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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 0-22739

CAL DIVE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

MINNESOTA	95-3409686
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 N. SAM HOUSTON PARKWAY E., SUITE 400 HOUSTON, TEXAS	77060
(Address of Principal Executive Offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(281) 618-0400

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
- None	None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK (NO PAR VALUE)
(Title of Class)

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 26, 2002 was $730,016,396 based on the last reported sales price of the Common Stock on March 26, 2002, as reported on the NASDAQ/National Market System.

The number of shares of the registrant's Common Stock outstanding as of March 25, 2002 was 32,476,880.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of

Shareholders to be held on May 15, 2002 are incorporated by reference into Part III hereof.

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CAL DIVE INTERNATIONAL, INC. ("CDI") INDEX -- FORM 10-K

PART I

ITEM 1. BUSINESS.

OVERVIEW

We are a leading energy services company involved in projects from the shallowest to the deepest waters of the Gulf of Mexico. We have a reputation for innovation in our subsea construction techniques, equipment design and methods of partnering with customers. Our diversified fleet of 23 vessels and 19 remotely operated vehicles (ROVs) performs services that support drilling, well completion, construction and decommissioning projects involving pipelines, production platforms, risers and subsea production systems. We also acquire interests in natural gas and oil properties and related production facilities as part of our Production Partnering business. Our customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms.

We have positioned for work in water depths greater than 1,000 feet (the "Deepwater") by assembling a technically advanced fleet of dynamically positioned (DP) vessels and ROVs and a highly experienced group of support professionals. Our DP vessels serve as work platforms for subsea solutions provided by us working with our alliance partners, a team of internationally recognized contractors and manufacturers. Our new ROV subsidiary, Canyon Offshore, Inc., offers survey, engineering, repair, maintenance and international cable burial services. We are also a leader in solving the challenges encountered in Deepwater construction, with many of our projects using methods we have developed. Most notably, our newest and most advanced Deepwater semi-submersible multi-service vessel ("MSV"), the Q4000, incorporates our latest patented technologies. We anticipate that the Q4000 will improve Deepwater completion and construction economics for our customers. Availability of our Q4000, Eclipse and Mystic Viking, together with the soon to be completed Intrepid (formerly Sea Sorceress), will result in CDI offering the largest permanently deployed fleet of DP vessels in the Gulf of Mexico (GOM).

On the Outer Continental Shelf (OCS) in water depths up to 1,000 feet, we perform traditional subsea services, including air and saturation diving and salvage work. Our subsidiary, Aquatica, Inc., provides full compliment services in the shallow water market from the shore to 300 fsw. The acquisition of the assets of Professional Divers of New Orleans, Inc. early in 2001 added important vessel and offshore personnel capacity. In the OCS "spot market", projects are generally turnkey in nature, short in duration (two to thirty days) and require constant rescheduling and availability of multiple vessels. Fifteen of our vessels perform traditional diving services and six of them support saturation diving. The technical and operational experience of our personnel and the scheduling flexibility offered by our large fleet enables us to manage turnkey projects to satisfy customers' requirements and achieve our targeted profitability. We have also established a leading position in the salvage market by offering customers a number of options to address decommissioning obligations in a cost-efficient manner, particularly in the removal of smaller structures. Our alliance with Horizon Offshore, Inc. provides derrick barge and heavy lift capacity for the removal of larger structures.

In our Production Partnering business, our subsidiary Energy Resource Technology, Inc. ("ERT") is one of a few companies with the skills required to profitably acquire and operate mature natural gas and oil properties in the Gulf. The reservoir engineering and geophysical disciplines of ERT also enabled us to acquire a working interest in the Gunnison prospect, a Gulf Deepwater oil and natural gas exploration project in partnership with the operator Kerr-McGee Oil & Gas Corporation. We anticipate that this investment will both generate significant income in the future and will also help secure utilization for our subsea assets. As this project has now been sanctioned, we are already participating in field development planning and will collaborate with the other working interest owners in executing subsea construction work. We plan to again expand our Partnering strategy through our recent Letter of Intent to participate in the ownership of the Marco Polo production facility. Owning 50% of this proposed tension-leg platform in a joint venture with El Paso Energy Partners, when financed, would be designed to generate good returns and also have upside potential for both our construction work and ERT farm-in opportunities.

Our overall corporate goal has been to increase shareholder value by focusing on strengthening our market position to provide a return which leads our peer group. Our return on capital employed (ROCE) in

2001 was 12% in contrast to the 4% average of our peer group; we have averaged an ROCE of 16% over the past five years versus the 6% average of our peers. We have been able to achieve our ROCE objective by focusing on the following business strengths and strategies:

OUR STRENGTHS

Diversified Fleet of Vessels and ROVs: Our fleet is the largest permanently deployed in the GOM and has one of the most diverse and technically advanced collections of subsea construction, maintenance and decommissioning project capabilities. These comprehensive services provided by our vessels are both complementary and overlapping, enabling us to assure customers the redundancy essential for most projects but especially in the Deepwater. Our new ROV based remote systems capabilities are critical to Deepwater construction and well intervention operations and Canyon's submarine cable burial business provides a platform for international operations and revenue diversification.

Experienced Personnel and Turnkey Contracting: A key element of our growth strategy has been our ability to hire, attract and retain experienced personnel who we believe are the best in the industry at providing turnkey contracting. We believe the recognized skill of our personnel and our successful operating history uniquely position us to capitalize on the trend in the oil and gas industry of increased outsourcing to contractors and suppliers.

Major Provider of Marine Construction Services on the OCS: We believe that our expansion of Aquatica, our alliance with Horizon and our dominant position in the GOM for saturation diving services makes us the largest supplier of such services on the OCS. Depletion of existing reserves, coupled with increased demand for natural gas, should require exploitation and development of OCS reservoirs.

Production Partnering: The strategy of ERT's gas production business differentiates us from our competitors and helps to offset the cyclical nature of our marine construction operations. ERT's acquisition, sale and exploitation programs for mature properties on the OCS will be greatly expanded by the ownership of Deepwater assets such as the Gunnison project and the Marco Polo facility prospect.

Leader in Decommissioning Operations: Over the last decade, we have established a leading position in decommissioning offshore facilities, particularly in the removal of the smaller structures and caissons which make up 52% of the market. We expect demand for decommissioning services to increase due to the significant backlog of platforms and caissons that must be removed in accordance with government regulations.

OUR STRATEGIES

Focusing on the Gulf: We will continue to focus on the GOM basin, where we have provided marine construction services since 1975. We expect natural gas and oil exploration and development activity in the Gulf, particularly in the Deepwater regions, to increase significantly in the next several years.

Capturing a Significant Share of the Deepwater Market: We expect to benefit from the anticipated increase in Deepwater Gulf activity through our expanded fleet of seven DP vessels, the most any company has permanently deployed in the Gulf. Together with our alliance partners, we provide customers integrated solutions which minimize project duration and cost.

Develop Well Operations Niche: We are employing more Deepwater assets, construction techniques and technologies focused upon servicing upstream market niches, such as pre-drilling services, well operations and vessels that offer cost-effective alternatives to services generally provided by drilling rigs. Examples include: the enhanced well intervention and completion design of the Q4000 and Uncle John and; the pipelay and platform support capability of the Eclipse and Intrepid. GOM well operations is a new niche for us. We believe the modification of the Q4000 will prove economically advantageous to our customers needing this service.

Building Alliances to Expand the Scope of Our Services and Technology: We have alliance agreements with a team of domestic and internationally recognized contractors and manufacturers. These alliances enable us to offer state-of-the-art products and services while maintaining our low overhead base.

Maximizing the Value of Mature Natural Gas and Oil Properties: Through ERT, we acquire and produce mature, non-core offshore property interests, offering customers a cost-effective alternative for customers to the decommissioning process. Since its inception in 1992, ERT has delivered a 30% average annual return on its invested capital.

Partnering with Customers: In 2000, we expanded the ERT business strategy to Deepwater prospects through a 15% equity participation in the Gunnison prospect. Total Proven reserves at 2001 year-end grew to 100 BCFe with initial reserves of 76.5 BCFe assigned to our ownership position in Gunnison. Our recently announced Letter of Intent to own 50% of the tension-leg platform at Anadarko's Marco Polo field, when financed, could extend the concept of acquiring oil and gas assets to earn a return while also securing the associated marine construction work.

SUMMARY OF 2001 DEVELOPMENTS

THIS "SUMMARY OF 2001 DEVELOPMENTS" IS INCOMPLETE BY IT NATURE, MAY OMIT MATERIAL INFORMATION, AND IS QUALIFIED IN ITS ENTIRETY BY MORE DETAILED INFORMATION CONTAINED ELSEWHERE IN THIS FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

By most measures, 2001 was an outstanding year for us even though commodity prices plummeted and a significant increase in offshore construction activity failed to materialize. As a result, we were able to achieve most of our stated 2001 goals, including:

i. Financial: Delivered ROCE of 12%.

ii. Deepwater Contracting: Purchased additional Deepwater assets.

iii. Well Operations: Undertook Q4000 enhancements.

iv. Production Contracting: Gunnison sanctioned and identified our Marco Polo prospect.

v. OCS: Acquired additional assets and extended the Horizon Alliance.

vi. Safety: Implemented an enhanced EHS management system.

In 2001, for a second time, Forbes magazine named us one of America's 200 best small companies. Our ranking was 109th overall, and we were one of only two oilfield service companies to qualify for this year's list. Articles accompanying the October 29 issue note that the sliding economy reshaped what it meant to be among the best small companies. Rankings were based on six equally weighted metrics: return on equity, sales and earnings-per-share growth, each measured over the past five years and the most recent four quarters. As a result, fewer than 1% of eligible companies made this list. We believe our ability to grow sales and earnings through a decline in the market for offshore services, while delivering a five-year average return on capital of 16%, highlights the value of our counter-cyclical strategy. This counter-cyclical strategy, whereby we acquire interests in oil and gas properties to secure the related marine contracting work, provides a natural hedge in energy industry downturns.

HIGHLIGHTS OF 2001 OPERATING DEVELOPMENTS:

2001 was a roller-coaster year in our market for many reasons, including commodity prices. We believe, however, that three basic factors work in favor of our long-term business model: (i) the Deepwater GOM is an oil play with many large projects "on-course" despite the prices; (ii) the decline in natural gas prices should provide ERT and our Production Partnering strategy with more opportunities; and (iii) Gunnison will provide subsea construction work and then production related cash to fund growth.

DEEPWATER CONTRACTING

In anticipation of developments relating to our long-term business plan in the Deepwater, we had success in four areas in 2001: expansion of non-U.S. markets; acquiring more Deepwater vessels; acquiring our ROV

subsidiary, Canyon, and; implementing our Well Operations Group. Overall revenues in this segment were just under $80 million or 35% of our consolidated total revenue (up from 28% in 2000).

Our decision to accelerate regulatory inspections in 2000 proved useful in achieving 87% utilization (vs 56% in 2000) for our deepwater vessels, particularly the Witch Queen and the Uncle John. The Witch Queen worked in Mexican waters for Horizon/Pemex for 14 consecutive months through the third quarter, then mobilized to Trinidad for BP and other customers. The Merlin provided ROV support to the Allseas Lorelay pipelay vessel for its summer campaign and then was involved in the large Nansen/Boomvang project. After her May acquisition, the Mystic Viking was deployed in Mexican waters for the second half of the year. All work was performed well and represents the potential of future growth in these non-U.S. markets.

With GOM work for our vessels available but world construction activity low, we took the opportunity to grow our fleet to service Deepwater projects. The Mystic Viking purchase replaced the Balmoral Sea with more capacity. In October, we announced the purchase of the Eclipse, a large mono-hull with significant deck load capacity. These vessels together with our exiting fleet provide seven world class DP vessels to help assure scheduling flexibility for the technological challenges of Deepwater.

As another part of our Deepwater puzzle, we purchased the ROV business of our new subsidiary, Canyon. Canyon represents an integration which is consistent with our policy of directly controlling all aspects on the critical path of significant projects. As marine construction support in the Gulf of Mexico moves to deeper waters, ROV systems will play an increasingly important role. Canyon currently owns 18 ROV systems and operates seven others in three regions: United States (13), Southeast Asia (8), and the North Sea (4). It also operates eight trenching systems internationally, including four customer-owned units.

In the second and third quarters, our newly assembled team of well operation specialists, working in tandem with Alliance partner Schlumberger from the Uncle John work platform, tackled intervention projects at three subsea wells. Each job involved through-tubing, subsea well decommissioning operations employing slickline, E-line, cementing, coiled tubing and fluid handling services. The Uncle John worked every available day during the year (93% utility) because of her flexibility to perform both well intervention and marine construction operations. We believe this highlights potential market demand for well operations work by the Q4000. Other major well operations projects completed during 2001 include: Conoco -- world's first use of the Schlumberger Sen Tree 3 system as an open water riser system from a DP vessel in a shallow water live well intervention; and FMC -- jointly developed the world's first 15,000 psi intervention riser for operations to 10,000 fsw. In addition, the 2001 Deepwater geotechnical coring campaign with Alliance partner Fugro involved work at Gunnison, Thunderhorse (formerly Crazy Horse), Holstein and Devil's Tower among others.

SHELF CONTRACTING

In our OCS business, Aquatica delivers our services in the shallow water market (from the beach to 300 fsw). In March 2001, Aquatica acquired substantially all of the assets of Professional Divers which included three utility vessels and a four-point moored DSV. OCS revenues increased at a rapid pace during 2001 in response to both a spike in drilling activity and the doubling of our DSV fleet for a second year in a row -- this time from five vessels to ten. The call-out nature of this business allows us to adjust rates quickly as market conditions develop. These factors combined to generate $37 million of 2001 revenues, an 80% improvement over the prior year.

In early 2001, our OCS Alliance with Horizon Offshore was extended for three years. Under the Alliance, we provide DSVs to support Horizon pipelay barges while Horizon supplies, derrick barge and heavy lift capacity to us. In addition, we took over all Horizon barge diving effective May 1, a low-margin activity we view as a contribution to the success of the alliance. Three of our DSVs work the Outer Continental Shelf virtually all in support of Horizon pipelay activity. This alliance and our work together in Mexico resulted in Horizon becoming our largest customer, accounting for 18% of revenues in 2001.

For the second consecutive year OCS salvage revenues and margins were disappointing. In part, this is a result of high commodity prices in 2000 that led producers to push the last possible production out of their older properties. Because of the decline in commodity prices during 2001, these properties are now appearing

on the market with negative asset values. As a result, we expect that many will go directly to decommissioning, a development that suggests increased salvage demand in 2002 and 2003.

Finally, we introduced a company-wide effort to enhance our behavioral safety process (BSP) and training that makes safety a constant focus of awareness through open communication with all offshore and yard employees. First year results from this program were impressive as our safety rating improved dramatically in 2001.

PRODUCTION PARTNERING

This segment which differentiates us from our Peer Group, was part of the 2001 commodity based roller-coaster. In the first part of the year, ERT contributed significantly to our earnings due to high production and realized gas prices before prices collapsed in the second half. Gas and oil revenues of $63.4 million declined by 10% with virtually all of that attributable to production of 13.9 BCFe versus 15.5 BCFe the prior year. Fortunately, production was at the high end of our expectation (14BCFe) without the benefit of significant acquisitions. ERT's management team did an outstanding job conducting an aggressive and successful exploitation program resulting in near replacement of reserves. 2001 closed with 24.5 BCFe of proven reserves in contrast to 28.2 BCFe a year earlier.

Also in 2001, our Deepwater ERT plan succeeded as initial reserves of 76.5 BCFe were assigned to our ownership position in Gunnison. This figure represents 15% of the reserves reported by the operator, Kerr-McGee Oil & Gas Corporation, at December 31, 2001. The affiliated limited partnership that assumed the exploratory risk funded $21.5 million of drilling costs, considerably above the initial $15 million estimate. Our share of the ensuing project development costs is estimated in a range of $100 million to $110 million with over half of that for construction of the spar. The full potential of the three Gunnison blocks will be better defined a year from now as the operator plans an extensive development program in 2002. The development timetable schedules our marine construction activities for 2003 with first production anticipated early in 2004. The field is now expected to begin production in 2004.

During 2001 we took another step to expanding our Production Partnering concept by signing a Letter of Intent to own 50% of the Marco Polo production facility at 4300 fsw. When financed, we would assist with the installation of the tension-leg platform which would be operated with El Paso Energy Partners on a fixed-fee-plus-tariff basis.

INTRODUCTION TO SUBSEA CONSTRUCTION

The offshore oilfield services industry in the Gulf originated in the early 1950s to assist companies as they began to explore and develop offshore fields. The industry has grown significantly since the early 1970s as the domestic natural gas and oil industry has increasingly relied upon these fields for new production. The oilfield services industry benefits from a number of trends including the following:

- Lack of growth in natural gas production and failure to construct new assets in the face of foreign dependency and increasing demand.

- Advances in exploration, extraction and production technology that have enabled industry participants to more cost-effectively enter the Gulf Deepwater.

- Increased demand for decommissioning services as the offshore natural gas and oil continues to mature.

In response to the natural gas and oil industry's migration to the Deepwater, equipment and vessel requirements have changed. Most vessels currently operating in the Deepwater Gulf were designed in the 1970s and 1980s for work in a maximum depth of approximately 1,000 feet. These vessels have been modified to take advantage of new technologies and now operate in depths up to 4,000 feet. We believe there is unmet demand in the Gulf for new generation vessels, such as the Q4000 and Intrepid, that are specifically designed to work in water depths up to 10,000 feet.

Defined below are certain terms and ideas helpful to understanding the services we perform in support of offshore development:

BCFe: When describing oil and natural gas, the term converts oil volumes to their energy equivalent in natural gas and combines them in billions of cubic feet equivalent (BCFe).

Deepwater: Water depths beyond 1,000 feet fsw.

Dive Support Vessel (DSV): Specially equipped vessel which performs services and acts as an operational base for divers, ROVs and specialized equipment.

Dynamic Positioning (DP): Computer-directed thruster systems that use satellite-based positioning and other positioning technologies to ensure the proper counteraction to wind, current and wave forces enable the vessel to maintain its position without the use of anchors. Two DP systems (DP-2) are necessary to provide the redundancy required to support safe deployment of divers, while only a single DP system is necessary to support ROV operations.

DP-2: Redundancy allows the vessel to maintain position even with failure of one DP system. Required for vessels which support both manned diving and robotics, and for those working in close proximity to platforms.

EBITDA: Earnings before interest, taxes, depreciation and amortization is a supplemental financial measure of cash flow used in the evaluation of the marine construction industry.

EHS: Environment, Health and Safety programs that protect the environment, safeguard employee health and eliminate injuries.

E&P: Companies involved in oil and gas exploration and production activities.

Full Field Development: The ability to offer to oil and gas companies a range of services from subcontracting to complete field development solutions. These include procurement and installation of flowlines, wellheads, control systems, umbilicals and manifolds, as well as installation and commissioning of the complete production system. Many oil and gas companies prefer to contract with a company capable of undertaking the entire field development project or major portions of it. Full field development services can relieve a customer of substantial management burdens.

Life of Field Services: Includes services performed on facilities, trees and pipelines from the beginning to the economic end of the life of an oil field, including installation, inspection, maintenance, repair, contract operations, well intervention, recompletion and abandonment.

MBbl: When describing oil, refers to 1,000 barrels containing 42 gallons each.

Minerals Management Service (MMS): The government regulatory body having responsibility for United States waters in the Gulf.

MMcf: When describing natural gas, refers to 1 million cubic feet.

Moonpool: An opening in the center of a vessel through which a saturation diving system or ROV may be deployed, allowing safe deployment in adverse weather conditions.

Outer Continental Shelf (OCS): For purposes of our industry, areas in the Gulf from the shore to 1,000 feet of water.

Peer Group: Defined in this report as comprising Global Industries, Ltd. (Nasdaq: GLBL), Horizon Offshore, Inc. (Nasdaq: HOFF), McDermott International, Inc. (NYSE: MDR), Oceaneering International, Inc. (NYSE: OII), Stolt Offshore SA (Nasdaq: SOSA), Technip-Coflexip (NYSE: TKP), and Torch Offshore, Inc. (Nasdaq: TORC).

Remotely Operated Vehicle (ROV): Robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and for tasks beyond the capability of manned diving operations.

ROCE: Return on Capital Employed is the amount, expressed as a percentage, earned on a company's total capital (shareholders' equity plus long-term debt). It is calculated by dividing earnings before interest and dividends by total capital.

Saturation Diving: Saturation diving, required for work in water depths between 300 and 1,000 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the pressure at the work site.

Spar: Floating production facility anchored to the seabed with catenary mooring lines.

Spot Market: Prevalent market for subsea contracting in the Gulf, characterized by projects generally short in duration and often of a turnkey nature. These projects often require constant rescheduling and the availability or interchangeability of multiple vessels.

Subsea Construction Vessels: Subsea services are typically performed with the use of specialized construction vessels which provide an above-water platform that functions as an operational base for divers and ROVs. Distinguishing characteristics of subsea construction vessels include DP systems, saturation diving capabilities, deck space, deck load, craneage and moonpool launching. Deck space, deck load and craneage are important features of the vessel's ability to transport and fabricate hardware, supplies and equipment necessary to complete subsea projects.

Ultra-Deepwater: Water depths beyond 4,000 fsw.

SUBSEA CONTRACTING

We and our alliance partners provide a full range of subsea construction services, including the following, in both the OCS and Deepwater Gulf:

- Exploration. Pre-installation surveys; rig positioning and installation assistance; drilling inspection; subsea equipment maintenance; well completion; search and recovery operations.

- Development. Installation of production platforms; installation of subsea production systems; pipelay support including connecting pipelines to risers and subsea assemblies; pipeline stabilization, testing and inspection; cable and umbilical lay and connection.

- Production. Inspection, maintenance and repair of production structures, risers and pipelines and subsea equipment; well intervention; life of field support.

- Decommissioning. Decommissioning and remediation services; plugging and abandonment services; platform salvage and removal; pipeline abandonment; site inspections.

Deepwater Contracting and Well Operations

In 1994, we began to assemble a fleet of DP vessels in order to deliver subsea services in the Deepwater and Ultra-Deepwater. Our fleet consists of: two (2) semi-submersible DP MSVs (the Q4000 and Uncle John); two (2) construction DP DSVs (the Witch Queen and Mystic Viking); two (2) larger mono-hull pipelay and constructions vessels (the Intrepid and the Eclipse) and two (2) ROV support vessels (the Merlin and the Northern Canyon). In 2001, vessel enhancements included the Q4000 (well completions) and the Intrepid (DP-2 capability and a 400-ton crane). The Q4000 has recently been completed, and both vessels are expected to be working in the second quarter of 2002. When all of our DP vessels begin work, we will have seven world class vessels permanently deployed in the Gulf of Mexico.

With the acquisition of our new subsidiary, Canyon, we have increased our operated ROV and trenching fleet to 26. Our new subsidiary's 18 ROVs are designed for offshore construction (rather than drilling rig support) and its management team adds industry experience in a setting where our vessels can add value in support of its ROVs. As marine construction support in the Gulf of Mexico moves to deeper waters, ROV systems will play an increasingly important role. Canyon currently owns 18 ROV systems and operates seven others in three regions: United States (13), Southeast Asia (8), and the North Sea (4). Canyon's assets will

help to assure our customers of vessel availability and schedule flexibility to meet the technological challenges of Deepwater construction developments in the Gulf and internationally.

With its experienced personnel, our Well Operations Group is intended to support downhole operations of the Uncle John and Q4000. Both vessels provide cost-effective alternatives for Deepwater operations. This business line involves drilling support (which includes pre-setting casings, setting trees and commissioning wells), life-of-field services (which include well intervention), decommissioning and abandonment. Previously there were few cost-effective solutions for subsea well operations to troubleshoot or enhance production, shift zones or perform recompletions, as most all of such work has been done from drill rigs.

We are a leader in solving the operational challenges encountered in the Deepwater projects using methods or technologies we have developed. To enhance our ability to provide both full field development and life of field services, we have alliances with other offshore service and equipment providers. These alliances enable us to offer state-of-the-art products and services while maintaining our low overhead base. These alliances include:

- FMC Corp. -- Well intervention hardware and risers
- Fugro-McClelland Marine Geoscience, Inc. -- Geotechnical coring and survey
- Horizon Offshore, Inc. -- Small diameter reeled pipelay equipment
- Schlumberger Limited -- Deepwater downhole services
- Shell Offshore, Inc. -- Vessels for well intervention

While the DP market remained soft, the significant increase in utilization (87% versus 56% a year ago) reflects improved market share and an expansion in the scope of GOM deepwater installations. Major projects in 2001 were:

DEPTH (FEET)	FIELD	CUSTOMER	DESCRIPTION
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		Diana	Exxon Riser tie-in, spool and strake installations.....
4,600	Marshall/Madison	Exxon	Jumper and flying lead installations.....
6,000	Mica	Exxon	Manifold, suction pile and tree installations.....
4,500	Boomvang/Nansen	Kerr McGee	Plet, flexible riser, umbilicals flying lead and jumper installations.....
3,700			

Shelf Contracting

In water depths up to 1,000 feet (the OCS), we perform traditional subsea services including air and saturation diving in support of marine construction activities. Fifteen of our vessels perform traditional subsea services, and six support saturation diving. In addition, our highly qualified personnel have the technical and operational experience to manage turnkey projects to satisfy customers' requirements and achieve our targeted profitability.

Aquatica delivers our services in the shallow water market (from the beach to 300 fsw). In March 2001, Aquatica acquired substantially all of the four vessels and business of Professional Divers and doubled the size of our DSV fleet. We also perform numerous projects on the OCS in an alliance with Horizon Offshore, Inc. In the late 1980's we demonstrated that pipelay operations would be much more effective if the expensive barge spreads simply laid the pipe, allowing our DSVs to follow along and perform the more time-consuming task of commissioning the line. Principal features of the Alliance are that we have the exclusive right to provide DSV services behind Horizon pipelay barges while Horizon supplies pipelay, derrick barge and heavy lift capacity to Cal Dive. The recent expansion of the Alliance also resulted in our providing the diving personnel working from Horizon barges, a service Horizon handled internally last year. Our interaction with Horizon is multi-faceted, including operations in addition to those that flow from the formal alliance to provide services on the OCS. For example, much of our work in Mexican waters has been subcontracted from Horizon.

Since 1989, we have undertaken a wide variety of decommissioning assignments, mostly on a turnkey basis. A recently revised study by the MMS estimates that the total cost of the GOM abandonment market is $8.0 billion. Cal Dive has established a leading position in the removal of smaller structures, such as caissons and well protectors, which represent 52% of the structures in the Gulf.

PRODUCTION PARTNERING

We formed ERT in 1992 to exploit a market opportunity to provide a more efficient solution to offshore abandonment. Its business plan has evolved into the concept of Production Partnering, the business segment that differentiates us from our competitors. Production Partnering offers customers the option of selling mature offshore fields and also expands our off-season salvage and decommissioning activity to enable us to support full field production development projects. The business advantages of our production business are fourfold. First, the financial smoothing of oil and gas revenues counteracts the lumpiness and the extreme volatility in the revenues and income which most offshore construction companies have reported in the past three years. In periods of excess capacity such as 2001, we have the flexibility to stay out of the competitive bid market, focusing instead upon negotiated contracts. Third, our oil and gas operations generate significant cash flow that has funded construction of assets such as the Q4000, Intrepid and Eclipse while enabling us to add technical talent to support our expansion into the new Deepwater frontier. Finally, the primary objective of each CDI investment in oil and gas properties is to secure the associated marine construction work.

Within ERT, we have assembled a team of personnel with experience in geology, geophysics, reservoir engineering, drilling, production engineering, facilities management and lease operations. ERT makes its money in three ways: lowering salvage costs by using our assets, operating the field more cost effectively and extending reservoir life through well exploitation operations. The periodic collapses of commodity prices in the last few years removed some of the small companies which buy mature properties. In the past two years, however, two competitors have captured significant market share. In the face of this competition, our disciplined strategy resulted in completing only three small mature property acquisitions in 2001, as high commodity prices made such purchases difficult. Rather than chase the upcycle and pay too much for properties, our emphasis turned internally to extracting more value from the existing property base. ERT designed and executed a significant well enhancement program that resulted in adding 8.2 BCFe to proved reserves at a cost of $1.06 per Mcf.

There are 142 announced commercial discoveries in the deepwater GOM that have yet to be brought into production. Many of these are smaller reservoirs that standing alone cannot justify the economics of a host production facility. As a result we expect that the Deepwater GOM will be developed in a hub and satellite field concept that resembles the approach the airline industry has used with regional hub locations. We see significant opportunities as this occurs. For example, Gunnison, our first Deepwater field development project, is a hub location where we will provide infrastructure and tie-back marine construction services. At the Marco Polo field, although final agreements and financing have not been agreed, our 50% ownership in the production facility would allow Cal Dive to realize a transmission return. In addition we seek to assist with the installation of the TLP and then work to develop the surrounding acreage which can be tied back to the platform by CDI construction vessels.

CUSTOMERS

Our customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms. The level of construction services required by any particular customer depends on the size of that customer's capital expenditure budget devoted to construction plans in a particular year. Consequently, customers that account for a significant portion of contract revenues in one fiscal year may represent an immaterial portion of contract revenues in subsequent fiscal years. The percent of consolidated revenue of major customers was as follows: 2001-Horizon Offshore, Inc. (18%), Enron Corporation (10%); 2000-Enron Corporation (13%); and 1999-EEX Corporation (13%). We estimate that in 2001 we provided subsea services to over 211 customers. Our projects are typically of short duration and are

generally awarded shortly before mobilization. Accordingly, we believe backlog is not a meaningful indicator of future business results.

COMPETITION

The subsea services industry is highly competitive. While price is a factor, the ability to utilize specialized vessels, to attract and retain skilled personnel and to demonstrate a good safety record are also important. Our competitors on the OCS include Global Industries Ltd., Oceaneering International, Inc., Stolt Offshore S.A., Torch Offshore, Inc., and a number of smaller companies, some of which only operate a single vessel and often compete solely on price. For Deepwater projects, our principal competitors include Global Industries Ltd., Oceaneering International, Inc., Stolt Offshore S.A., and Technip-Coflexip. Other foreign-based subsea contractors, including DSND Ltd., Rockwater, Ltd. and Saipem S.p.A., may periodically perform services in the Gulf.

ERT encounters significant competition for the acquisition of mature natural gas and oil properties. Two such competitors are Tetra Technologies, Inc. and Offshore Specialty Fabricators. Our ability to acquire additional properties depends upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Many of our competitors are well-established companies with substantially larger operating staffs and greater capital resources.

TRAINING, SAFETY AND QUALITY ASSURANCE

As work levels increase on the OCS, safety, our single most important objective, will be even more important because the projects in these water depths are more personnel-intensive. Over 35 years Cal Dive has continuously upgraded and revitalized so that environment, health and safety (EHS) at work are embraced as core business values. Our Executive EHS Steering Committee, chaired by the President and Vice Presidents, meets monthly to decide on strategy and action plans for improvements. Our behavioral safety process (BSP) empowers employees to take control of their own safety at work using proven techniques of employees observing each other for correct and safe behavior. During 2001, we introduced a company-wide program to enhance the BSP and training that makes safety a constant focus of awareness through open communication with all offshore and yard employees. Management believes that our safety programs are among the best in the industry.

GOVERNMENT REGULATION

Many aspects of the offshore marine construction industry are subject to extensive governmental regulation. We are subject to the jurisdiction of the Coast Guard, the Environmental Protection Agency, MMS and the U.S. Customs Service, as well as private industry organizations such as the American Bureau of Shipping.

We support and voluntarily comply with standards of the Association of Diving Contractors International. The Coast Guard sets safety standards and is authorized to investigate vessel and diving accidents, and to recommend improved safety standards. The Coast Guard also is authorized to inspect vessels at will. We are required by various governmental and quasi-governmental agencies to obtain various permits, licenses and certificates with respect to our operations. We believe that we have obtained or can obtain all permits, licenses and certificates necessary for the conduct of our business.

In addition, we depend on the demand for our services from the oil and gas industry and, therefore, our business is affected by laws and regulations, as well as changing taxes and policies relating to the oil and gas industry generally. In particular, the development and operation of natural gas and oil properties located on the OCS of the United States is regulated primarily by the MMS.

The MMS requires lessees of OCS properties to post bonds in connection with the plugging and abandonment of wells located offshore and the removal of all production facilities. Operators on the OCS are currently required to post an area-wide bond of $3.0 million, or $500,000 per producing lease. We currently

have bonded our offshore leases as required by the MMS. Under certain circumstances, the MMS has the authority to suspend or terminate operations on federal leases. Any such suspensions or terminations of our operations could have a material adverse effect on our financial condition and results of operations.

We acquire production rights to offshore mature natural gas and oil properties under federal natural gas and oil leases, which the MMS administers. These leases contain relatively standardized terms and require compliance with detailed MMS regulations and orders pursuant to the Outer Continental Shelf Lands Act (OCSLA). These MMS directives are subject to change. The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications. The MMS also has issued regulations restricting the flaring or venting of natural gas and prohibiting the burning of liquid hydrocarbons without prior authorization. Similarly, the MMS has promulgated other regulations governing the plugging and abandonment of wells located offshore and the removal of all production facilities. Finally, under certain circumstances, the MMS may require any operations on federal leases to be suspended or terminated. In December 1999, the MMS issued regulations that would allow it to expel unsafe operators from existing OCS platforms and bar them from obtaining future leases.

Under the OCSLA, MMS also administers oil and gas leases and establishes regulations that set the basis for royalties on oil and gas produced from the leases. The MMS amends these regulations from time to time. For example, on March 15, 2000, the MMS issued a final rule governing the calculation of royalties and the valuation of crude oil produced from federal leases. The rule modifies the valuation procedures for both arm's length and non-arm's length crude oil transactions to decrease reliance on oil posted prices and assign a value to crude oil that better reflects market value. The rule has been challenged by two industry trade associations and is currently under judicial review in the United States District Court for the District of Columbia. In addition, the MMS recently issued a final rule amending its regulations regarding costs for natural gas transportation which are deductible for royalty valuation purposes when natural gas is sold off-lease. Among other matters, for purposes of computing royalty owed, the rule disallows as deductions certain costs, such as aggregator/marketer fees and transportation imbalance charges and associated penalties. A United States District Court, however, enjoined substantial portions of this rule on March 28, 2000. The United States appealed the district court decision and the case is pending before the Court of Appeals for the District of Columbia Circuit.

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated pursuant to the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 (NGPA) and the regulations promulgated thereunder by the Federal Energy Regulatory Commission (FERC). In the past, the federal government has regulated the prices at which natural gas and oil could be sold. While sales by producers of natural gas, and all sales of crude oil, condensate and natural gas liquids currently can be made at uncontrolled market prices, Congress could reenact price controls in the future. Deregulation of wellhead sales in the natural gas industry began with the enactment of the NGPA. In 1989, the Natural Gas Wellhead Decontrol Act was enacted. This act amended the NGPA to remove both price and non-price controls from natural gas sold in "first sales" no later than January 1, 1993.

Sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation remain subject to extensive federal and state regulation. Several major regulatory changes have been implemented by Congress and the FERC from 1985 to the present that affect the economics of natural gas production, transportation and sales. In addition, the FERC continues to promulgate revisions to various aspects of the rules and regulations affecting those segments of the natural gas industry, most notably interstate natural gas transmission companies that remain subject to FERC jurisdiction. These initiatives may also affect the intrastate transportation of natural gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry. The ultimate impact of the complex rules and regulations issued by the FERC since 1985 cannot be predicted. In addition, many aspects of these regulatory developments have not become final but are still pending judicial and FERC final decisions.

We cannot predict what further action the FERC will take on these matters but we do not believe any such action will materially affect CDI differently than other companies with which we compete.

Additional proposals and proceedings before various federal and state regulatory agencies and the courts could affect the natural gas and oil industry. We cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been heavily regulated. There is no assurance that the regulatory approach currently pursued by the FERC will continue indefinitely. Notwithstanding the foregoing, we do not anticipate that compliance with existing federal, state and local laws, rules and regulations will have a material effect upon our capital expenditures, earnings or competitive position.

ENVIRONMENTAL REGULATION

Our operations are subject to a variety of federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments issue rules and regulations to implement and enforce such laws that are often complex and costly to comply with and that carry substantial administrative, civil and possibly criminal penalties for failure to comply. Under these laws and regulations, we may be liable for remediation or removal costs, damages and other costs associated with releases of hazardous materials including oil into the environment, and such liability may be imposed on us even if the acts that resulted in the releases were in compliance with all applicable laws at the time such acts were performed.

The Oil Pollution Act of 1990, as amended (OPA) imposes a variety of requirements on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. A "responsible party" includes the owner or operator of an onshore facility, a vessel or a pipeline, and the lessee or permittee of the area in which an offshore facility is located. OPA imposes liability on each responsible party for oil spill removal costs and for other public and private damages from oil spills. Failure to comply with OPA may result in the assessment of civil and criminal penalties. OPA establishes liability limits of $350 million for onshore facilities, all removal costs plus $75 million for offshore facilities and the greater of $500,000 or $600 per gross ton for vessels other than tank vessels. The liability limits are not applicable, however, if the spill is caused by gross negligence or willful misconduct, if the spill results from violation of a federal safety, construction, or operating regulation, or if a party fails to report a spill or fails to cooperate fully in the cleanup. Few defenses exist to the liability imposed under OPA. Management is currently unaware of any oil spills for which we have been designated as a responsible party under OPA that will have a material adverse impact on us or our operations.

OPA also imposes ongoing requirements on a responsible party, including preparation of an oil spill contingency plan and maintaining proof of financial responsibility to cover a majority of the costs in a potential spill. We believe we have appropriate spill contingency plans in place. With respect to financial responsibility, OPA requires the responsible party for certain offshore facilities to demonstrate financial responsibility of not less than $35 million, with the financial responsibility requirement potentially increasing up to $150 million if the risk posed by the quantity or quality of oil that is explored for or produced indicates that a greater amount is required. The MMS has promulgated regulations implementing these financial responsibility requirements for covered offshore facilities. Under the MMS regulations, the amount of financial responsibility required for an offshore facility is increased above the minimum amounts if the "worst case" oil spill volume calculated for the facility exceeds certain limits established in the regulations. We believe that we currently have established adequate proof of financial responsibility for our onshore and offshore facilities and that we satisfy the MMS requirements for financial responsibility under OPA and applicable regulations.

OPA also requires owners and operators of vessels over 300 gross tons to provide the Coast Guard with evidence of financial responsibility to cover the cost of cleaning up oil spills from such vessels. We currently own and operate six vessels over 300 gross tons. Satisfactory evidence of financial responsibility has been provided to the Coast Guard for all of our vessels.

The Clean Water Act imposes strict controls on the discharge of pollutants into the navigable waters of the U.S. and imposes potential liability for the costs of remediating releases of petroleum and other substances. The controls and restrictions imposed under the Clean Water Act have become more stringent over time, and it is possible that additional restrictions will be imposed in the future. Permits must be obtained to discharge pollutants into state and federal waters. Certain state regulations and the general permits issued

under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the exploration for and production of oil and gas into certain coastal and offshore waters. The Clean Water Act provides for civil, criminal and administrative penalties for any unauthorized discharge of oil and other hazardous substances and imposes liability on responsible parties for the costs of cleaning up any environmental contamination caused by the release of a hazardous substance and for natural resource damages resulting from the release. Many states have laws which are analogous to the Clean Water Act and also require remediation of releases of petroleum and other hazardous substances in state waters. Our vessels routinely transport diesel fuel to offshore rigs and platforms and also carry diesel fuel for their own use. Our supply boats transport bulk chemical materials used in drilling activities and also transport liquid mud which contains oil and oil by-products. Offshore facilities and vessels operated by us have facility and vessel response plans to deal with potential spills of oil or its derivatives. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

OCSLA provides the federal government with broad discretion in regulating the production of offshore resources of natural gas and oil, including authority to impose safety and environmental protection requirements applicable to lessees and permittees operating in the OCS. Specific design and operational standards may apply to OCS vessels, rigs, platforms, vehicles and structures. Violations of lease conditions or regulations issued pursuant to OCSLA can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and cancellation of leases. Because our operations rely on offshore oil and gas exploration and production, if the government were to exercise its authority under OCSLA to restrict the availability of offshore oil and gas leases, such action could have a material adverse effect on our financial condition and the results of operations. As of this date, we believe we are not the subject of any civil or criminal enforcement actions under OCSLA.

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) contains provisions requiring the remediation of releases of hazardous substances into the environment and imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons including owners and operators of contaminated sites where the release occurred and those companies who transport, dispose of or who arrange for disposal of hazardous substances released at the sites. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. Third parties may also file claims for personal injury and property damage allegedly caused by the release of hazardous substances. Although we handle hazardous substances in the ordinary course of business, we are not aware of any hazardous substance contamination for which we may be liable.

Management believes we are in compliance in all material respects with all applicable environmental laws and regulations to which we are subject. We do not anticipate that compliance with existing environmental laws and regulations will have a material effect upon our capital expenditures, earnings or competitive position. However, changes in the environmental laws and regulations, or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities, and thus there can be no assurance that we will not incur significant environmental compliance costs in the future.

EMPLOYEES

We rely on the high quality of our workforce. As of March 26, 2002, we had 835 employees, 230 of which were salaried. As of that date we also utilized approximately 111 non-U.S. citizens to crew our foreign flag vessels under a crewing contract with C-MAR Services (UK), Ltd. of Aberdeen, Scotland. None of our employees belong to a union or are employed pursuant to any collective bargaining agreement or any similar arrangement. Management believes that our relationship with our employees and foreign crew members is good.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD-LOOKING STATEMENTS

Shareholders should carefully consider the following risk factors in addition to the other information contained herein. This Annual Report on Form 10-K includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. You can identify these statements by forward-looking words such as "anticipate," "believe," "budget," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "should," "will" and "would" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future financial position or results of operations or state other forward-looking information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to predict or control accurately. The factors listed below in this section, captioned "Factors Influencing Future Results And Accuracy of Forward-Looking Statements," as well as any cautionary language in this Annual Report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this Annual Report could have a material adverse effect on our business, results of operations and financial position.

OUR BUSINESS IS ADVERSELY AFFECTED BY LOW OIL AND GAS PRICES AND BY THE CYCLICALITY OF THE OIL AND GAS INDUSTRY.

Our business is substantially dependent upon the condition of the oil and gas industry and, in particular, the willingness of oil and gas companies to make capital expenditures on offshore exploration, drilling and production operations. The level of capital expenditures generally depends on the prevailing view of future oil and gas prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including:

- Worldwide economic activity
- Coordination by the Organization of Petroleum Exporting Countries (OPEC)
- The cost of exploring for and producing oil and gas
- The sale and expiration dates of offshore leases in the United States and overseas
- The discovery rate of new oil and gas reserves in offshore areas
- Technological advances
- Interest rates and the cost of capital
- Environmental regulation
- Tax policies

The level of offshore development and production activity did not increase materially in 2001 despite high commodity prices in the first half of the year. We cannot assure you that activity levels will increase anytime soon. A sustained period of low drilling and production activity or a return of low hydrocarbon prices would likely have a material adverse effect on our financial position and results of operations.

THE OPERATION OF MARINE VESSELS IS RISKY, AND WE DO NOT HAVE INSURANCE COVERAGE FOR ALL RISKS.

Marine construction involves a high degree of operational risk. Hazards, such as vessels sinking, grounding, colliding and sustaining damage from severe weather conditions, are inherent in marine operations. These hazards can cause personal injury or loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. Damage arising from such occurrences may result in lawsuits asserting large claims. We maintain such insurance protection as we deem prudent, including Jones Act employee coverage (the maritime equivalent of workers' compensation) and hull

insurance on our vessels. We cannot assure you that any such insurance will be sufficient or effective under all circumstances or against all hazards to which we may be subject. A successful claim for which we are not fully insured could have a material adverse effect on us. Moreover, we cannot assure you that we will be able to maintain adequate insurance in the future at rates that we consider reasonable. As construction activity moves into deeper water in the Gulf, construction projects tend to be larger and more complex than shallow water projects. As a result, our revenues and profits are increasingly dependent on our larger vessels. While the loss of the Balmoral Sea was covered by insurance, the current insurance on our vessels (in some cases, in amounts approximating book value, which is less than replacement value) against property loss due to a catastrophic marine disaster, mechanical failure or collision may not cover a substantial loss of revenues, increased costs and other liabilities, and could have a material adverse effect on our operating performance if we lost any of our large vessels.

OUR CONTRACTING BUSINESS DECLINES IN WINTER, AND BAD WEATHER IN THE GULF CAN ADVERSELY AFFECT OUR OPERATIONS.

Marine operations conducted in the Gulf are seasonal and depend, in part, on weather conditions. Historically, we have enjoyed our highest vessel utilization rates during the summer and fall when weather conditions are favorable for offshore exploration, development and construction activities, and we have experienced our lowest utilization rates in the first quarter. As is common in the industry, we typically bear the risk of delays caused by some but not all adverse weather conditions. Accordingly, the results of any one quarter are not necessarily indicative of annual results or continuing trends.

IF WE BID TOO LOW ON A TURNKEY CONTRACT WE SUFFER THE CONSEQUENCES.

A majority of our projects are performed on a qualified turnkey basis where described work is delivered for a fixed price and extra work, which is subject to customer approval, is charged separately. The revenue, cost and gross profit realized on a turnkey contract can vary from the estimated amount because of changes in offshore job conditions, variations in labor and equipment productivity from the original estimates, and performance of others such as alliance partners. These variations and risks inherent in the marine construction industry may result in our experiencing reduced profitability or losses on projects.

ESTIMATES OF OUR NATURAL GAS AND OIL RESERVES, FUTURE CASH FLOWS AND ABANDONMENT COSTS MAY BE SIGNIFICANTLY INCORRECT.

This Annual Report contains estimates of our proved natural gas and oil reserves and the estimated future net cash flows therefrom based upon reports prepared for the years ended December 31, 2001, 2000 and 1999. Excluding the Gunnison reserves for the year ended December 31, 2001, these reports were reviewed by Miller and Lents, Ltd. This report relies upon various assumptions, including assumptions required by the Securities and Exchange Commission as to natural gas and oil prices, drilling and operating expenses, capital expenditures, abandonment costs, taxes and availability of funds. The process of estimating natural gas and oil reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, these estimates are inherently imprecise. Actual future production, cash flows, development expenditures, operating and abandonment expenses and quantities of recoverable natural gas and oil reserves may vary substantially from those estimated in these reports. Any significant variance in these assumptions could materially affect the estimated quantity and value of our proved reserves. You should not assume that the present value of future net cash flows from our proved reserves referred to in this Form 10-K is the current market value of our estimated natural gas and oil reserves. In accordance with Securities and Exchange Commission requirements, we base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the net present value estimate. In addition, if costs of abandonment are materially greater than our estimates, they could have an adverse effect on earnings. Proved reserves at December 31, 2001 also included the initial reserves assigned to our ownership position in Gunnison. Since we do not own the seismic data for the three fields this figure represents 15% of the reserves reported by the operator, Kerr-McGee Oil & Gas Corporation.

THE GUNNISON PROSPECT MAY NOT RESULT IN THE EXPECTED CASH FLOWS OR SUBSEA ASSET UTILIZATION WE ANTICIPATE AND COULD INVOLVE SIGNIFICANT FUTURE CAPITAL OUTLAYS.

The Gunnison prospect is subject to a number of assumptions and uncertainties, including estimates of the capital outlays necessary to develop the prospect and the cash flows that we may ultimately derive. We cannot assure you that we will be able to fund all required capital outlays or that these outlays will be profitable. Moreover, although our working interest entitles us to participate in field development and planning and to collaborate with the other working interest owners in executing subsea construction work, the extent of utilization of our subsea assets for such work has not been determined.

EXPECTED CASH FLOWS FROM THE Q4000 AND INTREPID UPON COMPLETION MAY NOT BE IMMEDIATE OR AS HIGH AS EXPECTED.

These vessels are scheduled to be placed into service in the second quarter of 2002. Additionally delays could also have a material adverse effect on expected utilization for these vessels and our future revenues and cash flows. We will not receive any material increase in revenue or cash flow from either vessel until placed in service. Furthermore, we cannot assure you of customer demand for the Q4000 as that vessel targets the well operations market and, as a result, our future cash flows may be adversely affected. While elements of this vessel design have been patented, new vessels from third parties may also enter the market in the coming years and compete with us for contracts.

OUR NATURAL GAS AND OIL OPERATIONS INVOLVE SIGNIFICANT RISKS, AND WE DO NOT HAVE INSURANCE COVERAGE FOR ALL RISKS.

Our natural gas and oil operations are subject to the usual risks incident to the operation of natural gas and oil wells, including, but not limited to, uncontrollable flows of oil, natural gas, brine or well fluids into the environment, blowouts, cratering, mechanical difficulties, fires, explosions, pollution and other risks, any of which could result in substantial losses to us. In accordance with industry practice, we maintain insurance against some, but not all, of the risks described above.

WE MAY NOT BE ABLE TO COMPETE SUCCESSFULLY AGAINST CURRENT AND FUTURE COMPETITORS.

The business in which we operate is highly competitive. Several of our competitors are substantially larger and have greater financial and other resources than we have. If other companies relocate or acquire vessels for operations in the Gulf, levels of competition may increase and our business could be adversely affected.

THE LOSS OF THE SERVICES OF ONE OR MORE OF OUR KEY EMPLOYEES, OR OUR FAILURE TO ATTRACT, ASSIMILATE AND RETAIN OTHER HIGHLY QUALIFIED PERSONNEL IN THE FUTURE, COULD DISRUPT OUR OPERATIONS AND ADVERSELY AFFECT OUR FINANCIAL RESULTS.

The industry has lost a significant number of experienced subsea people over the years due to, among other reasons, the decrease in commodity prices. Our continued success depends on the active participation of our key employees. The loss of our key people could adversely affect our operations. We believe that our success and continued growth are also dependent upon our ability to employ and retain skilled personnel. We believe that our wage rates are competitive; however, unionization or a significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in the wage rates we pay, or both. If either of these events occurs for any significant period of time, our revenues and profitability could be diminished and our growth potential could be impaired.

