amendment to the 2008 Credit Agreement dated as of April 30, 2010 (Incorporated herein by reference to Exhibit 10.1 of our Form 8-K filed May 5, 2010).
*31.1	Certification of Chief Executive Officer.
*31.2	Certification of Chief Financial Officer.
*32.1	Certificate of Chief Executive Officer pursuant to Section 906 of Sarbanes – Oxley Act of 2002.
*32.2	Certificate of Chief Financial Officer pursuant to Section 906 of Sarbanes – Oxley Act of 2002.

*Filed herewith