WE MAY NEED TO CHANGE THE MANNER IN WHICH WE CONDUCT OUR BUSINESS IN RESPONSE TO CHANGES IN GOVERNMENT REGULATIONS.

Our subsea construction, inspection, maintenance and decommissioning operations and our natural gas and oil production from offshore properties (including decommissioning of such properties) are subject to and affected by various types of government regulation, including numerous federal, state and local environmental

protection laws and regulations. These laws and regulations are becoming increasingly complex, stringent and expensive. We cannot assure you that continued compliance with existing or future laws or regulations will not adversely affect our operations. Significant fines and penalties may be imposed for noncompliance.

CERTAIN PROVISIONS OF OUR CORPORATE DOCUMENTS AND MINNESOTA LAW MAY DISCOURAGE A THIRD PARTY FROM MAKING A TAKEOVER PROPOSAL.

Our Board of Directors has the authority, without any action by our shareholders, to fix the rights and preferences on up to 5,000,000 shares of undesignated preferred stock, including dividend, liquidation and voting rights. In addition, our Bylaws divide the Board of Directors into three classes. We are also subject to certain anti-takeover provisions of the Minnesota Business Corporation Act. We also have employment contracts with all of our senior officers which require cash payments in the event of a "change of control." Any or all of the provisions or factors described above may have the effect of discouraging a takeover proposal or tender offer not approved by management and the board of directors and could result in shareholders who may wish to participate in such a proposal or tender offer receiving less for their shares than otherwise might be available in the event of a takeover attempt.

ITEM 2. PROPERTIES

OUR VESSELS

We own and operate a fleet of 23 vessels and 19 ROVs. Management believes that the GOM market requires specially designed and/or equipped vessels to competitively deliver subsea construction services. Seven of our vessels have DP capabilities specifically designed to respond to the Deepwater market requirements. Six of our vessels have the capability to provide saturation diving services. Recent developments in our fleet include:

Q4000: In September 1999, we began construction of our newest Deepwater MSV, the Q4000. The vessel has been constructed at an estimated cost of $180 million and incorporates our latest semi-submersible technologies, including various patented elements such as the absence of lower hull cross bracing. Variable deck load of 3,400 metric tons upgraded well completions capability make the vessel particularly well suited for large offshore construction projects in the Ultra-Deepwater. Its Huisman-Itrec multi-purpose tower has an open face which allows free access from three sides, an advantage for a construction and intervention vessel. Another important feature of the Q4000 will be the new intervention riser system we are developing and jointly funding with FMC Corporation. This system will be the first in the industry rated for working pressures to 15,000 pounds per square inch in 10,000 fsw. The Q4000 will be in service in the second quarter of 2002.

Intrepid: CDI is currently in the final stages of converting the former Sea Sorceress. While we refer to this as a conversion, the work constitutes the construction of new DP-2 pipelay vessel into the hull of our ice class vessel acquired three years ago. She will offer customers a construction vessel capable of carrying an 8,000 metric ton deckload. We expect her to be available for work the second quarter of 2002.

Mystic Viking: The DPDSV is 240 feet long and 52 feet wide. Her class is similar to the Witch Queen with DP-2 redundancy, 500 ton load, 2 cranes and a 12 foot x 12 foot moonpool. This vessel was acquired in May of 2002.

Eclipse: This large DPDSV is 370 feet long and 67 feet wide. She has recently been outfitted with her original marine construction features by installing a SAT diving system, restoring the ballast system and upgrading to DP-2. The Eclipse began work in March 2002.

Northern Canyon: Canyon Offshore will take delivery of this purpose built, 270 foot state-of-the-art ROV support vessel which will be deployed initially in the North Sea.

Robotics: To enable us to control critical path equipment involved in our deepwater projects, we acquired Canyon at the end of 2001. Canyon Offshore currently owns 18 ROVs and operates 7 trenching

systems. In 2001, Canyon introduced the next-generation work-class ROV, the Quest. Advantages of the Quest include: electric instead of hydraulic systems, 50% smaller footprint, fewer moving parts (i.e. lower operating costs), a dynamic positioning system and improved depth rating. The average age of the Canyon ROV fleet is approximately two years.

LISTING OF VESSELS, BARGE AND ROVS

DATE CAL DIVE CLASSIFICATION(1)	MOONPOOL DECK LENGTH	FOUR CLEAR DECK SPACE (SQ. FEET)	DECK LOAD (TONS)	LAUNCH/ RECOVERY ACCOM- MODATIONS	SAT DIVING	ANCHOR CAPACITY (TONS)	CRANE SERVICE FEET)	MOORED
DP MSVS: Uncle John.....	11/96	254	11,834	460	102	X	--	2 X 100 DNV
Q4000.....	2002	310	26,400	4,000	138	X	--	Derrick: 600 ABS 1 X 350; DP ROVS:
Merlin.....	12/97	198	955	308	42	--	--	A-Frame ABS Northern
Canyon(3).....	2002	276	9,677	2,400	60	--	--	50 DNV DP DSVS: Witch
Queen.....	11/95	278	5,600	500	60	X	--	50 DNV
Intrepid (formerly Sea Sorceress)...	8/97	374	17,730	8,000	50	--	--	440 DNV 110:
Eclipse.....	10/01	380	8,611	2,436	109	X	--	A-Frame DNV Mystic
Viking.....	6/01	253	5,600	1,340	60	X	--	50 DNV DSVS: Cal Diver
I.....	7/84	196	2,400	220	40	X	X	20 ABS Cal Diver
II.....	6/85	166	2,816	300	32	X	X	A-Frame ABS Cal Diver V.....
9/91	168	2,324	490	30	--	X	A-Frame ABS	
Talisman.....	11/00	195	3,000	675	15	--	--	-- ABS AQUATICA DSVS: Cal Diver
III.....	8/87	115	1,320	105	18	--	--	-- ABS Cal Diver
IV.....	3/01	120	1,440	60	24	--	--	-- ABS Mr. Jim.....
2/98	110	1,210	64					

19 -- -- -- USCG
Mr.
Joe.....
10/91 100 1,035 46
16 -- -- -- ABS
Mr.
Jack.....
1/98 120 1,220 66
22 -- -- -- USCG
Mr.
Fred.....
3/00 167 2,465 500
36 -- X 25 USCG
Mr.
Sonny(2).....
3/01 175 3,480 409
28 -- X 35 ABS
Polo
Pony(2).....
3/01 110 1,240 69
25 -- -- -- ABS
Sterling
Pony(2)... 3/01
110 1,240 64 25 --
-- -- ABS White
Pony(2)..... 3/01
116 1,230 64 25 --
-- -- ABS OTHER:
Cal Dive Barge
I... 8/90 150 NA
200 26 -- X 200
ABS ROVs
(18).....
Various 25 -- -- -
- -- -- -- --

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(1) Under government regulations and our insurance policies, we are required to maintain our vessels in accordance with standards of seaworthiness and safety set by government regulations and classification organizations. We maintain our fleet to the standards for seaworthiness, safety and health set by the ABS, Det Norske Veritas ("DNV") and the Coast Guard. The ABS is one of several classification societies used by ship owners to certify that their vessels meet certain structural, mechanical and safety equipment standards, including Lloyd's Register, Bureau Veritas and DNV among others.

(2) In March 2001, CDI acquired substantially all of the assets of Professional Divers of New Orleans, Inc. including the Mr. Sonny (a 165-foot four-point moored DSV), three utility vessels and associated diving equipment including two saturation diving systems.

(3) This leased vessel is under construction and should be available June 15, 2002.

We incur routine drydock inspection, maintenance and repair costs pursuant to Coast Guard regulations and in order to maintain ABS or DNV classification for our vessels. In addition to complying with these requirements, we have our own vessel maintenance program which management believes permits us to continue to provide our customers with well maintained, reliable vessels. In the normal course of business, we charter other vessels on a short-term basis, such as tugboats, cargo barges, utility boats and dive support vessels. All of our vessels are subject to ship mortgages to secure our $60.0 million revolving credit facility with Fleet Credit Corporation, except the Northern Canyon (which will be leased) and the Q4000 (which is subject to liens to secure the MARAD financing).

SUMMARY OF NATURAL GAS AND OIL RESERVE DATA

The table below sets forth information, as of December 31, 2001, with respect to estimates of net proved reserves and the present value of estimated future net cash flows at such date for ERT (not including Gunnison), prepared by Company engineers in accordance with guidelines established by the Securities and Exchange Commission. Our estimates have been reviewed by Miller and Lents, Ltd., independent petroleum engineers.

TOTAL PROVED(2)	(DOLLARS IN THOUSANDS)
Estimated Proved Reserves: Natural Gas (MMcf)	18,410
Oil and Condensate (MBbls)	1,029
Standardized measure of discounted future net cash flows (pre-tax)	$16,439(1)

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(1) The standardized measure of discounted future net cash flows attributable to our reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum. As of December 31, 2001, ERT owned (not including Gunnison) an interest in 122 gross (102 net) natural gas wells and 104 gross (79 net) oil wells located in federal offshore waters in the Gulf of Mexico.

(2) Total proven reserves at year-end grew to 100 BCFe with initial reserves of 76.5 BCFe assigned to our ownership position in Gunnison. This figure represents 15% of the reserves reported by the operator, Kerr-McGee Oil & Gas Corporation, at December 31, 2001.

FACILITIES

Our headquarters is 400 N. Sam Houston Parkway E., Houston, Texas. Our primary subsea and marine services operations are based in Morgan City, Louisiana. All of our facilities are leased.

PROPERTY AND FACILITIES SUMMARY

FUNCTION	SIZE
Houston, Texas	CDI Corporate Headquarters, Project Management and Sales
	37,800 square feet
Canyon Corporate Headquarters	15,000 square feet Management and Sales
Office Aberdeen, Scotland	Canyon Sales Office 12,000 square feet
Singapore	Canyon Operations 10,000 square feet
Morgan City, Louisiana	CDI Operations 28.5 acres Warehouse 30,000 square feet Offices 4,500 square feet
Lafayette, Louisiana (Aquatica)	Operations 8 acres Warehouse 12,000 square feet Offices 5,500 square feet

We also have sales offices in Lafayette and Harvey, Louisiana.

ITEM 3. LEGAL PROCEEDINGS

INSURANCE AND LITIGATION

Our operations are subject to the inherent risks of offshore marine activity, including accidents resulting in personal injury and the loss of life or property, environmental mishaps, mechanical failures, fires and collisions. We insure against these risks at levels consistent with industry standards. We also carry workers' compensation, maritime employer's liability, general liability and other insurance customary in our business. All insurance is carried at levels of coverage and deductibles that we consider financially prudent. Our services are provided in hazardous environments where accidents involving catastrophic damage or loss of life could occur, and litigation arising from such an event may result in our being named a defendant in lawsuits asserting large claims. To date, we have been involved in only one such claim, where the cost of the Balmoral Sea was covered by insurance. Although there can be no assurance that the amount of insurance we carry is sufficient to protect us fully in all events (or that such insurance will continue to be available at current levels of cost or coverage), management believes that our insurance protection is adequate for our business operations. A successful liability claim for which we are underinsured or uninsured could have a material adverse effect on our business.

We are involved in various legal proceedings, primarily involving claims for personal injury under the General Maritime Laws of the United States and the Jones Act as a result of alleged negligence. In addition, we from time to time incur other claims, such as contract disputes, in the normal course of business. In that regard, we entered into a subcontract with Seacore Marine Contractors Limited to provide the Sea Sorceress for subsea excavation in Canada. Seacore was in turn contracted by Coflexip Stena Offshore Newfoundland Limited, a subsidiary of Coflexip (CSO Nfl), as representative of the consortium of companies contracted to perform services on the project. Due to difficulties with respect to the sea states and soil conditions the contract was terminated. Cal Dive provided Seacore a performance bond of $5 million with respect to the subcontract. No call has been made on this bond. Although CSO Nfl has alleged that the Sea Sorceress was unable to adequately perform the excavation work required under the subcontract, Seacore and we believe the contract was wrongfully terminated and are vigorously defending this claim and seeking damages in arbitration. In another commercial dispute, EEX Corporation sued us and others alleging breach of fiduciary duty by a former EEX employee and damages resulting from certain construction and property acquisition agreements. We have responded alleging EEX Corporation breached various provisions of the same contracts and are seeking a declaratory judgment that the defendants are not liable. Although such litigation has the potential of significant liability, we believe that the outcomes of all such proceedings are not likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MAKERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM (UNNUMBERED). EXECUTIVE OFFICERS OF THE COMPANY

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The executive officers and directors of Cal Dive are as follows:

NAME AGE POSITION WITH CAL DIVE -
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Owen Kratz (3)
(4)..... 47
Chairman and Chief Executive
Officer and Director Martin R.
Ferron.....
45 President and Chief Operating
Officer and Director S. James
Nelson, Jr. .....
59 Vice Chairman and Director
Andrew C.
Becher.....
56 Senior Vice President, General
Counsel and Corporate Secretary
A. Wade
Pursell.....
37 Senior Vice President -- Chief
Financial Officer Michael V.
Ambrose.....
55 Senior Vice President --
Deepwater Contracting Gordon F.
Ahalt (1)(2)(4).....
73 Director Bernard J. Duroc-
Danner(1)(2)(3)..... 48
Director William L. Transier (1)
(2)(3)(4)..... 47 Director

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(1) Member of Compensation Committee

(2) Member of Audit Committee

(3) Member of Nominating Committee

(4) Member of Executive Committee

Our Bylaws provide for the Board of Directors to be divided into three classes of directors, with each class to be as nearly equal in number of directors as possible, serving staggered three-year terms. The terms of the Class III directors, Gordon Ahalt and Martin R. Ferron, expire in 2002. The terms of the Class II directors, S. James Nelson, Jr. and William L. Transier, expire in 2003. The terms of the Class I directors, Owen Kratz and Bernard Duroc-Danner, expire in 2004. Each director serves until the end of his or her term or until his or her successor is elected and qualified.

Owen Kratz is Chairman and Chief Executive Officer of Cal Dive International, Inc. He was appointed Chairman in May 1998 and has served as the Company's Chief Executive Officer since April 1997. Mr. Kratz served as President from 1993 until February 1999, and as a Director since 1990. He served as Chief Operating Officer from 1990 through 1997. Mr. Kratz joined the Company in 1984 and has held various offshore positions, including saturation (SAT) diving supervisor, and has had management responsibility for client relations, marketing and estimating. From 1982 to 1983, Mr. Kratz was the owner of an independent marine construction company operating in the Bay of Campeche. Prior to 1982, he was a superintendent for Santa Fe and various international diving companies, and a saturation diver in the North Sea.

Martin R. Ferron has served on our Board of Directors since September 1998. Mr. Ferron became President in February 1999 and has served as Chief Operating Officer since January 1998. Mr. Ferron has 20 years of experience in the oilfield industry, including seven in senior management positions with the international operations of McDermott Marine Construction and Oceaneering International Services, Limited. Mr. Ferron has a civil engineering degree, a master's degree in marine technology, an MBA and is a chartered civil engineer.

S. James Nelson, Jr. is Vice Chairman and has been a Director of the Company since 1990. Prior to October 2000, he was Executive Vice President and Chief Financial Officer. From 1985 to 1988, Mr. Nelson was the Senior Vice President and Chief Financial Officer of Diversified Energies, Inc., the former parent of the Company, at which time he had corporate responsibility for the Company. From 1980 to 1985, Mr. Nelson served as Chief Financial Officer of Apache Corporation, an oil and gas exploration and production company. From 1966 to 1980, Mr. Nelson was employed with Arthur Andersen & Co., and, from 1976 to 1980, he was a partner serving on the firm's worldwide oil and gas industry team. Mr. Nelson received an undergraduate degree from Holy Cross College (B.S.) and an MBA from Harvard University; he is also a Certified Public Accountant.

Andrew C. Becher has served as Senior Vice President, General Counsel of Cal Dive since January 1996 and became Corporate Secretary in 1998. Mr. Becher served as outside general counsel for Cal Dive from 1990 to 1996, while a partner with the national law firm of Robins, Kaplan, Miller & Ciresi of Minneapolis. From 1987 to 1990, Mr. Becher was Senior Vice President -- Mergers and Acquisitions of Dain Rauscher, Inc., an investment banking firm. From 1976 to 1987, he was a partner specializing in mergers and acquisitions with the law firm of Briggs and Morgan of Minneapolis.

A. Wade Pursell is Senior Vice President and Chief Financial Officer of Cal Dive International, Inc. In this capacity, which he was appointed to in October 2000, Mr. Pursell oversees the treasury, accounting, information technology, tax, administration and corporate planning functions. He joined the Company in May 1997, as Vice President -- Finance and Chief Accounting Officer. From 1988 through 1997 he was with Arthur Andersen LLP, lastly as an Experience Manager specializing in the offshore services industry (which included servicing the Cal Dive account from 1990 to 1997). Mr. Pursell received an undergraduate degree (BS) from the University of Central Arkansas and is a Certified Public Accountant.

Michael V. Ambrose is Senior Vice President -- Deepwater Contracting. His previous experience includes worldwide operations manager for McDermott Underwater Services, Inc. (MUS) from 1994 to 1997, and general manager of operations for Offshore Petroleum Divers (OPD) from 1993 to 1994. Mr. Ambrose's international experience was obtained from 1991 to 1993, while serving as operations manager and setting up offices in Southeast Asia and India for OPD's international managerial expansion. Mr. Ambrose served in Vietnam from 1965 to 1969 as a member of the United States Navy SEAL Team I.

Gordon F. Ahalt has served on our Board of Directors since July 1990 and has extensive experience in the oil and gas industry. Since 1982, Mr. Ahalt has been President of GFA, Inc., a petroleum industry management and financial consulting firm. From 1977 to 1980, he was President of the International Energy Bank, London, England. From 1980 to 1982, he served as Senior Vice President and Chief Financial Officer of Ashland Oil Company. Previously, Mr. Ahalt spent a number of years in executive positions with Chase Manhattan Bank. Mr. Ahalt serves as a director of The Houston Exploration Co., the Bancroft & Elsworth Convertible Funds and other investment funds.

Bernard J. Duroc-Danner has served on our Board of Directors since February 1999. Mr. Duroc-Danner is the Chairman, CEO and President of Weatherford International, Inc., an oilfield service company. Mr. Duroc-Danner also serves as Chairman of the Board of Grant Prideco and as a director of Parker Drilling Company, a provider of contract drilling services and Universal Compression, a provider of a rental, sales, operations, maintenance and fabrication services and products to the domestic and international natural gas industry. Mr. Duroc-Danner holds a Ph.D in economics from the Wharton School (University of Pennsylvania).

William Transier has served on our Board of Directors since October 2000. He is Executive Vice President and Chief Financial Officer for Ocean Energy, Inc. and oversees treasury, investor relations, human resources, and marketing and trading. He assumed his current position in 1999 following the merger of Ocean Energy and Seagull Energy Corporation. Previously, Mr. Transier served as Executive Vice President and Chief Financial Officer for Seagull and in the audit department of KPMG LLP. Mr. Transier received an undergraduate degree from the University of Texas and a master's in business administration from Regis University. He is a director of Metals USA.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our common stock is traded on the Nasdaq National Market under the symbol "CDIS." The following table sets forth, for the periods indicated, the high and low closing sales prices per share of our common stock:

	HIGH*	LOW*
Calendar Year 2000 First quarter	$25.38	$18.00
Second quarter	27.09	23.03
Third quarter	28.75	24.13
Fourth quarter	26.63	19.63
Calendar Year 2001 First quarter	31.00	22.00
Second quarter	30.66	21.88
Third quarter	23.04	15.98
Fourth quarter	25.86	16.01
Calendar Year 2002 (through March 26, 2002)	25.17	20.50

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* The stock split 2 for 1 effective November 13, 2000. As of March 20, 2002, there were an estimated 3,971 beneficial holders of our common stock.

DIVIDEND POLICY

We have never paid cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We currently intend to retain earnings, if any, for the future operation and growth of our business. Certain of our current financing arrangements restrict the payment of cash dividends under certain circumstances.

ITEM 6. SELECTED FINANCIAL DATA

The financial data presented below for each of the five years ended December 31, 2001, should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes to Consolidated Financial Statements included elsewhere in this Form 10-K (in thousands, except per share amounts).

1997	1998	1999	2000	2001
Net Revenues	$109,386	$151,887	$160,954	$181,014
Gross Profit	33,685	49,209	37,251	55,369
Net Income	14,482	24,125	16,899	23,326
Net Income Per Share:				
Basic	0.56	0.83	0.56	0.74
Diluted	0.54	0.81	0.55	0.72
EBITDA	29,916	45,544	44,805	65,085
Total Assets	125,600	164,235	243,722	347,488
Working Capital	28,927	45,916	38,887	76,381
Long-Term Debt	--	--	--	40,054
Shareholders' Equity	89,369	113,643	150,872	194,725

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Natural gas and oil prices, the offshore mobile rig count, and Deepwater construction activity are three of the primary indicators management uses to forecast the future performance of our business. Our construction services generally follow successful drilling activities by six to eighteen months on the OCS and twelve months or longer in the Deepwater arena. The level of drilling activity is related to both short- and long-term trends in natural gas and oil prices. Commodity prices declined significantly in the last half of 1998 and early 1999, resulting in the offshore mobile rig utilization rates dropping to approximately 70% in contrast to almost full utilization in 1997 and the first half of 1998. This trend began reversing in the second quarter of 1999 as oil prices reached their highest levels since the Gulf War and in early 2001 natural gas prices reached $10.00 per thousand cubic feet (Mcf), pushing the offshore mobile rig utilization rates back to virtually full utilization. However, a slowing world economy and record levels of natural gas in storage drove oil and gas prices down throughout 2001 with natural gas plunging to $2.00 per Mcf by the end of the year. Our primary leading indicator, the number of offshore mobile rigs contracted, is currently running at around 120 rigs employed in the Gulf of Mexico, compared to 180 last year at this time. The Deepwater GOM is principally an oil play with the size of the reservoirs resulting in significant lead times to first production. We are currently tracking 30 fields that will come into our service market, completion and production, principally in the years 2003 and 2004. We have aggressively moved to assemble a world-class fleet of seven DP vessels as we do not believe that there will be enough marine construction capacity to handle this demand.

Product prices impact our natural gas and oil operations in several respects. We seek to acquire producing natural gas and oil properties that are generally in the later stages of their economic life. The potential abandonment liability is a significant consideration with respect to the offshore properties we have purchased to date. Although higher natural gas prices tend to reduce the number of mature properties available for sale, these higher prices typically contribute to improved operating results for ERT, such as in 2000 and the first half of 2001. In contrast, lower natural gas prices, as experienced in early 1999 and late 2001, typically contribute to lower operating results for ERT and a general increase in the number of mature properties available, as occurred during those periods. We have expanded the scope of our gas and oil operations by taking a working interest in Gunnison, a Deepwater development of Kerr-McGee Oil & Gas Corporation which has encountered significant reserves. We are also expanding our Deepwater Hub strategy by agreeing to participate in the ownership of the Marco Polo production facility.

Vessel utilization is historically lower during the first quarter due to winter weather conditions in the Gulf. Accordingly, we plan our drydock inspections and other routine and preventive maintenance programs during this period. During the first quarter, a substantial number of our customers finalize capital budgets and solicit bids for construction projects. The bid and award process during the first two quarters typically leads to the commencement of construction activities during the second and third quarters. As a result, we have historically generated more than 50% (up to 65%) of our marine contracting revenues in the last six months of the year. Our operations can also be severely impacted by weather during the fourth quarter. Our salvage barge, which has a shallow draft, is particularly sensitive to adverse weather conditions, and its utilization rate tends to be lower during such periods. To minimize the impact of weather conditions on our operations and financial condition, we began operating DP vessels and expanded into the acquisition of oil and gas properties. The unique station-keeping ability offered by DP enables these vessels to operate throughout the winter months and in rough seas. Operation of natural gas and oil properties and production facilities tends to offset the impact of weather since the first and fourth quarters are typically periods of high demand and strong prices for natural gas. Due to this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

CRITICAL ACCOUNTING POLICIES

The results of operations and financial condition of the Company, as reflected in the accompanying financial statements and related footnotes, are subject to management's evaluation and interpretation of

business conditions, changing capital market conditions and other factors which could affect the ongoing viability of the Company's business segments and/or its customers. Management believes the most critical accounting policies in this regard are the estimation of revenue allowance on gross amounts billed and evaluation of recoverability of property and equipment and goodwill balances. These issues require management to make judgments that are subjective in nature, however, management is able to consider and assess a significant amount of historical data and current market data in arriving at reasonable estimates. Another area which requires management to make subjective judgments is that of revenue recognition. CDI's revenues are derived from billings under contracts (which are typically of short duration) that provide for either lump-sum turnkey charges or specific time, material and equipment charges which are billed in accordance with the terms of such contracts. The Company recognizes revenue as it is earned at estimated collectible amounts. Revenue on significant turnkey contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments are reflected in the period in which such estimates are revised. Provisions for estimated losses on such contracts are made in the period such losses are determined.

ERT acquisitions of producing offshore properties are recorded at the value exchanged at closing together with an estimate of its proportionate share of the undiscounted decommissioning liability assumed in the purchase based upon its working interest ownership percentage. In estimating the decommissioning liability assumed in offshore property acquisitions, the Company performs detailed estimating procedures, including engineering studies. The Company follows the successful efforts method of accounting for its interests in natural gas and oil properties. Under the successful efforts method, the costs of successful wells and leases containing productive reserves are capitalized. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, which supersedes Accounting Principles Board (APB) Opinion No. 16, Business Combinations. SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations and modifies the application of the purchase accounting method. The provisions of SFAS 141 were effective for transactions accounted for using the purchase method completed after June 30, 2001. The Company completed no business combination between June 30, 2001 and December 31, 2001. The Company did acquire 85% of Canyon Offshore, Inc. in January 2002 and accounted for the acquisition using the purchase method in accordance with SFAS 141. See further discussion below.

In July 2001, the FASB also issued SFAS No. 142, Goodwill and Intangible Assets, which supersedes APB Opinion No. 17, Intangible Assets. SFAS 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life and addresses the impairment testing and recognition for goodwill and intangible assets. SFAS 142, which is effective for 2002, will apply to goodwill and intangible assets arising from transactions completed before and after the statement's effective date. We believe adoption of this standard will have an immaterial effect on CDI's financial position and results of operations.

In July 2001, the FASB released SFAS No. 143, Accounting for Asset Retirement Obligations, which is required to be adopted by the Company no later than January 1, 2003. SFAS No. 143 addresses the financial accounting and reporting obligations and retirement costs related to the retirement of tangible long-lived assets. The Company is currently reviewing the provisions of SFAS No. 143 to determine the standard's impact, if any, on its financial statements upon adoption. Among other things SFAS No. 143 will require oil and gas companies to reflect decommissioning liabilities on the face of the balance sheet, something ERT has done since inception on an undiscounted basis.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which is effective for the Company beginning January 1, 2002. SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions relating to the disposal of a segment of a business of APB Opinion

No. 30. The Company believes that the adoption of SFAS No. 144 will not have a material impact on its financial position or results of operations.

The following table sets forth for the periods presented average U.S. natural gas prices, our equivalent natural gas production, the average number of offshore rigs under contract in the Gulf, the number of platforms installed and removed in the Gulf and the vessel utilization rates for each of the major categories of our fleet.

1999	2000	2001										
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
U.S. Natural Gas Prices(1)	$1.80	$2.22	$2.53	$2.45	$2.52	$3.47	$4.27	$5.29	$7.09	$4.67	$2.88	$2.45
ERT Gas and Oil Production (MMcfe)	1,488	1,803	2,777	2,786	3,321	4,169	4,271	3,725	4,290	3,552	3,289	2,797
Rigs Under Contract in the Gulf(2)	121	115	126	146	148	160	175	178	182	189	165	125
Platform Installation(3)	12	13	13	16	9	19	27	19	12	19	20	11
Platform Removals(3)	2	20	40	15	--	25	61	7	13	11	19	16
Our Average Vessel Utilization Rate:(4)												
Dynamic Positioned	70%	49%	82%	69%	71%	38%	45%	56%	61%	76%	85%	95%
Saturation DSV	54	69	79	65	57	57	78	60	72	67	82	91
Surface Diving	63	69	78	51	31	58	55	57	61	81	72	
60 Derrick Barge	40	68	83	50	8	41	53	59	30	54	67	
47												

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(1) Average of the monthly Henry Hub cash prices per Mcf, as reported in Natural Gas Week.

(2) Average monthly number of rigs contracted, as reported by Offshore Data Services.

(3) Source: Offshore Data Services; installation and removal of platforms with two or more piles in the Gulf.

(4) Average vessel utilization rate is calculated by dividing the total number of days the vessels in this category generated revenues by the total number of days in each quarter (excluding Aquatica vessels in 1999). During the second quarter of 1999, the Uncle John spent 30 days in drydock undergoing thruster work and inspections. During the second quarter of 2000, the Uncle John spent 47 days in drydock for engine replacement and inspections and the Witch Queen spent 41 days in drydock undergoing regulatory inspections. During the third quarter of 2000, these vessels were out for a combined 105 days for the same reasons.

ITEM 7. RESULTS OF OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 2001 AND 2000

Revenues. During the year ended December 31, 2001, the Company's revenues increased 25% to $227.1 million compared to $181.0 million for the year ended December 31, 2000 with the Subsea and Salvage segment contributing all of the increase. Aquatica revenues increased 80% to $37.0 million for 2001 from $20.6 million in the prior year due, in part, to added capacity as a result of our acquisition of Professional Divers of New Orleans, Inc. in February 2001 and improved OCS activity. Revenues generated from our DP fleet increased 54% to $79.3 million during 2001 compared to $51.4 million in 2000 due mainly to vessel

utilization improving from 56% during 2000 to 87%. This increased utility reflects improved CDI market share, an expansion in the scope of Deepwater services provided and expansion into other regions (Mexico and Trinidad).

Natural Gas and Oil Production revenue for the year ended December 31, 2001 decreased 10% to $63.4 million from $70.8 million during the prior year due to a 10% decrease in production from 15.5 Bcfe in 2000 compared to 13.9 Bcfe during 2001. ERT received an average of $4.44 per Mcf for natural gas and $24.54 per Bbl for oil during 2001 compared to $4.04 per Mcf and $28.91 per Bbl in 2000. Oil and condensate represented 30% of ERT's revenues in 2001 versus 27% in 2000.

Gross Profit. Gross profit of $66.9 million for the year ended December 31, 2001 was 21% better than the $55.4 million gross profit recorded in the prior year with Subsea and Salvage contracting gross profit

providing all of the increase and offsetting a $9.1 million decline in Natural Gas & Oil Production gross profit. Subsea and Salvage margins improved from 15% for the year ended December 31, 2000 to 22% during the year ended December 31, 2001 due mainly to the increase in utilization due to increased marine construction activity, even though we earned only 5% margins on $15 million of Nansen/Boomvang volume that was mostly pass-through revenue.

Natural Gas and Oil Production gross profit decreased $9.1 million from $39.3 million in the year ended December 31, 2000 to $30.2 million for the year ended December 31, 2001 due mainly to the aforementioned 10% decline in production, higher amortization rates in 2001 than 2000 and $1.0 million of accounts receivable exposure related to the Enron bankruptcy.

Selling and Administrative Expenses. Selling and administrative expenses were $21.3 million in 2001, which is relatively flat (3% increase) with the $20.8 million incurred during 2000. Given the increased revenues, this tight cost control provided a two point margin improvement (i.e., 9% margin for the year ended December 31, 2001 compared to 11% for the year ended December 31, 2000).

Net Interest (Income) Expense and Other. The Company reported net interest expense and other of $1.3 million for the year ended December 31, 2001 in contrast to $554,000 for the prior year as average cash balances (net of MARAD financing) declined during 2001 as compared to 2000 due mainly to costs associated with construction of the Q4000 and the Intrepid conversion.

Income Taxes. Income taxes increased to $15.5 million for the year ended December 31, 2001, compared to $11.6 million in the prior year due to increased profitability. Federal income taxes were provided at the statutory rate of 35% in 2001. However, our deduction of Q4000 construction costs as Research and Development expenditures for federal tax purposes resulted in CDI paying no federal income taxes in 2001 and 2000. Since the deduction of Q4000 construction costs affects financial and taxable income in different years, the entire 2001 and 2000 provisions for federal taxes were reflected as deferred income taxes. In addition, the balance sheet includes a $10.0 million income tax receivable as of December 31, 2000 which reflects our amending prior year tax returns to reflect the deduction of such costs (these tax refunds were received in January 2001).

Net Income. Net income of $28.9 million for the year ended December 31, 2001 was $5.6 million, or 24%, more than 2000 as a result of factors described above.

COMPARISON OF YEAR ENDED DECEMBER 31, 2000 AND 1999

Revenues. During the year ended December 31, 2000, our revenues increased 12% to $181.0 million compared to $161.0 million for the year ended December 31, 1999, with Natural Gas and Oil Production contributing all of the increase. Revenue for Subsea and Salvage decreased from $128.4 million to $110.2 million. Subsea and Salvage contracting revenues include almost $17.1 million of revenues from the addition of the DP vessel Cal Dive Aker Dove and the acquisition of the 55% of Aquatica not previously owned.

Exclusive of these new assets, Subsea and Salvage contributed $35.3 million less in 2000 than it did in 1999, due primarily to the weak GOM construction market in 2000 and eight vessels being out of service during the first half of 2000 for a combined 416 days for U.S. Coast Guard (the Coast Guard or USCG) and American Bureau of Shipping (ABS) inspections and two major DP vessels being out of service a combined total of 105 days during the third quarter of 2000. This compares to three vessels being out of service for a combined 113 days during 1999. In addition, the 2000 salvage market was slower than anticipated as producers retained ownership to milk the last production out of mature fields and to take advantage of the high commodity prices. As a result, revenues from our barge operations (which include the subcontract of Horizon derrick and pipelay barges) were only $12.5 million during 2000 or two-thirds of the prior year. Margins also suffered as too many salvage contractors chased too little work.

Natural Gas and Oil Production revenue for 2000 increased 118% to $70.8 million from $32.5 million during the prior year due to a 74% increase in production from 8.9 Bcfe to 15.5 Bcfe. Production grew as a result of the acquisition of interests in six offshore blocks from EEX Corporation during the first quarter as

well as additional production derived from 1999 property acquisitions (involving a total of 20 offshore blocks) and the 1999 well exploitation program. In addition, we realized an average gas price of $4.03 per Mcf equivalent in 2000, an increase of $1.68, or 71%, over 1999. Oil prices averaged over $29 per barrel and represented 27% of gas and oil revenues in 2000.

Gross Profit. Gross profit of $55.4 million for 2000 was 49% better than the $37.3 million gross profit recorded in the comparable prior year period due mainly to the revenue improvement as well as an eight point improvement in margins (31% in 2000 versus 23% in the prior year). Subsea and Salvage margins declined from 20% for 1999 to 15% for 2000 due partly to the weak market and the additional vessels out of service for regulatory inspections and upgrades. While Aquatica margins remained at roughly the consolidated average of 30%, those of the larger vessels that work from 300 feet out into the Deepwater declined by seven percentage points from the prior year. The newly added Cal Dive Aker Dove represented more than half of the year-over-year decline in the gross profit generated by our DP fleet. The operating loss of this vessel was due to the low level of utilization in 2000 and to the sale/leaseback structure whereby financing cost was reported above the line as a charter cost.

Natural Gas and Oil Production gross profit increased $27.4 million from $11.9 million in 1999 to $39.3 million for 2000 (and margins improved from 37% to 55%) due to the aforementioned production and commodity pricing improvements.

Selling and Administrative Expenses. Selling and administrative expenses were $20.8 million in 2000, a 57% increase over the $13.2 million incurred in 1999 due mainly to improved operating results for ERT, whose incentive plan tracks its operating results ($3.1 million increase), and to the consolidation of Aquatica ($1.4 million increase). The remainder of the increase is due to the addition of personnel to the newly formed Well Operations Group to meet the anticipated demand for our services in the Deepwater market.

Net Interest (Income) Expense and Other. We reported net interest expense and other of $554,000 for 2000 in contrast to $849,000 of net interest income for 1999 as average cash balances declined during 2000 as compared to 1999. This decrease was due mainly to the Company's capital program (Q4000 vessel construction) combined with the recording of goodwill amortization expense beginning in August 1999 upon acquiring the 55% of Aquatica, Inc. that we did not already own. Minority interest added back $866,000 in 2000 compared to $109,000 reduction in 1999 due to the losses recorded in 2000 by the Cal Dive Aker Dove, a vessel which was jointly owned with Aker Maritime.

Income Taxes. Income taxes increased to $11.6 million for 2000, compared to $8.5 million in the prior year due to increased profitability. Federal income taxes were provided at 34% in 2000, slightly below the statutory rate of 35%.

Net Income. Net income of $23.3 million for 2000 was $6.4 million, or 38% more than 1999 as a result of factors described above. Diluted earnings per share increased only 31% reflecting the additional shares issued to acquire Aquatica in the third quarter of 1999 and the shares sold in conjunction with the Secondary Offering (Green Shoe).

LIQUIDITY AND CAPITAL RESOURCES

The Company completed an initial public offering of common stock on July 7, 1997, with the net proceeds of approximately $39.5 million resulting in $15 million of cash on hand after paying off all debt outstanding. The following three years internally generated cash flow funded approximately $164 million of capital expenditures while enabling the Company to remain essentially debt free. During the third quarter of 2000 we closed the long-term MARAD financing for construction of the Q4000 and have drawn $99.5 million on this facility through December 31, 2001. In January 2002, the Maritime Administration agreed to expand the facility to $160 million to include the modifications to the vessel which had been approved during 2001. Through December 31, 2001, we have funded over $137 million of the newbuild vessel's $182 million budgeted construction costs. Significant internally generated cash flow during 2001, coupled with the collection of a $10 million tax refund enabled us to acquire the Mystic Viking (a 240 foot DP vessel), the Eclipse (a 370 foot DP vessel) and Professional Divers of New Orleans, Inc. (PDNO) while maintaining cash

balances of $37.1 million as of December 31, 2001. In January 2002, we acquired approximately 85% of Canyon Offshore, Inc. for cash of $51 million, the assumption of $5 million of net debt and 181,000 shares of CDI common stock (143,000 shares of which were purchased by the Company during the fourth quarter of 2001). As of February 28, 2001, we had $114.4 million of debt outstanding under the MARAD facility and $25.2 million of debt outstanding under our $60 million revolving credit facility. In addition, as of February 28, 2001, we (through a special purpose entity) had drawn $11.3 million on a project financing facility covering CDI's share of costs for the construction of the spar at Gunnison. The Company believes that internally-generated cash flow, borrowings under existing credit facilities and use of project financings along with other debt and equity alternatives will provide the necessary capital to achieve our planned growth.

Operating Activities. Net cash provided by operating activities was $89.1 million during the year ended December 31, 2001, as compared to $53.7 million during 2000. This increase was due mainly to increased profitability and collection of a $10 million tax refund from the Internal Revenue Service (reflected in Changes in Income Taxes Receivable) relating to the deduction of Q4000 construction costs as research and development expenditures for federal tax purposes. Timing of accounts payable payments provided $22.3 million of the increase due mainly to expenses accrued at December 31, 2001 on the Nansen/Boomvang project which carries a large component of pass-through costs. This project also accounted for the significant increase in unbilled revenue at December 31, 2001 ($10.7 million versus $1.9 million at December 31, 2000), as the next scheduled invoicing milestone was achieved in January 2002. This was offset by a $20.3 million decrease in funding from accounts receivable collections during 2001 compared to 2000 as we have extended payment terms to Horizon Offshore. In addition, depreciation and amortization increased $3.8 million to $34.5 million for 2001 due mainly to the depreciation of newly acquired vessels in service.

Net cash provided by operating activities was $53.7 million in 2000, as compared to $25.5 million in 1999. This increase was mainly due to increased profitability as well as $23.6 million of funding from the collection of accounts receivable during 2000 as we collected all amounts due on the EEX Cooper abandonment project (the largest contract in our history) during the first quarter. In addition, depreciation and amortization increased $10.1 million to $30.7 million for 2000 due mainly to ERT depletion associated with increased production levels. These increases, along with the aforementioned deferred tax increase, were partially offset by a $22.2 million reduction in the level of funding from accounts payable and accrued liabilities in 2000 compared to 1999. The 1999 levels increased primarily as a result of year-end accruals with respect to the Q4000 construction project and the EEX project.

Investing Activities. Capital expenditures have consisted principally of strategic asset acquisitions related to the assembly of a fleet of DP vessels, construction of the Q4000, acquisition of Aquatica and PDNO, improvements to existing vessels and the acquisition of offshore natural gas and oil properties. We have consistently targeted the years 2002/2003 as the time when we expect to see a significant acceleration in Deepwater demand. As a result, we incurred $151.3 million of capital expenditures during 2001 compared to $95.1 million during 2000 and $77.4 million during 1999, a level which was over five times the prior year. Included in the $151.3 million of capital expenditures in 2001 was $53 million for the construction of the Q4000, $33 million for the conversion of the Intrepid, $40 million relating to the purchase of two DP vessels (the 240 foot by 52 foot Mystic Viking and the 370 foot by 67 foot Eclipse), and production partnering expenditures of $20 million for initial Gunnison development costs and the ERT 2001 Well Enhancement Program. In addition, in March 2001, CDI acquired substantially all of the assets of PDNO in exchange for $11.5 million. The assets purchased included the Sea Level 21 (a 165-foot four-point moored DSV renamed the Mr. Sonny), three utility vessels and associated diving equipment including two saturation diving systems. This acquisition was accounted for as a purchase with the acquisition price of $11.5 million being allocated to the assets acquired and liabilities assumed based upon their estimated fair values with the balance of the purchase price ($2.8 million) being recorded as excess of cost over net assets acquired (goodwill). Included in the $95.1 million of capital expenditures in 2000 was $61.0 million for the construction of the Q4000 and $8.5 million relating to the conversion of the Intrepid.

ERT purchased working interests of 3% to 75% in four offshore blocks during 2001 in exchange for assumption of the pro-rata share of the decommissioning obligations. In addition, during the first quarter of 2001 ERT purchased a working interest of 55% in Vermilion 201 for $2.5 million from an investment

partnership composed of Company management and industry sources which had funded the drilling of a deep exploratory well. Also, during the first half of 2000, ERT acquired interests in six offshore blocks from EEX Corporation and agreed to operate the remaining EEX properties on the OCS. The acquired offshore blocks include working interests from 40% to 75% in five platforms, one caisson and 13 wells. ERT agreed to a purchase price of $4.9 million, assumed EEX Corporation's pro rata share of the abandonment obligation for the acquired interests and entered into a two-year contract to manage the remaining EEX operated properties. During the first four months of 1999, in four separate transactions, ERT acquired interests in 20 blocks in exchange for cash consideration, as well as assumption of the pro rata share of the related decommissioning liabilities. In connection with 2001, 2000 and 1999 offshore property acquisitions, ERT assumed net abandonment liabilities of approximately $3,100,000, $4,200,000 and $19,500,000, respectively.

ERT production activities are regulated by the Federal government and require significant third-party involvement, such as refinery processing and pipeline transportation. We record revenue from our offshore properties net of royalties paid to the Minerals Management Service (MMS). Royalty fees paid totaled approximately $15.2 million, $11.7 million and $4 million for the years ended 2001, 2000 and 1999, respectively. In accordance with Federal regulations that require operators in the Gulf of Mexico to post an area wide bond of $3 million, the MMS has allowed the Company to fulfill such bonding requirements through an insurance policy.

In April 2000, ERT acquired a 20% working interest in Gunnison, a Deepwater Gulf of Mexico prospect of Kerr-McGee Oil & Gas Corporation. Consistent with CDI's philosophy of avoiding exploratory risk, financing for the exploratory costs (initially estimated at $15 million) was provided by an investment partnership (OKCD Investments, Ltd.), the investors of which are CDI senior management, in exchange for a 25% revenue override of CDI's 20% working interest. CDI provided no guarantees to the investment partnership. At that time, the Board of Directors established three criteria to determine a commercial discovery and the commitment of Cal Dive funds: 75 million barrels (gross) of reserves, total development costs of $500 million consistent with 75 MBOE, and a CDI estimated shareholder return of no less than 12%. Kerr-McGee, the operator, drilled several exploration wells and sidetracks in 3,200 feet of water at Garden Banks 667, 668 and 669 (the Gunnison prospect) and encountered significant potential reserves resulting in the three criteria being achieved during 2001. The exploratory phase was expanded to ensure field delineation resulting in the investment partnership which assumed the exploratory risk funding $20 million of exploratory drilling costs, considerably above the initial $15 million estimate. With the sanctioning of a commercial discovery, the Company will fund its share of ongoing development and production costs estimated in a range of $100 million to $110 million ($15.8 million of which had been incurred by December 31, 2001) with over half of that for construction of the spar. CDI has received a commitment from a financial institution to provide construction funding for the spar, including an option for CDI to convert this loan facility into a long-term (20 year) leveraged lease after the spar is placed in service. See further discussion below.

As part of the process of obtaining funding for the exploratory costs of the Gunnison prospect and Vermilion 201, several outside third parties were solicited. Management believes that the fund structure of these transactions was both consistent with the guidelines and at least as favorable to the Company and ERT as could have been obtained from the third parties.

During each of the past three years ERT has sold its interests in certain fields as well as the platforms and a pipeline. An ERT operating policy provides for the sale of assets when the expected future revenue stream can be accelerated in a single transaction. The net result of these sales was to add two cents, four cents and seven cents to diluted earnings per share in the years 2001, 2000 and 1999, respectively. These sales were structured as Section 1031 "Like Kind" exchanges for tax purposes. Accordingly, the cash received was restricted to use for subsequent acquisitions of additional natural gas and oil properties.

In June 2000, the DP DSV Balmoral Sea caught fire while dockside in New Orleans, LA as the vessel was being prepared to enter drydock for an extended period. The vessel was deemed a total loss by insurance underwriters. Her book value (approximately $7 million) was fully insured as were all salvage and removal costs. Payments from the insurance companies were received during the fourth quarter of 2000.

In December 1999, a Cal Dive-affiliated company (CAHT I) entered into a sale-leaseback of the Cal Dive Aker Dove. Our portion of the proceeds received totaled $20.0 million. The lease was accounted for as an operating lease. Effective April 1, 2001, Coflexip's acquisition of Aker enabled CDI to "put" its interest in CAHT I back to Aker in return for Aker assuming all of CDI's obligations and guarantees under the sale-leaseback.

Financing Activities. We have financed seasonal operating requirements and capital expenditures with internally generated funds, borrowings under credit facilities, the sale of common stock and project financings. In August 2000, the Company closed a $138.5 million long-term financing for construction of the Q4000. This U.S. Government guaranteed financing is pursuant to Title XI of the Merchant Marine Act of 1936 which is administered by the Maritime Administration (MARAD Debt). In January 2002, the Maritime Administration agreed to expand the facility to $160 million to include the modifications to the vessel which had been approved during 2001. At the time the financing closed in 2000, the Company made an initial draw of $40.1 million toward construction costs. During 2001, the Company borrowed $59.5 million on this facility and expects to draw the remaining commitment during 2002. The MARAD Debt will be payable in equal semi-annual installments beginning six months after delivery of the newbuild Q4000 and maturing 25 years from such date. It is collateralized by the Q4000, with CDI guaranteeing 50% of the debt, and bears an interest rate which currently floats at a rate approximating AAA Commercial Paper yields plus 20 basis points (2.25% as of December 31, 2001). For a period up to two years from delivery of the vessel CDI has options to lock in a fixed rate. In accordance with the MARAD Debt agreements, CDI is required to comply with certain covenants and restrictions, including the maintenance of minimum net worth and debt-to-equity requirements. As of December 31, 2001, the Company was in compliance with these covenants.

Since April 1997, the Company has had a revolving credit facility of $40 million available. The Company drew upon this facility only 134 days during the four years ended December 31, 2001 with maximum borrowing of $11.9 million. The Company had no outstanding balance under this facility as of December 31, 2001. In February 2002, the Company amended this facility, expanding the amount available to $60 million and extending the term three years. This facility is collateralized by accounts receivable and most of the remaining vessel fleet, bears interest at LIBOR plus 125-250 basis points depending on CDI leverage ratios and, among other restrictions, includes three financial covenants (cash flow leverage, minimum interest coverage and fixed charge coverage).

In November 2001, ERT (with a corporate guarantee by CDI) entered into a five-year lease transaction with a special purpose entity owned by a third party to fund CDI's portion of the construction costs ($67 million) of the spar for the Gunnison field. This lease is expected to be accounted for as an operating lease upon completion of the construction, and includes an option for the Company to convert the lease into a long-term (20 year) leveraged lease after construction is completed. As of December 31, 2001, the special purpose entity had drawn down $5.6 million on this facility. Accrued interest cost on the outstanding balance is capitalized to the cost of the facility during construction and is payable monthly thereafter. The principal balance of $67 million is due at the end of five years if the long-term leverage lease option is not taken. The facility bears interest at LIBOR plus 225-300 basis points depending on CDI leverage ratios and includes, among other restrictions, three financial covenants (cash flow leverage, minimum interest coverage and debt to total book capitalization). The Company was in compliance with these covenants as of December 31, 2001.

The following table summarizes the Company's contractual cash obligations as of December 31, 2001 and the scheduled years in which the obligations are contractually due (in thousands):

LESS THAN	AFTER	TOTAL	1 YEAR	2-3 YEARS	4-5 YEARS	5 YEARS
----- Long Term Debt.....		$ 99,548	$ 1,500	$ 3,430	$ 3,935	$90,683
Q4000 Construction and Intrepid Conversion.....		50,000	50,000	--	--	--
Gunnison Development.....		97,000	51,000	46,000	--	--
Operating Leases.....		9,299	948	1,801	6,415	135
Total Cash Obligation.....		$255,847	$103,448	$51,231	$10,350	$90,818

In January 2002, CDI acquired approximately 85% of Canyon Offshore, Inc. (Canyon), a supplier of remotely operated vehicles (ROVs) and robotics to the offshore construction and telecommunications industries, in exchange for cash of $51 million, the assumption of $5 million of Canyon net debt and 181,000 shares of CDI common stock (143,000 shares of which were purchased by the Company during the fourth quarter of 2001 for $2.6 million). Cal Dive will purchase the remaining 15% at a price to be determined by Canyon's performance during the years 2002 through 2004, a portion of which could be compensation expense. The total purchase price is estimated to range from $66 million to $74 million. The acquisition will be accounted for as a purchase with the acquisition price being allocated to the assets acquired and liabilities assumed based upon their estimated fair values, with the excess being recorded as goodwill, which is initially estimated at approximately $40 million.

In September 2000, CDI completed a Secondary stock offering with Coflexip selling its 7.4 million shares of common stock at $26.31 per share. The over-allotment option was exercised resulting in the Company issuing 609,936 shares of common stock and receiving net proceeds of $14.8 million.

In October 2000, our Board of Directors declared a two-for-one split of CDI's common stock in the form of a 100% stock distribution on November 13, 2000 to all holders of record at the close of business on October 30, 2000. All share and per share data in these financial statements have been restated to reflect the stock split.

The only other financing activity during 2001, 2000 and 1999 represents the exercise of employee stock options.

Capital Commitments. Our Board of Directors has approved a capital budget for 2002 which includes $50 million for the completion of the Q4000 and Intrepid, $65 million for the purchase of Canyon Offshore and the addition of three new Quest ROV units, and approximately $30 million as the equity portion of the construction of the Marco Polo production facility. In addition, it is estimated that CDI will be required to fund $19 million for Gunnison development expenditures in addition to an estimated $34 million which will be funded by the project financing established for the construction of the spar. In December 2001, CDI signed a letter of intent to form a 50-50 venture with El Paso Energy Partners to construct, install and own a Deepwater production hub platform and associated facilities primarily for Anadarko Petroleum Corporation's Marco Polo field discovery at Green Canyon 608 in the Gulf of Mexico. CDI's share of the construction costs is estimated to be $100 million. CDI, along with El Paso, is currently negotiating project financing for this venture, terms of which would include a 30% equity component for CDI.

In connection with our business strategy, we evaluate acquisition opportunities (including additional vessels as well as interests in offshore natural gas and oil properties). No such acquisitions are currently pending.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

A variety of quantitative and qualitative factors affect the operations of the Company. For more information see "Factors Influencing Future Results and Accuracy of Forward-Looking Statements".

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Cal Dive International, Inc.:

We have audited the accompanying consolidated balance sheets of Cal Dive International, Inc. (a Minnesota corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal Dive International, Inc., and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
February 18, 2002

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(IN THOUSANDS)

DECEMBER 31,	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,123	$ 44,838
Restricted cash	- -	2,624
Accounts receivable -- Trade, net of revenue allowance on gross amounts billed of $4,262 and $1,770	45,527	42,924
Unbilled revenue	10,659	1,902
Income tax receivable	-	10,014
Other current assets	20,055	20,975
Total current assets	113,364	123,277
Property and equipment	423,742	266,102
Less -- Accumulated depreciation	(92,430)	(67,560)
	331,312	198,542
Other assets:		
Goodwill, net	14,973	12,878
Other assets, net	13,473	12,791
	$473,122	$347,488
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 42,252	$ 25,461
Accrued liabilities	21,011	21,435
Income taxes payable	--	--
Current maturities of long-term debt	1,500	--
Total current liabilities	64,763	46,896
Long-term debt	98,048	40,054
Deferred income taxes	54,631	38,272
Decommissioning liabilities	29,331	27,541
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par, 120,000 shares authorized, 46,239 and 45,885 shares issued	99,105	93,838
Retained earnings	133,570	104,638
Treasury stock, 13,783 and 13,640 shares, at cost	(6,326)	(3,751)
Total shareholders' equity	226,349	194,725
	$473,122	$347,488

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEAR ENDED DECEMBER 31,		
2001	2000	1999
Net revenues:		
Subsea and salvage	$163,740	$110,217
$128,435		
Natural gas and oil production	63,401	70,797
32,519		
	227,141	181,014
160,954		
Cost of sales:		
Subsea and salvage	127,047	94,104
103,113		
Natural gas and oil production	33,183	31,541
20,590		
Gross profit	66,911	55,369
37,251		
Selling and administrative expenses	21,325	20,800
13,227		
Income from operations	45,586	34,569
24,024		
Equity in earnings of Aquatica, Inc.	--	--
600		
Net interest (income) expense and other	1,290	554
(849)		
Income before income taxes	44,296	34,015
25,473		
Provision for income taxes	15,504	11,555
8,465		
Minority Interest	(140)	(866)
109		
Net income	$ 28,932	$ 23,326
$ 16,899		
Net income per share:		
Basic	$ 0.89	$ 0.74
$ 0.56		
Diluted	0.88	0.72
0.55		
Weighted average common shares outstanding:		
Basic	32,449	31,588
30,016		
Diluted	33,055	32,341
30,654		

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(IN THOUSANDS)

	COMMON STOCK		TREASURY STOCK		TOTAL
	RETAINED				
	SHAREHOLDERS'	SHARES	AMOUNT	SHARES	AMOUNT	EQUITY
Balance, December 31, 1998	$ 64,413	42,804	$52,981	(13,640)	$(3,751)	$113,643
Net income	16,899	--	--	--	--	16,899
Activity in company stock plans, net	594	4,174	--	--	--	4,174
Acquisition of Aquatica, Inc.	16,156	1,392	16,156	--	--	--
Balance, December 31, 1999	81,312	44,790	73,311	(13,640)	(3,751)	150,872
Net income	23,326	--	--	--	--	23,326
Activity in company stock plans, net	485	5,740	--	--	--	5,740
Sale of common stock, net	610	14,787	--	--	--	14,787
Balance, December 31, 2000	45,885	93,838	104,638	(13,640)	(3,751)	194,725
Net income	28,932	--	--	--	--	28,932
Activity in company stock plans, net	354	5,267	--	--	--	5,267
Purchase of treasury shares	--	--	--	(143)	(2,575)	(2,575)
Balance, December 31, 2001	$133,570	46,239	$99,105	(13,783)	$(6,326)	$226,349

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(IN THOUSANDS)

YEAR ENDED DECEMBER 31, ----------
- 2001 2000 1999 --------- -------- -------- Cash
flows from operating activities: Net
income.....
$ 28,932 $ 23,326 $ 16,899 Adjustments to reconcile
net income to net cash provided by operating
activities -- Depreciation and
amortization..... 34,533 30,730
20,615 Deferred income
taxes..... 15,504 21,085
4,298 Equity in earnings of Aquatica, Inc.
..... -- -- (600) Gain on sale of
assets..... (1,881)
(3,292) (8,454) Changes in operating assets and
liabilities: Accounts receivable,
net..... (13,594) 6,723
(16,918) Other current
assets..... 2,760 (4,298)
(6,468) Accounts payable and accrued
liabilities..... 21,263 (1,030) 21,217 Income
taxes receivable..... 10,014
(7,256) (430) Other noncurrent,
net..... (8,424) (12,287)
(4,660) --------- -------- -------- Net cash provided
by operating activities..... 89,107 53,701 25,499
--------- -------- -------- Cash flows from investing
activities: Capital
expenditures.....
(151,261) (95,124) (77,447) Purchase of Professional
Divers of New Orleans, Inc.,
net.....
(11,500) -- -- Cash (restricted) available for
acquisitions..... 2,624 6,062 (8,222)
Investment in Aquatica, Inc.
..... -- -- 442 Prepayments
and deposits related to salvage operations.... 782 826
7,684 Proceeds from sales of
property..... 1,530 3,124 28,931
Insurance proceeds from loss of
vessel..... -- 7,118 -- --------- -----
--- -------- Net cash used in investing
activities..... (157,825) (77,994) (48,612) --
------- -------- -------- Cash flows from financing
activities: Exercise of stock warrants and options,
net..... 4,084 2,980 2,043 Purchase of
treasury stock..... (2,575)
-- -- Sale of common stock, net of transaction
costs..... -- 14,787 -- Borrowings under MARAD
loan facility..... 59,494 40,054 -- -
-------- -------- -------- Net cash provided by
financing activities..... 61,003 57,821 2,043 ----
----- -------- -------- Net increase (decrease) in
cash and cash equivalents..... (7,715) 33,528
(21,070) Cash and cash equivalents: Balance, beginning
of year..... 44,838 11,310
32,380 --------- -------- -------- Balance, end of
year..... $ 37,123 $
44,838 $ 11,310 ========= ======== ========

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Cal Dive International, Inc. (Cal Dive, CDI or the Company), headquartered in Houston, Texas, owns, staffs and operates twenty-two marine construction vessels and a derrick barge in the Gulf of Mexico. The Company provides a full range of services to offshore oil and gas exploration and production and pipeline companies, including underwater construction, well operations, maintenance and repair of pipelines and platforms, and salvage operations. Diving and vessel support services in the shallow water market are provided by Aquatica, Inc., a wholly-owned subsidiary based in Lafayette, Louisiana. In January 2002, the Company expanded its Deepwater services through acquisition of Canyon Offshore, Inc. See footnote 17.

In September 1992, Cal Dive formed a wholly-owned subsidiary, Energy Resource Technology, Inc. (ERT), to purchase non-core producing offshore oil and gas properties and those which are in the later stages of their economic lives. ERT is a fully bonded offshore operator and, in conjunction with the acquisition of properties, assumes the responsibility to decommission the property in full compliance with all governmental regulations. CDI has expanded the scope of its gas and oil operations by taking a working interest in Gunnison, a Deepwater development of Kerr-McGee Oil & Gas Corporation which has encountered significant reserves. The company is expanding its Deepwater Hub strategy by agreeing to participate in the ownership of the Marco Polo production facility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

GOODWILL

Through the end of 2001, goodwill was amortized on the straight-line method over its estimated useful life. Accumulated amortization as of December 31, 2001 and 2000 was $1.9 million and $1.2 million, respectively. The Company continually evaluated whether subsequent events or circumstances had occurred which indicated that the remaining useful life of goodwill might warrant revision or that the remaining balance of goodwill might not be recoverable. Management believes that there have been no events or circumstances which warrant revision to the remaining useful life or which affect recoverability of goodwill.

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, which supersedes Accounting Principles Board (APB) Opinion No. 16, Business Combinations. SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations and modifies the application of the purchase accounting method. The provisions of SFAS 141 were effective for transactions accounted for using the purchase method completed after June 30, 2001. The Company had no business combination completed between June 30, 2001 and December 31, 2001.

In July 2001, the FASB also issued SFAS No. 142, Goodwill and Intangible Assets, which supersedes APB Opinion No. 17, Intangible Assets. SFAS 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life and addresses the impairment testing and recognition for goodwill and intangible assets. SFAS 142, which is effective for 2002, will apply to goodwill and intangible assets arising from transactions completed before and after the statement's effective date. The Company believes adoption of this standard will have an immaterial effect on CDI's financial position and results of operations.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided primarily on the straight-line method over the estimated useful lives of the assets.

All of the Company's interests in natural gas and oil properties are located offshore in United States waters. The Company follows the successful efforts method of accounting for its interests in natural gas and oil properties. Under the successful efforts method, the costs of successful wells and leases containing productive reserves are capitalized. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized.

ERT acquisitions of producing offshore properties are recorded at the value exchanged at closing together with an estimate of its proportionate share of the undiscounted decommissioning liability assumed in the purchase based upon its working interest ownership percentage. In estimating the decommissioning liability assumed in offshore property acquisitions, the Company performs detailed estimating procedures, including engineering studies. All capitalized costs are amortized on a unit-of-production basis (UOP) based on the estimated remaining oil and gas reserves. Properties are periodically assessed for impairment in value, with any impairment charged to expense.

In July 2001, the FASB released SFAS No. 143, Accounting for Asset Retirement Obligations, which is required to be adopted by the Company no later than January 1, 2003. SFAS No. 143 addresses the financial accounting and reporting obligations and retirement costs related to the retirement of tangible long-lived assets. The Company is currently reviewing the provisions of SFAS No. 143 to determine the standard's impact, if any, on its financial statements upon adoption. Among other things SFAS No. 143 will require oil and gas companies to reflect decommissioning liabilities on the face of the balance sheet, something ERT has done since inception on an undiscounted basis.

The following is a summary of the components of property and equipment (dollars in thousands):

ESTIMATED USEFUL LIFE		2001	2000
	Construction in progress	N/A	$221,916
	Vessels	$111,250	
15	Offshore leases and equipment	103,929	78,776
	Gunnison property under development	UOP	72,157
	Machinery, equipment and leasehold improvements	N/A	10,177
5		15,563	15,397
	Total property and equipment	$423,742	$266,102

In July 1999, the CDI Board of Directors approved the construction of the Q4000, a newbuild, ultra-deepwater multi-purpose vessel, for a total estimated cost of $150 million and, in June 2001, approved modification to the original construction contract increasing the total estimated costs to $182 million. Amounts incurred on this project and the conversion of the Intrepid pipelay vessel are included in Construction in Progress ($1.9 million of which is capitalized interest).

The cost of repairs and maintenance of vessels and equipment is charged to operations as incurred, while the cost of improvements is capitalized. Total repair and maintenance charges were $8,501,000, $4,343,000 and $6,031,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which is effective for the Company beginning January 1, 2002. SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions relating to the disposal of a segment of a business of APB Opinion

No. 30. The Company believes that the adoption of SFAS No. 144 will not have a material impact on its financial position or results of operations.

USE OF ESTIMATES

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

EARNINGS PER SHARE

The Company computes and presents earnings per share in accordance with SFAS No. 128, Earnings Per Share. SFAS 128 requires the presentation of "basic" EPS and "diluted" EPS on the face of the statement of operations. Basic EPS is computed by dividing the net income available to common shareholders by the weighted-average shares of outstanding common stock. The calculation of diluted EPS is similar to basic EPS except that the denominator includes dilutive common stock equivalents, which were stock options, less the number of treasury shares assumed to be purchased from the proceeds with the exercise of stock options.

REVENUE RECOGNITION

The Company earns the majority of its subsea service and salvage contracting revenues during the summer and fall months. Revenues are derived from billings under contracts (which are typically of short duration) that provide for either lump-sum turnkey charges or specific time, material and equipment charges which are billed in accordance with the terms of such contracts. The Company recognizes revenue as it is earned at estimated collectible amounts. Revenue on significant turnkey contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments are reflected in the period in which such estimates are revised. Provisions for estimated losses on such contracts are made in the period such losses are determined. Unbilled revenue represents revenue attributable to work completed prior to year-end which has not yet been invoiced. All amounts included in unbilled revenue at December 31, 2001 are expected to be billed and collected within one year.

REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED

The Company bills for work performed in accordance with the terms of the applicable contract. The gross amount of revenue billed will include not only the billing for the original amount quoted for a project but also include billings for services provided which the Company believes are outside the scope of the original quote. The Company establishes a revenue allowance for these additional billings based on its collections history if conditions warrant such a reserve.

MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The market for the Company's products and services is the offshore oil and gas industry. Oil and gas companies make capital expenditures on exploration, drilling and production operations offshore, the level of which is generally dependent on the prevailing view of the future oil and gas prices, which have been characterized by significant volatility in recent years. The Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers. The Company performs ongoing credit evaluations of its customers and provides allowances for probable credit losses when necessary. The percent of consolidated revenue of major customers was as follows: 2001 -- Horizon Offshore, Inc. (18%), Enron Corporation (10%); 2000 -- Enron Corporation (13%); and 1999 -- EEX Corporation (13%).

In March 2001, CDI and Horizon Offshore, Inc. announced that the Alliance Agreement covering operation on the Outer Continental Shelf was extended for a three-year period. Principal features of the Alliance are that CDI provides Dive Support Vessel services behind Horizon pipelay barges while Horizon supplies pipelay, derrick barge and heavy lift capacity to Cal Dive. The Alliance was also expanded to include CDI providing the diving personnel working from Horizon barges, a service Horizon handled internally in 2000. During 2001 the Company also provided dynamically positioned vessels to support Horizon projects for Pemex in Mexican waters of the Gulf of Mexico.

INCOME TAXES

Deferred taxes are recognized for revenues and expenses reported in different years for financial statement purposes and income tax purposes in accordance with SFAS No. 109, Accounting for Income Taxes. The statement requires, among other things, the use of the liability method of computing deferred income taxes. The liability method is based on the amount of current and future taxes payable using tax rates and laws in effect at the balance sheet date.

DEFERRED DRYDOCK CHARGES

The Company accounts for regulatory (U.S. Coast Guard, American Bureau of Shipping and Det Norske Veritas) related drydock inspection and certification expenditures by capitalizing the related costs and amortizing them over the 30-month period between regulatory mandated drydock inspections and certification. During the years ended December 31, 2001, 2000 and 1999, drydock amortization expense was $3.1 million, $2.2 million and $1.7 million, respectively. This predominant industry practice provides appropriate matching of expenses with the period benefitted (i.e., certification to operate the vessel for a 30-month period between required drydock inspections).

STATEMENT OF CASH FLOW INFORMATION

The Company defines cash and cash equivalents as cash and all highly liquid financial instruments with original maturities of less than three months. During the years ended December 31, 2001, 2000 and 1999, the Company made cash payments for interest charges, net of interest capitalized, of $662,000, $-0- and $-0-, respectively, and made cash payments for federal income taxes of approximately $-0-, $1,800,000 and $4,075,000, respectively.

RECLASSIFICATIONS

Certain reclassifications were made to previously reported amounts in the consolidated financial statements and notes to make them consistent with the current presentation format.

3. ACQUISITION OF DEEPWATER VESSELS

In May 2001, Cal Dive acquired a dynamically positioned (DP) marine construction vessel, the Mystic Viking (formerly the Bergen Viking). The 240 foot by 52 foot vessel is DP-2 class, similar to the Witch Queen. The Mystic Viking replaces the Balmoral Sea (lost during 2000) and the Cal Dive Aker Dove (Cal Dive's ownership was transferred to Aker effective April 1, 2001).

In October 2001, Cal Dive announced the acquisition of another DP marine construction vessel, the Eclipse (formerly the C.S. Seaspread). The 370 foot by 67 foot vessel is a sister ship to Coflexip Stena Offshore's Constructor and EMC's Bar Protector. She was sold out of the energy services industry into the telecom cable sector in the early 1990s. Following delivery in the first quarter of 2002, her original marine construction features will be restored by installing a saturation diving system (salvaged from the Balmoral Sea), restoring the ballast system, and upgrading the DP system to DP-2 standards. The total cost of the two

vessels acquired and related upgrades will approximate $40 million, the majority of which has been expended as of December 31, 2001.

4. OFFSHORE PROPERTY TRANSACTIONS

ERT purchased working interests of 3% to 75% in four offshore blocks during 2001 in exchange for assumption of the pro-rata share of the decommissioning obligations. In addition, during 2001 ERT purchased a working interest of 55% in Vermilion 201 for $2.5 million (see footnote 5). In the first quarter of 2000, ERT acquired interests in six offshore blocks from EEX Corporation and agreed to operate the remaining EEX properties on the Outer Continental Shelf (OCS). The acquired offshore blocks include working interests from 40% to 75% in five platforms, one caisson and 13 wells. ERT agreed to a purchase price of $4.9 million and assumed EEX's prorated share of the abandonment obligation for the acquired interests, and entered into a two-year contract to manage the remaining EEX operated properties. Additionally, in April 2000, ERT acquired a 20% interest in Gunnison. See further discussion in footnote 5. During the first four months of 1999, in four separate transactions, ERT acquired interests in 20 blocks and interests in six blocks involving two separate fields in exchange for cash as well as assumption of the pro-rata share of the related decommissioning liabilities. In connection with 2001, 2000 and 1999 offshore property acquisitions, ERT assumed net abandonment liabilities estimated at approximately $3,100,000, $4,200,000, and $19,500,000 respectively.

ERT production activities are regulated by the federal government and require significant third-party involvement, such as refinery processing and pipeline transportation. The Company records revenue from its offshore properties net of royalties paid to the Minerals Management Service (MMS). Royalty fees paid totaled approximately $15.2 million, $11.7 million and $4 million for the years ended 2001, 2000 and 1999, respectively. In accordance with federal regulations that require operators in the Gulf of Mexico to post an area wide bond of $3 million, the MMS has allowed the Company to fulfill such bonding requirements through an insurance policy.

During each of the past three years ERT has sold its interests in certain fields as well as the platforms and a pipeline. An ERT operating policy provides for the sale of assets when the expected future revenue stream can be accelerated in a single transaction. The net result of these sales was to add two cents, four cents and seven cents to diluted earnings per share for the years ending December 31, 2001, 2000 and 1999, respectively. These sales were structured as Section 1031 "Like Kind" exchanges for tax purposes. Accordingly, the cash received was restricted to use for subsequent acquisitions of additional natural gas and oil properties.

5. RELATED PARTY TRANSACTIONS

In April 2000, ERT acquired a 20% working interest in Gunnison, a Deepwater Gulf of Mexico prospect of Kerr-McGee Oil & Gas Corporation. Consistent with CDI's philosophy of avoiding exploratory risk, financing for the exploratory costs (initially estimated at $15 million) was provided by an investment partnership (OKCD Investments, Ltd.), the investors of which are CDI senior management, in exchange for a 25% revenue override of CDI's 20% working interest. CDI provided no guarantees to the investment partnership. At this time, the Board of Directors established three criteria to determine a commercial discovery and the commitment of Cal Dive funds: 75 million barrels (gross) of reserves, total development costs of $500 million consistent with 75 MBOE, and a CDI estimated shareholder return of no less than 12%. Kerr-McGee, the operator, drilled several exploration wells and sidetracks in 3,200 feet of water at Garden Banks 667, 668 and 669 (the Gunnison prospect) and encountered significant potential reserves resulting in the three criteria being achieved during 2001. The exploratory phase was expanded to ensure field delineation resulting in the investment partnership which assumed the exploratory risk funding over $20 million of exploratory drilling costs, considerably above the initial $15 million estimate. With the sanctioning of a commercial discovery, the Company will fund ongoing development and production costs. Cal Dive's share of

such project development costs is estimated in a range of $100 million to $110 million ($15.8 million of which had been incurred by December 31, 2001) with over half of that for construction of the spar. CDI has received a commitment from a financial institution to provide a construction funding for the spar, including an option for CDI to convert this loan facility into a long-term (20 year) leveraged lease after the spar is placed in service. See footnote 10.

During the fourth quarter of 2000 another investment partnership composed of Company management and industry sources funded the drilling of a deep exploratory well at ERT's Vermilion 201 field. Effective January 1, 2001, ERT acquired approximately 55% of this investment partnership's interest in the reserves discovered for $2.5 million.

As part of the process of obtaining funding for the exploratory costs of the above projects, several outside third parties were solicited. Management believes that the structure of these transactions was both consistent with the guidelines and at least as favorable to the Company and ERT as could have been obtained from the third parties.

6. ACQUISITION OF PROFESSIONAL DIVERS OF NEW ORLEANS, INC. (PDNO) AND AQUATICA, INC.

In March 2001, CDI acquired substantially all of the assets of Professional Divers of New Orleans, Inc. (PDNO) in exchange for $11.5 million. The assets purchased included the Sea Level 21 (a 165-foot four-point moored DSV renamed the Mr. Sonny), three utility vessels and associated diving equipment including two saturation diving systems. This acquisition was accounted for as a purchase with the acquisition price of $11.5 million being allocated to the assets acquired and liabilities assumed based upon their estimated fair values with the balance of the purchase price ($2.8 million) being recorded as excess of cost over net assets acquired (goodwill).

In February 1998, CDI purchased a significant minority equity interest in Aquatica, Inc., a shallow water diving company. CDI accounted for this investment on the equity basis of accounting for financial reporting purposes. The related Shareholder Agreement provided that the remaining shares of Aquatica, Inc. could be converted into Cal Dive shares based on a formula which, among other things, valued the shares of Aquatica, Inc. Effective August 1, 1999, 1.4 million shares of common stock of Cal Dive were issued for all of the remaining common stock of Aquatica, Inc. pursuant to these terms. This acquisition was accounted for as a purchase with the acquisition price of $16.2 million being allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The fair value of tangible assets acquired and liabilities assumed was $6.4 million and $2.2 million, respectively. The balance of the purchase price ($12 million) was recorded as excess of cost over net assets acquired (goodwill). Results of operations for Aquatica, Inc. are consolidated with those of Cal Dive for periods subsequent to August 1, 1999.

7. ACCRUED LIABILITIES

Accrued liabilities consisted of the following (in thousands):

2001	2000		
		Accrued payroll and related benefits	$ 6,880
$ 5,520		Workers' compensation claims	1,537
		Workers' compensation claims to be reimbursed	6,276
6,133		Royalties payable	3,207
		Other	3,111
4,480		Total accrued liabilities	$21,011
	$21,435		

8. LONG-TERM DEBT

In August 2000, the Company closed a $138.5 million long-term financing for construction of the Q4000. This U.S. Government guaranteed financing is pursuant to Title XI of the Merchant Marine Act of 1936 which is administered by the Maritime Administration ("MARAD Debt"). In January 2002, the Maritime Administration agreed to expand the facility to $160 million to include the modifications to the vessel which had been approved during 2001. At the time the financing closed in 2000, the Company made an initial draw of $40.1 million toward construction costs. During 2001, the Company borrowed $59.5 million on this facility and expects to draw the remaining commitment during 2002.

The MARAD Debt will be payable in equal semi-annual installments beginning six months after delivery of the newbuild Q4000 and maturing 25 years from such date. It is collateralized by the Q4000, with CDI guaranteeing 50% of the debt, and bears an interest rate which currently floats at a rate approximating AAA Commercial Paper yields plus 20 basis points (2.25% as of December 31, 2001). For a period up to two years from delivery of the vessel CDI has options to lock in a fixed rate. In accordance with the MARAD Debt agreements, CDI is required to comply with certain covenants and restrictions, including the maintenance of minimum net worth and debt-to-equity requirements. As of December 31, 2001, the Company was in compliance with these covenants.

Since April 1997, the Company has had a revolving credit facility of $40 million available. The Company drew upon this facility only 134 days during the past four years with maximum borrowing of $11.9 million. The Company had no outstanding balance under this facility as of December 31, 2001. In February 2002, the Company amended this facility, expanding the amount available to $60 million and extending the term three years. This facility is collateralized by accounts receivable and most of the remaining vessel fleet, bears interest at LIBOR plus 125-250 basis points depending on CDI leverage ratios and, among other restrictions, includes three financial covenants (cash flow leverage, minimum interest coverage and fixed charge coverage). As of February 18, 2002, the Company had drawn $22 million under this revolving credit facility. See project financing of Gunnison spar at footnote 10.

9. FEDERAL INCOME TAXES

Federal income taxes have been provided based on the statutory rate of 35 percent adjusted for items which are allowed as deductions for federal income tax reporting purposes, but not for book purposes. The primary differences between the statutory rate and the Company's effective rate are as follows:

2001 2000 1999 ---- ---- ---- Statutory rate..... 35% 35% 35% Research and development tax credits..... (2) (2) (3) Other..... 2 1 1 -- -- -- Effective rate..... 35% 34% 33% == == ==

Components of the provision for income taxes reflected in the statements of operations consist of the following (in thousands):

2001 2000 1999 ------- ------- ------ Current..... $ -- $ -- $4,167 Deferred..... 15,504 11,555 4,298 ------- ------- ------ $15,504 $11,555 $8,465 ======= ======= ======

Deferred income taxes result from those transactions which affect financial and taxable income in different years. The nature of these transactions and the income tax effect of each as of December 31, 2001 and 2000, is as follows (in thousands):

	2001	2000
Deferred tax liabilities -- Depreciation	$ 54,631	$38,272
Deferred tax assets -- Reserves, accrued liabilities and other	(16,122)	(9,991)
Valuation allowance (R&D credit)	13,528	8,252
Net deferred tax liability	$ 52,037	$36,533

CDI effectively paid no federal income taxes in 2001 and 2000 due to the deduction of Q4000 construction costs as research and development for federal tax purposes. The Company paid $1.8 million of federal income taxes during 2000, but the amount was refunded in January 2001 upon completing our research and development analysis and filing for the refund. In addition, we filed amended tax returns for 1998 and 1999, deducting such costs, resulting in refunds of $8.2 million which were collected in January 2001. These amounts were reflected as Income Tax Receivable in the accompanying consolidated balance sheets as of December 31, 2000.

10. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

During 1999, CDI acquired an interest in Cal Dive Aker CAHT I, LLC (CAHT I), the company which owned the Cal Dive Aker Dove (a newbuild DP anchor handling and subsea construction vessel which commenced operations in September 1999) for a total of $18.9 million. CDI effectively owned 56% of CAHT I and, accordingly, results of operations of this company were consolidated in the accompanying financial statements with Aker's share being reflected as minority interest. In December, 1999 CAHT I entered into a sale-leaseback of the Cal Dive Aker Dove. Cal Dive's portion of the sale proceeds received totaled $20 million. The lease was accounted for as an operating lease. Effective April 1, 2001, Coflexip's acquisition of Aker enabled CDI to "put" its interest in CAHT I back to Aker in return for Aker assuming all of CDI's obligations and guarantees under the sale-leaseback.

In November 2001, ERT (with a corporate guarantee by CDI) entered into a five-year lease transaction with a special purpose entity owned by a third party to fund CDI's portion of the construction costs ($67 million) of the spar for the Gunnison field. This lease is expected to be accounted for as an operating lease upon completion of the construction and includes an option for the Company to convert the lease into a long-term (20 year) leveraged lease after construction is completed. As of December 31, 2001, the special purpose entity had drawn down $5.6 million on this facility. Accrued interest cost on the outstanding balance is capitalized to the cost of the facility during construction and are payable monthly thereafter. The principal balance of $67 million is due at the end of five years if the long-term leverage lease option is not taken. The facility bears interest at LIBOR plus 225-300 basis points depending on CDI leverage ratios and includes, among other restrictions, three financial covenants (cash flow leverage, minimum interest coverage and debt to total book capitalization). The Company was in compliance with these covenants as of December 31, 2001.

The Company occupies several facilities under noncancelable operating leases, with the more significant leases expiring in the years 2004 and 2007. Future minimum rentals under these leases are $2,380,000 at December 31, 2001 with $701,000 due in 2002, $669,000 in 2003, $605,000 in 2004, $135,000 in 2005,

$135,000 in 2006 and $135,000 thereafter. Total rental expense under these operating leases was $779,000, $721,000 and $673,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

In December 2001, CDI signed a letter of intent to form a 50-50 venture with El Paso Energy Partners to construct, install and own a Deepwater production hub platform and associated facilities primarily for Anadarko Petroleum Corporation's Marco Polo field discovery at Green Canyon 608 in the Gulf of Mexico. CDI's share of the construction costs is estimated to be $100 million. CDI, along with El Paso, is currently negotiating project financing for this venture, terms of which would include a 30% equity component for CDI.

INSURANCE

The Company carries Hull and Increased Value insurance which provides coverage for physical damage to an agreed amount for each vessel. The deductibles are based on the value of the vessel with a maximum deductible of $500,000 on the Q4000. Other vessels carry deductibles between $100,000 and $350,000. The Company also carries Protection and Indemnity insurance which covers liabilities arising from the operation of the vessel and General Liability insurance which covers liabilities arising from construction operations. The deductible on both the P&I and General Liability is $100,000 per occurrence. Onshore employees are covered by Workers' Compensation. Offshore employees, including divers and tenders and marine crews, are covered by an Excess Maritime Employers Liability insurance policy which covers Jones Act exposures and includes a deductible of $50,000 per occurrence. In excess of the liability policies named above, the Company carries various layers of Umbrella Liability for total limits of $135,000,000 excess of primary for all vessels except the Q4000. Total limits on the Q4000 are $160,000,000 excess of primary. The Company's self insured retention on its medical and health benefits program for employees is $50,000 per claim.

In June 2000, the DP DSV Balmoral Sea caught fire while dockside in New Orleans, LA as the vessel was being prepared to enter drydock for an extended period. The vessel was deemed a total loss by insurance underwriters. Her book value (approximately $7 million) was fully insured as were all salvage and removal costs. Payments from the insurance companies were received during the fourth quarter of 2000.

The Company incurs workers' compensation claims in the normal course of business, which management believes are covered by insurance. The Company, its insurers and legal counsel analyze each claim for potential exposure and estimate the ultimate liability of each claim. Amounts accrued and receivable from insurance companies, above the applicable deductible limits, are reflected in other current assets in the consolidated balance sheet. Such amounts were $6,276,000 and $6,133,000 as of December 31, 2001 and 2000, respectively. See related accrued liabilities at footnote 7. The Company has not incurred any significant losses as a result of claims denied by its insurance carriers.

LITIGATION

The Company is involved in various routine legal proceedings primarily involving claims for personal injury under the General Maritime Laws of the United States and Jones Act as a result of alleged negligence. In addition, the Company from time to time incurs other claims, such as contract disputes, in the normal course of business. The Company believes that the outcome of all such proceedings would not have a material adverse effect on its consolidated financial position, results of operations or net cash flows.

In 1998, the Company entered into a subcontract with Seacore Marine Contractors Limited to provide the Sea Sorceress for subsea excavation in Canada. Seacore was in turn contracted by Coflexip Stena Offshore Newfoundland Limited, a subsidiary of Coflexip ("CSO Nfl"), as representative of the consortium of companies contracted to perform services on the project. Due to difficulties with respect to the sea states and soil conditions the contract was terminated. Cal Dive provided Seacore a performance bond of $5 million with respect to the subcontract. No call has been made on this bond. Although CSO Nfl has alleged that the Sea Sorceress was unable to adequately perform the excavation work required under the subcontract, Seacore and

the Company believe the contract was wrongfully terminated and are vigorously defending this claim and seeking damages in arbitration. In another commercial dispute, EEX Corporation sued Cal Dive and others alleging breach of fiduciary duty by a former EEX employee and damages resulting from certain construction and property acquisition agreements. Cal Dive has responded alleging EEX Corporation breached various provisions of the same contracts and is seeking a declaratory judgment that the defendants are not liable. Although such litigation has the potential of significant liability, the Company believes that the outcome of all such proceedings is not likely to have a material adverse effect on its consolidated financial position, results of operations or net cash flows.

11. EMPLOYEE BENEFIT PLANS

DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution 401(k) retirement plan covering substantially all of its employees. The Company's contributions are in the form of cash and are determined annually as 50 percent of each employee's contribution up to 5 percent of the employee's salary. The Company's costs related to this plan totaled $595,000, $423,000 and $375,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

STOCK-BASED COMPENSATION PLANS

During 2000, the Board of Directors approved a "Stock Option in Lieu of Salary Program" for the Company's Chief Executive Officer. Under the terms of the program, the participant may annually elect to receive non-qualified stock options (with an exercise price equal to the closing stock price on the date of grant) in lieu of cash compensation with respect to his base salary and any bonus earned under the annual incentive compensation program. The number of options granted is determined utilizing the Black-Scholes valuation model as of the date of grant with a risk premium included. The participant made such election for 2001 and 2000 resulting in a total of 180,000 and 115,000 options being granted during 2001 and 2000, respectively (which includes bonuses earned under the annual incentive compensation program in both years).

During 1995, the Board of Directors and shareholders approved the 1995 Long-Term Incentive Plan (the Incentive Plan). Under the Incentive Plan, a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted to key executives and selected employees who are likely to make a significant positive impact on the reported net income of the Company. The Incentive Plan is administered by a committee which determines, subject to approval of the Compensation Committee of the Board of Directors, the type of award to be made to each participant and sets forth in the related award agreement the terms, conditions and limitations applicable to each award. The committee may grant stock options, stock appreciation rights, or stock and cash awards. Options granted to employees under the Incentive Plan vest 20% per year for a five year period or 33% per year for a three year period, have a maximum exercise life of three, five or ten years and, subject to certain exceptions, are not transferable.

Effective May 12, 1998, the Company adopted a qualified, non-compensatory Employee Stock Purchase Plan ("ESPP"), which allows employees to acquire shares of common stock through payroll deductions over a six month period. The purchase price is equal to 85 percent of the fair market value of the common stock on either the first or last day of the subscription period, whichever is lower. Purchases under the plan are limited to 10 percent of an employee's base salary. Under this plan 38,849, 25,391 and 22,476 shares of common stock were purchased in the open market at a weighted average share price of $22.22, $21.55 and $12.19 during 2001, 2000 and 1999, respectively.

The above plans are accounted for using APB Opinion No. 25, and therefore no compensation expense is recorded. If SFAS Statement No. 123 had been used for the accounting of these plans, the Company's pro forma net income for 2001, 2000 and 1999 would have been $25,879,000, $21,665,000 and $16,218,000,

respectively, and the Company's pro forma diluted earnings per share would have been $0.79, $0.67 and $0.53, respectively. These pro forma results exclude consideration of options granted prior to January 1, 1995, and therefore may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used: expected dividend yields of 0 percent; expected lives ranging from three to ten years, risk-free interest rate assumed to be 5.5 percent in 1999, 5.0 percent in 2000 and 4.5 percent in 2001, and expected volatility to be 59 percent in 1999, 62 percent in 2000 and 61 percent in 2001. The fair value of shares issued under the ESPP was based on the 15% discount received by the employees.

All of the options outstanding at December 31, 2001, have exercise prices as follows: 97,554 shares at $3.95, 579,000 at $4.75, 108,520 shares at $10.28, 211,668 shares at $18.00, 119,508 shares at $18.06, 129,000 shares at $19.63, 297,000 shares at $21.88 and 636,996 shares ranging from $6.50 to $26.75 and a weighted average remaining contractual life of 3.98 years.

Options granted in 1999 include 287,278 shares issued in connection with the August 1, 1999 acquisition of Aquatica, Inc., which provided for conversion of Aquatica employee stock options into Cal Dive stock options at the same ratio which Aquatica common shares were converted into Cal Dive common shares.

Options outstanding are as follows:

2001		2000		1999	
	WEIGHTED AVERAGE EXERCISE PRICE		WEIGHTED AVERAGE EXERCISE PRICE		WEIGHTED AVERAGE EXERCISE PRICE
SHARES		SHARES		SHARES	
Options outstanding, beginning of year		2,238,600	$11.34	1,957,208	$ 5.59
Granted		589,000	21.84	810,420	19.26
Exercised		(354,838)	9.43	(484,344)	4.24
Terminated		(293,516)	15.69	(44,684)	4.10
Options outstanding, December 31		2,179,246	$13.66	2,238,600	$11.34
Options exercisable, December 31		732,787	$ 8.97	518,308	$ 7.10

12. COMMON STOCK

The Company's amended and restated Articles of Incorporation provide for authorized Common Stock of 120,000,000 shares with no par value per share.

During the fourth quarter of 2001, CDI purchased 143,000 shares of its common stock for $2.6 million.

In October 2000, the Board of Directors declared a two-for-one split of CDI's common stock in the form of a 100% stock distribution on November 13, 2000 to all holders of record at the close of business on October 30, 2000. All share and per share data in these financial statements have been restated to reflect the stock split.

In September 2000, CDI completed a Secondary Stock Offering with Coflexip selling its 7.4 million shares of common stock at $26.31 per share. The

over-allotment option was exercised resulting in the Company issuing 609,936 shares of common stock and receiving net proceeds of $14.8 million, and the Chief Executive Officer, selling 500,000 shares.

13. BUSINESS SEGMENT INFORMATION (IN THOUSANDS)

The following summarizes certain financial data by business segment:

YEAR ENDED DECEMBER 31,			
	2001	2000	1999
-- Revenues -- Subsea and salvage	$163,740	$110,217	$128,435
Natural gas and oil production	63,401	70,797	32,519
Total	$227,141	$181,014	$160,954
Income from operations -- Subsea and salvage	$ 21,705	$ 2,368	$ 15,817
Natural gas and oil production	23,881	32,201	8,207
Total	$ 45,586	$ 34,569	$ 24,024
Net interest (income) expense and other -- Subsea and salvage	$ 739	$ (63)	$ (264)
Natural gas and oil production	551	617	(585)
Total	$ 1,290	$ 554	$ (849)
Provision for income taxes -- Subsea and salvage	$ 7,145	$ 436	$ 5,431
Natural gas and oil production	8,359	11,119	3,034
Total	$ 15,504	$ 11,555	$ 8,465
Identifiable assets -- Subsea and salvage	$436,085	$301,416	$197,570
Natural gas and oil production	37,037	46,072	46,152
Total	$473,122	$347,488	$243,722
Capital expenditures -- Subsea and salvage	$131,062	$ 82,697	$ 60,662
Natural gas and oil production	20,199	12,427	16,785
Total	$151,261	$ 95,124	$ 77,447
Depreciation and amortization -- Subsea and salvage	$ 14,586	$ 11,621	$ 9,459
Natural gas and oil production	19,947	19,109	11,156
Total	$ 34,533	$ 30,730	$ 20,615

14. SUPPLEMENTAL OIL AND GAS DISCLOSURES (UNAUDITED)

The following information regarding the Company's oil and gas producing activities is presented pursuant to SFAS No. 69, "Disclosures About Oil and Gas Producing Activities" (in thousands).

CAPITALIZED COSTS

Aggregate amounts of capitalized costs relating to the Company's oil and gas producing activities and the aggregate amount of related accumulated depletion, depreciation and amortization as of the dates indicated are presented below. The Company has no capitalized costs related to unproved properties.

AS OF DECEMBER 31,		
2001	2000	1999
Gunnison capitalized costs	$ 10,177	$ --
$ -- Proved developed properties being amortized	72,157	60,679
49,037 Less -- Accumulated depletion, depreciation and amortization	(54,482)	(35,835)
(19,530) --- Net capitalized costs	$ 27,852	$ 24,844
$ 29,507		

Included in capitalized costs proved developed properties being amortized is the Company's estimate of its proportionate share of decommissioning liabilities assumed relating to these properties. As of December 31, 2001 and 2000, such liabilities totaled $29.3 million and $27.5 million, respectively, and are also reflected as decommissioning liabilities in the accompanying consolidated balance sheets.

COSTS INCURRED IN OIL AND GAS PRODUCING ACTIVITIES

The following table reflects the costs incurred in oil and gas property acquisition and development activities during the years indicated:

YEAR ENDED DECEMBER 31,		
2001	2000	1999
Proved property acquisition costs	$ 4,350	$ 7,635
$22,610 Development costs	18,247	8,160
5,002 Total costs incurred	$22,597	$15,795
$27,612		

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

YEAR ENDED DECEMBER 31,		
2001	2000	1999
Revenues	$63,401	$70,797
$32,519 Production (lifting) costs	13,236	12,432
9,433 Depreciation, depletion and amortization	19,947	19,109
11,156 -- Pretax income from producing activities	30,218	39,256
11,930 Income tax expenses	8,359	11,119
3,034 Results of oil and gas producing activities	$21,859	$28,137
$ 8,896		

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES

Proved developed oil and gas reserve quantities are based on estimates prepared by Company engineers in accordance with guidelines established by the Securities and Exchange Commission. The Company's estimates of reserves at December 31, 2001, excluding Gunnison, have been reviewed by Miller and Lents, Ltd., independent petroleum engineers. Reserves attributable to Gunnison rely on the operator's estimate of proved reserves. The Company does not own a license to the geophysical data necessary for assessment of reserves and therefore, must rely on the operator's estimate of proved reserves. All of the Company's reserves are located in the United States. Proved reserves cannot be measured exactly because the estimation of

reserves involves numerous judgmental determinations. Accordingly, reserve estimates must be continually revised as a result of new information obtained from drilling and production history, new geological and geophysical data and changes in economic conditions.

As of December 31, 1999, 337,500 Bbls. of oil and 284,800 Mcf. of gas were undeveloped. As of December 31, 2000, -0- Bbls. of oil and -0- Mcf. of gas of the Company's proven reserves were undeveloped. As of December 31, 2001, 6,829,000 Bbls. of oil and 35,525,000 Mcf. of gas were undeveloped, all of which is attributable to Gunnison.

OIL GAS RESERVE QUANTITY INFORMATION (MBBLS.) (MMCF.) - - ---------- -------- ------- Total proved reserves at December 31, 1998..... 70 22,434 Revisions of previous estimates..... 1,091 (2,392) Production..... (339) (6,819) Purchases of reserves in place..... 888 17,218 Sales of reserves in place..... (8) (5,060) ----- ------- Total proved reserves at December 31, 1999..... 1,702 25,381 ----- ------- Revisions of previous estimates..... 24 3,024 Production..... (739) (14,959) Purchases of reserves in place..... 99 9,416 Sales of reserves in place..... (5) (1,151) ----- ------- Total proved reserves at December 31, 2000..... 1,081 21,711 ----- ------- Revision of previous estimates..... 623 4,479 Production..... (743) (9,473) Purchases of reserves in place..... 53 1,644 Sales of reserves in place..... -- (22) Extensions and discoveries..... 6,844 35,597 ----- ------- Total proved reserves at December 31, 2001..... 7,858 53,936 ===== =======

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

The following table reflects the standardized measure of discounted future net cash flows relating to the Company's interest in proved oil and gas reserves as of December 31:

2001 2000 1999 -------- -------- -------- Future cash inflows..... $261,613 $219,620 $101,686 Future costs -- Production..... (46,031) (42,608) (30,550) Development and abandonment..... (147,885) (27,690) (30,303) -------- -------- -------- Future net cash flows before income taxes..... 67,697 149,322 40,833 Future income taxes..... (24,223) (57,018) (16,191) -------- -------- ----- --- Future net cash flows..... 43,474 92,304 24,642 Discount at 10% annual rate..... (22,029) (14,591) (1,799) -------- -------- -------- Standardized measure of discounted future net cash flows..... $ 21,445 $ 77,713 $ 22,843 ======== ======== ========

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

Principal changes in the standardized measure of discounted future net cash flows attributable to the Company's proved oil and gas reserves are as follows:

2001 2000 1999 -------- -------- ------ -- Standardized measure, beginning of year..... $ 77,713 $ 22,843 $ 10,156 Sales, net of production costs..... (50,165) (57,720) (23,086) Net change in prices, net of production costs..... (68,811) 87,427 15,968 Changes in future development costs..... (2,421) (3,695) (1,227) Development costs incurred..... 18,247 8,160 5,002 Accretion of discount..... 3,013 3,785 1,537 Net change in income taxes..... 30,192 (32,996) (9,776) Purchases of reserves in place..... 433 48,229 31,309 Extensions and discoveries..... 16,612 -- -- Sales of reserves in place..... 20 2,021 (14,456) Net change due to revision in quantity estimates..... 1,604 20,084 7,591 Changes in production rates (timing) and other..... (4,992) (20,425) (175) --- ----- -------- -------- Standardized measure, end of year..... $ 21,445 $ 77,713 $ 22,843 ======== ======== ========

15. REVENUE ALLOWANCE ON GROSS AMOUNTS BILLED

The following table sets forth the activity in the Company's Revenue Allowance on Gross Amounts Billed for each of the three years in the period ended December 31, 2001 (in thousands):

2001 2000 1999 ------- ------- ------- Beginning balance..... $ 1,770 $ 1,789 $ 1,335 Additions..... 6,875 4,535 1,923 Deductions..... (4,383) (4,554) (1,469) ------- ------- ------- Ending balance..... $ 4,262 $ 1,770 $ 1,789 ======= ======= =======

See Note 2 for a detailed discussion regarding the Company's accounting policy on the Revenue Allowance on Gross Amounts Billed. Approximately $1.8 million of such reserves at December 31, 2001 are related to the Enron Corporation bankruptcy.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The offshore marine construction industry in the Gulf of Mexico is highly seasonal as a result of weather conditions and the timing of capital expenditures by the oil and gas companies. Historically, a substantial portion of the Company's services has been performed during the summer and fall months. As a result,

historically a disproportionate portion of the Company's revenues and net income is earned during such period. The following is a summary of consolidated quarterly financial information for 2001 and 2000.

QUARTER ENDED ---------- ---------- MARCH 31 JUNE 30 SEPTEMBER 30 DECEMBER 31 -------- - ------ ---------- ---------- (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Fiscal 2001

Revenues.....
$58,482 $48,786 $51,570 $68,303 Gross profit.....
22,258 16,914 13,207 14,532 Net income.....
10,774 7,546 5,244 5,368 Net income per share:
Basic.....
.33 .23 .16 .17
Diluted.....
.33 .23 .16 .16 Fiscal 2000

Revenues.....
$40,109 $39,901 $49,707 $51,297 Gross profit.....
8,397 10,418 17,186 19,368 Net income.....
3,214 3,660 7,686 8,766 Net income per share:
Basic.....
.10 .12 .24 .27
Diluted.....
.10 .11 .24 .27

17. SUBSEQUENT EVENTS

CANYON OFFSHORE, INC. ACQUISITION

In January 2002, CDI acquired approximately 85% of Canyon Offshore, Inc. (Canyon), a supplier of remotely operated vehicles (ROVs) and robotics to the offshore construction and telecommunications industries, in exchange for cash of $51 million, the assumption of $5 million of Canyon net debt and 181,000 shares of CDI common stock (143,000 shares of which were purchased by the Company during the fourth quarter of 2001). Cal Dive will purchase the remaining 15% at a price to be determined by Canyon's performance during the years 2002 through 2004, a portion of which could be compensation expense. The total purchase price is estimated to range from $66 million to $74 million. The acquisition will be accounted for as a purchase with the acquisition price being allocated to the assets acquired and liabilities assumed based upon their estimated fair values, with the excess being recorded as goodwill, which is initially estimated at approximately $40 million.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2001 Annual Meeting of Shareholders. See also "Executive Officers of the Registrant" appearing in Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2001 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2001 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A under the Securities Act of 1934 in connection with the Company's 2001 Annual Meeting of Shareholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(1) Financial Statements

The following financial statements included on pages 28 through 45 in this Annual Report are for the fiscal year ended December 31, 2001.

Independent Auditors' Report.
Consolidated Balance Sheets as of December 31, 2001 and 2000.
Consolidated Statements of Operations for the Years Ended December 31, 2001, 2000 and 1999.
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2001, 2000 and 1999.
Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999.
Notes to Consolidated Financial Statements.
Financial Statement Schedules

All financial statement schedules are omitted because the information is not required or because the information required is in the financial statements or notes thereto.

(2) Report on Form 8-K.

November 1, 2000.

(3) Exhibits.

Pursuant to Item 601(b)(4)(iii), the Registrant agrees to forward to the commission, upon request, a copy of any instrument with respect to long-term debt not exceeding 10% of the total assets of the Registrant and its consolidated subsidiaries.

The following exhibits are filed as part of this Annual Report:

EXHIBIT NUMBER DESCRIPTION - - ------ -------- --- 3.1 -- Amended and Restated Articles of Incorporation of Registrant, incorporated by reference to Exhibit 3.1 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No. 333-26357). 3.2 -- Bylaws of Registrant, incorporated by reference to Exhibit 3.2 to the Form S-1 Registration Statement filed by the Company on May 1, 1997 (Reg. No. 333-26357). *4.1 -- Second Amended and Restated Loan and Security Agreement by and among Fleet Capital Corporation, Southwest Bank of Texas, N.A. and Whitney National Bank, as Lenders, and Cal Dive International, Inc., Energy Resource Technology, Inc., Aquatica, Inc., and Canyon Offshore, Inc., as Borrower. *4.2 -- Participation Agreement among ERT, the Company, Cal Dive/Gunnison Business Trust No. 2001-1 and Bank One, NA, et.al. dated as of November 8, 2001. 4.3 -- Form of Common Stock certificate, incorporated by reference to Exhibit 4.1 to the Form S-1 filed by the

Company on May 1, 1997 (Reg. No. 333-26357). *4.4 -- Credit Agreement among Cal Dive I-Title XI, Inc., GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of August 16, 2000. *10.2 -- 2002 Annual Incentive Compensation Program. 10.3 -- 1995 Long Term Incentive Plan, as amended incorporated by reference to Exhibit 10.3 to the Form S-1 Registration Statement filed by Company on May 1, 1997 (Reg. No. 333-26357). 10.5 -- Employment Agreement between Owen Kratz and the Company dated February 28, 1999. 10.6 -- Employment Agreement between Martin R. Ferron and the Company dated February 28, 1999. 10.7 -- Employment Agreement between S. James Nelson and the Company dated February 28, 1999. *10.8 -- Employment Agreement between A. Wade Pursell and the Company. 21.1 -- Subsidiaries of the Registrant. The Company has five subsidiaries, Energy Resource Technologies, Inc., Cal Dive Offshore, Ltd., Aquatica, Inc., Cal Dive I-Title XI, Inc. and Canyon Offshore, Inc. *23.1 -- Consent of Arthur Andersen LLP. *23.2 -- Consent of Miller and Lents, Ltd. *99.1 -- Letter from Cal Dive International, Inc. regarding representations

by Arthur
Andersen LLP

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* Filed herewith.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) 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.

CAL DIVE INTERNATIONAL, INC.

By: /s/ A. WADE PURSELL

A. Wade Pursell
Senior Vice President,
Chief Financial Officer

March 27, 2002

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

SIGNATURE	TITLE	DATE
/s/ OWEN KRATZ	Chairman, Chief Executive Officer	March 27, 2002
--- and Director Owen Kratz		
/s/ MARTIN R. FERRON	President, Chief Operating Officer	March 27, 2002
--- and Director Martin R. Ferron		
/s/ S. JAMES NELSON	Vice Chairman and Director	March 27, 2002
--- S. James Nelson		
/s/ A. WADE PURSELL	Senior Vice President and Chief	March 27, 2002

Financial Officer A. Wade Pursell

/s/ GORDON F. AHALT

Director

March 27, 2002

Gordon F. Ahalt

/s/ BERNARD J. DUROC-DANNER

Director

March 27, 2002

Bernard J. Duroc-Danner

/s/ WILLIAM TRANSIER

Director

March 27, 2002

William Transier

INDEX TO EXHIBITS

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*4.2	Participation Agreement among ERT, the Company, Cal Dive/Gunnison Business Trust No. 2001-1 and Bank One, NA, et.al. dated as of November 8, 2001.
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GOVCO Incorporated, Citibank N.A. and Citibank International LLC dated as of August 16, 2000. *10.2 -- 2002 Annual Incentive Compensation Program. 10.3 -- 1995 Long Term Incentive Plan, as amended incorporated by reference to Exhibit 10.3 to the Form S-1 Registration Statement filed by Company on May 1, 1997 (Reg. No. 333-26357). 10.5 -- Employment Agreement between Owen Kratz and the Company dated February 28, 1999. 10.6 -- Employment Agreement between Martin R. Ferron and the Company dated February 28, 1999. 10.7 -- Employment Agreement between S. James Nelson and the Company dated February 28, 1999. *10.8 -- Employment Agreement between A. Wade Pursell and the Company. 21.1 -- Subsidiaries of the Registrant. The Company has five subsidiaries, Energy Resource Technologies, Inc., Cal Dive Offshore, Ltd., Aquatica, Inc., Cal Dive I-Title XI, Inc. and Canyon Offshore, Inc. *23.1 -- Consent of Arthur Andersen LLP. *23.2 -- Consent of Miller and Lents, Ltd. *99.1 -- Letter from Cal Dive International, Inc. regarding representations by Arthur Andersen LLP

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* Filed herewith.

EXHIBIT 4.1

SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

AMONG

FLEET CAPITAL CORPORATION,

SOUTHWEST BANK OF TEXAS, N.A.

AND

WHITNEY NATIONAL BANK,

AS LENDERS

FLEET CAPITAL CORPORATION,

AS AGENT FOR THE LENDERS

CAL DIVE INTERNATIONAL, INC.,

ENERGY RESOURCE TECHNOLOGY, INC.,

AQUATICA, INC.

AND

CANYON OFFSHORE, INC.

AS BORROWERS

DATED: FEBRUARY _____, 2002

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SECOND AMENDED AND RESTATED LOAN
AND SECURITY AGREEMENT

THIS SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT is made this _____ day of February, 2002, by and among FLEET CAPITAL CORPORATION, a Rhode Island corporation (in its individual capacity, "Fleet"), successor in interest by assignment to Shawmut Capital Corporation ("Shawmut"), with an office at 5050 Sherry Lane, Suite 300, Dallas, Texas 75225; SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Southwest") with an office at 5 Post Oak Park, 4400 Post Oak Parkway, Houston, Texas 77027; WHITNEY NATIONAL BANK, a national banking association ("Whitney") with an office at New Orleans, Louisiana (Fleet, Whitney and Southwest being referred to herein collectively as the "Lenders"), Fleet as Agent for the Lenders (the "Agent"); CAL DIVE INTERNATIONAL, INC. ("Cal Dive"), a Minnesota corporation, ENERGY RESOURCE TECHNOLOGY, INC. ("ERT"), a Delaware corporation, AQUATICA, INC. ("Aquatica"), a Louisiana corporation and CANYON OFFSHORE, INC. ("Canyon"), a Texas corporation (Cal Dive, ERT, Aquatica and Canyon being referred to individually and collectively as "Borrower"), each Borrower having its chief executive office at 400 N. Sam Houston Parkway E., Suite 400, Houston, Texas 77060-3500.

PRELIMINARY STATEMENTS

A. On August 3, 1993, Barclays Business Credit, Inc. ("Barclays") and Cal Dive entered into that certain Loan and Security Agreement, as amended by (i) that certain First Amendment to Loan and Security Agreement, dated as of August 31, 1994, executed by Barclays and Cal Dive, and (ii) that certain Letter Agreement, dated as of December 30, 1994 by Barclays pursuant to which Barclays agreed to make loans and advances to Cal Dive in accordance with the terms thereof.

B. On May 23, 1995, Shawmut and Cal Dive entered into that certain Amended and Restated Loan and Security Agreement, as so amended by First Amendment dated September 19, 1995, Second Amendment dated March 8, 1996, Third Amendment dated October 2, 1996, Fourth Amendment dated January 7, 1997, Fifth Amendment dated April 30, 1997 and Sixth Amendment dated May 12, 1999, as so amended the "Amended Loan Agreement") pursuant to which Fleet agreed to make loans and advances (collectively, the "Loans") to the Borrower in accordance with the terms thereof.

C. The Amended Loan Agreement and any other documents evidencing, governing, securing or otherwise pertaining to the Loans are hereinafter referred to as the "Amended Loan Documents".

D. Cal Dive has requested Fleet to extend its relationship with Cal Dive in connection with the Amended Loan Documents and to add Aquatica and Canyon as Borrowers, and Fleet, as the legal and equitable owner and holder of the Amended Loan Documents is willing to do so, subject to certain terms and conditions expressed herein.

E. In connection with the extension of the relationship with Cal Dive, Southwest and Whitney have agreed to become Lenders.

F. In connection with the extension of the relationship between Cal Dive and Lenders, Cal Dive and ERT , Aquatica, Canyon, Agent and Lenders wish to completely amend, restate and modify (but not extinguish) the Amended Loan Agreement and the other Amended Loan Documents, each through the execution of this Agreement, which will supersede all prior agreements among Fleet, Cal Dive and ERT, including without limitation the Amended Loan Documents, and Cal Dive, ERT, Aquatica, Canyon, Agent and Lenders have agreed that the agreements contained herein represent an arms-length transaction among Agent, Lenders, Cal Dive, ERT, Aquatica and Canyon.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agent, Lenders, Cal Dive, ERT, Aquatica and Canyon covenant and agree as follows:

AGREEMENT

ARTICLE 1. GENERAL DEFINITIONS

Section 1.1 Defined Terms. When used herein, the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

Accounts -- all accounts, contract rights, chattel paper, instruments and documents, whether now owned or hereafter created or acquired by Borrower or in which Borrower now has or hereafter acquires any interest.

Account Debtor -- any Person who is or may become obligated under or on account of an Account.

Affected Portion -- as defined in Section 3.2(c).

Affiliate -- a Person (other than ERT, Aquatica, Canyon, or a Subsidiary): (a) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, Borrower; (b) which beneficially owns or holds ten percent (10%) or more of any class of the Voting Stock of Borrower; (c) twenty percent (20%) or more of the Voting Stock (or in the case of a Person which is not a corporation, twenty percent (20%) or more of the equity interest) of which is beneficially owned or held by Borrower or a Subsidiary of Borrower; (d) twenty percent (20%) or more of whose Voting Stock (or in the case of a Person which is not a corporation, twenty percent (20%) or more of the equity interest) is beneficially owned or held by a Person referred to in clauses (a), (b) or (c) above; or (e) in the case of a natural Person, is a director or officer of any of the foregoing. For purposes hereof, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

Agent Advance -- as defined in Section 2.9.

Agreement -- this Second Amended and Restated Loan and Security Agreement, including all Exhibits hereto, as amended, modified, extended or supplemented from time to time.

Applicable Annual Rate -- as defined in Section 3.1(a).

Applicable Margin Amount -- at any time with respect to all Eurodollar or Base Rate Loans, the basis points as set forth in the table below.

APPLICABLE MARGIN

Cash Flow Leverage Ratio	Eurodollar Base Rate
<1.75	125
-25.0 > or = 1.75 <	2.00 150
0.0 > or = 2.00 <	2.25 175
25.0 > or = 2.25 <	2.50 200
50.0 > or = 2.50 <	2.75 225
75.0 > or = 2.75	250
100.0	

Authority -- as defined in Section 8.1(u).

Average Monthly Loan Balance -- an amount equal to the quotient of (i) the sum of the unpaid balance of all Loans at the end of each day for each calendar day during the month in question, divided by (ii) the number of days in such month.

Base Rate -- the rate of interest generally announced or quoted by Fleet from time to time as its base rate for commercial loans, whether or not such rate is the lowest rate charged by Fleet to its most preferred borrowers; and, if such base rate for commercial loans is discontinued by Fleet as a standard, a comparable reference rate designated by Fleet as a substitute therefor shall be the Base Rate.

Bank -- means Fleet National Bank, a national banking association and an Affiliate of Fleet.

Base Rate Loan -- a Loan which bears interest at a Base Rate.

Borrower -- as defined in the preamble of this Agreement.

Borrowing -- means any advance by the Lenders hereunder, whether in the form of a Revolving Loan or a Credit Enhancement.

Borrowing Base -- as at any date of determination thereof, an amount equal to the lesser of:

(a) the Revolving Credit Commitment then in effect; or

(b) an amount equal to:

(i) eighty-five percent (85%) (or after an Event of Default, such lesser percentage as Agent may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the net amount of Eligible Accounts outstanding at such date;

Plus

(ii) the lesser of (A) Four Million Dollars ($4,000,000) or (B) eighty-five percent (85%) (or after an Event of Default, such lesser percentage as Agent may in its discretion determine from time to time after providing Borrower with written notice of such reduction, which discretion shall be exercised in good faith) of the amount of Unbilled Accounts outstanding at such date;

Plus

(iii) the Vessel Borrowing Base as of such date;

Minus

(iv) an amount equal to the sum of (A) the face amount of all Credit Enhancements outstanding at such date, (B) any amounts which Agent or Lenders may pay pursuant to any of the Loan Documents for the account of Borrower, and (C) all other reserves which Agent deems necessary in the exercise of its reasonable credit judgment to maintain with respect to the Borrower, including reserves for any amounts which Agent or any Lender may be obligated to pay in the future for the account of Borrower.

For purposes hereof, the net amount of Eligible Accounts at any time shall be the face amount of such Eligible Accounts less (1) any and all returns, rebates, discounts, (which may, at Agent's option, be calculated on shortest terms), credits, allowances or sales, excise or other taxes of any nature at any time granted, issued, owing, or claimed by Account Debtors, outstanding or payable in connection with such Accounts at such time and (2) any interest, late fees, and services charges that may have accrued on such Accounts by reason of the Account Debtors not having paid the Accounts as they became due.

Borrowing Notice -- as defined in Section 2.4(a).

Business Day -- any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the States of Texas or Rhode Island or is a day on which banking institutions located in such state are closed or, with respect to LIBOR Periods, a day on which dealings in U.S. dollars are carried out in the interbank Eurodollar market selected by Agent.

Capitalized Lease Obligation -- any Indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and

the amount of such Indebtedness shall be the capitalized amount of such obligations determined in accordance with GAAP.

Cash Collateral -- means collateral consisting of cash or Cash Equivalents on which the Agent has a first priority Lien.

Cash Equivalents -- means

(a) Dollars;

(b) Securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof or any state having maturities of not more than one year after the date of acquisition or up to $5,000,000 with maturities up to five (5) years;

(c) Certificates of deposit and LIBOR time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any lender or any domestic commercial bank or US branch of a foreign commercial bank having capital and surplus in excess of $250 million and a Thompson Bank Watch Rating of "B" or better and up to $1,000,000 in a Eurodollar sweep account at Southwest Bank of Texas, N.A.;

(d) Repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in said clause (c);

(e) Commercial paper having the highest rating obtainable from Moody's or S&P and in each case maturing within 270 days after the date of acquisition or a fund which purchases such commercial paper; and

(f) Mutual funds that purchase the types of investments referred to in (a) through (e) above.

Cash Flow Leverage Ratio -- on a Consolidated basis, the ratio of (a) the total Funded Indebtedness (provided, however that for purposes of calculation this ratio ERT's abandonment liabilities for its Properties shall not be considered a part of Funded Indebtedness to (b) EBITDA for the prior twelve months, calculated quarterly ending on the last day of each fiscal quarter of the Borrower.

Closing Date -- the date on which all of the conditions precedent in Section 9 are satisfied and the initial Loan is made hereunder.

Code -- the Uniform Commercial Code as in effect in the State of Texas on the date of this Agreement as the same may be amended or otherwise revised.

Collateral -- all of the Property and interests in Property described in Sections 4.1, 4.2 and 4.3 and all other Property and interests in Property that now or hereafter secure the payment and performance of any of the Obligations.

Computer Hardware and Software -- all of a Person's rights (including rights as a licensee and lessee) with respect to (i) computer and other electronic data processing hardware, including all integrated computer systems, central processing units, memory units, display terminals, printers, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware; (ii) all Software and all software programs designed for use on the computers and electronic data processing hardware described in clause (i) above, including all operating system software, utilities and application programs in any form (source code and object code in magnetic tape, disk or hard copy format or any other listings whatsoever); (iii) any firmware associated with any of the foregoing; and (iv) any documentation for hardware, Software and firmware described in clauses (i), (ii) and (iii) above, including flow charts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes.

Consolidated -- the consolidation in accordance with GAAP of the accounts or other items as to which such term applies, as applied to Cal Dive, ERT, Aquatica, Canyon and their Subsidiaries.

Consolidated Financial Statements -- the Consolidated financial statements of Cal Dive, ERT, Aquatica, Canyon and their Subsidiaries, if any, delivered to Agent pursuant to Section 8.1(j).

Construction Contract Assignment -- the assignment by Cal Dive to the Agent of the contract for the refurbishment of the SEA SORCERESS between Cal Dive and Bender Shipyards or a successor shipyard in form and substance satisfactory to the Agent.

Contract Right -- any right of a Person to payment under a contract for the sale or lease of goods or the rendering of services, which right is at the time not yet earned by performance.

Credit Enhancements -- LC Guaranties and Letters of Credit issued by the Issuing Bank from time to time for Borrower's account in accordance with Section 2.5.

Dated Assets -- as defined in Section 2.8.

Dated Liabilities -- as defined in Section 2.8.

Default -- an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

Default Rate -- as defined in Section 3.1(b).

Defaulting Lender -- as defined in Section 2.9.

Distressed Auction Value -- of any Vessel, shall have the meaning customarily attributed to it in the equipment appraisal industry at the time of the valuation, less the estimated

marshaling, reconditioning and sale expenses designed to maximize the resale value of such Vessel for a sale within six (6) months. The appraisal firm's valuation shall be made with or without physical inspection at the Agent's discretion.

Distribution -- in respect of any corporation means and includes: (a) the payment of any dividends or other distributions on capital stock of the corporation (except distributions in such stock) and (b) the redemption or acquisition of its Securities unless made contemporaneously from the net proceeds of the sale of Securities; provided, however, that the acquisition of Securities by Cal Dive or Canyon arising out of the completion of the acquisition of Canyon by Cal Dive shall not be considered a Distribution.

Dominion Account -- a special account of Agent established by Borrower pursuant to this Agreement at a bank selected by Borrower, but acceptable to Agent, and over which Agent shall have sole and exclusive access and control for withdrawal purposes.

EBIT -- means, for any period, on a Consolidated basis, the sum of the amounts for such period, without duplication, of: (i) Net Income, plus (ii) charges against income for foreign, federal, state, and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) extraordinary or non-recurring non-cash losses to the extent deducted in computing Net Income, minus (v) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income.

EBITDA -- means, for any period, on a Consolidated basis, the sum of the amounts for such period, without duplication, of: (i) Net Income, plus (ii) charges against income for foreign, federal, state, and local taxes, to the extent deducted in computing Net Income, plus (iii) Interest Expense, plus (iv) depreciation expense, to the extent deducted in computing Net Income, plus (v) amortization expense, including without limitation amortization of goodwill, other intangible assets and transaction expenses, to the extent deducted in computing Net Income, plus (vi) extraordinary or non-recurring non-cash losses to the extent deducted in computing Net Income, minus (vii) extraordinary or non-recurring non-cash gains to the extent included in computing Net Income.

Eligible Account -- an Account arising in the ordinary course of Borrower's business from the sale of goods or rendition of services which Agent in its credit judgment, deems to be an Eligible Account. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if:

(a) it is an Unbilled Account; or

(b) the services giving rise to such Account require performance bonds, except for those Accounts where the services giving rise to such Account require Cash Deposits for Salvage Operations or have been completed and there is no continuing obligation of Borrower; or

(c) the services giving rise to such Account require retention withheld to the extent of such retention; or

(d) it is an Account arising out of a contract requiring acknowledgment of assignment from the Account Debtor and Agent has notified Borrower that obtaining such acknowledgment of assignment is necessary, unless the Account Debtor has acknowledged such assignment in a form and substance satisfactory to Agent; or

(e) it arises out of a sale made by or services rendered by Borrower to (i) another Borrower, (ii) a Subsidiary of Borrower, (iii) an Affiliate of Borrower, (iv) a Person controlled by an Affiliate of Borrower, or (v) an officer, director, employee or agent of Borrower, a Subsidiary of Borrower or an Affiliate of Borrower; or

(f) thirty-five percent (35%) or more of the Accounts from the Account Debtor are not deemed Eligible Accounts hereunder; or

(g) any covenant, representation or warranty contained in this Agreement with respect to such Account has been breached; or

(h) the Account Debtor is also Borrower's creditor or supplier, or has disputed liability with respect to such Account, or has made any claim with respect to any other Account due from such Account Debtor to Borrower, or the Account otherwise is or may become subject to any right of setoff by the Account Debtor, to the extent of any offset, dispute or claim; or

(i) the Account Debtor has commenced a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or a decree or order for relief has been entered by a court having jurisdiction in the premises in respect of the Account Debtor in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other petition or other application for relief under the federal bankruptcy laws has been filed against the Account Debtor, or if the Account Debtor has failed, suspended business, ceased to be Solvent, or consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs; or

(j) it arises from the rendition of services or a sale to an Account Debtor outside the United States, unless the sale or services are to a Major Domestic Energy Company and the invoice and payment are in U.S. Dollars, or the sale or services are on letter of credit, guaranty or acceptance terms, in each case acceptable to Lenders; or

(k) it arises from a sale to the Account Debtor on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, consignment or any other repurchase or return basis; or

(l) the Account Debtor is the United States of America or any department, agency or instrumentality thereof, unless Borrower assigns its right to payment of such Account to Lenders, in form and substance satisfactory to Agent, so as to comply

with the Assignment of Claims Act of 1940, as amended (31 U.S.C. Section 203 et seq.); or

(m) the Account is subject to a Lien other than a Permitted Lien; or

(n) the goods giving rise to such Account have not been delivered to and accepted by the Account Debtor or the services giving rise to such Account have not been performed by Borrower and accepted by the Account Debtor or the Account otherwise does not represent a final sale, except for Accounts which arise from (i) Long Day Rate Contracts or (ii) Turnkey Contracts where the Account Debtor has approved the basic work completed and an invoice for such work has been issued; or

(o) the Account arises from a progress billing or an invoice for deposit, except for Accounts which arise from (i) Long Day Rate Contracts or (ii) Turnkey Contracts where the Account Debtor has approved the basic work completed and an invoice for such work has been issued; or

(p) the Account arises from a sale which is an installment sale or lease or is otherwise a sale on an extended payment basis; or

(q) the Account is evidenced by chattel paper or an instrument of any kind, or has been reduced to judgment; or

(r) Borrower has made any agreement with the Account Debtor for any deduction therefrom, except for discounts or allowances made in the ordinary course of business and which discounts or allowances are disclosed to Agent; or

(s) Borrower has made an agreement with the Account Debtor to extend the time of payment thereof.

(t) the Account arises from a retail sale of goods to a Person who is purchasing same primarily for personal, family or household purposes; or

(u) the Account is due and unpaid from an Account Debtor for more than ninety (90) days from the original invoice date;

(v) Agent in good faith believes that collection of such Account is insecure or that payment thereof is doubtful or will be delayed by reason of the Account Debtor's financial condition.

In determining whether an Account is an Eligible Account, Agent may from time to time in its credit judgment, which will be exercised in good faith, establish credit limits for certain Account Debtors after providing Borrower with written notice thereof. Borrower may request from time to time that Agent remove a credit limit for an Account Debtor and Agent may or may not do so in its credit judgment, which will be exercised in good faith.

Environmental Complaint -- as defined in Section 8.1(u).

Environmental Laws -- all federal, state and local laws, rules, regulations, ordinances, permits, orders and consent decrees relating to health, safety and environmental matters, including, but not limited to, the Resource Conservation and Recovery Act, the Oil Pollution Act of 1990; the Comprehensive Environmental Response, Compensation and Liability Act of 1980; the Clean Air Act; the Toxic Substances Control Act, as amended; the River and Harbor Act; Water Pollution Control Act; the Marine Protection Research and Sanctuaries Act; the Deep-Water Port Act; the Safe Drinking Water Act; the Superfund Amendments and Reauthorization Act of 1986; the Federal Insecticide, Fungicide and Rodenticide Act; the Mineral Lands and Leasing Act; the Surface Mining Control and Reclamation Act; state and federal superlien and environmental cleanup laws; and the Hazardous Materials Transportation Authorization Act.

Equipment -- all machinery, apparatus, equipment, fittings, furniture, fixtures, motor vehicles, and other tangible personal Property (other than Inventory and Offshore Platforms) of every kind and description used in Borrower's operations or owned by Borrower or in which Borrower has an interest, whether now owned or hereafter acquired and wherever located, and all parts, accessories and special tools and all increases and accessions thereto and substitutions and replacements therefor.

ERISA -- the Employee Retirement Income Security Act of 1974 and all rules and regulations promulgated thereunder.

ERISA Affiliate -- Borrower and each Person under common control with Borrower or otherwise treated as a single employer with Borrower under ERISA or IRC Section 414.

Excess -- as defined in Section 3.1(d).

Event of Default -- as defined in Section 10.1.

Fixed Charge Coverage Ratio -- means, with reference to the periods referred to below, on a Consolidated basis, the ratio of Income from Operations to Interest Expense and scheduled payments of principal, for the three-month period ending March 31, 2002, the six-month period ending June 30, 2002, the nine-month period ending September 30, 2002, and thereafter on a rolling four-quarter basis, calculated as of the last day of each such quarter; provided, however that for the three-month period ending March 31, 2002 up to $3,000,000 of capitalized interest for the Title XI Debt shall not be included in calculating Interest Expense.

Funded Indebtedness -- the sum of the Borrower's Consolidated (i) long term debt evidenced by contracts or instruments plus (ii) capitalized lease obligations and (iii) ERT's abandonment liabilities for its Properties.

Funding Date -- the date on which a Borrowing is made available to the Borrower.

GAAP -- with respect to any date of determination, generally accepted accounting principles as used by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants consistently applied and maintained throughout the periods indicated.

General Intangibles -- all general intangibles of Borrower, whether now owned or hereafter created or acquired by Borrower, including, without limitation, all choses in action, causes of action, corporate or other business records, deposit accounts, inventions, designs, patents, patent applications, trademarks, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, rights to royalties, blueprints, drawings, confidential information, catalogs, sales literature, video tapes, consulting agreements, employment agreements, customer lists, tax refund claims, computer programs, insurance policies, deposits with insurers, all claims under guaranties, security interests or other security held by or granted to a Borrower to secure payment of any of the Accounts by an Account Debtor, all rights to indemnification and all other intangible property of every kind and nature (other than Accounts and Cash Deposits for Salvage Operations).

Hazardous Discharge -- as defined in Section 8.1(u).

Hazardous Substance -- without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act, the Oil Pollution Act, 1990, the Toxic Substances Control Act, the Hazardous Materials Transportation Act, each as amended, applicable state or local law, or any other applicable federal and state Environmental Laws now in force or hereafter enacted.

Hydrocarbons -- all oil, gas, hydrocarbons (including, distillate, condensate, residue gas and liquified petroleum gas) and all other substances that may be found in, associated with, or produced from a well, together with all components thereof, and substances that may be executed therefrom.

Income From Operations -- with respect to any fiscal period, means the Consolidated EBITDA of the Borrower, less (a) Unfunded Capital Expenditures and (b) accrued Taxes for such period (excluding deferred taxes, which shall be deducted from Income From Operations for the quarter in which they are due and payable).

Indebtedness -- as applied to a Person means, without duplication (a) all items which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date as of which Indebtedness is to be determined, including, without limitation, Capitalized Lease Obligations, (b) all obligations of other Persons which such Person has guaranteed, (c) in the case of Borrower (without duplication), the Obligations, (d) obligations of Borrower under the Synthetic Lease financing of the Gunnison production platform and (e) obligations of Borrower under other Synthetic Leases which have a term of five (5) years or more.

Indemnified Persons -- as defined in Section 12.2.

Intellectual Property -- all past, present and future: trade secrets, know-how and other proprietary information; trademarks, internet domain names, service marks, trade dress, trade names, business names, designs, logos, slogans (and all translations, adaptations, derivations and

combinations of the foregoing) indicia and other source and/or business identifiers, and the goodwill of the business relating thereto and all registrations or applications for registrations which have heretofore been or may hereafter be issued thereon throughout the world; copyrights (including copyrights for computer programs) and copyright registrations or applications for registrations which have heretofore been or may hereafter be issued throughout the world and all tangible property embodying the copyrights, unpatented inventions (whether or not patentable); patent applications and patents; industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; all other intellectual property; and all common law and other rights throughout the world in and to all of the foregoing; provided, however, that the patents, trade secrets, trademarks, copyrights and related appurtenances, additions, improvements, replacements, physical manifestations, embodiments or incorporations concerning the vessel now known as the Q 4000 assigned to the Secretary of Transportation as security for the Title XI Debt under the License Rights Agreement dated August 16, 2000 shall not be considered part of Borrower's Intellectual Property.

Interest Coverage Ratio -- means, on a Consolidated basis, the ratio of (a) EBIT to (b) Interest Expense ending on the last day of the most recent fiscal quarter of the Borrower, calculated for the three-month period ending March 31, 2002, the six-month period ending June 30, 2002, the nine-month period ending September 30, 2002, and thereafter on a rolling four-quarter basis.

Interest Expense -- for any fiscal period, the amount equal to (a) interest charges paid or accrued during such fiscal period (including imputed interest on Capitalized Lease Obligations, but excluding amortization of debt discount and expense) on the Indebtedness, (b) the net amount payable under any interest rate swap, collar or hedging agreement, (c) the interest component of Synthetic Leases, (d) commitment, facility, usage and similar fees payable in connection with any Indebtedness, and (e) letter of credit fees for Letters of Credit or any other financial letter of credit, all determined in accordance with GAAP, but excluding interest income received during such fiscal period.

Inventory -- all of Borrower's inventory, whether now owned or hereafter acquired and wherever located, including, but not limited to, all goods intended for sale or lease by Borrower, or for display or demonstration; all work in process; all raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in Borrower's business; and all documents evidencing and General Intangibles relating to any of the foregoing.

IRC -- the United States Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder.

Issuing Bank -- means the Bank in its capacity as the issuer of Letters of Credit.

Lawful Substances -- as defined in Section 7.2 (q)(iii).

LC Application -- means an application by Borrower, any Subsidiary of Borrower and Fleet to the Bank, on a form approved by Fleet, for the issuance of a Letter of Credit that is submitted to Fleet at least two Business Days prior to the requested issuance date of such Letter of Credit.

LC Conditions -- means each of the following conditions, the satisfaction of each of which is required before Fleet shall be obligated to procure the issuance of a Letter of Credit: (i) each of the conditions set forth in Section 9 has been and continues to be satisfied, including the absence of any Default or Event of Default; (ii) after giving effect to the issuance of the requested Letter of Credit and all other unissued Letters of Credit for which LC Applications have been approved by Fleet, the LC Outstandings would not exceed in the aggregate $6,000,000, (iii) the expiry date of such Letter of Credit does not extend beyond the earlier to occur of 365 days after the date of issuance or the 30th day prior to the last Business Day before the last day of the Term; and (iv) the currency in which payment is to be made under the Letter of Credit in Dollars.

LC Documents -- means any and all agreements, instruments and documents (other than an LC Application or an LC Guaranty) required by the Bank to be executed by Borrower, any Subsidiary of Borrower or any other Person and delivered to the Bank in connection with the issuance of a Letter of Credit.

LC Facility - means a subfacility of the Revolving Credit Facility consisting of LC Outstandings in an aggregate not to exceed $6,000,000.

LC Guaranty -- means a guaranty or other support agreement from Fleet in favor of the Bank pursuant to which Fleet shall guarantee or otherwise assure the payment or performance by the parties (other than Fleet) to an LC Application of such parties' obligations with respect to the Letter of Credit issued thereon, including the obligation of such parties to reimburse the Issuing Bank for any payment made by the Issuing Bank under such Letter of Credit.

LC Outstandings -- means, on any date of determination thereof, an amount in Dollars equal to the sum of (i) all amounts then due on such date and payable by Borrower or any of its Subsidiaries on such date by reason of any payment made on or before such date by Fleet under any LC Guaranty plus (ii) the aggregate Letter of Credit Amount of all Letters of Credit then outstanding or to be issued by the Bank under an LC Application therefore submitted to the Bank.

LC Reserve -- means at any date, (i) 100% of the Letter of Credit Amount of all Letters of Credit outstanding on such date minus (ii) the amount of any Cash Collateral for Letters of Credit.

Legal Requirement -- any requirement imposed upon any Lender by any law of the United States of America or the United Kingdom or by any regulation, order, interpretation, ruling of official directive (whether or not having the force of law) of the Board, the Bank of England or any other board, central bank or governmental or administrative agency, institution or authority

of the United States of America, the United Kingdom or any political subdivision of either thereof.

Letter of Credit Amount -- means, with respect to any Letter of Credit, the aggregate maximum amount at any time available for drawing under such Letter of Credit, assuming all conditions to drawing are satisfied.

Letter of Credit -- a standby letter of credit at any time issued by an Issuing Bank or another Person for the account of Borrower.

LIBOR Loan -- a Loan which bears interest at a rate that is determined by reference to the LIBOR Rate.

LIBOR Period -- any period, selected as provided in Section 2.4, of 1 month, 2 month, or 3 months, commencing on any Business Day; provided, however, that no LIBOR Period shall extend beyond the last day of the Term, unless Borrower and Agent and Lenders have agreed to an extension of the Term beyond the expiration of the LIBOR Period in question. If any LIBOR Period so elected shall end on a date that is not a Business Day, such LIBOR Period shall instead end on the next preceding or succeeding Business Day as determined by Agent in accordance with the then current banking practice in London. Each determination by Agent of a LIBOR Period shall, in the absence of manifest error, be conclusive, and at Borrower's request, Agent shall demonstrate the basis for such determination. In no event shall Borrower be permitted to have outstanding at any one time LIBOR Loans with more than five (5) different LIBOR Periods.

LIBOR Rate -- as applicable to any LIBOR Loan, the rate per annum (rounded upward, if necessary, to the nearest 1/32 of one percent) as determined on the basis of the offered rates for deposits in U.S. dollars, for a period of time comparable to such LIBOR Loan which appears on the Telerate page 3750 as of 11:00 a.m. (London time) on the day that is two (2) London Banking Days preceding the first day of such LIBOR Loan; provided, however, if the rate described above does not appear on the Telerate System on any applicable interest determination date, the LIBOR Rate shall be the rate (rounded upwards as described above, if necessary) for deposits in U.S. dollars for a period substantially equal to the interest period on the Reuters Page "LIBO" (or such other page as may replace the LIBO Page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London Time), on the day that is two (2) London Banking Days prior to the beginning of such interest period. If both the Telerate and Reuters systems are unavailable, then the rate for that date will be determined on the basis of the offered rates for deposits in U.S. dollars for a period of time comparable to such LIBOR Loan which are offered by four (4) major banks in the London interbank market at approximately 11:00 a.m. (London time), on the day that is two (2) London

Banking Days preceding the first day of such LIBOR Loan as selected by Agent. The principal London office of each of the major London Banks so selected will be requested to provide a quotation of its U.S. dollar deposit offered rate. If at least two (2) such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in U.S. dollars to leading European banks for a period of time comparable to such LIBOR Loan offered by major banks in New York City at approximately 11:00 a.m. (New York City time), on the day that is two (2) London Banking Days preceding the first day of such LIBOR Loan. In the event that Agent is unable to obtain any such quotation as provided above, it will be determined that LIBOR Rate pursuant to a LIBOR Loan cannot be determined. In the event that the Board of Governors of the Federal Reserve System shall impose a Reserve Percentage with respect to LIBOR deposits of a Lender then for any period during which such Reserve Percentage shall apply, LIBOR Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Reserve Percentage.

LIBOR Reserve Requirement -- at any date of determination, that percentage (expressed as a decimal fraction) which is in effect on such day, as provided by the Board of Governors of the Federal Reserve System (or any successor governmental body) applied for determining the maximum reserve requirements (including without limitation, basic, supplemental, marginal and emergency reserves) under Regulation D with respect to "Eurocurrency liabilities" as currently defined in Regulation D, or under any similar or successor regulation with respect to Eurocurrency liabilities or Eurocurrency funding. Each determination by Agent of the LIBOR Reserve Requirement shall be provided to Borrower and, in the absence of manifest error, be conclusive and binding. Any LIBOR Reserve Requirement shall be determined in accordance with Agent's customary practice and applied on a consistent basis.

Lien -- any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including, but not limited to, the security interest, security title or lien arising from a security agreement, mortgage, deed of trust, preferred ship mortgage, deed to secure debt, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purpose of this Agreement, Borrower shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person.

Loan Account -- the loan account established on the books of Lenders pursuant to Section 2.7.

Loan Documents -- this Agreement, the Notes, the Other Agreements and the Security Documents.

Loans -- all loans and advances made by Lenders pursuant to this Agreement, including, without limitation, all Revolving Loans and each payment made pursuant to a Credit Enhancement.

Long Day Rate Contracts -- contracts for services performed on a time and materials basis for which: (a) services continue for more than one billing cycle of Borrower, (b) the Account Debtor is willing to accept for payment an invoice appropriate for that billing cycle, and (c) payment of such invoice is due and owing, not being contingent on further provision of such services.

Losses -- as defined in Section 12.2.

Major Domestic Energy Company -- a multinational energy company (or subsidiary thereof) with substantial corporate representation in the United States that Agent, in its sole discretion, deems to be an acceptable credit risk.

Majority Lenders -- those Lenders holding at least 51% of the Loans but at all times when there are three (3) or more Lenders, at least two (2) Lenders.

Maximum Legal Rate -- as defined in Section 3.1(c).

MMS -- the Department of Interior Mineral Management Services and any successor thereto.

Money Borrowed -- as applied to Indebtedness, means (a) Indebtedness for borrowed money; (b) Indebtedness, whether or not in any such case the same was for borrowed money, (i) which is represented by notes payable or drafts accepted that evidence extensions of credit, (ii) which constitutes obligations evidenced by bonds, debentures, notes or similar instruments, or (iii) upon which interest charges are customarily paid (other than accounts payable) or that was issued or assumed as full or partial payment for Property; (c) Indebtedness that constitutes a Capitalized Lease Obligation; and (d) Indebtedness under any guaranty of obligations that would constitute Indebtedness for Money Borrowed under clauses (a) through (c).

Multiemployer Plan -- a multiemployer plan as defined in Section 3(37) of ERISA to which any ERISA Affiliate contributes, has contributed to in the last six years or is required to contribute to.

Net Income -- means, with reference to any period, the net income (or loss) of the Borrower and its Subsidiaries calculated on a Consolidated basis for such period.

New Ship Mortgages -- as defined in Section 4.2.

Non-Ratable Loan -- as defined in Section 2.9.

Notes -- the promissory notes of the Borrower in favor of the Lenders, substantially in the form of Exhibit A attached hereto and made a part hereof.

Obligations -- all Loans and all other advances, debts, liabilities, obligations, covenants and duties from Borrower to any Lender, Fleet, Issuing Bank, the Agent or any Affiliate of the Agent, together with all interest, fees (including without limitation attorneys' fees), expenses and other charges thereon, owing, arising, due or payable from Borrower to the Agent, Fleet and/or the Lenders of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, whether arising under this Agreement or any of the other Loan Documents or otherwise, whether direct or indirect (including those acquired by assignment), absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising and however acquired.

Offshore Platforms -- any structure located in the Gulf of Mexico, together with all equipment, facilities or structures affixed thereto utilized in connection with, or related to, drilling or work with respect to wells, or the production, processing, treating, gathering, storing, measuring or transportation of Hydrocarbons.

OSHA -- the Occupational Safety and Health Act and all rules and regulations from time to time promulgated thereunder.

Other Agreements -- any and all agreements, instruments and documents (other than this Agreement and the Security Documents), heretofore, now or hereafter executed by Borrower and delivered to Agent or Lenders in respect to the transactions contemplated by this Agreement.

PBGC -- the Pension Benefit Guaranty Corporation.

Pension Plan -- an employee pension benefit plan as defined in Section 3(2) of ERISA, which is maintained or contributed to by an ERISA Affiliate or for which contributions are required from an ERISA Affiliate, and which is subject to Title IV of ERISA.

Permitted Liens -- any Lien of a kind specified in clauses (i) through (x) of Section 8.2(h).

Permitted Purchase Money Indebtedness -- Purchase Money Indebtedness of Borrower incurred after the date hereof which is secured by a Purchase Money Lien and which, when aggregated with the Consolidated principal amount of all other such Purchase Money Indebtedness and Capitalized Lease Obligations of Borrower at the time outstanding, does not exceed (a) One Million Dollars ($1,000,000) for the purchase of fixed assets other than vessels and (b) Five Million Dollars ($5,000,000) for the purchase of vessels. For the purposes of this definition, the principal amount of any Purchase Money Indebtedness consisting of capitalized leases shall be computed as a Capitalized Lease Obligation.

Person -- an individual, partnership, corporation, joint stock company, land trust, business trust or unincorporated organization, or a government or agency or political subdivision thereof.

Plan -- an employee benefit plan as defined in Section 3(3) of ERISA that is maintained or contributed to or for which contributions are required by an ERISA Affiliate.

Prohibited Transaction -- a transaction described in Section 406 of ERISA or Section 4975 of the IRC which would subject any Plan or ERISA Affiliate to any taxes, fines, penalties or other liabilities, directly or through any indemnification agreements.

Projections -- Borrower's Consolidated and consolidating forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a consistent basis with Borrower's historical Consolidated Financial Statements, together with appropriate supporting details and a statement of underlying assumptions.

Property -- any interest of Borrower in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Pro Rata Share -- for any Lender, the amount of any Revolving Loan or reimbursement for a Credit Enhancement equal to the principal amount thereof multiplied by such Lender's percentage of the Revolving Credit Commitment.

Purchase Money Indebtedness -- means and includes (a) Indebtedness (other than the Obligations) for the payment of all or any part of the purchase price of any assets, (b) any Indebtedness (other than the Obligations) incurred at the time of or within ten days prior to or after the acquisition of any assets for the purpose of financing all or any part of the purchase price thereof, and (c) any renewals, extensions or refinancings thereof, but not any increases in the principal amounts thereof outstanding at the time.

Purchase Money Lien -- a Lien upon assets which secure Purchase Money Indebtedness, but only if such Lien shall at all times be confined solely to the assets the purchase price of which was financed through the incurrence of the Purchase Money Indebtedness secured by such Lien.

Qualified Pooling of Interests -- a financial accounting method for the combination of one or more business entities with Borrower which qualifies for the pooling-of-interests method of accounting for business combinations under GAAP and is so accounted for by Borrower.

Real Property -- as defined in Section 8.1(u).

Reduction Amount -- the amount by which the Vessel Borrowing Base reduces each month commencing on April 1, 2002, as more specifically set forth on Schedule 4 hereto.

Release -- as defined in Section 7.1(aa).

Renewal Term -- as defined in Section 3.3.

Rentals -- as at any date of determination thereof, the amount of all payments which the lessee is required to make by the terms of any lease, but excluding those payments for which lessee is directly or indirectly compensated as a result of services provided.

Reportable Event -- any of the events set forth in Section 4043(c) of ERISA and the regulations thereunder, excluding any event not subject to the provision for 30 days notice to the PBGC under such regulations.

Restricted Investment -- any investment in cash or by delivery of Property to any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, advance or capital contribution, or otherwise, or in any Property except the following: (a) investments in one or more Subsidiaries of Borrower to the extent existing on the Closing Date; (b) Property to be used in the ordinary course of business; (c) current assets arising from the sale of goods and services in the ordinary course of business of Borrower and its Subsidiaries; (d) Cash Equivalents and (e) investments pursuant to agreements by and between Borrower and any Lender satisfactory to Agent.

Revolving Credit Commitment -- as at any date of determination thereof, an amount equal to (a) Sixty Million Dollars ($60,000,000) minus (b) the face amount of all Credit Enhancements

outstanding at such date. Each Lender's portion of the Revolving Credit Commitment is as set forth on Schedule 1 hereto.

Revolving Loan -- a Loan made by Lenders as provided in Section 2.1.

Schedule of Accounts -- as defined in Section 5.2.

Security -- shall have the same meaning as in Section 2(l) of the Securities Act of 1933, as amended.

Security Documents -- the Ship Mortgages, each New Ship Mortgage, the Construction Contract Assigment and all other instruments and agreements now or at any time hereafter securing the whole or any part of the Obligations.

Settlement -- as defined in Section 2.9.

Settlement Date -- as defined in Section 2.9.

Ship Mortgages -- the U.S. First Preferred Fleet Mortgage executed by Cal Dive on August 3, 1993, on the Vessels listed on Schedule 2A, the Bahamian Deed of Covenants dated January 29, 2002 and related Statutory Mortgages on the Vessels listed on Schedule 2B, the U.S. First Preferred Ship Mortgage dated February ___, 2002 on the MR. JOE and any New Ship Mortgages, as such mortgages may be amended, modified or supplemented from time to time.

Solvent - as to any Person, such Person (a) owns Property whose fair salable value is greater than the amount required to pay all of such Person's Indebtedness (including contingent debts), (b) is able to pay all of its Indebtedness as such Indebtedness matures and (c) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

Statutory Liens -- as defined in Section 8.2(h).

Subsidiary -- any corporation of which a Person owns, directly or indirectly through one or more intermediaries, more than fifty percent (50%) of the Voting Stock at the time of determination; provided, however, with respect to Cal Dive, the term "Subsidiary" as used in this Agreement shall not include ERT, Aquatica or Canyon.

Synthetic Lease -- a lease arrangement treated as an operating lease for financial accounting purposes and a financing lease for tax purposes.

Term -- as defined in Section 3.3.

Termination Amount -- at any date of determination thereof, an amount equal to the sum of (a) the Revolving Credit Commitment, (b) the face amount of all Credit Enhancements outstanding at such date.

Title XI Debt -- short and long term debt guaranteed by the U.S. government under Title XI of the Merchant Marine Act, 1936 used to finance the Borrower's construction and acquisition of the vessel now known as the Q 4000.

Total Commitment -- means Sixty Million and No/100 Dollars ($60,000,000).

Turnkey Contracts -- contracts entered into in the ordinary course of business to perform a specific scope of work for a set price, subject at times to additional charges resulting from changes to the agreed upon scope of work.

Unbilled Account -- an Account arising in the ordinary course of Borrower's business for the rendition of services that represent completed services of Borrower not yet invoiced to the Account Debtor (except for Long Day Rate Contracts), but which shall be invoiced within 90 days from the date such services were completed, and which Account is otherwise an Eligible Account.

Unfunded Capital Expenditures -- for any period, on a Consolidated basis, the amount of capital expenditures during such period less the funded amount of Funded Indebtedness in such period, the proceeds of which are used to finance such capital expenditures; provided that, for purposes of this definition, the capital expenditures through January 2002 related to the acquisition of Canyon shall be excluded; and provided further that for fiscal 2002 there shall also be excluded an amount of capital expenditures up to $40,000,000 to the extent that such amount is actually expended by Borrower and is not provided by Funded Indebtedness.

Vessel Borrowing Base -- the lesser of (a) the then 46.7% of the current Distressed Auction Value of the Vessels and (b) the Vessel Sublimit.

Vessel Sublimit -- USD 35,000,000, as reduced from time to time by Reduction Amounts and prepayments pursuant to Section 2.2.

Vessels -- the vessels listed on Schedule 2 attached hereto.

Voting Stock -- Securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

Section 1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with that applied in preparation of the Consolidated Financial Statements, and all financial data pursuant to this Agreement shall be prepared in accordance with such principles. In the event that changes in GAAP shall be mandated by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants or any similar accounting body of comparable standing, and shall be recommended by Borrower's certified public accountants, to the extent that such changes would modify such accounting terms or the interpretation or computation thereof as contemplated by this Agreement at the time of execution hereof, then in such event such changes shall be followed in defining such accounting terms only after Lender and Borrower amend this Agreement to reflect the original intent of such terms in light of such changes, and such terms shall continue to be applied and interpreted without such change until such agreement.

Section 1.3 Other Terms. All other terms contained in this Agreement shall have, when the context so indicates, the meanings provided for by the Code to the extent the same are used or defined therein.

Section 1.4 Certain Matters of Construction. The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. All references to any instruments or agreements, including, without limitation, references to any of the Loan Documents, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

Section 1.5 The Term "Borrower" or Borrowers". All references to "Borrower" or "Borrowers" herein shall refer to and include each Borrower separately and all representations contained herein shall be deemed to be separately made by each of them, and each of the covenants, agreements and obligations set forth herein shall be deemed to be the joint and several covenants, agreements and obligations of them. Any notice, request, consent, report or other information or agreement delivered to Lender by any Borrower shall be deemed to be ratified by, consented to and also delivered by the other Borrower. Each Borrower recognizes and agrees that each covenant and agreement of "Borrower" or "Borrowers" under this Agreement and the Other Agreements shall create a joint and several obligation of the Borrowers, which may be enforced against Borrowers, jointly, or against each Borrower separately. Without limiting the terms of this Agreement and the Other Agreements, security interests granted under this Agreement and Other Agreements in properties, interests, assets and collateral shall extend to the properties, interests, assets and collateral of each Borrower. Similarly, the term "Obligations" shall include, without limitation, all obligations, liabilities and indebtedness of such corporations, or any one of them, to Lender, whether such obligations, liabilities and indebtedness shall be joint, several, joint and several or individual.

ARTICLE 2. CREDIT FACILITY

Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other Loan Documents, each Lender agrees severally and not jointly to make its percentage share of a total credit facility of up to Sixty Million Dollars ($60,000,000.00) available upon Borrower's request therefor, as follows:

Section 2.1 Revolving Loans.

(a) Subject to all of the terms and conditions of this Agreement, Lenders agree, for so long as no Event of Default exists, to make Revolving Loans to Borrower from time to time, as requested by Borrower in accordance with the terms of Section 2.4, up to a maximum principal amount at any time outstanding equal to the Borrowing Base at such time. No Lender shall be required to make any Revolving Loan in excess of its commitment as set forth in Schedule 1 hereto. It is expressly understood and agreed that Lenders shall use the Borrowing Base as a

maximum ceiling on Revolving Loans outstanding to Borrower at any time, subject to the provisions of Section 2.3. If the unpaid balance of the Revolving Loans should exceed the Borrowing Base or any other limitation set forth in this Agreement, such Revolving Loans shall nevertheless constitute Obligations that are secured by the Collateral and entitled to all the benefits thereof; provided, however, if such an overadvance occurs, Borrower shall immediately repay, without premium or penalty, Revolving Loans in an amount equal to such excess, along with accrued unpaid interest on the amount so repaid to the date of such repayment. In no event shall Borrower be authorized to request a Revolving Loan at any time that there exists an Event of Default.

(b) Notwithstanding the foregoing provisions of Section 2.1(a), Lenders shall have the right to establish reserves in such amounts, and with respect to such matters, as Lenders shall deem necessary or appropriate, against the amount of Revolving Loans which Borrower may otherwise request under Section 2.1(a), including, without limitation, with respect to (i) price adjustments, damages, unearned discounts, returned products or other matters for which credit memoranda are issued in the ordinary course of Borrower's business; (ii) other sums chargeable against Borrower's Loan Account as Revolving Loans under any section of this Agreement; (iii) sales tax liabilities; (iv) price adjustments, damages, returned products or other matters related to contractual obligations of Borrower; (v) offset exposure relating to contractual obligations of Borrower; and (vi) such other matters, events, conditions or contingencies as to which Lenders, in their credit judgment, determine reserves should be established from time to time hereunder.

(c) The Revolving Loans shall be used solely for (i) the payment of costs, expenses and fees relating to the Loans to be made under this Agreement, (ii) the purchase of the capital stock of Borrower, and (iii) Borrower's general operating capital needs, to the extent not inconsistent with the provisions of this Agreement.

Section 2.2 Vessel Sublimit. If Borrower sells any Vessel or if any Vessel is a total or constructive total loss, the Vessel Sublimit shall be reduced by an amount equal to the appraised value of such Vessel according to the most recent appraisal thereof.

Section 2.3 Overadvances. Insofar as Borrower may request and Fleet may be willing in its sole and absolute discretion to make Revolving Loans to Borrower at a time when the unpaid balance of Revolving Loans exceeds, or would exceed with the making of any such Revolving Loan, the Borrowing Base (any such Loan or Loans being herein referred to individually as an "Overadvance" and collectively as "Overadvances"), Fleet may make such Overadvances in amount not to exceed USD 1,000,000 at any time outstanding, and the Agent shall enter such Overadvances as debits in the Loan Account. All Overadvances shall be repaid on demand, shall be secured by the Collateral and shall bear interest as provided in this Agreement for Revolving Loans generally, and shall be subject to the terms of Section 2.9(d) hereof with respect to Agent Advances. The foregoing notwithstanding, in no event, unless otherwise consented to by the Agent, shall any Overadvances be outstanding for more than thirty (30) consecutive days.

Section 2.4 Manner of Borrowing. Borrowings under the Revolving Credit Commitment shall be as follows:

(a) A request for a LIBOR Loan shall be made, or shall be deemed to be made, if Borrower gives Agent notice of its intention to borrow in the form of Exhibit B (a "Borrowing Notice"), in which notice Borrower shall specify (i) the aggregate amount of such LIBOR Loan, (ii) the requested date of such LIBOR Loan, (iii) the Applicable Annual Rate selected in accordance with Section 3.1, and (iv) the LIBOR Period applicable thereto. If Borrower selects a LIBOR Loan, Borrower shall give Agent the Borrowing Notice at least two (2) Business Days prior to the requested date of the LIBOR Loan.

(b) A request for a Base Rate Loan shall be made, or shall be deemed to be made, if (i) Borrower sends by facsimile transmission to (214) 706-7079, or such other number as Agent may designate, a request for a Base Rate Loan prior to 12:00 p.m. Central Standard Time on the Business Day on which Borrower is requesting such Base Rate Loan (if a request is received after such time on a Business Day, Agent, in its sole discretion, may request the Lenders to make the requested Base Rate Loan on the day of such notice or on the next following Business Day); (ii) Borrower fails to pay any interest accruing under this Agreement or the Notes on the date such interest becomes due and payable, or (iii) Borrower fails to pay any other Obligations under this Agreement on the date such Obligations become due and payable. The amount of Base Rate Loans advanced according to clause (i) shall be for the amount requested. The amount of Base Rate Loans advanced according to clauses (ii) and (iii) shall be deemed to be an amount equal to the amount of interest that was not actually paid by Borrower or the amount of funds actually disbursed, respectively.

(c) Borrower hereby irrevocably authorizes Lenders to disburse the proceeds of each Loan requested, or deemed to be requested, pursuant to this Section 2.4 as follows: (i) the proceeds of each Loan requested under Sections 2.4(a) or 2.4(b)(i) shall be disbursed by Lenders in lawful money of the United States of America in immediately available funds, in the case of the initial borrowing, in accordance with the terms of the written disbursement letter from Borrower, and in the case of each subsequent borrowing, by wire transfer to such bank account as may be agreed upon by Borrower and Agent from time to time; and (ii) the proceeds of each Revolving Loan requested under Section 2.4(b)(ii) or (iii) shall be disbursed by Lenders by way of direct payment of the relevant Obligation.

Section 2.5 Letters of Credit; LC Guaranties.

(a) Agreement to Issue. Upon the terms and subject to the conditions of, and in reliance upon the representations and warranties made under this Agreement from time to time during the period commencing on the Closing Date and ending on the last day of the Term, Fleet agrees to issue or cause the issuance by the Issuing Bank, for the account of Borrower, one or more Letters of Credit in accordance with this Section 2.5.

(b) Amounts. Fleet shall not have any obligation to procure any Letter of Credit at any time:

(i) if, after giving effect to the issuance of the requested Letter of Credit, (A) the aggregate LC Outstandings would exceed the LC Facility then in effect or (B) the aggregate principal amount of the Revolving Credit Loans outstanding would exceed the Borrowing Base (after reduction for the LC Reserve in respect of such Letter of Credit) or (C) if no Revolving Credit Loans are outstanding, the aggregate LC Outstandings would exceed the Borrowing Base; or

(ii) which has a term longer than 365 days or an expiration date after the 30th day prior to the last Business Day of the Term.

(c) Conditions. The obligation of Fleet to procure a Letter of Credit is subject to the satisfaction of (a) the LC Conditions and (b) the following additional conditions precedent in a manner satisfactory to Agent, Fleet and the Issuing Bank:

(i) Borrower shall (i) have delivered to Fleet, the Issuing Bank and Agent at such times and in such manner as Fleet or Agent may prescribe an LC Application in form and substance satisfactory to Fleet, the Issuing Bank and Agent for the issuance of such Letter of Credit and such other LC Documents as may be required pursuant to the terms thereof, and (ii) the form and terms of the proposed Letter of Credit shall be satisfactory to Fleet, the Issuing Bank and Agent; and

(ii) as of the date of issuance, no order of any court, arbitrator or governmental authority having jurisdiction or authority over Fleet or the Issuing Bank shall purport by its terms to enjoin or restrain Fleet from issuing any guaranty, including any LC Guaranty, or banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit, and no law, rule or regulation applicable to banks generally and no request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over banks generally shall prohibit, or request that the Issuing Bank refrain from, the issuance of letters of credit generally or the issuance of such Letter of Credit.

(d) Issuance of Letters of Credit.

(i) Request for Issuance. Borrower shall deliver a completed and signed LC Application (unless Fleet is to join in such LC Application, in which case it shall be signed by Borrower and completed but for any information to be supplied by Fleet), to Fleet, Issuing Bank and Agent no later than three (3) Business Days prior to the proposed date of issuance of the requested Letter of Credit. Such notice shall be irrevocable and shall specify the original face amount of the Letter of Credit requested, the effective date (which date shall be a Business Day) of issuance of such requested Letter of Credit, whether such Letter of Credit may be drawn in a single or in multiple draws, the date on which such requested Letter of Credit is to expire (which date shall be a Business Day prior to the last day of the Term), the purpose for which such Letter of Credit is to be issued and the beneficiary of the requested Letter of Credit.

(ii) Responsibilities of the Agent; Issuance. Agent shall determine, as of the Business Day immediately preceding the requested effective date of issuance of the Letter of Credit set forth in the related LC Application, the amount of the unused LC Facility and the Borrowing Base. If (A) the form of the Letter of Credit delivered by Borrower to Agent is acceptable to Fleet, the Issuing Bank and Agent in their sole discretion, (ii) the undrawn available amount of the requested Letter of Credit is less than or equal to the lesser of (A) the unused LC Facility, and (B) the unused Borrowing Base and (iii) Agent has received a certificate from Borrower stating that the applicable conditions set forth in Section 9 have been satisfied, then Fleet will cause the Letter of Credit to be issued.

(iii) Notice of Issuance. Fleet shall give Agent written or facsimile notice, or telephonic notice confirmed promptly thereafter in writing, of the issuance of each Letter of Credit and related LC Guaranty, and Agent shall give each Lender periodic notice of the issuance of each Letter of Credit and related LC Guaranty and Agent shall provide the Lenders at least monthly with a report of all Letters of Credit and LC Guaranties outstanding.

(iv) No Extension or Amendment. No Letter of Credit nor LC Guaranty shall be extended or amended unless the requirements of this Section 2.5(d) are met as though a new Letter of Credit were being requested and issued.

(e) Duties of Issuing Bank. The rights and obligations of Borrower and the Issuing Bank in respect of any Letter of Credit shall be governed by the LC Application and other LC Documents pursuant to which such Letter of Credit was issued. No action taken or omitted to be taken by the Issuing Bank under or in connection with any Letter of Credit shall result in any liability of Fleet or the Agent to the Loan Parties or any Lender or relieve the Borrower or any Lender of its obligations hereunder to Fleet, including in respect of the related LC Guaranty. In determining whether to reimburse an amount drawn under any Letter of Credit, Fleet shall have no obligation to any Borrower or any Lender other than to confirm that such drawing has been honored by the Issuing Bank.

(f) Payment of Reimbursement Obligations.

(i) Payment. Notwithstanding any provisions to the contrary in any LC Application or other LC Document, Borrower agrees to reimburse the Issuing Bank for any drawings (whether partial or full) under each Letter of Credit issued by the Issuing Bank and agrees to pay to the Issuing Bank the amount of all other LC Outstandings and other amounts payable to the Issuing Bank under or in connection with such Letter of Credit immediately when due and (but without duplication) to pay or to reimburse Fleet on demand for any amounts payable or paid by Fleet under any LC Guaranty, irrespective of any claim, set-off, defense or other right which any Loan Party may have at any time against the Issuing Bank, Fleet or any other Person.

(ii) Recovery or Avoidance of Payments. In the event any payment by or on behalf of any Loan Party with respect to any Letter of Credit or related LC Guaranty received by the Issuing Bank, Fleet, or Agent and distributed by Agent to the Lenders on account of their respective participations therein, is thereafter set aside, avoided or recovered from the Issuing Bank, Fleet or Agent in connection with any receivership, liquidation or bankruptcy proceeding or otherwise, the Lenders shall, upon demand by the Agent, pay to Agent, for the account of the Issuing Bank, Fleet or the Agent their respective Revolving Credit Percentage of such amount set aside, avoided or recovered together with interest at the rate required to be paid by Agent on the amount required to be repaid by it.

(g) Participations.

(i) Purchase of Participations. Immediately upon issuance by Fleet of an LC Guaranty, each Lender shall be deemed to have irrevocably and unconditionally purchased and received without recourse or warranty, an undivided interest and participation in such LC Guaranty, equal to such Lender's Revolving Credit Percentage of the face amount thereof, and any security therefor or guaranty pertaining thereto, including any rights of Fleet on payment thereunder to be subrogated to the rights of the Issuing Bank under the related Letter of Credit.

(ii) Sharing of Letter of Credit Payments. In the event that Fleet makes a payment under any LC Guaranty and Fleet shall not have been repaid such amount pursuant to Section 2.5(f), then on a weekly basis, or more frequently if requested by Fleet, each Lender shall make payment to Fleet, in immediately available funds, of an amount equal to such Lender's pro rata share of the amount of any payment made by Fleet in respect of any LC Guaranty. The obligation of each Lender to reimburse Fleet under this Section 2.5(g) shall be unconditional, continuing, irrevocable and absolute. In the event that any Lender fails to make payment to Fleet of any amount due under this Section 2.5(g), the Agent shall be entitled to

receive, retain and deliver to Fleet for application against such obligation the principal and interest otherwise payable to such Lender hereunder until Fleet receives such payment from such Lender or such obligation is otherwise fully satisfied.

(iii) Sharing of Reimbursement Obligation Payments. Whenever Fleet receives a payment from or on behalf of Borrower on account of a reimbursement obligation under an LC Guaranty, Fleet shall promptly pay to Agent, for the benefit of each Lender that has previously paid its pro rata share of such amount to or for the benefit of Fleet, such Lender's pro rata share of the amount of such payment from the Borrower in Dollars. Each such payment shall be made by Fleet on the Business Day on which Fleet receives immediately available funds, if received prior to 11:00 a.m. (Dallas, Texas time) on such Business Day, and otherwise on the next succeeding Business Day.

(iv) Documentation. Upon the request of any Lender, Agent shall furnish to such Lender copies of any Letter of Credit, LC Application or LC Guaranty for any Letter of Credit and such other documentation as may reasonably be requested by such Lender.

(v) Obligations Irrevocable. The obligations of each Lender to make payments to Agent with respect to any LC Guaranty and their participations therein and the obligations of Borrower to make payments to Fleet or to Agent, for the account of Lenders, shall be irrevocable, shall not be subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement (assuming, in the case of the obligations of the Lenders to make such payments, that the LC Guaranty has been issued in accordance with Section 2.5(d).

(h) Indemnification, Exoneration.

(i) Indemnification. In addition to amounts payable as elsewhere provided in this Section 2.5, Borrower agrees to protect, indemnify, pay and save the Lenders, Fleet, the Issuing Bank and Agent harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) which any Lender, Fleet, the Issuing Bank or the Agent may incur or be subject to as a consequence, directly or indirectly, of

(A) the issuance of any Letter of Credit or LC Guaranty, other than as a result of its gross negligence or willful misconduct, as determined by a court of competent jurisdiction, or

(B) the failure of the Issuing Bank to honor a drawing under any Letter of Credit as a result of any act or omission, whether rightful or

wrongful, of any present or future de jure or de facto governmental authority (all such acts or omissions being hereinafter referred to collectively as "Government Acts").

(ii) Assumption of Risk. As among Borrower, Fleet, the Lenders and Agent, Borrower assumes all risks of the acts and omissions of, or misuse of any of the Letters of Credit by, the respective beneficiaries of such Letters of Credit and confirm, for the benefit of Fleet, the Lenders and Agent that as between Borrower and the Issuing Bank, such matters will be subject to the terms of the LC Application and other LC Documents.

(iii) Exoneration. In furtherance and extension, and not in limitation, of the specific provisions set forth above, any action taken or omitted by the Agent, Fleet, the Issuing Bank or any Lender under or in connection with any of the Letters of Credit, any LC Guaranty or any related agreements, certificates, or other documents, if taken or omitted in good faith, shall not result in any liability of any of Fleet, Lender or the Agent to Borrower or relieve Borrower of any of its obligations hereunder to any such Person.

(i) Supporting Letter of Credit; Cash Collateral. If, notwithstanding the provisions of Section 2.5(b), any LC Guaranty is outstanding on the last day of the Term, then on or prior to the last day of the Term, or in any case upon the occurrence of any Default or Event of Default, Borrower shall, promptly on demand by Agent, deposit with Agent, for the ratable benefit of the Lenders, with respect to each LC Guaranty then outstanding, as Agent shall specify, either (a) a standby letter of credit (a "Supporting Letter of Credit") in form and substance satisfactory to Agent, issued by an issuer satisfactory to Agent in its reasonable judgment under which Supporting Letter of Credit Agent is entitled to draw amounts necessary to reimburse Fleet for payments made by Fleet under such LC Guaranty or under any reimbursement or guaranty agreement with respect thereto or any Letter of Credit issued for the account of Borrower, or (b) Cash Collateral, in either case with respect to the foregoing clauses (a) or (b), in an amount equal to 105% of the greatest amount for which the Letter of Credit relating to such LC Guaranty may be drawn plus all related costs then accrued or which may be incurred or which may in the future accrue. Such Supporting Letter of Credit or Cash Collateral shall be held by Agent, as security for, and to provide for the payment of, Borrower's obligations in respect of such outstanding LC Guaranty or under any reimbursement or guaranty agreement with respect thereto or any Letter of Credit issued for the account of Borrower in an amount necessary to reimburse Fleet for payments made by Fleet. In addition, Agent may at any time after the last day of the Term apply any or all of such Cash Collateral to the payment of any or all of the Obligations then due and payable. At Borrower's request, but subject to Agent's reasonable approval, Agent shall invest any Cash Collateral consisting of cash or any proceeds of Cash Collateral consisting of cash, in Cash Equivalents, and any commissions, expenses and penalties incurred by Agent in connection with any investment and redemption of such Cash Collateral shall be Obligations hereunder secured by the Collateral, shall bear interest at the rates provided herein

for the Revolving Credit Base Loan and shall be charged to the Loan Account of the Borrower, or, at Agent's option, shall be paid out of the proceeds of any earnings received by Agent from the investment of such Cash Collateral as provided herein or out of such cash itself. Agent makes no representation or warranty as to, and shall not be responsible for, the rate of return, if any, earned on any Cash Collateral. Any earnings on Cash Collateral shall be held as additional Cash Collateral on the terms set forth in this Section 2.5(i).

Section 2.6 All Loans to Constitute One Obligation. All Loans shall constitute one general joint and several obligation of Borrowers, shall be evidenced by the Notes, and shall be secured by Agent's security interest in and Lien upon all of the Collateral, and by all other security interests and Liens heretofore, now or at any time or times hereafter granted by Borrower to Agent.

Section 2.7 Loan Account. Lenders shall enter all Loans as debits to the Loan Account and shall also record in the Loan Account all payments made by Borrowers on each Loan and all proceeds of Collateral which are finally paid to Lenders, and may record therein, in accordance with customary accounting practices, all charges and expenses properly chargeable to Borrower hereunder.

Section 2.8 Joint and Several Liability: Rights of Contribution.

(a) Each Borrower states and acknowledges that: (i) pursuant to this Agreement, Borrowers desire to utilize their borrowing potential on a consolidated basis to the same extent possible if they were merged into a single corporate entity; (ii) it has determined that it will benefit specifically and materially from the advances of credit contemplated by this Agreement; (iii) it is both a condition precedent to the obligations of Lenders hereunder and a desire of the Borrowers that each Borrower execute and deliver to Agent and Lenders this Agreement; and (iv) Borrowers have requested and bargained for the structure and terms of and security for the advances contemplated by this Agreement.

(b) Each Borrower hereby irrevocably and unconditionally: (i) agrees that it is jointly and severally liable to Lenders for the full and prompt payment of the Obligations and the performance by each Borrower of its obligations hereunder in accordance with the terms hereof; (ii) agrees to fully and promptly perform all of its obligations hereunder with respect to each advance of credit hereunder as if such advance had been made directly to it; and (iii) agrees as a primary obligation to indemnify Lenders on demand for and against any loss incurred by Lenders as a result of any of the obligations of any Borrower being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to Agent, Lenders or any Person, the amount of such loss being the amount which Lenders would otherwise have been entitled to recover from Borrower.

It is the intent of each Borrower that the indebtedness, obligations and liability hereunder of no one of them be subject to challenge on any basis. Accordingly, as of the date hereof, the liability

of each Borrower under this Section 2.8, together with all of its other liabilities to all Persons as of the date hereof and as of any other date on which a transfer is deemed to occur by virtue of this Agreement, calculated in amount sufficient to pay its probable net liabilities on its existing Indebtedness as the same become absolute and matured ("Dated Liabilities") is, and is to be, less than the amount of the aggregate of a fair valuation of its property as of such corresponding date ("Dated Assets"). To this end, each Borrower under this Section 2.8, (i) grants to and recognizes in each other Borrower, ratably, rights of subrogation and contribution in the amount, if any, by which the Dated Assets of such Borrower, but for the aggregate of subrogation and contribution in its favor recognized herein, would exceed the Dated Liabilities of such Borrower or, as the case may be, (ii) acknowledges receipt of and recognizes its right to subrogation and contribution ratably from the other Borrower in the amount, if any, by which the Dated Liabilities of such Borrower, but for the aggregate of subrogation and contribution in its favor recognized herein, would exceed the Dated Assets of such Borrower under this Section 2.8. In recognizing the value of the Dated Assets and the Dated Liabilities, it is understood that Borrowers will recognize, to at least the same extent of their aggregate recognition of liabilities hereunder, their rights to subrogation and contribution hereunder. It is a material objective of this Section 2.8 that each Borrower recognizes rights to subrogation and contribution rather than be deemed to be insolvent (or in contemplation thereof) by reason of an arbitrary interpretation of its joint and several obligations hereunder.

Section 2.9 Contribution of Lenders; Non-Ratable Loans

(a) Agent's Election. Promptly after receipt of a Borrowing Notice pursuant to Section 2.4, the Agent shall elect, in its discretion, (i) to have the terms of Section 2.9(b) apply to such requested Borrowing, or (ii) to request Fleet to make a Non-Ratable Loan pursuant to the terms of Section 2.9(c) in the amount of the requested Borrowing; provided, however that if Fleet declines in its sole discretion to make a Non-Ratable Loan pursuant to Section 2.9(c) the Agent shall elect to have the terms of Section 2.9(b) apply to such requested Borrowing.

(b) Making of Revolving Loans.

(i) In the event that the Agent shall elect to have the terms of this Section 2.9(b) apply to a requested Borrowing as described in Section 2.4, then promptly after receipt of a Borrowing Notice, the Agent shall notify the Lenders by telecopy, telephone, or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to the Agent in immediately available funds, to such account of the Agent as the Agent may designate, not later than 2:00 p.m., (Dallas, Texas time) on the Funding Date applicable thereto. After the Agent's receipt of the proceeds of such Revolving Loans, upon satisfaction of the applicable conditions precedent set forth in Article 9, the Agent shall make the proceeds of such Revolving Loans available to the Borrower on the applicable Funding Date by transferring same day funds equal to the proceeds of such Revolving Loans received by the Agent to the account designated pursuant

to Section 2.4 or disbursing such funds in such other manner as the Borrower may direct to the Agent.

(ii) Unless the Agent receives notice from a Lender at least one Business Day prior to the date of a requested Borrowing, that such Lender will not make available its Pro Rata Share of such Borrowing, the Agent may assume that each Lender has made such amount available to the Agent in immediately available funds on the Funding Date and the Agent may (but shall not be required) to make available to the Borrower on such date a corresponding amount. If and to the extent a Lender has not made such amounts available to the Agent, and the Agent has made the Borrowing available to the Borrower, such Lender shall on the Business Day following such Funding Date make such amount available to the Agent, together with interest at the Base Rate for each day during such period. A notice by the Agent submitted to any Lender with respect to such amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is not made available to the Agent on the Business Day following the Funding Date, the Agent will notify the Borrower of such failure and, upon demand by the Agent, the Borrower will pay such amount to the Agent for Agent's account, together with interest for each day elapsed since the Funding Date at the interest rate then applicable to Revolving Loans. The failure of a Lender to make its Pro Rata Share of a Borrowing available on a Funding Date (a "Defaulting Lender") shall not relieve any other Lender of its obligation to make its Pro Rata Share of such Borrowing on the Funding Date, but neither the Agent nor any Lender shall be responsible for the failure of any other Lender to make its Pro Rata Share of such Borrowing available on such Funding Date.

(iii) The Agent shall not be obligated to transfer to a Defaulting Lender any payments made by any Borrower to the Agent for the Defaulting Lender's benefit; nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder. Amounts payable to a Defaulting Lender shall instead be paid to or retained by the Agent. The Agent may hold and, in its discretion, re-lend to the Borrower the amount of all such payments received or retained by it for the account of the Defaulting Lender. Any amounts so re-lent to the Borrower shall bear interest at the rate applicable to Base Rate Loans and for all other purposes of this Agreement shall be treated as Revolving Loans; provided, however, that for purposes of voting or consenting to matters with respect to the Loan Documents and determining a Lender's Pro Rata Share, such Defaulting Lender shall be deemed not to be a "Lender". Until a Defaulting Lender cures its failure to fund its Pro Rata Share of any Borrowing (A) such Defaulting Lender shall not be entitled to any portion of the unused commitment fee set forth in Section 3.1(f) and (B) such fee shall accrue in favor of the Lenders which have funded their respective Pro Rata Shares of such requested Borrowing land shall be allocated among such performing Lenders ratably based upon their relative Commitments. This Section shall remain

effective with respect to such Lender until such time as the Defaulting Lender shall no longer be in default of any of its obligations under this Agreement. The terms of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by Borrower of its duties and obligations hereunder.

(c) Making of Non-Ratable Loans.

(i) In the event the Agent shall elect, with the consent of Fleet, to have the terms of this Section 2.9(c) apply to a requested Borrowing, Fleet shall make a Revolving Loan in the amount of such Borrowing (any such Revolving Loan made solely by Fleet pursuant to this Section 2.9(c) being referred to as a "Non-Ratable Loan" and such Revolving Loans being referred to collectively as "Non-Ratable Loan") available to the Borrower on the Funding Date applicable thereto by transferring same day funds to the account of such Borrower, designated pursuant to Section 2.4. Each Non-Ratable Loan is a Revolving Loan hereunder and shall be subject to all the terms and conditions applicable to other Revolving Loans except that all payments thereon shall be payable to Fleet solely for its own account (and for the account of the holder of any participation interest with respect to such Revolving Loan). The Agent shall not request Fleet to make any Non-Ratable Loan if (A) the Agent shall have received written notice from any Lender that one or more of the applicable conditions precedent set forth in Article 9 will not be satisfied on the requested Funding Date for the applicable Borrowing, or (B) the requested Borrowing would exceed the Revolving Credit Commitment on such Funding Date. Fleet shall not otherwise be required to determine whether the applicable conditions precedent set forth in Article 9 have been satisfied or the requested Borrowing would exceed the Revolving Credit Commitment on the Funding Date applicable thereto prior to making, in its sole discretion, any Non-Ratable Loan.

(ii) The Non-Ratable Loans shall be secured by the Collateral, shall constitute Revolving Loans and Obligations hereunder, and shall bear interest at the rate applicable to the Revolving Loans from time to time.

(d) Agent Advances.

(i) Subject to the limitations set forth in the provisos contained in this Section 2.9(d), the Agent is hereby authorized by the Borrowers and the Lenders, from time to time in the Agent's sole discretion, (A) after the occurrence of a Default or an Event of Default, or (B) at any time that any of the other applicable conditions precedent set forth in Article 9 have not been satisfied, to make Base Rate Loans to the Borrower on behalf of the Lenders which the Agent, in its reasonable business judgment, deems necessary or desirable (1) to preserve or protect the Collateral or any portion thereof, (2) to enhance the likelihood of, or maximize the amount

of, repayment of the Loans and other Obligations, or (3) to pay any other amount chargeable to the Borrower pursuant to the terms of this Agreement, including costs, fees, and expenses as described in Section 12.4 (any of the advances described in this Section 2.9(d) being hereinafter referred to as "Agent Advances"); provided that the Majority Lenders may at any time revoke the Agent's authorization contained in this Section 2.9(d) to make Agent Advances, any such revocation to be in writing and to become effective prospectively upon the Agent's receipt thereof;

(ii) The Agent Advances shall be repayable on demand and secured by the Collateral, shall constitute Revolving Loans and Obligations hereunder, and shall bear interest at the rate applicable to Base Rate Loans from time to time. The Agent shall notify the Borrower and each Lender in writing of each such Agent Advance; provided that the failure of the Agent to provide any such notice to the Borrower or any Lender shall not affect the Borrower's liability for or obligation to repay such Agent Advances or result in any liability or constitute the breach of any duty or obligation of the Agent hereunder.

(e) Settlement. Except as may be specifically provided otherwise by this Section 2.9, it is agreed that each Lender's funded portion of the Revolving Loans is intended by the Lenders to be equal at all times to such Lender's Pro Rata Share of the outstanding Revolving Loans. Notwithstanding such agreement, the Agent, Fleet, and the other Lenders agree (which agreement shall not be for the benefit of or enforceable by the Borrowers) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among them as to the Revolving Loans, the Non-Ratable, Loans, and the Agent Advances shall take place on a periodic basis in accordance with the following provisions:

(i) The Agent shall request settlement (a "Settlement") with the Lenders on at least a weekly basis, or on a more frequent basis if so determined by the Agent, (A) on behalf of Fleet, with respect to each outstanding Non-Ratable Loan, (B) for itself, with respect to each Agent Advance, and (C) with respect to collections received, in each case, by notifying the Lenders of such requested Settlement by telecopy, telephone, or other similar form of transmission, of such requested Settlement, no later than 11:00 a.m. (Dallas, Texas time) on the date of such requested Settlement (the "Settlement Date"), each Lender (other than Fleet, in the case of Non-Ratable Loans, and the Agent, in the case of Agent Advances) shall make the amount of such Lender's Pro Rata Share of the outstanding principal amount of the Non-Ratable Loans and Agent Advances with respect to which Settlement is requested available to the Agent, to such account of the Agent as the Agent may designate, not later than 2:00 p.m. (Dallas, Texas time), on the Settlement Date applicable thereto, which may occur before or after the occurrence or during the continuation of a Default or an Event of Default and whether or not the applicable conditions precedent

set forth in Article 9 have then been satisfied. Such amounts made available to the Agent shall be applied against the amounts of the applicable Non-Ratable Loan or Agent Advance and, together with the portion of such Non-Ratable Loan or Agent Advance representing Fleet's Pro Rata Share thereof, shall constitute Revolving Loans of the Lenders, respectively. If any such amount is not made available to the Agent by any Lender on the Settlement Date applicable thereto, the Agent shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Base Rate for the first three (3) days from and after the Settlement Date and thereafter at the Interest Rate then applicable to the Revolving Loans.

(ii) Notwithstanding the foregoing, not more than one (1) Business Day after demand is made by the Agent (whether before or after the occurrence of a Default or an Event of Default and regardless of whether the Agent has requested a Settlement with respect to a Non-Ratable Loan or Agent Advance), each other Lender (A) shall irrevocably and unconditionally purchase and receive from Fleet or the Agent, as applicable, without recourse or warranty, an undivided interest and participation in such Non-Ratable Loan or Agent Advance equal to such Lender's Pro Rata Share of such Non-Ratable Loan or Agent Advance and (B) if Settlement has not previously occurred with respect to such Non-Ratable Loans or Agent Advances, upon demand by Fleet or the Agent, as applicable, shall pay to Fleet or the Agent, as applicable, as the purchase price of such participation an amount equal to one-hundred percent (100%) of such Lender's Pro Rata Share of such Non-Ratable Loans or Agent Advances. If such amount is not in fact made available to the Agent by any Lender, the Agent shall be entitled to recover such amount on demand from such Lender together with interest thereon at the interest rate then applicable to Base Rate Loans.

(iii) From and after the date, if any, on which any Lender purchases an undivided interest and participation in any Non-Ratable Loan or Agent Advance pursuant to clause (ii) preceding, the Agent shall promptly distribute to such Lender at such address as such Lender may request in writing, such Lender's Pro Rata Share of all payments of principal and interest and all proceeds of Collateral received by the Agent in respect of such Non-Ratable Loan or Agent Advance.

(iv) Between Settlement Dates, the Agent, to the extent no Agent Advances or Non-Ratable Loans are outstanding, may pay over to Fleet any payments received by the Agent, which in accordance with the terms of this Agreement would be applied to the reduction of the Revolving Loans, for application to Fleet's Revolving Loans. If, as of any Settlement Date, collections received since the then immediately preceding Settlement Date have been applied to Fleet's Revolving Loans (other than to Non-Ratable Loans or Agent Advances in which such Lender has not yet funded its

purchase of a participation pursuant to Section 2.9(d)(ii)), as provided for in the previous sentence, Fleet shall pay to the Agent for the accounts of the Lenders, to be applied to the outstanding Revolving Loans of such Lenders, an amount such that each Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Revolving Loans. During the period between Settlement Dates, Fleet with respect to Non-Ratable Loans, the Agent with respect to Agent Advances, and each Lender with respect to the Revolving Loans other than Non-Ratable Loans and Agent Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the actual average daily amount of funds employed by Fleet, the Agent and the other Lenders.

(f) Notation. The Agent shall record on its books the principal amount of the Revolving Loans owing to each Lender, including the Non-Ratable Loans owing to Fleet, and the Agent Advances owing to the Agent, from time to time. In addition, each Lender is authorized, at such Lender's option, to note the date and amount of each repayment or prepayment of principal of such Lender's Revolving Loans in its books and records, including computer records, such books and records constituting presumptive evidence, absent manifest error, of the accuracy of the information contained therein.

(g) Lenders' Failure to Perform. All Revolving Loans (other than Non-Ratable Loans and Agent Advances) shall be made by the Lenders simultaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Revolving Loans hereunder, nor shall any commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligation to make any Revolving Loans hereunder, (ii) no failure by any Lender to perform its obligation to make any Revolving Loans hereunder shall excuse any other Lender from its obligation to make any Revolving Loans hereunder, and (iii) the obligations of each Lender hereunder shall be several, not joint and several.

ARTICLE 3. INTEREST, FEES, TERM, REDUCTION AND REPAYMENT

Section 3.1 Interest, Fees and Charges.

(a) Interest. Outstanding principal on the Loans shall bear interest at the option of Borrower (subject to the terms and conditions herein) at either the Base Rate or LIBOR Rate, calculated daily, at the following rates per annum (individually called, as applicable, an "Applicable Annual Rate"):

(i) Existing LIBOR Loans. Each LIBOR Loan outstanding on the date of this Agreement shall bear interest at a rate per annum equal to the existing Applicable Annual Rate.

(ii) New LIBOR Loans. Each LIBOR Loan drawn after the Closing Date shall bear interest at a rate per annum equal to the LIBOR Rate plus the Applicable Margin Amount.

(iii) Base Rate Loans. The Base Rate Loans shall bear interest at a fluctuating rate per annum equal to the Base Rate plus the Applicable Margin Amount.

The interest rate applicable to Base Rate Loans shall be increased or decreased, as the case may be, by an amount equal to any increase or decrease in the Base Rate, with such adjustments to be effective as of the opening of business on the day that any such change in the Base Rate becomes effective. The Base Rate in effect on the date hereof shall be the Base Rate effective as of the opening of business on the date hereof, but if this Agreement is executed on a day that is not a Business Day, the Base Rate in effect on the date hereof shall be the Base Rate effective as of the opening of business on the last Business Day immediately preceding the date hereof. Interest on the Loans shall be calculated daily, based on the actual days elapsed over a three hundred-sixty (360) day year. Further, for the purpose of computing interest, all items of payment received by Lenders shall be applied by Lenders (subject to final payment of all drafts and other items received in form other than immediately available funds) against the Obligations on the day of receipt. The determination of when a payment is received by Lenders will be made in accordance with Section 3.6.

(b) Default Rate of Interest. Upon and after the occurrence of an Event of Default, and during the continuation thereof, the principal amount of the Loans and other Obligations shall bear interest, calculated daily (computed on the actual days elapsed over a three hundred-sixty (360) day year), at two percent (2.00%) above the Base Rate or other applicable rate of interest (a "Default Rate").

(c) Maximum Rate of Interest. Notwithstanding anything to the contrary in this Agreement or otherwise, (i) if at any time the amount of interest computed on the basis of an Applicable Annual Rate or a Default Rate would exceed the amount of such interest computed upon the basis of the maximum rate of interest permitted by applicable state or federal law in effect from time to time hereafter (the "Maximum Legal Rate"), the interest payable under this Agreement shall be computed upon the basis of the Maximum Legal Rate, but any subsequent reduction in such Applicable Annual Rate or Default Rate, as applicable, shall not reduce such interest thereafter payable hereunder below the amount computed on the basis of the Maximum Legal Rate until the aggregate amount of such interest accrued and payable under this Agreement equals the total amount of interest which would have accrued if such interest had been at all times computed solely on the basis of an Applicable Annual Rate or Default Rate, as applicable; and (ii) unless preempted by federal law, an Applicable Annual Rate or Default Rate, as applicable, from time to time in effect hereunder may not exceed the applicable indicated rate ceiling as defined in the Texas Finance Code, (and as the same may be incorporated by reference in other Texas statutes), but otherwise without limitation, that rate based upon the "weekly rate ceiling" and calculated after taking into account any and all relevant fees, payments, and other charges in

respect of the Loan which are deemed to be interest under applicable law. If the applicable state or federal law is amended in the future to allow a greater rate of interest to be charged under this Agreement than is presently allowed by applicable state or federal law, then the limitation of interest hereunder shall be increased to the maximum rate of interest allowed by applicable state or federal law as amended, which increase shall be effective hereunder on the effective date of such amendment, and all interest charges owing to Lender by reason thereof shall be payable upon demand. (d) Excess Interest. No agreements, conditions, provisions or stipulations contained in this Agreement or any other instrument, document or agreement between Borrower, Agent and Lenders or default of Borrower, or the exercise by Agent or Lenders of the right to accelerate the payment of the maturity of principal and interest, or to exercise any option whatsoever contained in this Agreement or any other Loan Document, or the arising of any contingency whatsoever, shall entitle Lenders to contract for, charge, or receive, in any event, interest exceeding the Maximum Legal Rate. In no event shall Borrower be obligated to pay interest exceeding such Maximum Legal Rate and all agreements, conditions or stipulations, if any, which may in any event or contingency whatsoever operate to bind, obligate or compel Borrower to pay a rate of interest exceeding the Maximum Legal Rate, shall be without binding force or effect, at law or in equity, to the extent only of the excess of interest over such Maximum Legal Rate. In the event any interest is contracted for, charged or received in excess of the Maximum Legal Rate ("Excess"), Borrower acknowledges and stipulates that any such contract, charge, or receipt shall be the result of an accident and bona fide error, and that any Excess received by Lenders shall be applied, first, to reduce the principal then unpaid hereunder; second, to reduce the other Obligations; and third, returned to Borrower, it being the intention of the parties hereto not to enter at any time into a usurious or otherwise illegal relationship. Borrower recognizes that, with fluctuations in the Base Rate or the LIBOR Rate and the Maximum Legal Rate, such a result could inadvertently occur. By the execution of this Agreement, Borrower covenants that (i) the credit or return of any Excess shall constitute the acceptance by Borrower of such Excess, and (ii) Borrower shall not seek or pursue any other remedy, legal or equitable, against Lenders, based in whole or in part upon contracting for, charging or receiving of any interest in excess of the maximum authorized by applicable law. For the purpose of determining whether or not any Excess has been contracted for, charged or received by Lenders, all interest at any time contracted for, charged or received by Lenders in connection with this Agreement shall be amortized, prorated, allocated and spread in equal parts during the entire term of this Agreement.

(e) Incorporation by this Reference. The provisions of Section 3.1(d) shall be deemed to be incorporated into every document or communication relating to the Obligations which sets forth or prescribes any account, right or claim or alleged account, right or claim of Lenders with respect to Borrower (or any other obligor in respect of Obligations), whether or not any provision of this Section 3.1 is referred to therein. All such documents and communications and all figures set

forth therein shall, for the sole purpose of computing the extent of the Obligations and obligations of the Borrowers (or other obligor) asserted by Agent or Lenders thereunder, be automatically re-computed by any Borrower or obligor, and by any court considering the same, to give effect to the adjustments or credits required by Section 3.1(d).

(f) Unused Commitment Fee. Borrower agrees to pay to Agent for distribution to Lenders a monthly unused commitment fee equal to 0.375% per annum multiplied by the amount by which the Total Commitment exceeds the Average Monthly Loan Balance; provided, however, that if the Total Commitment exceeds the Average Monthly Loan Balance by $50,000,000 or more at any time during the first two (2) years following the Closing Date the fee shall be increased to 0.50% per annum for such period. Such unused commitment fee shall be payable (i) on the Closing Date, and (ii) monthly in arrears on the first day of each calendar month after the Closing Date.

(g) Closing Fees. Borrower shall pay to Agent on the Closing Date for distribution to the Lenders a closing fee of $225,000 and an underwriting fee to the Agent as provided in the letter agreement between Borrower and Agent dated February ___, 2002.

(h) Agency Fee. Borrower shall pay to Agent on the Closing Date and on each anniversary of the Closing Date during the term of this Agreement an agency fee of Twenty Thousand Dollars ($20,000).

(i) Capital Adequacy Charge. In the event that a Lender shall have determined in good faith that the adoption of any law, rule or regulation regarding capital adequacy, or any change therein or in the interpretation or application thereof or compliance by such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or governmental authority, does or shall have the effect of reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy) by an amount deemed- by such Lender, in its sole discretion, to be material, then from time to time, after submission by such Lender to Borrower of a certificate certifying the amount by which such rate of return is actually reduced with respect to this transaction, together with the calculation and a written demand therefor, Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction; provided, that, such Lender's other debtors are required to reimburse such Lender for the same type of reduction. The certificate of such Lender claiming entitlement to payment as set forth above shall be conclusive in the absence of manifest error. Such certificate shall set forth the nature of the occurrence giving rise to such payment, the additional amount or amounts to be paid to such Lender, and the method by which such amounts were determined. In determining such amount, a Lender may use any reasonable averaging and attribution method, so

long as it accurately reflects the reduction. A Lender claiming amounts under this Section 3.1(i) agrees to provide Borrower such additional information with respect thereto upon request.

(j) Letter of Credit: LC Guaranty Fees. As additional consideration for the Issuing Bank's issuing its Letters of Credit for Borrower's account or for issuing its LC Guaranties at Borrower's request pursuant to Section 2.4, Borrower agrees to pay to the Issuing Bank, in addition to the Issuing Bank's costs and expenses incurred in issuing such Letters of Credit and LC Guaranties, fees equal to the Applicable Margin for LIBOR Loans (equal to the face amount of each Letter of Credit and LC Guaranty) times the face amount of each Letter of Credit and LC Guaranty, which fee shall be deemed fully earned upon issuance of each such Letter of Credit or LC Guaranty, and shall be due and payable in equal monthly installments beginning on the first Business Day of the month following the date of issuance of such Letter of Credit or LC Guaranty and continuing on the first Business Day of each month thereafter during the term thereof. No fee payable by Borrower to the Issuing Bank under this Section 3.1(j) shall be subject to rebate or proration upon the termination of this Agreement for any reason.

Section 3.2 Additional Provisions Regarding LIBOR Loans.

(a) Borrower may select a LIBOR Rate with respect to all or any portion of the Loans as provided in this Section 3.2; provided, however, that (i) each LIBOR Loan shall be in a principal amount of not less than One Million Dollars ($1,000,000) (and, if greater than One Million Dollars ($1,000,000), in integral multiples of One Hundred Thousand Dollars ($100,000)), (ii) no more than five (5) LIBOR Periods may be in existence at any one time, and (iii) Borrower may not select a LIBOR Rate for a Loan if there exists a Default or Event of Default. Borrower shall select LIBOR Periods with respect to LIBOR Loans so that no LIBOR Period expires after the end of the Original Term, or if extended pursuant to Section 3.3, any Renewal Term. With respect to a LIBOR Loan, the Borrowing Notice shall be delivered to Agent not later than two (2) Business Days before the proposed borrowing date referenced therein. An outstanding Base Rate Loan may be converted to a LIBOR Loan at any time subject to the provisions of this Section 3.2.

(b) Each LIBOR Loan shall bear interest from and including the first day of the LIBOR Period applicable thereto (but not including the last day of such LIBOR Period) at the interest rate determined as applicable to such LIBOR Loan, but interest on such LIBOR Loan shall be payable as provided in Section 3.6. If at the end of an LIBOR Period for an outstanding LIBOR Loan, Borrower has failed to deliver to Lender a new Borrowing Notice with respect to such LIBOR Loan or to pay such LIBOR Loan, then such LIBOR Loan shall be converted to a Base Rate Loan on and after the last day of such LIBOR Period and shall remain a Base Rate Loan until paid or until the effective date of a new Borrowing Notice with respect thereto.

(c) If a Lender determines that maintenance of any of its portion of LIBOR Loans would violate any applicable law, rule, regulation or directive, whether or not having the force of law, such Lender shall suspend the availability of its portion of LIBOR Loans (the "Affected Portion") and require the Affected Portion of any LIBOR Loans outstanding to be repaid; or if such Lender determines that (i) deposits of a type or maturity appropriate to match fund the Affected Portion of LIBOR Loans are not available, or (ii) the LIBOR Rate does not accurately reflect the cost of making the Affected Portion of a LIBOR Loan, then such Lender shall promptly provide notice to Borrower of its decision to suspend Borrower's ability to make the Affected Portion of LIBOR Loans and/or require Borrower to repay the Affected Portion of LIBOR Loans and shall suspend the availability of the Affected Portion of LIBOR Loans after the date of any such determination.

(d) If any payment of a LIBOR Loan occurs on a date which is not the last day of the applicable LIBOR Period, whether because of acceleration, prepayment or otherwise, or a LIBOR Loan is not made on the date specified by Borrower because Borrower has not satisfied the conditions precedent to such LIBOR Loan contained in this Agreement or a Default or Event of Default has occurred and is continuing, Borrower will indemnify Lenders for any loss or cost incurred by it resulting therefrom, including without limitation any loss or cost in liquidating or employing deposits required to fund or maintain the LIBOR Loan.

(e) Agent shall deliver a written statement as to the amount due, if any, under Sections 3.2(c) or (d). Such written statement shall set forth in reasonable detail the calculations upon which Agent determined such amount and shall be final, conclusive and binding on Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a LIBOR Loan shall be calculated as though the affected Lender funded its portion of LIBOR Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the LIBOR Rate applicable to such Loan whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by Borrower of the written statement.

(f) Borrower may prepay a LIBOR Loan only upon at least three (3) Business Days prior written notice to Agent (which notice shall be irrevocable). Borrower shall pay to Agent, upon request of Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of Agent) to compensate Lenders for any loss, cost, or expense incurred as a result of: (i) any payment of a LIBOR Loan on a date other than the last day of the LIBOR Period for such LIBOR Loan; (ii) any failure by Borrower to borrow a LIBOR Loan on the date specified by Borrower's written notice; or (iii) any failure by Borrower to pay a LIBOR Loan on the date for payment specified in Borrower's written notice. Without limiting the foregoing, Borrower shall pay to Agent for the benefit of Lenders a "yield maintenance fee" in an amount computed as follows: the current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the LIBOR Period chosen pursuant to

the LIBOR Loan as to which the prepayment is made, shall be subtracted from the LIBOR Rate in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of days remaining in the LIBOR Period chosen pursuant to the LIBOR Loan as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the above referenced United States Treasury securities rate and the number of days remaining in the term chosen pursuant to the LIBOR Loan as to which prepayment is made. The resulting amount shall be the yield maintenance fee due to Agent for the benefit of Lenders upon the prepayment of a LIBOR Loan. If by reason of an Event of Default, Agent or the Majority Lenders elect to declare the Obligations to be immediately due and payable, then any yield maintenance fee with respect to a LIBOR Loan shall become due and payable in the same manner as though the Borrower had exercised such right of prepayment.

Section 3.3 Term of Agreement. Subject to the terms hereof and to Lenders' right to cease making Loans to Borrower at any time upon or after the occurrence of an Event of Default, this Agreement shall be in effect for (a) a period of three (3) years from the date hereof, through and including February ___, 2005 (the "Term"). Upon written request by Borrower, Lenders may, in their sole and absolute discretion, renew this Agreement for any number of successive one year periods thereafter (each such successive one year period, a "Renewal Term"), but Lenders shall have no obligation to do so. Notwithstanding anything contained herein to the contrary, Lenders may terminate this Agreement without notice upon or after the occurrence of an Event of Default.

Section 3.4 Early Termination by Borrower. Borrower may terminate the Revolving Credit Commitment hereunder at any time during the term of this Agreement by repaying all outstanding Loans and the interest thereon, plus a premium as follows: (i) if such prepayment occurs on or before the first anniversary of the Closing Date, a premium of 2% of the then existing Revolving Credit Commitment; (ii) if such prepayment occurs after the first anniversary of the Closing Date and on or before the second anniversary of the Closing Date a premium of 1.5% of the then existing Revolving Credit Commitment; and (iii) if such prepayment occurs after the second anniversary of the Closing Date and on or before the third anniversary of the Closing Date a premium of .5% of the then existing Revolving Credit Commitment.

Section 3.5 Effect of Termination. All of the Obligations shall be forthwith due and payable upon any termination of this Agreement in accordance with Section 3.4. Except as otherwise expressly provided for in this Agreement or the other Loan Documents, no termination or cancellation (regardless of cause or procedure) of this Agreement or any of the other Loan Documents shall in any way affect or impair the rights, powers or privileges of Lenders or the obligations, duties or liabilities of Borrower or Lenders in any way relating to (a) any transaction or event occurring prior to such termination or cancellation or (b) any of the undertakings, agreements, covenants, warranties or representations of Borrower contained in this Agreement or any of the other Loan Documents. All such undertakings, agreements, covenants, warranties and representations of Borrower shall survive such termination or cancellation and Agent shall retain

its Liens in the Collateral and all of its rights and remedies under this Agreement and the other Loan Documents notwithstanding such termination or cancellation until all of the Obligations known existing, threatened or claimed which can be given a monetary value have been paid in full, in immediately available funds.

Section 3.6 Payments.

Principal and interest on the Loans shall be payable as follows:

(a) principal payable on account of Loans shall be payable by Borrower to Lenders immediately upon the earliest of (i) the receipt by Agent, a Lender or Borrower of any proceeds of any of the Collateral, to the extent of said proceeds, (ii) the occurrence of an Event of Default in consequence of which Agent elects to accelerate the maturity and payment of such Loans, or (iii) termination of this Agreement.

(b) interest accrued on the Loans shall be due on the earliest of (i) the first day of each month (for the immediately preceding month), computed through the last calendar day of the preceding month, (ii) the occurrence of an Event of Default in consequence of which Agent elects to accelerate the maturity and payment of the Obligations, or (iii) termination of this Agreement.

(c) reasonable and itemized costs, fees and expenses payable pursuant to this Agreement shall be promptly payable by Borrower to Agent or to any other Person designated by Agent in writing.

(d) the balance of the Obligations requiring the payment of money, if any, shall be payable by Borrower to Agent as and when provided in this Agreement, the Other Agreements or the Security Documents, or, if not otherwise provided, then on demand.

Borrower hereby irrevocably authorizes Agent, in Agent's good faith discretion, to advance to Borrower and to charge to the Loan Account as a Revolving Loan, sums sufficient to pay all amounts due and payable under Sections 3.6(b), (c) and (d) above whether or not any such advance would cause the outstanding Revolving Loans to exceed the Borrowing Base.

Section 3.7 Application of Payments and Collections. (a) Except as otherwise provided in this Section 3.7, Borrower irrevocably waives the right to direct the application of any and all payments and collections at any time or times hereafter received by Agent or Lenders from or on behalf of Borrower, and Borrower does hereby irrevocably agree that Agent shall have the continuing exclusive right to apply and reapply any and all such payments and collections received at any time or times hereafter by Agent or its agent against the Obligations, in such manner as Agent may deem advisable, notwithstanding any entry by Agent upon any of its books and records. If as the result of collections of Accounts as authorized by Section 5.2 a credit balance exists in the Loan Account with respect to the Revolving Credit Commitment, such credit balance shall not accrue interest in favor of Borrower, but shall be returned to Borrower within one (1) Business Day for so long as no Default or Event of Default exists.

Agent may offset any credit balance against the Obligations upon or after the occurrence of an Event of Default. Payments and collections received by Agent from the Dominion Account or otherwise in Houston, Texas (a) before 2:00 p.m. Central Standard Time on a Business Day shall be deemed received on such Business Day, and (b) after 2:00 p.m. Central Standard Time on a Business Day shall be deemed received on the next succeeding Business Day, in each case for purposes of determining the amount of Revolving Loans available for borrowing hereunder and for purposes of computing interest on the Loans (subject in each case to final payment of all items and collections received in form other than immediately available funds). For so long as no Event of Default has occurred, all payments and collections deposited into the Dominion Account shall be transferred to a bank account specified by Borrower, and upon the occurrence of an Event of Default, Agent may, in its sole discretion, direct all such payments and collections to be transferred to a bank account specified by Agent.

(a) All monies to be applied to the Obligations, other than as expressly provided for elsewhere in this Agreement, whether such monies represent voluntary payments by the Borrower or are received pursuant to demand for payment or realized from any disposition of Collateral, shall be allocated among the Agent and such of the Lenders and other holders of the Obligations as are entitled thereto (and, with respect to monies allocated to the Lenders, on a ratable basis unless otherwise provided in this Section 3.7): (i) to pay principal and accrued interest on any Overadvance; (ii) second, to the Agent to pay the amount of expenses that have not been reimbursed to the Agent by the Borrower or the Lenders, together with interest accrued thereon; (iii) third, to the Agent to pay any indemnified amount that has not been paid to the Agent by the Borrower or the Lenders, together with interest accrued thereon; (iv) fourth, to the Agent to pay any fees due and payable to the Agent under this Agreement; (v) fifth, to the Lenders for any indemnified amount that they have paid to the Agent and for any expenses that they have reimbursed to the Agent; (vi) sixth, to the Lenders to pay any fees due and payable to the Lenders under this Agreement; (vii) seventh, in payment of the unpaid principal and accrued interest in respect of the Loans and (viii) eighth, any other Obligations then outstanding and held by any Lender to be shared among the Lenders on a ratable basis, or on such other basis as may be agreed upon in writing by all of the Lenders (which agreement or agreements may be entered into without notice to or the consent or approval of the Borrower). The allocations set forth in this Section 3.7 are solely to determine the rights and priorities of the Agent and the Lenders as among themselves and may be changed by the Agent and the Lenders without notice to or the consent or approval of the Borrower or any other Person.

Section 3.8 Statements of Account. Agent will account to Borrower monthly with a statement of Loans, charges and payments made pursuant to this Agreement, and such account rendered by Agent, absent manifest error, shall be deemed final, binding and conclusive upon Borrower unless Agent is notified by Borrower in writing to the contrary within seventy-five (75) days after the date each account is mailed to Borrower. Such notice shall only be deemed an objection to those items specifically objected to therein.

Section 3.9 Increased Costs. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) adopted after the date of this Agreement and having general applicability to all banks within the jurisdiction in which any Lender operates (excluding, for the avoidance of doubt, the effect of and phasing in of capital requirements or other regulations or guidelines passed prior to the date of this Agreement), or any interpretation or application thereof by any governmental authority charged with the interpretation or application thereof, or the compliance of any Lender therewith, shall:

(a) (i) subject any Lender to any tax with respect to this Agreement (other than (A) any tax based on or measured by net income or otherwise in the nature of a net income tax, including, without limitation, any franchise tax or any similar tax based on capital, net worth or comparable basis for measurement and (B) any tax collected by a withholding on payments and which neither is computed by reference to the net income of the payee nor is in the nature of an advance collection of a tax based on or measured by the net income of the payee) or (ii) change the basis of taxation of payments to any Lender of principal, fees, interest or any other amount payable hereunder or under any Loan Documents (other than in respect of (A) any tax based on or measured by net income or otherwise in the nature of a net income tax, including, without limitation, any franchise tax or any similar tax based on capital, net worth or comparable basis for measurement and (B) any tax collected by a withholding on payments and which neither is computed by reference to the net income of the payee nor is in the nature of an advance collection of a tax based on or measured by the net income of the payee);

(b) impose, modify or hold applicable any reserve (except any reserve taken into account in the determination of the applicable LIBOR Rate), special deposit, assessment or similar requirement against assets held by, or deposits in or for the account of, advances or loans by, or other credit extended by, any office of any Lender, including (without limitation) pursuant to Regulation D of the Board of Governors of the Federal Reserve System; or

(c) impose on any Lender or the London interbank market any other condition with respect to any Loan Document;

and the result of any of the foregoing is to increase the cost to any Lender of making, renewing or maintaining Loans hereunder by an amount that any Lender deems to be material or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of any of the Loans by an amount that any Lender deems to be material, then, in any such case, Borrower shall pay such Lender, upon demand and certification not later than sixty (60) days following its receipt of notice of the imposition of such increased costs, such additional amount as will compensate such Lender for such additional cost or such reduction, as the case may be, to the extent such Lender has not otherwise been compensated, with respect to a particular Loan, for such increased cost as a result of an increase in the Base Rate or the LIBOR Rate. An officer of such Lender shall determine the amount of such additional cost or reduced amount using reasonable averaging and attribution methods and shall certify the amount of such additional cost or reduced amount to Borrower, which certification shall include a written explanation of such

additional cost or reduction to Borrower and a statement that such costs affect other borrowers with similar LIBOR loans. Such certification shall be conclusive absent manifest error. If such Lender claims any additional cost or reduced amount pursuant to this Section 3.8, then such Lender shall use reasonable efforts (consistent with legal and regulatory restrictions) to designate a different lending office or to file any certificate or document reasonably requested by Borrower if the making of such designation or filing would avoid the need for, or reduce the amount of, any such additional cost or reduced amount and would not, in the sole discretion of such Lender, be otherwise disadvantageous to such Lender.

Section 3.10 Basis for Determining Interest Rate Inadequate or Unfair. In the event that Agent shall have determined that:

(a) reasonable means do not exist for ascertaining the LIBOR Rate for any LIBOR Period; or

(b) Dollar deposits in the relevant amount and for the relevant maturity are not available in the London interbank market with respect to a proposed LIBOR Loan, or a proposed conversion of a Base Rate Loan into a LIBOR Loan; then

Agent shall give Borrower prompt written, telephonic or electronic notice of the determination of such effect. If such notice is given, (i) any such requested LIBOR Loan shall be made as a Base Rate Loan, unless Borrower shall notify Agent no later than 10:00 A.M. (Dallas, Texas Time) two (2) Business Days prior to the date of such proposed borrowing that the request for such borrowing shall be canceled or made as an unaffected type of LIBOR Loan, and (ii) any Base Rate Loan which was to have been converted to an affected type of LIBOR Loan shall be continued as or converted into a Base Rate Loan, or, if Borrower shall notify Agent, no later than 10:00 A.M. (Dallas, Texas Time) two (2) Business Days prior to the proposed conversion, shall be maintained as an unaffected type of LIBOR Loan.

ARTICLE 4. COLLATERAL: GENERAL TERMS

Section 4.1 Security Interest in Collateral. To secure the prompt payment and performance to Lenders of the Obligations, Borrower hereby grants to Agent on behalf of the Lenders a continuing security interest in and Lien upon all the following Property and interests in Property of Borrower, whether now owned or existing or hereafter created, acquired or arising and wheresoever located:

(a) Accounts;

(b) Certificated Securities;

(c) Chattel Paper (including Electronic Chattel Paper);

(d) Computer Hardware and Software and all rights with respect thereto, including, any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing;

(e) Contract Rights;

(f) Deposit Accounts;

(g) Documents;

(h) Equipment;

(i) Financial Assets;

(j) Fixtures;

(k) General Intangibles, including Payment Intangibles and Software;

(l) Goods (including all of its Equipment, Fixtures and Inventory), and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor;

(m) Instruments;

(n) Intellectual Property;

(o) Inventory;

(p) Investment Property;

(q) money (of every jurisdiction whatsoever);

(r) Letter-of-Credit Rights;

(s) Payment Intangibles;

(t) Security Entitlements;

(u) Software;

(v) Supporting Obligations;

(w) Uncertificated Securities; and

(x) to the extent not included in the foregoing, all other personal property of any kind or description;

together with all books, records, writings, data bases, information and other property relating to, used or useful in connection with, or evidencing, embodying, incorporating or referring to any of the foregoing, and all Proceeds, products, offspring, rents, issues, profits and returns of and from any of the foregoing; provided that to the extent that the provisions of any lease or license of Computer Hardware and Software or Intellectual Property expressly prohibit (which prohibition is enforceable under applicable law) any assignment thereof, and the grant of a security interest

therein, Agent will not enforce its security interest in Borrower's rights under such lease or license (other than in respect of the Proceeds thereof) for so long as such prohibition continues, it being understood that upon request of Agent, Borrower will in good faith use reasonable efforts to obtain consent for the creation of a security interest in favor of Agent (and to Agent's enforcement of such security interest) in such Agent's rights under such lease or license.

Section 4.2 Other Collateral.

(a) Commercial Tort Claims. Borrower shall promptly notify Agent in writing upon incurring or otherwise obtaining a Commercial Tort Claim after the Closing Date against any third party and, upon request of Agent, promptly enter into an amendment to this Agreement and do such other acts or things deemed appropriate by Agent to give Agent a security interest in any such Commercial Tort Claim.

(b) Other Collateral. Borrower shall promptly notify Agent in writing upon acquiring or otherwise obtaining any Collateral after the date hereof consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights or Electronic Chattel Paper and, upon the request of Agent, promptly execute such other documents, and do such other acts or things deemed appropriate by Agent to deliver to Agent control with respect to such Collateral; promptly notify Agent in writing upon acquiring or otherwise obtaining any Collateral after the date hereof consisting of Documents or Instruments and, upon the request of Agent, will promptly execute such other documents, and do such other acts or things deemed appropriate by Agent to deliver to Agent possession of such Documents which are negotiable and Instruments, and, with respect to nonnegotiable Documents, to have such nonnegotiable Documents issued in the name of Agent; and with respect to Collateral in the possession of a third party, other than Certificated Securities and Goods covered by a Document and obtain an acknowledgement from the third party that it is holding the Collateral for the benefit of Agent.

The security interests in the Collateral granted to Agent by Borrower are given in renewal, extension and modification of the security interests previously granted to Fleet by Cal Dive and ERT in the Amended Loan Documents; such prior security interests are not extinguished hereby; and the making, perfection and priority of such prior security interests shall continue in full force and effect.

Section 4.3 Lien on Vessels. (a) The due and punctual payment and performance of the Obligations shall be secured by the Lien created by the Ship Mortgages upon the Vessels. Except as otherwise permitted herein, if Borrower shall acquire at any time or times hereafter any interest in other vessels, Borrower hereby agrees to promptly execute and deliver to Agent, as additional security and Collateral for the Obligations, Ship Mortgages or other collateral documents satisfactory in form and substance to Agent and its counsel (herein collectively referred to as "New Ship Mortgages") covering such new vessels. The Ship Mortgages and each New Ship Mortgage shall be duly recorded in each office where such recording is required to constitute a valid and perfected Lien on the vessels covered by such Mortgage. Borrower shall

deliver to Agent such other documents as Agent and its counsel may reasonably request relating to the Property subject to the Ship Mortgage and any New Ship Mortgages.

(b) Upon demand by Agent, Borrower shall execute and deliver to Agent the Construction Contract Assignment and shall do all such other things deemed appropriate by Agent to perfect such assignment as a first preferred security interest on the collateral described in it.

Section 4.4 Negative Pledge. Borrower agrees that for so long as any Obligations remain outstanding, it will not, without the prior written consent of Agent create or permit any Lien (other than Permitted Liens) or its interests in the Offshore Platforms and its other oil and gas Properties.

Section 4.5 Representations, Warranties and Covenants. To induce Lenders to enter into this Agreement, Borrower represents, warrants, and covenants to Agent and Lender:

(a) The Collateral is now and, so long as any of the Obligations are outstanding, will continue to be owned solely by Borrower, and no other Person has or will have any right, title, interest, claim, or Lien therein, thereon or thereto other than a Permitted Lien.

(b) Except for Permitted Liens or as specifically consented to in writing by Agent the Liens granted to Agent shall be first and prior on the Collateral and as to the Accounts and proceeds, including insurance proceeds, resulting from the sale, disposition, or loss thereof. No further action need be taken to perfect the Liens granted to Lender, other than the filing of continuation statements under the Code or other applicable law, continued possession by Agent of that portion of the Collateral constituting instruments or documents, the recording of the Ship Mortgage and each New Ship Mortgage as required by applicable law.

(c) All goods evidenced by the Collateral constituting chattel paper, documents or instruments, the possession of which has been given to Agent, are owned by Borrower and the same are free and clear of any prior Lien, except for Statutory Liens contested by Borrower as required by Section 8.2(h). Borrower further warrants and guarantees the value, quantities, adequate condition, grades and qualities of the goods and services described therein. Borrower shall pay and discharge when due all taxes, levies, and other charges upon said Collateral and upon the goods evidenced by any documents constituting Collateral, except and to the extent only that such taxes, levies and other charges are being actively contested in good faith and by appropriate lawful proceedings, and Borrower has established adequate reserves therefor, which are properly reflected on the Consolidated Financial Statements, and the nonpayment of such taxes, levies and charges does not result in a lien upon any Collateral other than a Permitted Lien. Borrower shall defend Agent against and save it harmless from all claims of any Person with respect to the Collateral. This indemnity shall include reasonable attorneys' fees and legal expenses.

Section 4.6 Lien Perfection. Borrower agrees to execute the UCC-1 financing statements provided for by the Code or otherwise together with any and all other instruments, assignments or documents and shall take such other action as may be required to perfect or to continue the perfection of Agent's security interest in the Collateral. Unless prohibited by applicable law, Borrower hereby authorizes Agent to execute and file any such financing statement on Borrower's behalf, including without limitation financing statements that indicate the Collateral (i) as all assets of Cal Dive, ERT, Aquatica or Canyon or words of similar effect, or (ii) as being equal or lesser in scope or with greater or lesser detail, than as set forth in Section 4.1 on Borrower's behalf. Borrower also hereby ratifies its authorization for the Agent to have filed in any jurisdiction any like financial statements or amendments thereto if filed prior to the date hereof. The parties agree that a carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

Section 4.7 Location of Collateral. All Collateral, other than Inventory in transit, motor vehicles, Vessels and diving equipment, will at all times be kept by Borrower at one or more of the business locations set forth in Exhibit C attached hereto and shall not, without the prior written approval of Agent, be moved therefrom except, prior to an Event of Default, for (a) sales of Inventory and the providing of services in the ordinary course of business; (b) the storage of Inventory at locations within the continental United States other than those shown on Exhibit C attached hereto if (i) Borrower gives Agent written notice of the new storage location at least sixty (60) days prior to storing Inventory at such location, (ii) except for Statutory Liens contested by Borrower as required by Section 8.2(h), Agent's security interest in such Inventory is and continues to be a duly perfected, first priority Lien thereon, (iii) neither Borrower's nor Agent's right of entry upon the premises where such Inventory is stored, or its right to remove the Inventory therefrom, is in any way restricted, (iv) the owner of such premises agrees with Agent not to assert any landlord's, bailee's or other Lien in respect of the Inventory for unpaid rent or storage charges, and (v) all negotiable documents and receipts in respect of any Collateral maintained at such premises are promptly delivered to Agent; (c) temporary transfers (for period not to exceed three months in any event) of Equipment from a location set forth on Exhibit C attached hereto to another location if done for the limited purpose of repairing, refurbishing or overhauling such Equipment in the ordinary course of Borrower's business; and (d) removals in connection with dispositions of Equipment that are authorized by Section 6.4.

Section 4.8 Insurance of Collateral. Borrower agrees to maintain and pay for insurance upon all Collateral (other than Offshore Platforms) wherever located, in storage or in transit, including goods evidenced by documents, covering casualty, hazard, public liability and such other risks and in such amounts and with insurance companies acceptable to Agent. Borrower shall deliver to Agent certificates regarding such insurance and the originals of such policies when available, with satisfactory endorsements naming Agent as loss payee or co-insured and as mortgagee pursuant to a standard mortgagee clause without liability for premiums, club calls or assessments. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than thirty (30) days prior written notice to Agent in the event of cancellation of the policy for any reason whatsoever and a clause that the interest of Agent shall not be impaired or invalidated by any act or neglect of Borrower or owner of the Property nor by the occupation of the premises for purposes more hazardous than are permitted by said policy. If Borrower fails to provide and pay for such insurance, Agent may, at

Borrower's expense, procure the same, but shall not be required to do so. Borrower agrees to deliver to Agent, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies. Borrower will maintain, with financially sound and reputable insurers, insurance with respect to its Properties and business against such casualties and contingencies of such type (including public liability, product liability, larceny, embezzlement, or other criminal misappropriation insurance) and in such amounts as is customary in the business or as otherwise required by Agent.

Section 4.9 Protection of Collateral. All insurance expenses and all expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping the Collateral, any and all excise, property, sales, and use taxes imposed by any state, federal, or local authority on any of the Collateral or in respect of the sale thereof shall be bome and paid by Borrower. If Borrower fails to promptly pay any portion thereof when due or is not actively contesting such taxes in good faith and by appropriate proceedings and has not established adequate reserves, which are properly reflected on the Consolidated Financial Statements, Agent may, at its option, but shall not be required to, pay the same and charge the Loan Account therefor. Borrower agrees to reimburse Agent promptly therefor with interest accruing thereon daily at the Applicable Annual Rate for Base Rate Loans. All sums so paid or incurred by Agent for any of the foregoing and all costs and expenses (including reasonable attorneys' fees, legal expenses, and court costs) which Agent may incur in enforcing or protecting its Lien on or rights and interest in the Collateral or any of its rights or remedies under any Loan Document or in respect of any of the transactions to be had hereunto, together with interest at the Default Rate applicable to Base Rate Loans, shall be considered Obligations hereunder secured by all Collateral. Agent shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except for reasonable care in the custody thereof while any Collateral is in Agent's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other person whomsoever, but the same shall be at Borrower's sole risk.

ARTICLE 5. PROVISIONS RELATING TO ACCOUNTS

Section 5.1 Representations, Warranties and Covenants. With respect to all Accounts, Borrower represents and warrants to Agent and Lenders that Agent may rely, in determining which Accounts are Eligible Accounts, on all statements and representations made by Borrower with respect to any Account or Accounts, and, unless otherwise indicated in writing to Agent, that with respect to each Account:

(a) it is genuine and in all respects what it purports to be, and it is not evidenced by a judgment;

(b) it arises out of a completed, bona fide sale and delivery of goods or rendition of services by Borrower in the ordinary course of its business and in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto and forming a part of the contract between Borrower and the Account Debtor;

(c) it has been generated in compliance with Borrower's normal credit policies as historically in effect (or as modified from time to time on prior written notice to Agent) or on such other reasonable terms disclosed in writing to Agent in advance of the creation of such Account, and such terms are expressly set forth on the face of the invoice covering such sale or rendition of services;

(d) it is for a liquidated amount maturing as stated in the duplicate invoice covering such sale or rendition of services, a copy of which has been furnished or is available to Agent;

(e) Borrower has made no agreement with any Account Debtor thereunder for any deduction therefrom, except discounts or allowances which are granted by Borrower in the ordinary course of its business and which are disclosed to Agent;

(f) to the best of Borrower's knowledge, there are no facts, events or occurrences which have not been disclosed to Agent which in any way impair the validity or enforceability thereof or tend to reduce the amount payable thereunder from the face amount of the invoice and statements delivered to Agent with respect thereto;

(g) to the best of Borrower's knowledge, the Account Debtor thereunder (i) is Solvent and (ii) had the capacity to contract at the time any contract or other document giving rise to the Account was executed; and

(h) Borrower has no knowledge of any fact or circumstance which would impair the validity or collectability of the Account, and to the best of Borrower's knowledge there are no proceedings or actions which are threatened or pending against any Account Debtor thereunder which might result in any material adverse change in such Account Debtor's financial condition or the collectability of such Account.

Section 5.2 Assignments, Records and Schedules of Accounts. If so requested by Agent, Borrower shall execute and deliver to Agent formal written assignments of all of its Accounts on a weekly or more frequent basis, which shall include all Accounts that have been created since the date of the last assignment, together with copies of invoices or invoice registers related thereto. Borrower shall keep accurate and complete records of its Accounts and all payments and collections thereon and shall submit to Agent on a weekly basis, unless requested on a more frequent basis by Agent, a sales and collections report for the preceding week, in form satisfactory to Agent. On or before the last day of each week from and after the date hereof, Borrower shall deliver to Agent, in form satisfactory to Agent, a detailed listing of all Unbilled Accounts existing as of the last day of the preceding week, a detailed aged trial balance of all Accounts existing as of the last day of the preceding week, specifying the names, face value, dates of invoices and due dates for each Account Debtor obligated on an Account so listed and a listing of all disputed amounts due and owing (a "Schedule of Accounts"), and upon Agent's request therefor, the reason for any disputed amounts, all claims related thereto and the amount in controversy, and addresses, copies of proof of delivery and the original copy of all documents, including, without limitation, repayment histories and present status reports relating to the Accounts so scheduled, and such other matters and information relating to the status of then existing Accounts as Agent shall reasonably request.

Section 5.3 Administration of Accounts.

(a) Borrower shall report discounts, allowances or credits granted by Borrower that are not shown on the face of the invoice for the Account involved to Agent at the time of its submission to Agent of the next Schedule of Accounts as provided in Section 5.2 or more frequently upon the request of Agent. Upon and after the occurrence of an Event of Default, Agent shall have the right to settle or adjust all disputes and claims directly with the Account Debtor and to compromise the amount or extend the time for payment of the Accounts upon such terms and conditions as Agent may deem advisable, and to charge the deficiencies, costs and expenses thereof, including reasonable attorney's fees, to Borrower.

(b) If an Account includes a charge for any tax payable to any governmental taxing authority, Agent is authorized, in its sole discretion, to pay the amount thereof to the proper taxing authority for the account of Borrower and to charge the Loan Account therefor. Borrower shall notify Agent if any Account includes any tax due to any govenunental taxing authority and, in the absence of such notice, Agent shall have the right to retain the full proceeds of the Account and shall not be liable for any taxes to any governmental taxing authority that may be due by Borrower by reason of the sale and delivery creating the Account.

(c) Whether or not an Event of Default has occurred, any of Agent's officers, employees or agents shall have the right, at any time or times hereafter, in the name of Agent, any designee of Agent or Borrower, to verify the validity, amount or any other matter relating to any Accounts by mail, telephone, telegraph or otherwise. Borrower shall cooperate fully with Agent in an effort to facilitate and promptly conclude any such verification process.

Section 5.4 Collection of Accounts.

(a) To expedite collection, Borrower shall endeavor in the first instance to make collection of its Accounts for Agent. All remittances received by Borrower on account of Accounts shall be held as Agent's property by Borrower as trustee of an express trust for Agent's benefit and Borrower shall immediately deposit same in the Dominion Account. Agent shall have the right at any time after the occurrence of an Event of Default to notify Account Debtors that Accounts have been assigned to Agent and to collect Accounts directly in its own name and to charge the collection costs and expenses, including reasonable attorneys' fees, to Borrower. Agent has no duty to protect, insure, collect or realize upon the Accounts or preserve rights in them.

(b) Borrower shall deposit all proceeds of the Collateral, other than receipts for the sale of Property held by third parties as reserves for like/kind exchanges, or cause the same to be deposited in kind in a Dominion Account pursuant to a lockbox arrangement with such banks as may be selected by Borrower and be acceptable to Agent. Borrower shall issue to any such bank, an irrevocable letter of instruction directing such banks to deposit all payments or other remittances

received in the lockbox to the Dominion Account for application on account of the Obligations. All funds deposited in the Dominion Account shall immediately become the property of Agent and Borrower shall obtain the agreement by such banks to waive any offset rights against the funds so deposited. Agent assumes no responsibility for such lockbox arrangement, including, without limitation, any claim of accord and satisfaction or release with respect to deposits accepted by any bank thereunder.

ARTICLE 6. PROVISIONS RELATING TO EQUIPMENT, VESSELS AND OFFSHORE PLATFORMS

Section 6.1 Representations, Warranties and Covenants. With respect to the Equipment, Vessels and the Offshore Platforms, Borrower represents, warrants and covenants to and with Agent that:

(a) substantially all of the Equipment and the Vessels are in adequate operating condition and repair, and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment and the Vessels shall be maintained and preserved, reasonable wear and tear excepted; and

(b) except for Equipment affixed to Offshore Platforms in the ordinary course of ERT's business, Borrower will not permit any of the Equipment to become affixed to any Real Property leased to Borrower so that an interest arises therein under the real estate laws of the applicable jurisdiction unless the landlord of such Real Property has executed a landlord waiver or leasehold mortgage in favor of Agent, and Borrower will not permit any of the Equipment to become an accession to any personal Property other than Equipment subject to first priority Liens in favor of Agent or subject to Permitted Liens.

Section 6.2 Evidence of Ownership of Equipment and Vessels. Immediately on request therefor by Agent, Borrower shall deliver to Agent any and all evidence of ownership, if any, of any of the Equipment and the Vessels.

Section 6.3 Records and Schedules of Equipment and the Vessels. Borrower shall maintain accurate records itemizing and describing the kind, type, quality, quantity, location and value of its Equipment and Vessels and all dispositions made in accordance with Section 6.4, and shall furnish Agent with a current schedule, in form and substance satisfactory to Agent, containing the foregoing information on at least an annual basis and more often if requested by Agent.

Section 6.4 Dispositions. Borrower will not sell, lease or otherwise dispose of or transfer any of the Equipment, any Vessel, any Offshore Platform, or any oil or gas Properties, or any part thereof without the prior written consent of Agent; provided, however, that the foregoing restriction shall not apply to dispositions required by the United States government, or, for so long as no Event of Default exists, to the following:

(a) dispositions of Offshore Platforms and related Equipment and oil and gas Properties by ERT and vessels owned by Borrower and not mortgaged to Agent in the ordinary course of business; provided, that, all proceeds thereof, other than receipts for the sale of Property held by third parties as reserves for like/kind exchanges, are delivered to Agent for application to the Obligations in accordance with the terms of this Agreement; or

(b) replacement of Equipment and Vessels that are substantially worn, damaged or obsolete with Equipment or Vessels of substantially like kind and function and with a value not less than the Equipment or Vessels being replaced; which replacement Equipment and Vessels shall be acceptable to Agent; provided, that, (i) the replacement Equipment or Vessels shall be acquired prior to concurrently with or within six (6) months of any disposition of the Equipment or Vessel that is to be replaced, (ii) the replacement Equipment or Vessels shall be free and clear of Liens other than Permitted Liens, (iii) Borrower shall give Agent at least five (5) days prior written notice of such disposition, and (iv) Borrower shall deliver to Agent all proceeds realized from any such disposition for application to the Obligations.

(c) None of the provisos or other exceptions to the restriction against dispositions of Equipment, Vessels or Offshore Platforms set forth in this Section 6.4 shall be construed to allow any disposition, whether by Borrower of a Vessel on which Agent has been granted a Lien, without the prior written consent of Agent.

ARTICLE 7. REPRESENTATIONS AND WARRANTIES

Section 7.1 General Representations and Warranties. To induce Lenders to enter into this Agreement and to make advances hereunder, Borrower warrants, represents and covenants to Agent and Lenders as follows:

(a) Organization and Qualification. Borrower is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation. Borrower has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each state or jurisdiction listed on Exhibit D attached hereto and made a part hereof and in all other states and jurisdictions where the character of its Properties or the nature of its activities make such qualification necessary.

(b) Corporate Names. Since July 27, 1990, Cal Dive, since September 30, 1992, ERT since September 24, 1997, Aquatica and since September 12, 1996, Canyon, have not been known as or used any corporate, fictitious or trade names except as disclosed on Exhibit E attached hereto and made a part hereof. Except as set forth on Exhibit E attached hereto, Borrower has not, during the preceding three years, been the surviving corporation of a merger or consolidation or acquired all or substantially all of the assets of any Person. Each Borrower's exact legal name, state of incorporation, type of organization and organizational identification number is set forth on Exhibit E.

(c) Corporate Power and Authority. Borrower has the right and power and is duly authorized and empowered to enter into, execute, deliver and perform this Agreement and each of the other Loan Documents to which it is a party. The execution, delivery and performance of this Agreement and each of the other Loan Documents have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of the shareholders of Borrower; (ii) contravene Borrower's charter, articles of incorporation or by-laws; (iii) violate, or cause Borrower to be in default under, any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award in effect having applicability to Borrower; (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which Borrower is a party or by which it or its Properties may be bound or affected; or (v) result in, or require, the creation or imposition of any Lien (other than Permitted Liens) upon or with respect to any of the Properties now owned or hereafter acquired by Borrower.

(d) Legally Enforceable Agreement. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, a legal, valid and binding obligation of Borrower enforceable against it in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally or by principles of equity pertaining to the availability of equitable remedies.

(e) Use of Proceeds. Borrower's uses of the proceeds of any Loans pursuant to this Agreement are, and will continue to be, legal and proper corporate uses, duly authorized by its Board of Directors, and such uses will not violate any applicable laws, including, without limitation, the Foreign Assets Control Regulations, the Foreign Funds Control Regulations and the Transaction Control Regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), where the failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects, or Properties.

(f) Margin Stock. Borrower is not engaged principally, or as one of its important activities, in the business of purchasing or carrying "margin stock" (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loans to Borrower will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or be used for any purpose which violates or is inconsistent with the provisions of Regulation T, U or X of said Board of Governors.

(g) Governmental Consents. Except where failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects, or Properties, Borrower has, and is in good standing with respect to, all governmental consents, approvals, authorizations, permits, certificates, inspections, and franchises necessary to continue to conduct its business as

heretofore or proposed to be conducted by it and to own or lease and operate its Properties as now owned or leased by it.

(h) Patents, Trademarks, Copyrights and Licenses. Borrower owns or possesses all the patents, trademarks, service marks, trade names, copyrights and licenses necessary for the present and planned future conduct of its business without any known conflict with the rights of others. All such patents, trademarks, service marks, trade names, copyrights, licenses and other similar rights are listed on Exhibit F attached hereto and made a part hereof.

(i) Capital Structure. Exhibit G attached hereto and made a part hereof states (i) the correct name of each of the Subsidiaries of Borrower, the jurisdiction of incorporation and the percentage of its Voting Stock owned by Borrower, (ii) the name of each of Borrower's corporate or joint venture Affiliates and the nature of the affiliation, (iii) the number, nature and holder of all outstanding Securities of each Subsidiary of Cal Dive, and (iv) the number of authorized, issued and treasury shares of Borrower and each Subsidiary of Borrower. Borrower has good title to all of the shares of stock it purports to own of each Subsidiary, free and clear in each case of any Lien other than Permitted Liens. All such shares have been duly issued and are fully paid and nonassessable. Except as provided in Exhibits G and H attached hereto, there are not outstanding any options to purchase, or any rights or warrants to subscribe for, or any commitments or agreements to issue or sell, or any Securities or obligations convertible into, or any powers of attorney relating to, shares of the capital stock of Borrower.

Except as provided in Exhibits G and H attached hereto, there are not outstanding any agreements or instruments binding upon any of Borrower's shareholders relating to the ownership of its shares of capital stock.

Section 7.2 Solvent Financial Conditions. Borrower is now and, after giving effect to initial Loans to be made hereunder, at all times will be, Solvent.

(a) Restrictions. Borrower is not a party or subject to any contract, agreement, or charter or other ------------ corporate restriction, which materially and adversely affects its business or the use or ownership of any of its Properties other than as set forth on Exhibit I attached hereto. Borrower is not a party or subject to any contract or agreement which restricts its right or ability to incur Indebtedness, other than as set forth on Exhibit I attached hereto, none of which prohibit the execution of or compliance with this Agreement by Borrower. Neither Borrower nor any of its Subsidiaries has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its Property, whether now owned or hereafter acquired, to be subject to a Lien that is not a Permitted Lien.

(b) Litigation. Except as set forth on Exhibit J attached hereto and made a part hereof, there are no actions, suits, proceedings or investigations pending, or to the knowledge of Borrower, threatened, against or affecting Borrower or any of its Subsidiaries, or the business, operations, Properties, prospects, profits or

condition of Borrower or any of its Subsidiaries, in any court or before any governmental authority or arbitration board or tribunal, and no action, suit, proceeding or investigation shown on Exhibit J attached hereto, except as indicated on such Exhibit J, involves the possibility of materially and adversely affecting the Properties, business, prospects, profits or condition (financial or otherwise) of Borrower or the ability of Borrower to perform this Agreement. Neither Borrower nor any of its Subsidiaries is in default with respect to any order, writ, injunction, judgment, decree or rule of any court, governmental authority or arbitration board or tribunal.

(c) Title to Properties. Subject to the statutory right of the MMS to approve the acquisition of an Offshore Platform and related oil and gas Properties, each Borrower and each of its Subsidiaries has good, indefeasible and marketable title to and fee simple ownership of, or valid and subsisting leasehold interests in, all of its oil and gas Properties and Real Property, and good title to all of its other Property, in each case, free and clear of all Liens except Permitted Liens. Exhibits C and R attached hereto identifies all of the Offshore Platforms, other oil and gas Properties and Real Property leased or owned by Borrower and its Subsidiaries and, if leased, identifies the lessor thereof.

(d) Financial Statements: Fiscal Year. The Consolidated balance sheet of Borrower and such other Persons described therein (including the accounts of all Subsidiaries for the respective periods during which a Subsidiary relationship existed) as of November 30, 2001 and the related statements of income, changes in stockholder's equity, and changes in cash flow for the periods ended on such dates, have been prepared in accordance with GAAP (except for changes in application in which Borrower's independent certified public accountants concur), and present fairly the financial positions of Borrower and its Subsidiaries at such dates and the results of Borrower's operations for such periods. Except as disclosed in Schedule W hereto, since November 30, 2001 there has been no material change in the condition, financial or otherwise, of Borrower, its Subsidiaries and such other Persons as shown on the Consolidated balance sheet as of such date and no change in the aggregate value of Equipment and other Property owned by Borrower or its Subsidiaries or such other Persons, except as otherwise disclosed in the footnotes to such financial statements and changes in the ordinary course of business, which individually or in the aggregate has not been materially adverse. The fiscal year of Borrower and each of its Subsidiaries ends on December 31 of each year.

(e) Full Disclosure. The financial statements referred to in Section 7.1(n), do not, nor does this Agreement or any other written statement of Borrower to Lender (including, without limitation, Borrower's filings, if any, with the Securities and Exchange Commission), contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which Borrower has failed to disclose to Agent or Lenders in writing which materially affects adversely or, so far as Borrower can now foresee, will materially affect adversely the Properties, business, prospects,

profits, or condition (financial or otherwise) of Borrower or any of its Subsidiaries or the ability of Borrower or its Subsidiaries to perform this Agreement.

(f) ERISA. Except as disclosed in Exhibit K attached hereto, there are no Pension Plans or Multiemployer Plans and no fact exists that could result in any material liability (other than as disclosed on Borrower's financial statements) to Borrower relating to any former Plan. No Reportable Event has occurred with respect to any Pension Plan that is not a Multiemployer Plan. No Prohibited Transaction has occurred. The PBGC has not instituted proceedings to terminate any Pension Plan. No ERISA Affiliate nor any duly appointed administrator of a Pension Plan has (i) incurred any liability to the PBGC with respect to a Pension Plan other than for premiums not yet due and payable, or (ii) instituted or intends to institute proceedings under Section 4041(c) of ERISA to terminate any Pension Plan, or (iii) instituted proceedings to withdraw from any Pension Plan that is a Multiemployer Plan. No "accumulated funding deficiency" within the meaning of Section 302(a)(2) of ERISA exists with respect to any Pension Plan. No liability has been incurred by any ERISA Affiliate which remains unsatisfied for any taxes or penalties, with respect to any Plan that is not a Multiemployer Plan or, to the best of Borrower's knowledge and belief, with respect to any Multiemployer Plan. No litigation is pending or, to the Borrower's knowledge, threatened concerning or involving any Plan. No amendment to any Pension Plan has been adopted such that security is required to be given pursuant to IRC Section 401(a)(29) and no lien exists under IRC Section 412(n) with respect to any Plan. Except as shown on Exhibit K attached hereto with respect to the date and using the assumptions described thereon, and to the best of Borrower's knowledge and belief, no unfunded or unreserved liability exists for benefits under any Plan that would have a material adverse effect on the business or finances of Borrower. No ERISA Affiliate contributes to, has contributed to, or is or has been obligated to contribute to, any Multiemployer Plan. No ERISA Affiliate maintains, or has promised to maintain, any Plan which provides medical benefits to an employee or the employee's dependents after the employee terminates employment other than as required by law.

(g) Taxes. The federal tax identification numbers for Cal Dive, ERT, Aquatica and Canyon are 95-3409686, 76-0413713, 72-1396623 and 76-0515050, respectively. Borrower and its Subsidiaries each has filed all federal, state and local tax returns and other reports it is required by law to file and has paid, or made provision for the payment of, all taxes, assessments, fees and other governmental charges that are due and payable. The provision for taxes on the books of Borrower and its Subsidiaries are adequate for all years not closed by applicable statutes, and for its current fiscal year. There are no material unresolved questions or claims concerning any tax liability of Borrower except as described in Exhibit L attached hereto. None of the transactions contemplated hereby or under any agreements referred to hereunder will result in any material tax liability for Borrower or result in any other material adverse tax consequence for Borrower. Exhibit M attached hereto contains an accurate list of all taxing authorities to which Borrower and its Subsidiaries and their respective Properties are subject. No Properties of

Borrower or its Subsidiaries are or could become subject to any Lien in favor of any such taxing authorities for nonpayment of taxes, except as specified on Exhibit M attached hereto.

(h) Labor Relations. Except as described on Exhibit N attached hereto, neither Borrower nor any of its Subsidiaries is a party to any collective bargaining agreement, and there are no material grievances, disputes or controversies with any union or any other organization of Borrower's employees, or threats of strikes, work stoppages or any asserted pending demands for collective bargaining by any union or organization.

(i) Compliance With Laws. Except as disclosed on Exhibit O attached hereto as to existing violations of Environmental Laws (the "Existing Environmental Violations"), Borrower has duly complied in all material respects with, and its Property, business operations and leaseholds are in compliance in all material respects with, the provisions of all federal, state and local laws, rules, regulations orders, citations and final and enforceable notices applicable to Borrower, its Properties or the conduct of its business, including, without limitation, OSHA, Environmental Laws, the Securities Act of 1933, the Securities Exchange Act of 1934, the Fair Labor Standards Act, laws relating to income, unemployment, payroll or social security taxes and Plans under ERISA, the Flood Disaster Protection Act of 1973, the Consumer Credit Protection Act, the Federal Trade Commission Act, statutes creating and governing the Bureau of Alcohol, Tobacco and Firearms, and any and all state statutes or pronouncements addressing, or related to, subjects the same as or comparable to those covered by such enumerated federal statutes, and there have been no citations, notices or orders of noncompliance issued to Borrower or any of its Subsidiaries under any such law, rule or regulation.

(j) Surety Obligations. Except as described in Exhibit P attached hereto, Borrower is not obligated as surety or indemnitor under any surety or similar bond or other contract issued or entered into any agreement to assure payment, performance or completion of performance of any undertaking or obligation of any Person.

(k) No Defaults. No event has occurred and no condition exists which would, upon the execution and delivery of this Agreement or Borrower's performance hereunder, constitute a Default or an Event of Default. Neither Borrower nor any of its Subsidiaries is in default, and no event has occurred and no condition exists which constitutes, or which with the passage of time or the giving of notice or both would constitute, a default in the payment of any Indebtedness to any Person for Money Borrowed.

(l) Brokers. There are no claims for brokerage commissions, finder's fees or investment banking fees in connection with the transactions contemplated by this Agreement.

(m) Business Locations. Agent for Process. During the preceding three year period, Borrower has had no office, place of business or agent for service of process located in any state or county other than as shown on Exhibit C attached hereto.

(n) Trade Relations. There exists no actual or threatened termination, cancellation or limitation of, or any modification or change in, the business relationship between Borrower and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of Borrower, or with any material supplier, and there exists no present condition or state of facts or circumstances which would materially affect adversely Borrower or prevent Borrower from conducting such business after the consummation of the transaction contemplated by this Agreement in substantially the same manner in which it has heretofore been conducted.

(o) Leases. Exhibit Q attached hereto is a complete listing of all capitalized leases of Borrower and Exhibit R attached hereto is a complete listing of all operating leases of Borrower.

(p) Investment Company Act. Borrower is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(q) OSHA and Environmental Compliance.

(i) Except for the Existing Environmental Violations, Borrower is in compliance with, and its facilities, business, operations, assets, Property, leaseholds, Offshore Platforms, Vessels and Equipment are in compliance in all material respects with, the provisions of OSHA, the Resource Conservation and Recovery Act, Oil Pollution Act, 1990, all Environmental Laws and all permits issued to Borrower under any Environmental Laws; there have been no and are not now any outstanding citations, notices or orders of non-compliance issued to Borrower, nor is Borrower aware of any potential or threatening citations, notices or orders of noncompliance that may be issued to Borrower or relating to its business, assets, Property, leaseholds, Offshore Platforms, Vessels or Equipment under such laws, rules or regulations.

(ii) Borrower has been issued all required federal, state and local licenses, certificates or permits relating to all applicable Environmental Laws.

(iii) Except for the Existing Environmental Violations, (1) there are no visible signs of material releases, spills, discharges, leaks or disposal (collectively referred to as "Releases") of Hazardous Substances at, upon, under or within any Real Property or Vessels in violation of any Environmental Law, nor is Borrower aware of the existence of any nonvisible Releases; (2) there are no underground storage tanks or polychlorinated biphenyls on the Real Property; (3) the Real Property has never been used as a

treatment, storage or disposal facility of Hazardous Substance (except for the storage of fuels, Hydrocarbons, lubricants, solvents, paints and coatings, compressed gases, explosives, anti-oxidants, rust inhibitors, surfactants, C02 scavengers, soap and chemical dispersants, batteries and similar or substitute items, substances or chemicals used or useful in the ordinary course of business by Borrower (collectively the "Lawful Substances")); and (4) no Hazardous Substances are present on the Real Property or Vessels in violation of any Environmental Laws.

(r) Reaffirmation. Each request for a Loan made by Borrower pursuant to this Agreement or any of the other Loan Documents shall constitute (i) an automatic representation and warranty by Borrower to Agent and Lenders that there does not then exist any Default or Event of Default unless otherwise disclosed to Lender in writing and (ii) a reaffirmation as of the date of said request that all of the representations and warranties of Borrower contained in this Agreement and the other Loan Documents are true in all material respects except for any changes in the nature of Borrower's business or operations that would render the information contained in any exhibit attached hereto either inaccurate or incomplete, so long as Agent has consented to such changes in writing or such changes are expressly permitted by this Agreement.

Section 7.3 Survival of Representations and Warranties. Borrower covenants, warrants and represents to Agent and Lenders that all representations and warranties of Borrower contained in this Agreement or any of the other Loan Documents shall be true at the time of Borrower's execution of this Agreement and the other Loan Documents, and shall survive the execution, delivery and acceptance thereof by Agent and Lenders and the parties thereto and the closing of the transactions described therein or related thereto until four (4) years and one (1) day after all of the Obligations have been paid in full.

ARTICLE 8. COVENANTS AND CONTINUING AGREEMENTS

Section 8.1 Affirmative Covenants. During the term of this Agreement, and thereafter for so long as there are any Obligations to Lender, Borrower covenants that, unless otherwise consented to by Agent in writing, it shall:

(a) Taxes and Liens. Pay and discharge, and cause each Subsidiary to pay and discharge, all taxes, assessments and governmental charges upon it, its income and Properties as and when such taxes, assessments and charges are due and payable (and, if requested by Agent, provide Agent with proof that Borrower or such Subsidiary has done so), except and to the extent only that such taxes, assessments and charges are being actively contested in good faith and by appropriate proceedings, Borrower maintains adequate reserves on its books therefor and the nonpayment of such taxes, assessments and charges does not result in a Lien upon any Properties or Borrower other than a Permitted Lien. Borrower shall also pay and discharge any lawful claims which, if unpaid, might become a Lien against any of Borrower's Properties, except for Permitted Liens. Borrower shall also make timely payment or deposit of all FICA payments and

withholding taxes required of it by the applicable laws, and will, upon request, furnish Agent with proof satisfactory of it that Borrower has made such payments or deposits.

(b) Tax Returns. File, and cause each Subsidiary to file, all federal, state and local tax returns and other reports Borrower or such Subsidiary is required by law to file and maintain adequate reserves for the payment of all taxes, assessments, governmental charges, and levies imposed upon it, its income, or its profits, or upon any Property belonging to it.

(c) Payment of Bank Charges. Pay to Agent or Lenders, on demand, any and all reasonable and customary fees, costs or expenses which Agent or Lenders pay to a bank or other similar institution arising out of or in connection with (i) the forwarding to Borrower or any other Person on behalf of Borrower, by Agent or Lenders proceeds of loans made by Lenders to Borrower pursuant to this Agreement and (ii) the depositing for collection, by Agent or Lenders of any check or item of payment received or delivered to Agent or Lenders on account of the Obligations.

(d) Business and Existence. Preserve and maintain, and cause each Subsidiary to preserve and maintain, its separate corporate existence and all rights, privileges, and franchises in connection therewith, and maintain, and cause each Subsidiary to maintain, its qualification and good standing in all states in which such qualification is necessary except in connection with business combinations that result in a Subsidiary or a Borrower being acquired by or merging with another Borrower.

(e) Maintain Properties. Maintain, and cause each Subsidiary to maintain, its Properties in adequate operating condition and make, and cause each Subsidiary to make, all necessary renewals, repairs, replacements, additions and improvements thereto.

(f) Compliance with Laws and Remediation of Existing Environmental Violations. (i) Except for the Existing Environmental Violations and the storage of the Lawful Substances, comply, and cause each Subsidiary to comply, with all laws, ordinances, governmental rules and regulations to which it is subject, including, without limitation, all Environmental Laws, and obtain and keep in force any and all licenses, permits, franchises, or other governmental authorizations necessary to the ownership or lease of its Properties or to the conduct and operation of its business, except for violations or failures to obtain that will not materially and adversely affect the business, prospects, profits, Properties, or condition (financial or otherwise) of Borrower.

(g) ERISA Compliance. (i) Make and cause each ERISA Affiliate to make prompt payment of all contributions it is obligated to make under all Plans or are required to meet the minimum funding standard set forth in ERISA, (ii) within thirty (30) days after the filing thereof, furnish to Agent a copy of the most recently filed

annual report/return (Form 5500 Series), as well as all schedules and attachments required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA, and the regulations promulgated thereunder, in connection with each of its Plans that is not a Multiemployer Plan, (iii) notify Agent prior to any request by any ERISA Affiliate for a waiver of the funding requirements of IRC Section 412 or the commencement of any distress termination pursuant to ERISA Section 4041(c) with respect to any Pension Plan, (iv) notify Agent immediately of any Reportable Event, Prohibited Transaction, and of any fact arising in connection with any of its Plans that is not a Multiemployer Plan, which might constitute grounds for termination thereof by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such Plan, together with a statement, if requested by Agent, as to the reason therefor and the action, if any, proposed to be taken with respect thereto, (v) notify Agent immediately of any event which is likely to give rise to an assertion of withdrawal liability in connection with a Multiemployer Plan, and (vi) furnish to Agent, promptly upon Agent's request therefor, such additional information concerning any Plan as may be reasonably requested.

(h) Business Records. Keep, and cause each Subsidiary to keep, adequate records and books of account with respect to its business activities in which proper entries are made in accordance with GAAP reflecting all its financial transactions.

(i) Visits and Inspections. Upon two (2) Business Days notice to Borrower, permit representatives of Agent, from time to time, as often as may be reasonably requested, but only during normal business hours, to visit and inspect the Properties of Borrower, inspect and make extracts from its books and records, and discuss with its officers, its employees and its independent accountants, Borrower's business, assets, liabilities, financial condition, business prospects and results of operations; provided, however, if a Default or Event of Default exists, Agent shall not be required to give notice to Borrower prior to inspection or visitation by Agent of Borrower's Properties.

(j) Financial Statements. Cause to be prepared and furnished to Agent the following (all to be kept and prepared in accordance with GAAP applied on a consistent basis, unless Borrower's certified public accountants concur in any change therein and such change is disclosed to Agent and is consistent with GAAP):

(i) as soon as possible, but not later than ninety (90) days after the close of each fiscal year of Borrower, unqualified audited financial statements of Borrower and its Subsidiaries as of the end of such year, on a Consolidated basis, certified by a firm of independent certified public accountants of recognized national standing or otherwise acceptable to Agent (except for a qualification for a change in accounting principles with which the independent public accountant concurs);

(ii) as soon as possible, but not later than thirty (30) days after the end of each month (except that statements for the month of January shall be delivered

within sixty (60) days after the end thereof) hereafter, unaudited interim financial statements of Borrower and its Subsidiaries as of the end of such month and of the portion of Borrower's fiscal year then elapsed, on a consolidating basis certified by the principal financial officer of Borrower as prepared in accordance with GAAP and fairly presenting the consolidated financial position and results of operations of Borrower and its Subsidiaries for such month and period subject only to changes from audit and year-end adjustments and except that such statements need not contain notes;

(iii) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports which Borrower has made available to its shareholders and copies of any regular, periodic and special reports or registration statements which Borrower files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or any national securities exchange; and

(iv) such other data and information (financial and otherwise) as Lender, from time to time, may reasonably request, bearing upon or related to the Collateral, Borrower's financial condition or results of operations, including, without limitation, federal income tax returns of Borrower, accounts payable ledgers, vendor listings and bank statements.

Upon receipt, Borrower shall forward to Agent a copy of the accountants' letter to Borrower's management that is prepared in connection with the financial statements described in clause (i) above and also shall cause to be prepared and shall furnish to Agent a certificate of the aforesaid certified public accountants certifying to Agent that, based upon their examination of the financial statements of Borrower and its Subsidiaries performed in connection with their examination of said financial statements, they are not aware of any Default or Event of Default, or, if they are aware of such Default or Event of Default, specifying the nature thereof. Concurrently with the delivery of the financial statements described in clause (i) above and the financial statements for the months ending on March 30, June 30, September 30 and December 31 of each calendar year delivered pursuant to clause (ii) above, Borrower shall cause to be prepared and furnished to Agent a Compliance Certificate in the form of Exhibit S attached hereto.

(k) Notices to Lender. Notify Agent in writing: (i) promptly after Borrower's learning thereof, of the commencement of any litigation affecting Borrower or any of its Properties, whether or not the claim is considered by Borrower to be covered by insurance, and of the institution of any administrative proceeding, and of the receipt of any order or citation from any f'ederal, state or local agency which may materially and adversely affect Borrower's operations, financial condition, Properties or business or Agent's Lien upon any of the Collateral; (ii) at least ten (10) Business Days prior thereto, of Borrower's opening of any new office or place of business or Borrower's closing of any existing office or place of business; except if any such closing arises out of a consolidation of offices or

places of business at Cal Dive's current address; in which case substantially contemporaneous notice shall be sufficient; (iii) promptly after Borrower's learning thereof, of any labor dispute to which Borrower may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which it is a party or by which it is bound; (iv) promptly after Borrower's learning thereof, of any material default by Borrower under any note, indenture, loan agreement, mortgage, lease, deed, guaranty or other similar agreement relating to any Indebtedness of Borrower exceeding Five Hundred Thousand Dollars ($500,000); (v) promptly after the occurrence thereof, of any Default or Event of Default; (vi) promptly after the occurrence thereof, of any default by any obligor under any note or other evidence of Indebtedness payable to Borrower; and (vii) promptly after the rendition thereof, of any judgment rendered against Borrower or any of its Subsidiaries.

(l) Landlord and Storage Agreements. Provide Agent with copies of all agreements between Borrower and any landlord or warehouseman which owns any premises at which any Collateral may, from time to time, be kept.

(m) Subordinations. Except for Permitted Purchase Money Indebtedness, provide Agent with a debt subordination agreement, in form and substance satisfactory to Agent, executed by Borrower and any Person who is an officer, director or Affiliate of Borrower to whom Borrower is or hereafter becomes indebted for Money Borrowed, subordinating in right of payment and claim all of such Indebtedness and any future advances thereon to the full and final payment and performance of the Obligations.

(n) Further Assurances. At Agent's request, promptly execute or cause to be executed and deliver to Agent any and all documents, instruments and agreements deemed necessary by Agent to give effect to or carry out the terms or intent of this Agreement or any of the other Loan Documents. Without limiting the generality of the foregoing, if any of the Accounts, the face value of which exceeds One Thousand Dollars ($1,000), arises out of a contract with the United States of America, or any department, agency, subdivision or instrumentality thereof, Borrower shall promptly notify Agent thereof in writing and shall execute any instruments and take any other action required or requested by Agent to comply with the provisions of the Federal Assignment of Claims Act. For each deposit account or brokerage account that Borrower at any time opens or maintains, Borrower shall at Agent's request and option, pursuant to an agreement in form and substance satisfactory to Agent, cause the depository bank or securities intermediary, as applicable, to agree to comply at any time with instructions from Agent to such depository bank or securities intermediary, as applicable, directing the disposition of funds from time to time credited to such deposit or brokerage account without the further consent of Borrower.

(o) Tax Certificate. Within ninety (90) days after the end of each fiscal year of Borrower, or more frequently if requested by Agent, cause the chief financial

officer of Borrower to prepare and deliver to Agent a tax certificate in the form of Exhibit T attached hereto, with appropriate insertions.

(p) Vessel Appraisals. Agent shall have the option to prepare an appraisal of the Vessels no less than annually from the Closing Date at Borrower's expense.

(q) Vessel Certifications. As soon as available, and in any event no later than thirty (30) days after receipt by Borrower, deliver to Lender copies of Coast Guard Certificates of Inspection and ABS Load Line Certifications (or similar certificates issued for foreign registered marine vessels) for each Vessel.

(r) Vessel Maintenance. Keep adequate records with respect to maintenance of Vessels which detail drydocking, machinery overhauls and maintenance history for each Vessel.

(s) Projections. As soon as available, and in any event no later than thirty (30) days after the end of each fiscal year of Borrower, deliver to Agent Projections of Borrower for the forthcoming fiscal year, on a month by month basis.

(t) Systems. Maintain any system reasonably requested by Agent for creating backup data on computer hardware, software or firmware, such as Accounts and customer lists, and deliver and pledge to Agent such tapes or discs with respect thereto as may be required by Lender.

(u) Environmental Matters.

(i) Ensure that the Real Property and the Vessels remain in compliance with all Environmental Laws where the failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects or Properties, and it will not place or permit to be placed any Hazardous Substance on any Real Property or Vessel except as not prohibited by applicable law or appropriate governmental authorities. Notwithstanding the foregoing, Agent and Borrower recognize the Existing Environmental Violations and the storing and carrying of the Lawful Substances and Borrower hereby agrees to ensure that all Existing Environmental Violations are remediated in a manner consistent with any lawful requirements and schedules established by appropriate governmental authorities.

(ii) Establish and maintain a system to assure and monitor continued material compliance with all applicable Environmental Laws appropriate to the nature of Borrower's business and review the adequacy and effectiveness of such system on an annual basis.

(iii) (1) employ in connection with its use of the Real Property and the Vessels appropriate technology necessary to maintain material compliance with any applicable Environmental Laws, and (2) dispose of any and all Hazardous Substance generated at the Real Property or on board the

Vessels only at facilities and with carriers that maintain any required permits under the Resource Conservation and Recovery Act and any other applicable Environmental Laws. Borrower shall obtain certificates of disposal, such as hazardous waste manifest receipts, from all treatment, transport, storage or disposal facilities or operators in connection with the transport or disposal of any Hazardous Substance generated at the Real Property or on board the Vessels to the extent such certificates are required by applicable Environmental Laws.

(iv) In the event the Borrower obtains, gives or receives notice of any Release or threat of Release of a reportable quantity of any Hazardous Substances at the Real Property or on board the Vessels (any such event being hereinafter referred to as a "Hazardous Discharge") or receives any notice of violation, request for information or notification that it is potentially responsible for investigation or cleanup of environmental conditions, demand letter or complaint, order, citation, or other written notice alleging liability on the part of Borrower or any Subsidiary with regard to any Hazardous Discharge or violation of Environmental Laws (any of the foregoing is referred to herein as an "Environmental Complaint") from any Person or entity, including any state or local agency responsible in whole or in part for environmental matters in the state in which the Real Property is located , the United States Coast Guard, the United States Environmental Protection Agency or any similar agency of a foreign government where a Vessel is operating (any such person or entity hereinafter the "Authority"), then the Borrower shall, within ten (10) Business Days, give written notice of same to the Agent and furnish the Agent a copy of the Environmental Complaint. Such notice is not intended to create nor shall it create any obligation upon Agent with respect thereto.

(v) Promptly forward to Agent copies of any request for information, notification of potential liability, demand letter relating to potential responsibility with respect to the investigation or cleanup of Hazardous Substances at any other site owned, operated or used by Borrower to dispose of Hazardous Substances and shall continue to forward copies of correspondence between Borrower and the Authority regarding such claims to the Agent until the claim is settled. The Borrower shall promptly forward to the Agent copies of all documents and reports concerning a Hazardous Discharge that the Borrower is required to file under any Environmental Laws. Such information is to be provided solely to allow the Agent to protect Agent's security interest in the Collateral and is not intended to create nor shall it create any obligation upon Agent with respect thereto.

(vi) Respond promptly to any Hazardous Discharge or Environmental Complaint and take all necessary action in order to safeguard the health of any Person and to avoid subjecting the Collateral or Real Property to any

Lien. Borrower shall be deemed to be taking all necessary action only if, and for so long as, the execution or enforcement of an Environmental Complaint is, and continues to be, effectively stayed and the Borrower maintains adequate reserves therefore, which are properly reflected on Borrower's Consolidated Financial Statements, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings, and any Liens associated with the Environmental Complaint do not, in the aggregate, materially detract from the value of the Property of Borrower or materially impair the use thereof in the operation of Borrower's business. If Borrower shall fail to so respond to any Hazardous Discharge or Environmental Complaint or Borrower shall fail to comply with any of the requirements of any Environmental Laws where the failure to do so would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects or Properties, Agent may, but without the obligation to do so, for the sole purpose of protecting Agent's interest in Collateral after giving Borrower prior written notice: (a) give such notices or (b) enter onto the Real Property or Vessels (or authorize third parties to enter onto the Real Property or Vessels) and take such actions as Agent(or such third parties as directed by the Agent) deem reasonably necessary or advisable, to clean up, remove, or mitigate any such Hazardous Discharge or Environmental Complaint. All reasonable costs and expenses incurred by Agent (or such third parties) in the exercise of any such rights, including any sums paid in connection with any judicial or administrative investigation or proceedings, fines and penalties, together with interest thereon from the date expended at the Applicable Annual Rate for Base Rate Loans shall be paid upon demand by the Borrower, and until paid shall be added to and become a part of the Obligations secured by the Liens created by the terms of this Agreement or any other agreement between Agent or Lenders and Borrower.

(vii) Promptly upon the written request of the Agent, in connection with any Hazardous Discharge or Environmental Complaint as described in clause (vi) immediately preceding, provide to Agent, at the Borrower's expense, with an environmental site assessment or environmental audit report prepared by an environmental engineering firm acceptable to Agent to assess with a reasonable degree of certainty the existence of a Hazardous Discharge and the potential costs in connection with abatement, cleanup and removal of any Hazardous Substances required as a result of the Hazardous Discharge or Environmental Complaint. Any investigation of or response to such Hazardous Discharge proposed and acceptable to an appropriate Authority that is charged to oversee the clean-up of such Hazardous Discharge shall be acceptable to the Agent.

(viii) Defend and indemnify Agent and Lenders and hold Agent and Lenders, and their respective employees, agents, directors and officers harmless from and against all loss, liability, damage and expense, claims, costs,

fines and penalties, including attorney's fees, suffered or incurred by Agent or Lenders under or on account of any Environmental Laws, including, without limitation, the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any Hazardous Substances affecting its business and operations, the Real Property or the Vessels, whether or not the same originates or emerges from the Real Property or any contiguous real estate or the Vessels, including any loss of value of the Real Property as a result of the foregoing. Borrower's obligations under this Section 8.1(u) shall arise upon the discovery of the presence of any Hazardous Substances at the Real Property or on board the Vessels that would have a material adverse effect on Borrower's business, condition (financial or otherwise), operations, prospects or Properties, or Borrower's use of Hazardous Substances in its business and operations in a manner that would have a material adverse effect on its business, condition (financial or otherwise), operations, prospects or Properties, whether or not any federal, state, or local environmental agency has taken or threatened any action in connection with the presence of any Hazardous Substances. Borrower's obligation and the indemnification hereunder shall survive the termination of this Agreement.

(ix) For purposes of Section 7.1(aa), 8.1(u) and 8.2(aa), all references to "Real Property" shall be deemed to be all of Borrower's right, title and interest in and to all leased and owned premises, including, without limitation, the Offshore Platforms.

(v) Reporting of Locations of Vessels. Concurrently with the delivery of the monthly unaudited interim financial statements of Borrower and its Subsidiaries, as required by Section 8.1(j)(ii), deliver to Agent a report identifying by name and location, the Vessels that, as of the end of the month covered by the monthly unaudited financial statements then delivered to Agent, are operating in waters outside of the territorial jurisdiction of the United States.

Section 8.2 Negative Covenants. During the term of this Agreement, and thereafter for so long as there are any Obligations to Lenders, Borrower covenants that, unless consented to by Lender in writing, it will not and will not allow its Subsidiaries to:

(a) Mergers, Consolidations; Acquisitions. Merge or consolidate, or permit any Subsidiary to merge or consolidate, with any Person, except a consolidation or merger between both Borrowers, or a Borrower and one or more wholly owned Subsidiaries; nor acquire all or any substantial part of the Properties of any Person; nor change its or any of its Subsidiaries' state of incorporation or type of organization, nor change its or any of its Subsidiaries' legal names except in connection with a consolidation or merger permitted by this Section 8.2(a).

(b) Loans. Make, or permit any Subsidiary to make, any loans or other advances of money (other than for salary, travel advances, advances against commissions and other similar advances in the ordinary course of business) to any Person,

including, without limitation, any of Borrower's Subsidiaries, Affiliates, officers or employees.

(c) Total Indebtedness. Create, incur, assume, or suffer to exist any Indebtedness, except: (i) Obligations owing to Lenders; (ii) unsecured accounts payable to trade creditors which are not aged more than ninety (90) days from billing date and current operating expenses (other than for Money Borrowed) which are not more than sixty (60) days past due, in each case incurred in the ordinary course of business and paid within such time period, unless the same are actively being contested in good faith and by appropriate and lawful proceedings and Borrower shall have set aside such reserves, if any, with respect thereto as are required by GAAP and deemed adequate by Borrower and its independent public accountants; (iii) Obligations to pay Rentals permitted by Section 8.2(u); (iv) Permitted Purchase Money Indebtedness; (v) contingent liabilities arising out of endorsements of checks and other negotiable instruments for deposit or collection in the ordinary course of business; (vi) liabilities arising under the Synthetic Lease financing of the Gunnison production platform; (vii) liabilities arising under the Title XI Debt; (viii) plug and abandonment obligations not to exceed $50,000,000 at any time; and (ix) Indebtedness not included in clauses (i) through (v) above which does not exceed at any time, in the aggregate, the sum of Five Hundred Thousand Dollars ($500,000).

(d) Affiliate Transactions. Enter into, or be a party to, or permit any Subsidiary to enter into or be a party to, any transaction with any Affiliate, except (i) transactions in the ordinary course of and pursuant to the reasonable requirements of Borrower's or such Subsidiary's business and upon fair and reasonable terms which are fully disclosed to Agent and are no less favorable to Borrower than would obtain in a comparable arm's length transaction with a Person not an Affiliate or stockholder of Borrower or such Subsidiary, or (ii) transactions contemplated by the Shareholders Agreement, in effect on the Closing Date.

(e) Partnerships or Joint Ventures. Become or agree to become a general or limited partner in any general or limited partnership or a joint venturer in any joint venture other than arising from acquisitions by ERT of oil and gas properties with aggregate plug and abandonment obligations of $25,000,000 or less per year.

(f) Adverse Transactions. Except for Turnkey Contracts, enter into any transaction, or permit any Subsidiary to enter into any transaction, which materially and adversely affects or may materially and adversely affect the Collateral or Borrower's ability to repay the Obligations or permit or agree to any material extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto, other than discounts and allowances in the ordinary course of business, all of which shall be reflected in the Schedules of Accounts submitted to Lender pursuant to Section 5.2.

(g) Guaranties. Except as described on Exhibit U attached hereto guarantee, assume, endorse or otherwise, in any way, become directly or contingently liable with respect to the Indebtedness of any Person (other than a guaranty by Cal Dive on behalf of ERT, Aquatica or Canyon), except by endorsement of instruments or items of payment for deposit or collection.

(h) Limitation on Liens. Create or suffer to exist any Lien upon any of its Property, income or profits, whether now owned or hereafter acquired, except: (i) Liens at any time granted in favor of Agent or Lenders; (ii) Liens for taxes (excluding any Lien imposed pursuant to any of the provisions of ERISA) not yet due or being contested as permitted by Section 8.1(a), but only if in Agent's sole discretion and judgment such Lien does not affect adversely Agent's rights or the priority of Agent's Lien in the Collateral; (iii) Liens securing the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords, operators and other like Persons or common law maritime liens or liens under the Federal Maritime Lien Act or similar state statutes (collectively, the "Statutory Liens") for labor, materials, supplies, injuries or rentals incurred in the ordinary course of Borrower's business, but only if the payment thereof is not at the time required and only if such Liens are junior to the Liens in favor of Agent, or if, and for so long as, the execution or other enforcement of such Liens is, and continues to be, effectively stayed, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings, and such Liens do not, in the aggregate, materially detract from the value of the Property of Borrower or materially impair the use thereof in the operation of Borrower's business; (iv) Liens resulting from deposits made in the ordinary course of business in connection with workmen's compensation, unemployment insurance, social security and other like laws; (v) attachment, judgment and other similar non-tax Liens arising in connection with court proceedings, but only if and for so long as the execution or other enforcement of such Liens is and continues to be effectively stayed and bonded on appeal in a manner satisfactory to Agent for the full amount thereof, the validity and amount of the claims secured thereby are being actively contested in good faith and by appropriate lawful proceedings and such Liens do not, in the aggregate, materially detract from the value of the Property of Borrower or materially impair the use thereof in the operation of Borrower's business; (vi) Purchase Money Liens securing Permitted Purchase Money Indebtedness which is not incurred in violation of Section 8.2(c); (vii) contractual rights, reservations, exceptions, easements, rights of way, and other similar encumbrances affecting Real Property other than as described in Exhibit V attached hereto; provided, that, in Agent's judgment, which will be exercised in good faith, they do not in the aggregate materially detract from the value of said Properties or materially interfere with their use in the ordinary conduct of Borrower's business and, if said Real Property constitutes Collateral, Agent has consented thereto; (viii) Liens securing Indebtedness of a Subsidiary to Borrower or another Subsidiary; (ix) such other Liens as described on Exhibit V attached hereto; and (x) such other Liens as Agent may hereafter approve in writing.

(i) Distributions. Without the prior written consent of Agent, declare or make, or permit any Subsidiary to declare or make, any Distributions except for the repurchase or its Securities from employees.

(j) Subsidiaries. Hereafter create any Subsidiary or divest itself of any material assets by transferring them to a new Subsidiary to whose existence Agent has not consented.

(k) Business Locations. Transfer its principal place of business or chief executive office, or maintain warehouses or records with respect to Accounts, Equipment or Inventory, to or at any locations other than those at which the same are presently kept or maintained, as set forth on Exhibit C attached hereto, except upon at least sixty (60) days prior written notice to Lender and after the delivery to Lender of financing statements, if required by Lender, in form satisfactory to Lender to perfect or continue the perfection of Lender's Lien and security interest hereunder.

(l) Change of Business. Enter into any new business or make any material change in any of Borrower's business objectives, purposes and operations.

(m) Disposition of Assets. Sell, lease or otherwise dispose of any of its Properties, including any disposition of Property as part of a sale and leaseback transaction, to or in favor of any Person, except (i) sales of Inventory in the ordinary course of Borrower's business for so long as no Event of Default exists hereunder, (ii) a transfer of Property to Borrower by a Subsidiary, or (iii) dispositions expressly authorized by Section 6.4.

(n) Name of Borrower. Use any corporate name (other than its own) or any fictitious name, tradestyle or "d/b/a" except for the names disclosed on Exhibit E attached hereto.

(o) Bill-and-Hold Sales, Etc. Make a sale to any customer on a bill-and-hold, guaranteed sale, sale and return, sale on approval or consignment basis, or any sale on a repurchase or return basis.

(p) Use of Lenders' Names. Without the prior written consent of Agent, use the names or trademarks of Agent or Lenders or the name or trademark of any affiliates of Agent or Lenders in connection with any of Borrower's business or activities, except in connection with internal business matters, as required in dealings with governmental agencies and financial institutions and to trade creditors of Borrower solely for credit reference purposes.

(q) Margin Securities. Own, purchase or acquire (or enter into any contract to purchase or acquire) any "margin security" as defined by any regulation of the Federal Reserve Board as now in effect or as the same may hereafter be in effect unless, prior to any such purchase or acquisition or entering into any such contract, Agent shall have received an opinion of counsel satisfactory to Agent to the effect that such purchase or acquisition will not cause this Agreement to

violate Regulations T, U or X or any other regulation of the Federal Reserve Board then in effect.

(r) Restricted Investment. Make or have, or permit any Subsidiary to make or have, any Restricted Investment.

(s) Fiscal Year. Change, or permit any Subsidiary to change, its fiscal year from a calendar year.

(t) Stock of Subsidiary, Etc. Sell or otherwise dispose of any Security of any Subsidiary, except in connection with a transaction permitted under Section 8.2(a), or permit any Subsidiary to issue any additional shares of its capital stock except director's qualifying shares or as required by a stock option program in existence on or before the Closing Date or as required for Cal Dive to complete its acquisition of Canyon.

(u) Leases. Become a lessee under any operating lease (other than a lease under which Borrower is lessor) of Property if the aggregate Rentals payable during any current or future period of twelve consecutive months under the lease in question and all other leases under which Borrower is then lessee would exceed $750,000, unless the terms and conditions thereof are approved by Borrower's Board of Directors and acceptable to Agent.

(v) Tax Consolidation. File or consent to the filing of any consolidated income tax return with any Person other than a Subsidiary.

(w) Prepayments. Make, or permit any Subsidiary to make, any prepayment of any part or all of any Money Borrowed, except that (i) Borrower and its Subsidiaries may prepay outstanding Money Borrowed in connection with a Purchase Money Lien from the proceeds of the sale of property subject to such Lien, and (ii) Borrower may prepay Lenders as provided in this Agreement or any of the Other Agreements.

(x) Compliance with Environmental Laws. Except as specifically permitted by applicable Environmental Law or permits or consents granted pursuant to such laws (i) use any of the Real Property or any Vessel or any portion thereof for the handling, processing, storage or disposal of Hazardous Substances (other than the Lawful Substances), (ii) cause or permit to be located on any of the Real Property any underground tank or other underground storage receptacle for Hazardous Substances, (iii) generate any Hazardous Substances on any of the Real Property or any Vessel, (iv) conduct any activity at any Real Property or on board any Vessel or any other location or use any Real Property in any manner so as to cause a Release or threatened Release of Hazardous Substances on, upon or into the Real Property, or (v) otherwise conduct any activity at any Real Property or on board any Vessel or any other location or use any Real Property or any other location in any manner that would violate any Environmental Law or bring such Real Property in violation of any Environmental Law.

(y) Amend any Pension Plan. Amend any Pension Plan so as to require security to be provided pursuant to IRC Section 401(a)(29).

(z) Capital Expenditures. Incur capital expenditures in excess of (i) $200,000,000 for the fiscal year 2002 (excepting capital expenditures made in January 2002 for Canyon), (ii) $95,000,000 for the fiscal year 2003 and (iii) $70,000,000 for the fiscal year 2004.

(aa) Gunnison Financing. Enter into or consent to any amendment or modification to the Synthetic Lease financing of the Gunnison production platform the effect of which would be to:

(i) extend the term or amount of such financing; or

(ii) change the pricing for such financing more than 300 basis points from that in effect on the Closing Date; or

(iii) increase the amount or type of collateral for the financing.

Section 8.3 Specific Financial Covenants. During the term of this Agreement, and thereafter for so long as there are any Obligations to Lender, Borrower covenants that, unless otherwise consented to by Lender in writing, it shall:

(a) Cash Flow Leverage Test. The Borrower will not permit its Cash Flow Leverage Ratio to be greater than (i) 3.00 to 1.00 until September 30, 2003 and (ii) 2.75 to 1.00 thereafter.

(b) Interest Coverage Test. The Borrower will not permit its Interest Coverage Ratio to be less than 2.50 to 1.00.

(c) Fixed Charge Coverage Test. The Borrower will not permit its Fixed Charge Coverage Ratio to be less than 1.75 to 1.00.

ARTICLE 9. CONDITIONS PRECEDENT

Notwithstanding any other provision of this Agreement or any of the other Loan Documents, and without affecting in any manner the rights of Agent or Lenders under the other Sections of this Agreement, it is understood and agreed that Lenders will not make any Loan under Section 2 unless and until each of the following conditions has been and continues to be satisfied, all in form and substance satisfactory to Lenders and their legal counsel:

Section 9.1 Documentation. Agent shall have received the following documents, each to be in form and substance satisfactory to Agent and its counsel:

(a) certificates evidencing Borrower's casualty insurance policies, together with endorsements naming Lender as loss payee and as mortgagee pursuant to a

standard mortgagee clause, and certificates evidencing Borrower's liability insurance policies, together with endorsements naming Agent as a co-insured;

(b) copies of all filing receipts or acknowledgments issued by any governmental authority to evidence any filing or recordation necessary to perfect the Liens of Agent in the Collateral and evidence to Agent that such Liens constitute valid and perfected security interests and Liens, having the Lien priority specified in Section 4.3(b);

(c) on or prior to the Closing Date, landlord or warehouseman agreements with respect to all premises leased by Borrower, other than the premises located at 1028 Jackson, Morgan City, Louisiana and prior to sixty (60) days after the Closing Date, a landlord agreement for the premises located at 1028 Jackson, Morgan City, Louisiana;

(d) a copy of the Articles of Incorporation of Borrower, and all amendments thereto, certified within fifteen (15) days before the Closing Date by the Secretary of State or other appropriate official of its jurisdiction of incorporation;

(e) a copy of the bylaws of Borrower, and all amendments thereto, certified as of the Closing Date by the Secretary of Borrower;

(f) good standing certificates for Borrower, issued within fifteen (15) days before the Closing Date by the Secretary of State or other appropriate official of Borrower's jurisdiction of incorporation and each jurisdiction where the conduct of Borrower's business activities or the ownership of its Properties necessitates qualification;

(g) a Closing Certificate signed by two (2) duly authorized senior officers of Borrower dated as of the Closing Date, stating that (i) the representations and warranties set forth in Section 7 are true and correct on and as of such date, (ii) Borrower is on such date in compliance with all the terms and provisions set forth in this Agreement, and (iii) on such date no Default or Event of Default has occurred or is continuing;

(h) the Security Documents duly executed, accepted and acknowledged by or on behalf of each of the signatories thereto;

(i) the Other Agreements duly executed and delivered by Borrower;

(j) the favorable, written opinion of Andrew Becher, General Counsel of the Borrower, regarding Borrower, the Loan Documents and the transactions contemplated by the Loan Documents, in form and substance satisfactory to Agent and its legal counsel;

(k) duly executed agreements establishing the Dominion Account with a financial institution acceptable to Agent for the collection or servicing of the Accounts, or, at Agent's discretion, within thirty (30) days of the Closing Date;

(l) a copy certified by the Borrower as true, correct and complete of the Participation Agreement dated November 8, 2001, as amended, concerning the Synthetic Lease financing of the Gunnison Platform;

(m) the consent of Bank One, NA as Agent in connection with the Synthetic Lease financing of the Gunnison Platform to this Agreement.

(n) a Borrowing Base Certificate in the form of Exhibit W attached hereto, reflecting that Borrower has Eligible Accounts and Vessels in which Agent has a perfected first priority Lien, in amounts sufficient in value and amount to support the initial Revolving Loan in the amount requested by Borrower;

(o) a certificate regarding Equipment and Vessels signed by a duly authorized senior officer of Borrower dated the date hereof, reflecting the type, value and location of Borrower's Equipment and Vessels; and

(p) such other documents, instruments and agreements as Agent shall reasonably request in connection with the foregoing matters, including, without limitation, any items identified in the closing checklist delivered by Agent to Borrower immediately prior to the Closing Date.

Section 9.2 Other Conditions. The following conditions have been and shall continue to be satisfied:

(a) no Default or Event of Default shall exist;

(b) each of the conditions precedent set forth in the other Loan Documents shall have been satisfied;

(c) since November 30, 2001, except as disclosed in Exhibit W, and except for changes which are reflected on the financial statements and notes through November 30, 2001 prepared by management and submitted to Agent, there shall not have occurred any material adverse change in the business, financial condition or results of operations of Borrower or its Subsidiaries, or the existence or value of any Collateral, or any event, condition or state of facts which would reasonably be expected materially and adversely to affect the business, financial condition or results of operations of Borrower or its Subsidiaries;

(d) no action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, or which is related to or arises out of this Agreement or the consummation of the transactions contemplated hereby or which, in Agent's discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents;

(e) Borrower shall have paid all expenses of Agent and Lenders pursuant to any invoices presented to Borrower relating to the negotiation, preparation and

execution of the Loan Documents, including, without limitation, reasonable attorneys' fees;

(f) all representations and warranties made by Borrower to Agent and Lenders in the Loan Documents shall be true and correct;

(g) Borrower shall have paid to Agent and Lenders all fees required by Section 3 to be paid on the Closing Date;

(h) Lenders' servicing requirements for the Loans shall have been approved by Lenders' credit officers; and

(i) all covenants in this Agreement shall have been approved by Lenders' credit officers.

ARTICLE 10. EVENTS OF DEFAULT; RIGHTS AND REMEDIES ON DEFAULT

Section 10.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) Payment of Notes. Borrower shall fail to pay any installment of principal, interest or premium, if any, owing on the Notes on the due date of such installment.

(b) Payment of Other Obligations. Borrower shall fail to pay any of the Obligations that are not evidenced by the Notes on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise) and such failure to pay is not remedied within ten (10) days.

(c) Misrepresentations. Any warranty, representation, or other statement made or furnished to Agent or Lender by or on behalf of Borrower or in any instrument, certificate or financial statement fumished in compliance with or in reference to this Agreement or any of the other Loan Documents proves to have been false or misleading in any material respect when made or furnished.

(d) Breach of Covenants. Borrower shall fail or neglect to perform, keep or observe (i) any covenant contained in Sections 4.2, 4.3, 4.5, 4.6, 5.4(b), 6.4, 8.1(a), 8.1(f), 8.1(i), 8.1(j), 8.1(o), 8.1(w), or 8.2 of this Agreement or (ii) any other covenant in this Agreement (other than a covenant of default of which the performance or observance is dealt with specifically elsewhere in this Section 10.1) and the breach of such other covenant is not cured to Agent's satisfaction within thirty (30) days after the sooner to occur of Borrower's receipt of notice of such breach from Agent or the date on which such failure or neglect becomes known to any officer of Borrower.

(e) Default Under Other Agreements. Any event of default shall occur under, or Borrower shall default in the performance or observance of any term, covenant, condition or agreement contained in, any of the Other Agreements and such default shall continue beyond any applicable period of grace.

(f) Default Under Security Documents. Any event of default shall occur under, or Borrower shall default in the performance or observance of any term, covenant, condition or agreement contained in, any of the Security Documents and such default shall continue beyond any applicable period of grace.

(g) Other Defaults. There shall occur an event of default on the part of Borrower (including specifically, but without limitation, due to nonpayment) under any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its Property is bound, creating or relating to any Indebtedness greater than Five Hundred Thousand Dollars ($500,000) (other than the Obligations) if the payment or maturity of such Indebtedness is or could be accelerated in consequence of such event of default or demand for payment of such Indebtedness is made.

(h) Uninsured Losses: Unauthorized Dispositions. Any material loss, theft, damage or destruction not fully covered by insurance (as required by this Agreement and subject to deductibles), or sale, lease or encumbrance of any of the Collateral or the making of any levy, seizure, or attachment thereof or thereon except in all cases as may be specifically permitted by other provisions of this Agreement.

(i) Insolvency, etc. Borrower shall cease to be Solvent or shall suffer the appointment of a receiver, trustee, custodian or similar fiduciary, or shall make an assignment for the benefit of creditors, or any petition for an order for relief shall be filed by or against Borrower under the Bankruptcy Code (if against Borrower, the continuation of such proceeding for more than thirty (30) days), or Borrower shall make any offer of settlement, extension or composition to their respective unsecured creditors generally.

(j) Business Disruption; Condemnation. There shall occur a cessation of a substantial part of the business of Borrower for a period which significantly affects Borrower's capacity to continue its business, on a profitable basis; or Borrower shall suffer the loss or revocation of any license or permit now held or hereafter acquired by Borrower which is necessary to the continued or lawful operation of its business; or Borrower shall be enjoined, restrained or in any way prevented by court, governmental or administrative order from conducting all or any material part of its business affairs; or any material lease or agreement pursuant to which Borrower leases, uses or occupies any Property shall be cancelled or terminated prior to the expiration of its stated term; or all or any material part of the Collateral shall be taken through condemnation or the value of such Property shall be impaired through condemnation.

(k) Change of Control. Cal Dive shall cease to own and control, beneficially and of record all of the issued and outstanding capital stock of ERT or Aquatica or eighty-five percent (85%) of the issued and outstanding capital stock of Canyon, or a controlling interest in Cal Dive is acquired by any Person who is on the Closing Date not a shareholder of Cal Dive.

(l) ERISA.

(i) Both events described in clauses (a) and (b) following shall occur: (a) either (w) proceedings have been instituted to terminate, or a notice of termination has been filed with respect to, any Pension Plan (other than a Multiemployer Plan) by any ERISA Affiliate, the PBGC or any representative of either, or any such Pension Plan shall be terminated under Section 4041 or Section 4042 of ERISA, (x) a Reportable Event has occurred with respect to any Pension Plan (other than a Multiemployer Plan) and continues for a period of sixty (60) days, (y) a Prohibited Transaction has occurred, or (z) any other event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, a Pension Plan has occurred, and (b) the sum of any liability to PBGC under Section 4062 of ERISA, plus the currently payable obligations of any ERISA Affiliate to fund liabilities under all Pension Plans (when aggregated with the liabilities related to the events described in clause (a) above), shall have a material adverse effect on Borrower's business or finances;

(ii) Any of the events described in clauses (a), (b), or (c) following shall occur with respect to any Multiemployer Plan: (a) any ERISA Affiliate incurs a withdrawal liability under Section 4201 of ERISA, or (b) any Multiemployer Plan is "in reorganization" as that term is defined in Section 4241 of ERISA, or (c) any such Multiemployer Plan is terminated under Section 4041A of ERISA; and the aggregate liability likely to be incurred by any ERISA Affiliate as a result of all or any of the events occurring that are specified in clauses (a), (b) and (c) above when aggregated with any liabilities arising pursuant to any event described in the preceding clause (i), shall have a material adverse effect on Borrower's business or finances.

(iii) Borrower adopts or amends any Plan so as to create or result in a liability or funding obligation that has a material adverse effect on Borrower's business or finances, or when aggregated with all other liabilities described in this Section 10.1(n) has a material adverse effect on Borrower's business or finances.

(m) Litigation. Borrower, or any Affiliate, shall challenge or contest in any action, suit or proceeding the validity or enforceability of this Agreement or any of the other Loan Documents, the legality or enforceability of any of the Obligations or the perfection or priority of any Lien granted to Agent.

(n) Criminal Forfeiture. Borrower shall be criminally indicted or convicted under any law that could lead to a forfeiture of any material Property of Borrower.

(o) Judgments. Any money judgment, writ of attachment or similar process is entered or filed against Borrower or any of its Property and results in the creation or imposition of any Lien that is not a Permitted Lien.

Section 10.2 Acceleration of the Obligations. Without in any way limiting the right of Agent to demand payment of any portion of the Obligations payable on demand in accordance with Section 3.6 hereof, upon or at any time after the occurrence of an Event of Default as above provided, all or any portion of the Obligations due or to become due from Borrower to Lenders (whether under this Agreement, or any of the other Loan Documents or otherwise) shall, at Agent's option (or, in the case of an Event of Default under Section 10.1(j) hereof, immediately upon the occurrence thereof), become at once due and payable without presentment, demand, protest, notice of dishonor, notice of default, notice of intent to accelerate, notice of acceleration, or any other notice whatsoever, and Borrower shall forthwith pay to Lenders, in addition to any and all sums and charges due, the entire principal of and interest accrued on the Obligations.

Section 10.3 Remedies. Upon and after the occurrence of an Event of Default, Agent shall have and may exercise from time to time the following rights and remedies:

(a) All of the rights and remedies of a secured party under the Code, or under other applicable law, and all other legal and equitable rights to which Agent may be entitled, all of which rights and remedies shall be cumulative, and none of which shall be exclusive, and shall be in addition to any other rights or remedies contained in this Agreement or any of the other Loan Documents.

(b) The right to take immediate possession of the Collateral, and (i) to require Borrower to assemble the Collateral, at Borrower's expense, and make it available to Agent at a place designated by Agent which is reasonably convenient to both parties, and (ii) to enter any of the premises of Borrower or wherever any of the Collateral shall be located, and to keep and store the same on said premises until sold (and if said premises be the Property of Borrower, Borrower agrees not to charge Agent for storage thereof).

(c) The right to sell or otherwise dispose of all or any Inventory or Equipment in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit, all as Agent, in its discretion, may deem advisable. Borrower agrees that ten days written notice to Borrower of any public or private sale or other disposition of such Collateral shall be reasonable notice thereof, and such sale shall be at such locations as Agent may designate in said notice. Agent shall have the right to conduct such sales on Borrower's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law. Agent shall have the right to sell, lease or otherwise dispose of such Collateral, or any part thereof, for cash, credit or any combination thereof, and Agent and Lenders may purchase all or any part of such Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations.

(d) Agent is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any Property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral and Borrower's rights under all licenses and all franchise agreements shall inure to Agent's benefit.

(e) The proceeds realized from the sale of any Collateral may be applied, after allowing two Business Days for collection, first to the costs, expenses and reasonable attorneys' fees incurred by Agent in collecting the Obligations, in enforcing the rights of Agent and Lenders under the Loan Documents and in collecting, retaking, completing, protecting, removing, storing, advertising for sale, selling and delivery any of the Collateral; secondly, to interest due upon any of the Obligations; and thirdly, to the principal of the Obligations.

(f) With respect to the face amount of all LC Guaranties and Letters of Credit issued by Agent may, at its option, require Borrower to deposit with Lender funds equal to such face amount, and if Borrower fails to promptly make such deposit, Lenders may advance such amount as a Revolving Loan (whether or not such advance would cause the outstanding balance of Revolving Loans to exceed the Borrowing Base). Any such deposit or advance shall be held by Agent as a reserve to fund future payments on such LC Guaranties and future drawings against such Letters of Credit. At such time as all LC Guaranties have been paid or terminated and all Letters of Credit issued by Issuing Bank have been drawn upon or expired, any amounts remaining in such reserve shall be applied against any outstanding Obligations, or to the extent all Obligations have been indefeasibly paid in full, returned to Borrower.

Section 10.4 Remedies Cumulative: No Waiver. All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of Borrower contained in this Agreement and the other Loan Documents, or in any document referred to herein or contained in any agreement supplementary hereto or in any schedule or contained in any other agreement between Agent or Lenders, or and Borrower, heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Borrower herein contained or of any of the other rights or remedies of Agent or Lenders as provided by any applicable law or in equity. The failure or delay of Agent or Lenders to exercise or enforce any rights, Liens, powers, or remedies hereunder or under any of the aforesaid agreements or other documents or security or Collateral or other rights or remedies shall not operate as a waiver of such Liens, rights, powers and remedies, but all such Liens, rights, powers, and remedies shall continue in full force and effect until all Loans and all other Obligations owing or to become owing from Borrower to Agent or Lenders shall have been fully satisfied, and all Liens, rights, powers, and remedies herein provided for are cumulative and none are exclusive.

ARTICLE 11. THE AGENT

Section 11.1 Authorization and Action. Each Lender hereby appoints and authorizes Agent to take such action on its behalf and to exercise such powers under this Agreement, and the other Loan Documents as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement and the other Loan Documents (including, without limitations enforcement or collection of the Notes), Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders; provided, however, that Agent shall not be required to take any action which exposes Agent to personal liability or which is contrary to this Agreement or the other Loan Documents or applicable law. To the extent the Lenders do not receive such materials directly from Borrower, Agent agrees to give each Lender promptly a copy of each notice, financial statement or report given to it by Borrower pursuant to the terms of this Agreement and the other Loan Documents.

Section 11.2 Agent's Reliance, Etc. Neither Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Agent: (a) may treat the payee of any Note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representations to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty beyond Agent's customary practices to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Loan Party or to inspect the property (including the books and records) of any Loan Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed in good faith by it to be genuine and signed or sent by the proper party or parties.

Section 11.3 Fleet and Affiliates. With respect to its commitment hereunder to make Revolving Credit Loans, Fleet shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Fleet in its individual capacity. Fleet and its Affiliates may lend money to, and generally engage in any kind of business with, Borrower or any of its Subsidiaries and any Person who may do business with or own Securities of Borrower or any such Subsidiary, all as if Fleet were not Agent and without any duty to account therefor to Lenders.

Section 11.4 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the financial statements referred to in Section 8.3 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

Section 11.5 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Borrower), ratably according to the respective principal amounts of the Notes then held by each of them, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable shares of any out-of-pocket expenses (including counsel fees) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by Borrower.

Section 11.6 Successor Agent. Agent may resign at any time by giving written notice thereof to Lenders and Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent which shall be reasonably acceptable to Borrower. If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank or financial institution organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least Five Hundred Million Dollars ($500,000,000). Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

Section 11.7 Communications to and from Agent.

When any notice, approval, consent, waiver or other communication or action is required or may be delivered by the Lenders hereunder or the other Loan Documents, action by the Agent shall be effective for all purposes hereunder; provided, that upon any occasion requiring or permitting an approval, consent, waiver, election or other action on the part of the Lenders, unless action by the Agent alone, or only upon instruction of all of the Lenders, is expressly

permitted or required hereunder, action shall be taken by the Agent for and on behalf of or for the benefit of all the Lenders as provided in Section 11.1above. The Borrowers may rely on any communication from the Agent hereunder or the other Loan Documents, and need not inquire into the propriety of or authorization for such communication. Upon receipt by the Agent from the Borrower or any Lender of any communication it will, in turn, promptly forward such communication to the Lenders; provided, however, that the Agent shall not be liable for any costs, expenses or losses arising from any failure to so forward any such communication.

Section 11.8 Limitations of Agency.

Notwithstanding anything in the Loan Documents, expressed or implied, it is agreed by the parties hereto, that the Agent will act under the Loan Documents as Agent solely for the Lenders and only to the extent specifically set forth herein, and will, under no circumstances, be considered to be an agent or fiduciary of any nature whatsoever in respect to any other person.

Section 11.9 No Representations or Warranty.

(a) No Lender (including the Agent) makes to any other Lender any representation or any warranty, expressed or implied, or assumes any responsibility with respect to the Loan or the execution, construction or enforceability of the Loan Documents or any instrument or agreement executed by the Borrower or any other Person in connection therewith.

(b) The Agent takes no responsibility for the accuracy or completeness of any information concerning the Borrower distributed by the Agent in connection with the Loan nor for the truth of any representation or warranty given or made herein, nor for the validity, effectiveness, adequacy or enforceability of this Agreement or any of the other Loan Documents.

Section 11.10 Distribution.

The Agent shall be responsible for promptly distributing each Lender's share of all net amounts received by the Agent under any of the Loan Documents pursuant to the terms of the Loan Documents. Each Lender shall be responsible for designating by written notice to the Agent the account to which such distribution shall be deposited.

Section 11.11 Limitation of Suits.

All rights of action and claims under this Agreement and the other Loan Documents of the Lenders shall be prosecuted and enforced only by the Agent. The Lenders agree that they shall not independently institute any proceedings, judicial or otherwise, to enforce their rights against the Borrowers under this Agreement and the other Loan Documents. However, notwithstanding anything contained in this Section 11.11, the Lenders shall always retain their ability to retain independent counsel and to protect their rights under this Agreement and the other Loan Documents.

Section 11.12 Right of Setoff.

Upon the occurrence and during the continuation of any Event of Default, the Lenders each are hereby authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower), to setoff and apply any and all deposits (general or special, time or demand, provisional or final, whether or not such setoff results in any loss of interest or other penalty, and including without limitation all certificates of deposit) at any time held by the Lenders and all of the indebtedness arising in connection with this Agreement irrespective of whether or not such Lender will have made any demand under this Agreement, the Note or any other Loan Document. The Borrower also hereby grants to each of the Lenders a security interest in and hereby transfers, assigns, sets over and conveys to each of the Lenders, as security for payment of the Loan, all such deposits, funds or property of the Borrower or indebtedness of any Lender to the Borrower. Should the right of any Lender to realize funds in any manner set forth hereinabove be challenged and any application of such funds be reversed, whether by court order or otherwise, the Lenders shall make restitution or refund to the Borrower pro rata in accordance with their respective portions of the Loan. Each Lender agrees to promptly notify the Borrower and the Agent after any such setoff and application, provided that the failure to give such notice will not affect the validity of such setoff and application. The rights of the Agent and the Lenders under this Section 11.12 are in addition to other rights and remedies (including without limitation other rights of setoff) which the Agent or the Lenders may have. Nothing contained herein shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower to such Lender.

ARTICLE 12. MISCELLANEOUS

Section 12.1 Power of Attorney. Borrower hereby irrevocably designates, makes, constitutes and appoints Agent (and all Persons designated by Agent) as Borrower's true and lawful attorney (and agent-in-fact) and Agent, or Agent's agent, may, in either Borrower's or Agent's name, but at the cost and expense of Borrower:

(a) At such time or times hereafter as Agent or said agent may determine and after notice to Borrower, endorse Borrower's name on any checks, notes, acceptances, drafts, money orders or any other evidence of payment or proceeds of the Collateral which come into the possession of Agent or under Agent's control; and

(b) At such time or times upon or after the occurrence of an Event of Default as Agent or its agent may determine: (i) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of Borrower's rights and remedies with respect to the collection of the Accounts; (ii) settle, adjust, compromise, discharge or release any of the Accounts or other Collateral or any legal proceedings brought to collect any of the Accounts or other Collateral; (iii) sell or assign any of the Accounts and other Collateral upon such terms, for such amounts and at such time or times as Agent deems advisable; (iv) take control, in any manner, of any item of payment or proceeds relating to any Collateral; (v) prepare, file and sign Borrower's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of lien, assignment or satisfaction of lien or similar document in connection with any of the Collateral; (vi) receive,

open and dispose of all mail addressed to Borrower and to notify postal authorities to change the address for delivery thereof to such address as Agent may designate; (vii) endorse the name of Borrower upon any of the items of payment or proceeds relating to any Collateral and deposit the same to the account of Agent on account of the Obligations; (viii) endorse the name of Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Accounts, Inventory, and any other Collateral; (ix) use Borrower's stationery and sign the name of Borrower to verifications of the Accounts and notices thereof to Account Debtors; (x) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Accounts, Inventory, Vessels, Equipment and any other Collateral and to which Borrower has access; (xi) make and adjust claims under policies of insurance; and (xii) do all other acts and things necessary, in Agent's determination, to fulfill Borrower's obligations under this Agreement.

Section 12.2 Indemnity. Borrower hereby indemnifies, holds harmless, and shall defend Agent and Lenders and their directors, officers, agents, counsel and employees ("Indemnified Persons") from and against any and all losses, liabilities, damages, costs, expenses, suits, actions and proceedings ("Losses") ever suffered or incurred by any Indemnified Person arising out of or relating to this Agreement or any other transaction contemplated hereby, including, without limitation, any Losses caused by the negligence of such Indemnified Person, but not including any Losses caused by the gross negligence or willful misconduct of such Indemnified Person, and Borrower shall reimburse Agent and Lenders and each other Indemnified Person for any expenses (including in connection with the investigation of, preparation for or defense of any actual or threatened claim, action or proceeding arising therefrom, including any such costs of responding to discovery requests or subpoenas, regardless of whether Agent and Lenders or such other Indemnified Person is a party thereto). Without limiting the generality of the foregoing, this indemnity shall extend to any claims asserted against Agent and Lenders or any other Indemnified Person by any Person under any Environmental Laws or similar laws by reason of Borrower's or any other Person's failure to comply with laws applicable to solid or hazardous waste materials or other toxic substances. Borrower may select counsel with respect to any Losses; provided, however, each Indemnified Person shall have the right to monitor the progress of any claims, suits and administrative proceedings defended by Borrower hereunder with counsel of such Indemnified Person's choice, or conduct its defense through counsel of such Indemnified Person's choice, in the event that (i) such Indemnified Person determines in good faith that the conduct of its defense by Borrower could be materially prejudicial to such Indemnified Person's interests or that other reasonable grounds exist which demonstrate a lack of effectiveness or high level of quality in the conduct of such defense by Borrower, and (ii) prior to retaining such counsel for such purpose, such Indemnified Person shall consult with Borrower and shall attempt in good faith to agree upon counsel to conduct the defense on behalf of Borrower and such Indemnified Person, and in each case the fees and disbursements of such counsel shall be paid by Borrower; provided, however, that if such mutual agreement is not reached within a reasonable time on selecting counsel, then such Indemnified Person may retain its own counsel at Borrower's expense. Notwithstanding any contrary provision of this Agreement, the obligation of Borrower under this Section 12.2 shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 12.3 Reimbursement of Expenses. Without limiting Borrower's obligations for payment of expenses as provided elsewhere in this Agreement or in any other Loan Document, if, at any time or times prior or subsequent to the date hereof, regardless of whether or not an Event of Default then exists or any of the transactions contemplated hereunder are concluded, Agent or Lenders incur any out-of-pocket expenses (including, without limitation, the fees and expenses of Agent or Lenders' attorneys if Agent or Lenders retain legal counsel) in connection with: (a) the negotiation and preparation of the Loan Documents, any amendment or modification of any Loan Documents; or (b) the administration of the Loan Documents and the transactions contemplated thereby; (c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, Lenders, Borrower or any other Person) in any way relating to the Collateral, any Loan Documents, Agent's, Lenders' and Borrower's relationship, or Borrower's affairs; (d) any attempt to enforce any rights of Agent or Lenders against Borrower or any other Person which may be obligated to Agent or Lenders by virtue of any Loan Documents, including, without limitation, the Account Debtors; (e) the exercise or enforcement of any rights, remedies or privileges of Lender under the Loan Documents or applicable law; (f) the analysis of information received in connection with any Loan Documents; (g) the audit or appraisal of any Collateral or Borrower's books and records; (h) the granting of any consents or waivers requested in connection with the Loan Documents; (i) the collection of any Obligations; or (j) any attempt to inspect, verify, protect, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon the Collateral; then, in any such event, all expenses, costs, charges and other fees incurred by Agent, Lender or their attorneys or relating to any of the events or actions described in this Section 12.4 shall be payable, on demand, by Borrower to Agent, and shall be additional Obligations hereunder secured by the Collateral. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: recording costs; appraisal costs; accountants' fees, costs and expenses; court costs and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; attorney and paralegal fees, costs and expenses; long distance telephone charges; air express charges; telegram and facsimile charges; wire transfer fees; secretarial overtime charges; and expenses for travel, lodging and food. Additionally, if any taxes (excluding taxes imposed upon or measured by the net income of Agent or Lenders) shall be payable on account of the execution or delivery of any of the Loan Documents, or the creation of any of the Obligations hereunder, by reason of any existing or hereafter enacted federal or state statute, Borrower will pay all such taxes, including, but not limited to, any interest and penalties thereon, and will indemnify and hold Lender harmless from and against liability in connection therewith. Notwithstanding anything else contained in this Agreement, Borrower shall have no obligation to reimburse or indemnify any Lender for its costs, expenses or losses if they arise out of an action by Borrower to enforce such Lender's several obligations under this Agreement and Borrower is successful in such an action.

Section 12.4 Indulgences Not Waivers. Agent's failure, at any time or times hereafter, to require strict performance by Borrower of any provision of this Agreement shall not waive, affect or diminish any right of Agent thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Agent of an Event of Default by Borrower under this Agreement or any of the other Loan Documents shall not suspend, waive or affect any other Event of Default by Borrower under this Agreement or any of the other Loan Documents, whether the same is prior or subsequent thereto and whether of the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of Borrower contained in this Agreement or any of the other Loan Documents and no Event of Default by

Borrower under this Agreement or any of the other Loan Documents shall be deemed to have been suspended or waived by Agent, unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Agent and sent to Borrower.

Section 12.5 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 12.6 Modification of Agreement; Sale of Interest.

(a) The Loan Documents constitute the complete agreement between the parties with respect to the subject matter hereof and may not be modified, altered or amended except by an agreement in writing signed by Borrower, Majority Lenders and, if required by the terms hereof, Agent. No Borrower may sell, assign or transfer any of the Loan Documents, or any of the Obligations, or any portion thereof, including without limitation, any Borrower's rights, title, interests, remedies, powers and duties hereunder or thereunder. Each Borrower hereby consents to Agent's and any Lender's sale of participation, assignment, transfer or other disposition in accordance with the terms of this Section 12.6, at any time or times, of any of the Loan Documents or of any portion thereof or interest therein, including, without limitation, Agent's and any Lender's rights, title, interests, remedies, powers or duties thereunder, whether evidenced in writing or not; Each Borrower agrees that it will use its best efforts to assist and cooperate with Agent and any Lender in any manner reasonably requested by Agent or such Lender to effect the sale of participation in or assignment of any of the Loan Documents or of any portion thereof or interest therein, including, without limitation, assistance in the preparation of appropriate disclosure documents or placement memoranda and executing appropriate amendments to the signature pages hereto to reflect the addition of any Lenders and such Lender's respective commitments. The foregoing notwithstanding, except with respect to sales, assignments or transfers to Affiliates under common control pursuant to which the selling, assigning or transferring Lender retains its voting rights, no Lender shall sell participate or assign, transfer or otherwise dispose of any of the Loan Documents or any portion thereof or interest therein, without the prior written consent of Agent, which shall not be unreasonably withheld.

(b) In respect to any assignment by a Lender of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitments, the Revolving Loans owed to it and the Note held by it (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations, (ii) except in the case of an assignment of all of a Lender's rights and obligations under this Agreement, (A) the aggregate amount of the Revolving Credit Commitments of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance

with respect to such assignment) shall in no event be less than $2,000,000, and in integral multiples of $1,000,000 thereafter, or such lesser amount as to which Borrower and the Agent may consent to and (B) after giving effect to each such assignment in the amount of the Revolving Credit Commitments of the Assigning Lender shall in no event be less than $2,000,000, (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance, an Assignment and Acceptance in the form of Exhibit Y hereto (an "Assignment and Acceptance"), together with any Note subject to such assignment and a processing and recordation fee of $3,500, and (iv) any Lender may without the consent of Borrower or the Agent, and without paying any fee, assign to any Affiliate of such Lender that is a bank or financial institution all of its rights and obligations under this Agreement. The foregoing notwithstanding, no Person may become a Lender or a Participating Lender hereunder, unless such Person is a financial institution having stockholders' equity (or the equivalent) of at least One Hundred Million Dollars ($100,000,000). Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto). If, pursuant to this Section 12.6, any interest in this Agreement or any Revolving Credit Loan or any Note is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Lender shall cause such transferee (other than any Participating Lender), and may cause any Participating Lender concurrently with the effectiveness of such transfer, (a) to represent to the transferor Lender (for the benefit of the transferor Lender, Agent and Borrower) that under applicable law and treaties no Taxes will be required to be withheld by Agent, Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the Revolving Credit Loans, or the Notes, (b) to furnish to the transferor Lender, Agent or Borrower either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such transfer claims entitlement to complete exemption form U.S. federal withholding tax on all interest payments hereunder), and (c) to agree (for the benefit of the transferor Lender, Agent and Borrower) to provide the transferor Lender, Agent and Borrower a new Form 4224 or Form 1001 upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(c) In addition to, and not in limitation of the foregoing, Borrower acknowledges that if Fleet intends to sell, assign or participate any of its Revolving Credit Commitments, Borrower agrees to use its best efforts to assist Fleet in any respect to any such sale, assignment or participation.

(i) In the event any Lender assigns or otherwise transfers all or any part of its Note any such Lender shall so notify Borrower and Borrower shall, upon the request of such Lender, issue new Notes in exchange for the old Notes.

(ii) Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons not Affiliates of Borrower (a "Participating Lender") participating interests in any Loans, the Revolving Credit Commitments of that Lender and the other interests of that Lender (the "Originating Lender") hereunder and under the other Loan Documents; provided, however, that (i) the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrower and the Agent shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Lender shall grant any participation under which the Participating Lender shall have rights to approve any amendment to or waiver of this Agreement or the Loan Documents, except to the extent such amendment or waiver would: (A) extend the final maturity date for payment of the Loans in which such Participating Lender is participating; (B) reduce the interest rate or the amount of principal or fees applicable to the Loans in which such Participating Lender is participating; or (C) release all or substantially all of the Collateral, except as expressly provided herein. In those cases in which an Originating Lender grants rights to a Participating Lender to approve any amendment to or waiver of this Agreement or the other Loan Documents respecting the matters described in clauses (A) through (C) of the preceding sentence, the relevant participation agreements shall provide for a voting mechanism whereby a majority of the amount of such Lender's portion of the Loans (irrespective of whether held by such Lender or participated) shall control the vote for all of such Lender's portion of the Loans. In the case of any participation, the Participating Lender shall not have any rights under this Agreement or any of the other Loan Documents entered into in connection herewith (the Participating Lender's right against such Lender in respect of such participation to be those set forth in the participation or other agreement executed by such Lender and the Participating Lender relating thereto). In no event shall any Participating Lender grant a participation in its participation interest in the Loans without the prior written consent of Agent, which approval shall not be unreasonably withheld. All amounts payable by Borrower hereunder shall be determined as if the Originating Lender had not sold any such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been

declared or shall have become due and payable upon the occurrence of an Event of Default, each Participating Lender shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement.

(iii) Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Board or U.S. Treasury Regulation 31 C.F.R. Section 203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

(iv) No amendment or waiver of any provision of this Agreement or the Notes or any other Loan Document, nor consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however: (a) that no amendment, waiver or consent -------- shall, unless in writing and signed by each Lender affected thereby do any of the following: (i) increase the aggregate Revolving Credit Commitments, or subject any Lender to any additional obligations, (ii) reduce the principal of, or decrease the rate of interest on, the Notes or other amount payable hereunder other than those payable only to Fleet in its capacity as Agent which may be reduced by Fleet unilaterally, (iii) postpone any date fixed for any payment of principal of, or interest on, the Notes or other amounts payable hereunder, other than those payable only to Fleet in its capacity as Agent which may be postponed by Fleet unilaterally, (iv) reduce the aggregate unpaid principal amount of the Notes, or the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder, (v) release or discharge any Person liable for the performance of any obligations of Borrower hereunder or under any of the Loan Documents, (vi) increase the advance rates contained in the definition of the Borrowing Base, (vii) to the extent Agent's or Lenders' consent is required by the terms hereof, release all or substantially all of the Collateral or (viii) amend this Section 12.6; (b) that no amendment, waiver or consent shall be effective unless in writing and signed by either Required Lenders or all Lenders, as required by the terms hereof and, if such amendment, waiver or consent affects Agent or its rights hereunder, Agent.

(v) The foregoing notwithstanding, Agent on behalf of itself and all Lenders may waive Events of Default arising from the breach of any of the financial covenants contained in Section 8.3 if the deviation from each such financial covenant does not exceed ten percent (10%).

Section 12.7 Cumulative Effect: Conflict of Terms. The provisions of the Other Agreements and the Security Documents are hereby made cumulative with the provisions of this Agreement. Except as otherwise provided in Section 3.6 and except as otherwise provided in any of the other Loan Documents by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in direct conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

Section 12.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

Section 12.9 Notice. Except as otherwise provided herein, all notices, requests and demands to or upon a party hereto shall be in writing and shall be sent by certified or registered mail return receipt requested, by Federal Express or similar courier company or by telefax during normal business hours and, unless otherwise expressly provided herein, shall be deemed to have been validly served, given or delivered when delivered against receipt or one Business Day after deposit in the U.S. mail postage prepaid, or, in the case of telegraphic notice, when delivered to the telegraph company, addressed as follows:

(a) If to Agent:

Fleet Capital Corporation
5950 Sherry Lane, Suite 300
Dallas, Texas 75225
Attn: Loan Administration Manager
Fax No: (214) 706-7066

(b) If to Lenders:

Fleet Capital Corporation
5950 Sherry Lane, Suite 300
Dallas, Texas 75225
Attn: Loan Administration Manager
Fax No: (214) 706-7066

Southwest Bank of Texas, N.A.
5 Post Oak Park
4400 Post Oak Parkway
Houston, Texas 77027
Attention: Steve Stephens
Fax No: (713) 232-1533

Whitney National Bank
P.O. Box 61260
New Orleans, Louisiana 70161
Attention: Kevin Rafferty
Fax No: (504) 586-3409

(c) If to Borrower: Cal Dive International, Inc.
400 N. Sam Houston Parkway E., Suite 400
Houston, Texas 77060-3500
Attention: Wade Pursell
Fax No: (281) 618-0505

or to such other address as each party may designate for itself by like notice given in accordance with this Section 12.10; provided, however, that any notice, request or demand to or upon Agent or Lenders pursuant to Sections 2.4 or 3.4 shall not be effective until received by Agent or Lenders. Any written notice that is not sent in conformity with the provisions hereof shall nevertheless be effective on the date that such notice is actually received by the noticed party.

Section 12.10 Agent or Lenders' Consent. Whenever Agent's or Lenders' consent is required to be obtained under this Agreement, any of the Other Agreements or any of the Security Documents as a condition to any action, inaction, condition or event, Agent or Lenders shall be authorized to give or withhold such consent in their good faith discretion (unless otherwise specifically provided herein) and to condition their consent upon the giving of additional collateral security for the Obligations, the payment of money or any other matter.

Section 12.11 Time of Essence. Time is of the essence of this Agreement, the Other Agreements and the Security Documents.

Section 12.12 Interpretation. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, drafted or dictated such provision.

Section 12.13 No Fiduciary Relationship or Joint Venture. No provision herein or in any of the other Loan Documents and no course of dealing between the parties hereto shall be deemed to create any fiduciary relationship among Agent or Lenders and Borrower or to create any partnership or joint venture among Lenders and Borrower.

Section 12.14 Publicity. Each Borrower and Lender hereby consents to Agent's use of the name or tradestyle of such Person in any announcements or advertisements relating to the completion of the transactions contemplated hereby and the role played by Agent in providing financing to Borrower hereunder in such media and in such manner as Agent, with the prior written consent of Borrower, which shall not be unreasonably withheld or delayed, deems appropriate.

Section 12.15 Destruction of Borrower's Documents. Any documents, schedules, invoices or other papers delivered to Agent may be destroyed or otherwise disposed of by Agent one (1) month after they are delivered to or received by Agent, unless Borrower requests, in writing, the return of the said documents, schedules, invoices or other papers and makes arrangements, at Borrower's expense, for their return; provided, that in no event shall Agent be liable to Borrower for any failure to retain Borrower's records for any period of time or to return such records to Borrower.

Section 12.16 Nonapplicability of Chapter 346. Borrower, Agent and Lenders hereby agree that Chapter 346 of the Texas Finance Code (regulating certain revolving loans and revolving tri-party accounts) shall not apply to this Agreement or any of the other Loan Documents.

Section 12.17 No Preservation or Marshaling. Borrower agrees that Agent and Lenders have no obligation to preserve rights to the Collateral against prior parties or to marshal any Collateral for the benefit of any Person.

Section 12.18 GOVERNING LAW; CONSENT TO FORUM. THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN MADE IN DALLAS, TEXAS. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS; PROVIDED, HOWEVER, THAT IF ANY OF THE COLLATERAL SHALL BE LOCATED IN ANY JURISDICTION OTHER THAN TEXAS, THE LAWS OF SUCH JURISDICTION SHALL GOVERN THE METHOD, MANNER AND PROCEDURE FOR FORECLOSURE OF AGENT'S LIEN UPON SUCH COLLATERAL AND THE ENFORCEMENT OF AGENT'S OTHER REMEDIES IN RESPECT OF SUCH COLLATERAL TO THE EXTENT THAT THE LAWS OF SUCH JURISDICTION ARE DIFFERENT FROM OR INCONSISTENT WITH THE LAWS OF TEXAS. AS PART OF THE CONSIDERATION FOR NEW VALUE RECEIVED, AND REGARDLESS OF ANY PRESENT OR FUTURE DOMICILE OR PRINCIPAL PLACE OF BUSINESS OF BORROWER, AGENT OR BORROWER HEREBY CONSENTS AND AGREES THAT THE DISTRICT COURT OF DALLAS COUNTY, TEXAS, OR, AT AGENT'S OPTION, THE UNITED STATES DISTRICT COURT FOR THE U.S. DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN BORROWER AND AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AGREEMENT. BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND BORROWER HEREBY WAIVES ANY OBJECTION WHICH BORROWER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING FOR SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO BORROWER AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF BORROWER'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID. NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO AFFECT THE RIGHT OF AGENT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW, OR TO PRECLUDE THE ENFORCEMENT BY AGENT OF ANY JUDGMENT OR ORDER OBTAINED IN SUCH FORUM OR THE TAKING OF

ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SAME IN ANY OTHER APPROPRIATE FORM OR JURISDICTION.

Section 12.19 WAIVERS BY BORROWER. BORROWER WAIVES (a) THE RIGHT TO TRIAL BY JURY (WHICH AGENT AND LENDER HEREBY ALSO WAIVE) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO ANY OF THE LOAN DOCUMENTS, THE OBLIGATIONS OR THE COLLATERAL; (b) PRESENTMENT, DEMAND AND PROTEST AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NON-PAYMENT, INTENT TO ACCELERATE, ACCELERATION, MATURITY, RELEASE, COMPROMISE, SETTLEMENT, EXTENSION OR RENEWAL OF ANY OR ALL COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY AGENT OR LENDERS ON WHICH BORROWER MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER AGENT OR LENDERS MAY DO IN THIS REGARD; (c) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL OR ANY BOND OR SECURITY WHICH MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING AGENT TO EXERCISE ANY OF AGENT'S REMEDIES; (d) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS; AND (e) NOTICE OF ACCEPTANCE HEREOF. BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND LENDERS' ENTERING INTO THIS AGREEMENT AND THAT AGENT AND LENDER ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWER. BORROWER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT. BORROWER HEREBY AGREES THAT IT SHALL HAVE NO RIGHT TO REQUIRE AGENT TO TERMINATE AGENT'S SECURITY INTEREST IN THE COLLATERAL OR IN ANY OF THE PROPERTY OF BORROWER UNTIL THE OCCURRENCE OF EACH OF THE FOLLOWING: (i) PAYMENT IN FULL IN IMMEDIATELY AVAILABLE FUNDS OF ALL OBLIGATIONS KNOWN EXISTING, THREATENED OR CLAIMED WHICH CAN BE GIVEN A MONETARY VALUE; (ii) TERMINATION OF THIS AGREEMENT IN ACCORDANCE WITH SECTION 3.4; AND (iii) EXECUTION BY BORROWER AND BY ANY PERSON WHOSE LOANS TO BORROWER ARE USED IN WHOLE OR IN PART TO SATISFY THE OBLIGATIONS OF AN AGREEMENT INDEMNIFYING AGENT AND LENDERS FROM ANY LOSS OR DAMAGE AGENT OR LENDERS MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY AGENT AND LENDERS FROM BORROWER OR ANY ACCOUNT DEBTOR AND APPLIED TO THE OBLIGATIONS, AND BORROWER HEREBY WAIVES ANY RIGHT TO REQUIRE A TERMINATION OF AGENT'S SECURITY INTEREST PRIOR TO THE OCCURRENCE OF EACH OF THE ABOVE-DESCRIBED EVENTS.

Section 12.20 DTPA WAIVER. BORROWER HEREBY WAIVES ALL PROVISIONS OF THE DECEPTIVE TRADE PRACTICES - CONSUMER PROTECTION ACT (TEX. BUS. & COM. CODE ANN. Section 17.01 ET SEQ. (VERNON SUPP. 1987)), OTHER THAN SECTION 17.555

THEREOF PERTAINING TO CONTRIBUTION AND INDEMNITY, AND EXPRESSLY WARRANTS AND REPRESENTS THAT BORROWER (a) HAS ASSETS OF $5,000,000 OR MORE, (b) HAS KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT ENABLE BORROWER TO EVALUATE THE MERITS AND RISKS OF THIS TRANSACTION, (c) IS NOT IN A SIGNIFICANTLY DISPARATE BARGAINING POSITION RELATIVE TO AGENT AND LENDERS, AND (d) HAS BEEN REPRESENTED BY LEGAL COUNSEL IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

Section 12.21 ORAL AGREEMENTS INEFFECTIVE. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES, AND THE SAME MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 12.22 RELEASE. BORROWER ACKNOWLEDGES AND AGREES THAT (a) IT HAS NO CLAIMS, COUNTERCLAIMS, OFFSETS, CREDITS OR DEFENSES TO THE AMENDED LOAN DOCUMENTS AND THE PERFORMANCE OF ITS OBLIGATIONS THEREUNDER, OR (b) IF IT HAS ANY SUCH CLAIMS, COUNTERCLAIMS, OFFSETS, CREDITS OR DEFENSES TO THE AMENDED LOAN DOCUMENTS AND/OR ANY TRANSACTION RELATED TO THE AMENDED LOAN DOCUMENTS, SAME ARE HEREBY WAIVED, RELINQUISHED AND RELEASED IN CONSIDERATION OF AGENT'S AND LENDERS' EXECUTION AND DELIVERY OF THIS AGREEMENT.

Section 12.23 Amendment and Restatement. This Agreement and the Notes are given in amendment, restatement, renewal and extension (and not in extinguishment or satisfaction) of the Amended Loan Documents. With respect to matters relating to the period prior to the date hereof, all the provisions of the Amended Loan Documents are hereby ratified and confirmed and shall remain in full force and effect.

[Remainder of page left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed in _____, Texas, on the day and year specified at the beginning hereof.

BORROWER:

CAL DIVE INTERNATIONAL, INC.

By: ----------
Name: ----------
Title: ----------

ENERGY RESOURCE TECHNOLOGY, INC.

By: ----------
Name: ----------
Title: ----------

AQUATICA, INC.

By: ----------
Name: ----------
Title: ----------

CANYON OFFSHORE, INC.

By: ----------
Name: ----------
Title: ----------

LENDERS:

SOUTHWEST BANK OF TEXAS, N.A.

By: ----------
Name: ----------
Title: ----------

FLEET CAPITAL CORPORATION

By: ----------
Name: ----------
Title: ----------

WHITNEY NATIONAL BANK

By: ----------

Name: ----------

Title: ----------

AGENT:

FLEET CAPITAL CORPORATION

By: ----------

Name: ----------

Title: ----------

SCHEDULE 1

LIST OF LENDERS

NAME AND ADDRESS OF LENDER	REVOLVING CREDIT COMMITMENT	PERCENTAGE OF AMOUNT OF REVOLVING CREDIT COMMITMENT
Fleet Capital Corporation 5950 Sherry Lane, Suite 300 Dallas, Texas 75225	$35,000,000	58.3%
Southwest Bank of Texas, N.A. 5 Post Oak Park 4400 Post Oak Parkway Houston, Texas 77027	$ 5,000,000	8.3%
Whitney National Bank P.O. Box 61260 New Orleans, Louisiana 70161	$20,000,000	33.3%

SCHEDULE 2

LIST OF VESSELS

VESSEL	FLAG	OFFICIAL NUMBER
1. CAL DIVER I	U.S.	555055
2. CAL DIVER II	U.S.	582698
3. CAL DIVER III	U.S.	590456
4. CAL DIVER V	U.S.	536440
5. CAL DIVE BARGE I	U.S.	610175
6. MR. JOE	U.S.	547927
7. WITCH QUEEN	Bahamas	726136
8. ECLIPSE	Bahamas	8000430
9. MYSTIC VIKING	Bahamas	800547
10. MERLIN	Bahamas	730930
11. SEA SORCERESS	Bahamas	9000009
12. UNCLE JOHN	Bahamas	728134

SCHEDULE 3

REDUCTION AMOUNT

EXHIBIT 4.2

PARTICIPATION AGREEMENT

Dated as of November 8, 2001

among

ENERGY RESOURCE TECHNOLOGY, INC.
Lessee, Construction Agent and Guarantor

CAL DIVE INTERNATIONAL, INC.
as Parent Guarantor

CAL DIVE/GUNNISON BUSINESS TRUST NO. 2001-1, through
WILMINGTON TRUST COMPANY,
not in its individual capacity, except as expressly provided herein, but solely as trustee under the Trust Agreement dated as of the date hereof,
Owner Trustee and Lessor

THE PERSONS NAMED ON SCHEDULE I HERETO,
as Certificate Holders

BANK ONE, NA,
and the various financial institutions
party to the Loan Agreement from time to time as
the Tranche A and Tranche B Lenders

and

BANK ONE, NA,
Agent

Synthetic Lease Financing of Gunnison Platform

BANC ONE CAPITAL MARKETS, INC.
Lead Arranger

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT (this "PARTICIPATION AGREEMENT") dated as of November 8, 2001 is entered into by and among ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation, as Lessee, Construction Agent and Guarantor (together with its permitted successors and assigns, in its capacity as Lessee, the "LESSEE", in its capacity as Construction Agent, and in its capacity as Guarantor; CAL DIVE INTERNATIONAL, INC. a Minnesota corporation, as Parent Guarantor; WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as expressly provided herein, but solely as trustee under the Trust Agreement (in such capacity, together with its successors and permitted assigns under the Trust Agreement the "OWNER TRUSTEE"); CAL DIVE/GUNNISON BUSINESS TRUST NO. 2001-1-1, a Delaware business trust (the "LESSOR"); the Persons named on Schedule I hereto (together with their respective permitted successors, assigns and transferees), each as owners of an undivided beneficial interest in the Lessor ("CERTIFICATE HOLDERS"); BANK ONE, NA (with its principal office in Chicago, Illinois) and various financial institutions party to the Loan Agreement from time to time as the Tranche A Lenders and various financial institutions party to the Loan Agreement from time to time as the Tranche B Lenders thereunder (together with each of their permitted successors and assigns, the "LENDERS"); and BANK ONE, NA (with its principal office in Chicago, Illinois), in its capacity as Agent (together with its successors and assigns in such capacity from time to time, the "AGENT") for the Lenders;

WITNESSETH:

WHEREAS, pursuant to the terms and provisions of the Trust Agreement (which is substantially in the form of Exhibit A hereto), the Certificate Holders have authorized the Owner Trustee to take certain actions with respect to the transactions contemplated hereby for the purpose of providing financing for the construction of a production platform known as the Gunnison Platform (the "Platform").

WHEREAS, Lessor shall own a twenty percent (20%) undivided beneficial interest in the Platform (such undivided interest being referred to as the "Property") and as such, subject to the terms of this Agreement and the other Operative Documents, shall provide financing for the Construction Costs relating to the Platform in accordance with the terms of the Operative Documents in a maximum aggregate amount of $67,000,000 (the "Aggregate Commitment"). Subject to the terms and conditions of this Agreement and other Operative Documents, 94.076745% of the Aggregate Commitment (i.e $63,031,419, in the aggregate) will be provided through Advances made by the Lenders and 5.923255% of the Aggregate Commitment (i.e. $3,968,581, in the aggregate) will be provided through Advances made by the Certificate Holders. The Construction Costs are equal to approximately 20% of the total cost of construction of the Platform.

WHEREAS, the remaining cost of construction of the Platform will be provided pursuant to a separate financing arrangement by Kerr-McGee (the "Kerr-McGee Financing") and pursuant to a separate financing or purchase arrangement by CXY Energy Offshore Inc. (fka Nexen Petroleum Offshore U.S.A. Inc.). Funds provided through the Kerr-McGee Financing will represent approximately 50% of the total cost of construction of the Platform and funds provided

by, or for the benefit of, CXY Energy Offshore Inc. will represent approximately 30% of the total cost of construction of the Platform.

WHEREAS, the finance parties under the Kerr-McGee Financing will, subject to the terms and conditions of the documents evidencing that transaction, provide Kerr-McGee Oil & Gas Corporation with financing in the maximum aggregate amount of $157,000,000 (the "Kerr-McGee Commitment"). Subject to the terms and condition of the documents evidencing the Kerr-McGee Financing, approximately 95.54% of the Kerr-McGee Commitment (i.e $150,000,000, in the aggregate) will be provided through loan advances made by the lenders under that facility and approximately 4.46% of the Kerr-McGee Commitment (i.e. $7,000,000, in the aggregate) will be provided through loan advances made by the certificate holders under that facility.

WHEREAS, pursuant to the financing arrangements set forth and contemplated by the terms of this Agreement, (i) Lessee, as Construction Agent, shall cause the construction of the Platform and shall apply Advances from Lessor to pay the costs thereof, (ii) Lessee and Parent Guarantor shall grant to Lessor such rights in and to the Governmental Leases and the Site (each as defined in Appendix A) and provide such other covenants of support as are set forth in Section 8(d)(xix) in connection therewith, and (iii) Lessee shall lease the Property from the Lessor for the Basic Term pursuant to that certain Lease Agreement and Mortgage and Deed of Trust (which is substantially in the form of Exhibit B hereto) dated of even date herewith (the "Lease").

WHEREAS, the Certificate Holders are willing personally to provide a portion of the funding of the costs of undertaking and completing those actions set forth above;

WHEREAS, the Lessor wishes to obtain, and the Lenders are willing to provide, financing of the remaining portion of the funding of the costs of undertaking and completing those actions set forth above;

WHEREAS, the Lessee contemplates leasing from the Lessor the Property; and

WHEREAS, to secure such financing, the Lenders will have, to the extent provided in the Operative Documents, the benefit of a Lien from the Lessor on the Lessor's right, title and interest in the Property and on substantially all of the Lessor's rights against the Lessee under the Lease and against the Construction Agent under the Construction Agency Agreement;

NOW, THEREFORE, in consideration of the mutual agreements contained in this Participation Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION

Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in Appendix A hereto for all purposes hereof; and the rules of interpretation set forth in Appendix A hereto shall apply to this Participation Agreement.

SECTION 2. DOCUMENTATION DATE; AVAILABILITY DATE.

(a) DOCUMENTATION DATE. The Documentation Date (the "Documentation Date") shall occur on the earliest date on which the following conditions precedent shall have been satisfied:

(i) PARTICIPATION AGREEMENT. This Participation Agreement shall have been duly authorized, executed and delivered by the parties hereto.

(ii) LEASE. The Lease shall have been duly authorized, executed and delivered by the parties thereto.

(iii) CONSTRUCTION AGENCY AGREEMENT; CONSTRUCTION DOCUMENTS ASSIGNMENT. The Construction Agency Agreement and the Construction Documents Assignment shall have been duly authorized, executed and delivered by the parties thereto.

(iv) CONSTRUCTION AGENCY AGREEMENT ASSIGNMENT. The Construction Agency Agreement Assignment shall have been duly authorized, executed and delivered by the Lessor, as assignor, in favor of the Agent, and consented to and acknowledged by the Construction Agent.

(v) LOAN AGREEMENT. The Loan Agreement shall have been duly authorized, executed and delivered by the parties thereto.

(vi) ASSIGNMENT OF LEASES AND RENTS. The Assignment of Leases and Rents shall have been duly authorized, executed and delivered by the Lessor, as assignor, in favor of the Agent, and consented to and acknowledged by the Lessee.

(vii) FEES. The Lessee shall have paid in full all fees then due and payable pursuant to the Fee Letter.

(viii) OTHER OPERATIVE DOCUMENTS. The other Operative Documents to be delivered in connection with the Documentation Date shall have been duly authorized, executed and delivered by the parties thereto.

(ix) OTHER CONDITIONS PRECEDENT. The conditions precedent set forth in Section 9(a) shall have been satisfied or waived by the applicable parties as set forth therein.

(b) AVAILABILITY DATE. For purposes of this Participation Agreement and the other Operative Documents, the "AVAILABILITY DATE" shall mean the date, on or after the Documentation Date, on which all the conditions precedent set forth in Section 9(b) shall have been satisfied or waived by the applicable parties as set forth therein, on or after which Advances may be made pursuant to Funding Requests (as defined in Section 3(c)) subject to the terms of this Agreement.

SECTION 3. FUNDING OF ADVANCES

(a) CERTIFICATE HOLDERS' COMMITMENT. (i) Subject to the conditions and terms hereof, the Certificate Holders shall cause the Lessor to take the following actions at the written request of the Lessee from time to time during the Commitment Period:

(1) the Lessor shall make Advances (out of funds provided by the Participants) to the Construction Agent for the purpose of financing the Allocated Construction Costs of the Platform; and

(2) the Lessor shall lease the Property to the Lessee under the Lease. Notwithstanding any other provision hereof, the Lessor shall not be obligated to make any Advance with respect to the Platform if, after giving effect thereto, (i) the aggregate outstanding amounts of the Tranche A Loans, Tranche B Loans and the Equity Amounts would exceed the aggregate Commitments of the Tranche A Lenders, the Tranche B Lenders and the Certificate Holders, or (ii) the remaining Allocated Estimated Construction Costs at such time exceed the remaining aggregate amount of undisbursed Commitments.

(ii) Subject to the conditions and terms hereof, each Certificate Holder severally agrees that it shall personally make available at the request of the Lessee from time to time during the Commitment Period, on each Funding Date an amount (each an "EQUITY AMOUNT") in immediately available funds equal to such Certificate Holder's applicable Commitment Percentage of the amount of the Advance being funded on such Funding Date. Notwithstanding any other provision hereof, no Certificate Holder shall be obligated to make available any Equity Amount if, after giving effect to the proposed Equity Amount, the outstanding aggregate amount of such Certificate Holder's Equity Amounts would exceed such Certificate Holder's Commitment.

(b) LENDERS' COMMITMENT. Subject to the conditions and terms hereof, each Lender severally shall make Loans to the Lessor at the request of the Lessee for the purpose of financing Allocated Construction Costs from time to time during the Commitment Period, on each Funding Date in an amount in immediately available funds equal to each such Lender's applicable Commitment Percentage of the amount of the Advance being funded on such Funding Date, as provided in the Loan Agreement. Notwithstanding any other provision hereof, no Lender shall be obligated to make any Loan if, after giving effect to the proposed Loan, the outstanding aggregate amount of such Lender's Loans would exceed such Lender's Commitment.

(c) PROCEDURES FOR ADVANCES. (i) With respect to each funding of an Advance, the Lessee shall give the Lessor and the Agent prior written notice not later than 10:00 a.m., Chicago time, three (3) Business Days (unless waived) prior to the proposed Funding Date and, in the case of the first Funding Date two (2) Business Days prior to such Funding Date pursuant to an irrevocable Funding Request substantially in the form of Exhibit I (a "FUNDING REQUEST"), specifying the proposed Funding Date, the amount of Advance requested and such other information and documents as required pursuant to the terms of this Agreement. Except for the final Funding Request, each Funding Request shall be in an amount at least equal to $1,000,000 and in multiples of $100,000 if in excess of such amount. Lessee shall request one (1) Funding

Date per month and be allowed a maximum of 2 separate LIBOR tranches at any one time. The proceeds of each funding will be used to pay the Construction Agent for accrued but unpaid Allocated Construction Costs (including, without limitation, Construction Period Interest, Construction Period Yield, Construction Period Fees, Construction Period Indemnity Amounts and Transaction Expenses); and the Funding Date therefor shall be a date on or before the applicable Scheduled Payment Date; provided, however, that if the Lessee fails to duly and timely submit a Funding Request which provides for the payment of Construction Period Interest, Construction Period Yield, Construction Period Fees, Construction Period Indemnity Amounts or Transaction Expenses on the applicable Scheduled Payment Date, the Lessee hereby irrevocably authorizes and directs the Agent (at its option) to cause the Participants to fund to the Participants such amounts as may be necessary to pay in full all such amounts.

(i) Upon satisfaction or waiver of the conditions precedent to such Advance set forth in Section 9(c), the Lessee, as Construction Agent, shall pay (or cause the Operator to pay) Allocated Construction Costs with the funds provided by the Certificate Holders and the Lenders for such Advance. The transfer by any Participant of its portion of an Advance shall evidence such Participant's satisfaction that the conditions precedent to such Advance have been met or waived. Except as set forth above and as the parties may otherwise agree in writing, Advances shall be made solely to provide the Lessee or the Construction Agent with funds with which to pay Allocated Construction Costs.

(ii) All remittances made by the Participants for the funding of any Advance shall be made on the applicable Funding Date in immediately available Federal funds by wire transfer to the accounts specified in the applicable Funding Request. Subject to the prior satisfaction of all of the applicable conditions set forth in Section 9, the Participants will use reasonable efforts to fund the applicable Advance prior to 2:00 p.m., Chicago time, on such Funding Date.

(iii) In no event will the total Property Balance at any time exceed (i) the Construction Cost as set forth in the Approved Budget, in the aggregate whether under construction or completed and still subject to the Lease, or (ii) the Fair Market Sales Value of the Platform expected upon Completion, as set forth in the Appraisal.

(iv) In no event shall the Lenders or Certificate Holders be required to make, and the Lenders and the Certificate Holders shall have no obligation to, fund any Advance or portion thereof which is to be allocated to Cost Overruns.

(d) CAPITALIZATION OF CERTAIN AMOUNTS DURING CONSTRUCTION PERIOD. During the Construction Period, on each date which is three (3) Business Days prior to any Payment Date, Lessee shall be deemed to have requested in Advance in an amount equal to the applicable Construction Period Interest, Construction Period Yield, Construction Period Fees and Construction Period Indemnity and Supplemental Rent Amounts which have accrued or are due, as the case may be. The Funding Date with respect to each such Advance for such Construction Period Interest, Construction Period Yield, Construction Period Fees and Construction Period Indemnity and Supplemental Rent Amounts shall be the relevant Payment Date (subject to the terms and conditions for an Advance set forth in this Participation Agreement) and the proceeds of such Advance shall be applied to pay such amounts (and will be deemed to satisfy any

corresponding Rent payment obligation). On each such Funding Date as to which such an Advance is being made, the Construction Costs shall be increased by an amount equal to the Construction Period Interest, the Construction Period Yield, the Construction Period Fees and Construction Period Indemnity and Supplemental Rent Amounts so funded; provided, however, that if any such Advance hereunder would exceed the Available Commitment of a Participant, such Participant shall not have any obligation to make any such Advance.

(e) NON-FUNDING LENDER. In the event that any Lender (a "DEFAULTING LENDER") fails to make available on a Funding Date an amount equal to such Lender's applicable Commitment Percentage of the amount of the Advance required by the terms hereof to be funded on such Funding Date (a "DEFAULTED AMOUNT"), or Agent determines that a Lender will become a Defaulting Lender on the applicable Funding Date, Agent shall promptly notify Lessee thereof and Lessee shall have the option, except in respect of any Advance pursuant to the preceding paragraph (d) and without in any way waiving the occurrence of any Default, to postpone the funding of the entire Advance or the portion thereof representing the Defaulted Amount (provided, however, that such postponement shall in no event relieve Lessee of its obligation to pay as Rent any Break Costs suffered or incurred by any Participant, but Lessee may offset any such costs against amounts otherwise payable by it, under the Operative Documents or otherwise, to the Defaulting Lender). Whether or not such option is exercised, the Agent may elect to have the Defaulting Lender replaced with a new Lender reasonably acceptable to Lessee, and Agent and the Defaulting Lender shall cooperate (at the cost of the Defaulting Lender) in replacing such Defaulting Lender. Notwithstanding the existence of any Defaulting Lender, each other Lender (each, a "NON-DEFAULTING LENDER") shall timely fund its respective portion of the applicable Advance as required.

(f) NON-FUNDING CERTIFICATE HOLDER. In the event that any Certificate Holder (a "DEFAULTING CERTIFICATE HOLDER") fails to make available on a Funding Date an amount equal to such Certificate Holder's applicable Commitment Percentage (also a "DEFAULTED AMOUNT"), or Agent determines that a Certificate Holder will become a Defaulting Certificate Holder on the applicable Funding Date, Agent shall promptly notify Lessee thereof and Lessee shall have the option, except in respect of any Advance pursuant to the preceding paragraph (d) and without in any way waiving the occurrence of any Default, to postpone the funding of the entire Advance or the portion thereof representing the Defaulted Amount (provided, however, that such postponement shall in no event relieve Lessee of its obligation to pay as Supplemental Rent any Break Costs suffered or incurred by any Participant, but Lessee may offset any such costs against amounts otherwise payable by it, under the Operative Documents or otherwise, to the Defaulting Certificate Holder). Whether or not such option is exercised, Lessor or Agent may elect to have the Defaulting Certificate Holder replaced with a new Certificate Holder reasonably acceptable to Lessee and Agent and the Defaulting Certificate Holder shall cooperate (at the cost of the Defaulting Certificate Holder), in replacing such Defaulting Certificate Holder. Notwithstanding the existence of any Defaulting Certificate Holder, each other Certificate Holder (each, "NON-DEFAULTING CERTIFICATE HOLDER") shall timely fund its portion of the applicable Advance.

(g) ADDITIONAL RIGHTS OF LESSEE. In the case of any Defaulted Amounts Lessee shall have the additional rights provided under Section 22.

SECTION 4. YIELD; INTEREST; FACILITY FEES

(a) YIELD. (i) The amount of the Equity Amounts outstanding from time to time shall accrue yield ("YIELD") at the Yield Rate, calculated using the actual number of days elapsed and, when the Yield Rate is determined by reference to the LIBO Rate (Reserve Adjusted) or the Alternate Base Rate not based upon the Prime Rate, a 360-day year basis and, when the Yield Rate is determined by reference to the Alternate Base Rate based upon the Prime Rate, a 365- (or, if applicable, 366-) day year basis. If all or any portion of the Equity Amounts, any Yield payable thereon or any other amount payable to any Certificate Holders, Lessor or Owner Trustee hereunder shall not be paid when due (whether at stated maturity, acceleration thereof or otherwise), such overdue amount shall bear interest at a rate per annum which is equal to the Overdue Rate.

(i) The Lessee shall, pursuant to the Assignment of Leases and Rents, deposit in the Account the Equity Basic Rent (determined on the basis of accrued Yield due in accordance with clause (i) above) and all other amounts due with respect to the Equity Amounts payable by the Lessee under the Lease from time to time.

(ii) During the Construction Period, subject to Section 4(c) and the terms and conditions set forth in this Participation Agreement with respect to Advances, Yield shall accrue on outstanding Equity Amounts and shall be funded monthly by the Lenders and the Certificate Holders pursuant to Section 3(a) and (b). During the Basic Term, such Yield shall be paid as a component of Basic Rent.

(b) INTEREST ON LOANS

(i) The amount of each Loan shall accrue interest at the applicable rate set forth in the Loan Agreement, calculated using the actual number of days elapsed and, when the interest on the Loans is determined by reference to the LIBO Rate (Reserve Adjusted) or the Alternate Base Rate not based upon the Prime Rate, a 360-day year basis and, when such interest is determined by reference to the Alternate Base Rate based upon the Prime Rate, a 365- (or, if applicable, 366-) day year basis. If all or any portion of the Loans, any interest payable thereon or any other amount payable to any Lender, or the Agent hereunder shall not be paid when due (whether at stated maturity, acceleration thereof or otherwise), such overdue amount shall bear interest at a rate per annum which is equal to the Overdue Rate.

(ii) The Lessee shall, pursuant to the Assignment of Leases and Rents, deposit in the Account the Lender Basic Rent (determined on the basis of amounts due in accordance with clause (i) above) and all other amounts due with respect to the Loans payable by the Lessee under the Lease from time to time.

(iii) During the Construction Period, subject to Section 4(c) and the terms and conditions set forth in this Participation Agreement with respect to Advances, interest shall accrue on outstanding Loans and shall be paid as an Advance in accordance with the Approved Budget. During the Basic Term, such interest shall be paid as a component of Basic Rent.

(c) PREPAYMENTS OF LOANS AND EQUITY AMOUNTS. In the event that the Lessee pays the Property Balance to the Lessor in connection with the Lessee's purchase of the Property in accordance with Sections 6, 11 or 16 of the Lease, the Lessor will prepay the entire outstanding principal amount of the Loans and Equity Amounts (or portion thereof so paid in the case of Section 11 or 6(e) of the Lease). Each of the Participants and the Lessor hereby acknowledge that its Loans or Equity Amounts, as the case may be, may be so prepaid without any prepayment premium other than Break Costs and other amounts pursuant to Section 4(e)(iii).

(d) FACILITY FEES; OTHER FEES. The Lessee agrees to pay the fees set forth in this Section 4(d); provided that during the Construction Period such fees shall be paid only out of the proceeds of an Advance in accordance with the Approved Budget, and shall not represent direct recourse obligations of the Lessee (except to the extent the Lessee is obligated to pay the Property Balance).

(i) COMMITMENT FEES. The Lessee agrees to pay to each Tranche A Lender, each Tranche B Lender and each Certificate Holder for the Construction Period (including any portion of such Construction Period when any Participant's Commitment is suspended by reason of the Lessee's inability to satisfy any condition of Section 9), a facility fee (collectively, the "COMMITMENT FEES") at a per annum rate equal to the Applicable Facility Fee Percentage on each Participant's Available Commitment. The Commitment Fees shall be payable by the Lessee in arrears with respect to each monthly period (or portion thereof, for the first and last such periods) following the Documentation Date on the first day of each month (provided, however, that if such day is not a Business Day, such payment shall be due on the immediately preceding Business Day in the full amount due on such first day), commencing December 1, 2001 through and including the first day immediately following the expiration of the Construction Period, and shall be determined on the basis of the daily average Available Commitments during each such monthly period. The Commitment Fees shall be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such Commitment Fees are payable over a year of 360 days.

(ii) OTHER FEES. The Lessee agrees to pay the following fees in the amounts and at the times as provided in the Fee Letter and in accordance with the Approved Budget: (x) to the Agent, for its own account, the Annual Administration Fees, (y) to the Arranger, for its own account, the Arrangement Fee, and (z) to the Arranger, for its own account, the Structuring Fee; provided, that, during the Construction Period, such fees shall be paid from the proceeds of Advances.

(e) INTEREST AND YIELD PROTECTION.

(i) Alternate Rate of Interest. If prior to the commencement of any Interest Period for an Advance with interest or Yield determined by reference to the LIBO Rate (Reserve Adjusted):

(1) the Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for

ascertaining the LIBO Rate (Reserve Adjusted) or the LIBO Rate, as applicable, for such Interest Period; or

(2) the Agent is advised by any Participant or Participants that because of a change in circumstances affecting the eurocurrency market generally the LIBO Rate (Reserve Adjusted) or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Participants (or Participant) of making or maintaining their Loans or Equity Amounts (or its Loan or Equity Amount) for such Interest Period; then the Agent shall give notice thereof to the Lessee and the Participants by telephone or telecopy as promptly as practicable thereafter and, until the Agent notifies the Lessee and the Participants that the circumstances giving rise to such notice no longer exist, (i) any Funding Request that requests the conversion or continuation of an Advance with interest determined by reference to the LIBO Rate (Reserve Adjusted) shall be ineffective, (ii) if any Funding Request requests an Advance with interest determined by reference to the LIBO Rate (Reserve Adjusted), such Advance shall be made as an Alternate Base Rate Advance and (iii) any Funding Request by the Lessee for an Advance with interest determined by reference to the LIBO Rate (Reserve Adjusted) shall be ineffective; provided, however, that if the circumstances giving rise to such notice do not affect all the Participants, then requests by the Lessee for an Advance with interest determined by reference to the LIBO Rate (Reserve Adjusted) may be made to Participants that are not affected thereby.

(ii) Increased Costs.

(1) If any Change in Law shall:

(a) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Participant (except any such reserve requirement reflected in the LIBO Rate (Reserve Adjusted)); or

(b) impose on any Participant or the London interbank market any other condition affecting this Agreement or Advances made by such Participant under this Agreement and the result of any of the foregoing shall be to increase the cost to such Participant of making, funding or maintaining any such Loan or Equity Amount (or of maintaining its obligation to make any such Loan or Equity Amount) or to reduce the amount of any sum received or receivable by such Participant hereunder (whether of principal, interest, Equity Amount, Yield or otherwise), then the Lessee will pay to such Participant such additional amount or amounts as will compensate such Participant for such additional costs incurred or reduction suffered.

(2) If any Participant determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Participant's capital or on the capital of such Participant's holding company,

if any, as a consequence of this Agreement or the Loans or Equity Amounts made, funded or created by, such Participant, to a level below that which such Participant or such Participant's holding company could have achieved but for such Change in Law (taking into consideration such Participant's policies and the policies of such Participant's holding company with respect to capital adequacy), then from time to time the Lessee will pay to such Participant such additional amount or amounts as will compensate such Participant or such Participant's holding company for any such reduction suffered.

(3) A certificate of a Participant setting forth the amount or amounts necessary to compensate such Participant or its holding company, as the case may be, as specified in paragraph (1) or (2) of this Subsection shall be delivered to the Lessee and shall be conclusive absent manifest error. The Lessee shall pay such Participant the amount shown as due on any such certificate within 10 days after receipt thereof.

(4) Failure or delay on the part of any Participant to demand compensation pursuant to this Subsection shall not constitute a waiver of such Participant's right to demand such compensation; provided, however, that the Lessee shall not be required to compensate a Participant pursuant to this Subsection for any increased costs or reductions incurred more than three months prior to the date that such Participant notifies the Lessee of the Change in Law giving rise to such increased costs or reductions and of such Participant's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof.

(iii) Break Funding Payments. In the event of (1) the payment of any principal of any Loan or Equity Amount other than on the last day of an Interest Period applicable thereto (including as result of an Event of Default), (2) the conversion of any Loan or Equity Amount other than on the last day of the Interest Period applicable thereto, (3) the failure to borrow, convert, continue or prepay any Loan or Equity Amount on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable and is revoked in accordance herewith), or (4) the assignment of any Loan or Equity Amount other than on the last day of the Interest Period applicable thereto as a result of a request by Lessee then, in any such event, the Lessee shall compensate each Participant for the loss, costs and expense attributable to such event, including, without limitation, Break Costs and any costs associated with the termination by any Participant of any foreign currency exchange arrangements. The loss to any Participant attributable to any such event shall be deemed to include an amount determined by such Participant to be equal to the excess, if any, of (i) the amount of interest that such Participant would pay for a deposit equal to the principal amount of such Loan or Equity Amount for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest

rate payable on such deposit were equal to the LIBO Rate (Reserve Adjusted) for such Interest Period, over (ii) the amount of interest that such Participant would earn on such principal amount for such period if such Participant were to invest such principal amount for such period at the interest rate that would be bid by such Participant (or an Affiliate of such Participant) for dollar deposits from other banks in an eurodollar market at the commencement of such period. A certificate of any Participant setting forth any amount or amounts that such Participant is entitled to receive pursuant to this Subsection shall be delivered to the Lessee and shall be conclusive absent manifest error. The Lessee shall pay such Participant the amount shown as due on any such certificate within 10 days after receipt thereof.

(1) Mitigation Obligations; Replacement of Participants. (1) If any Participant requests compensation under Section 4(e)(ii)(1), or if the Lessee is required to pay any additional amount thereunder to any Participant, then such Participant shall use reasonable efforts to designate a different lending office for funding or booking its Loans or Equity Amounts hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Participant, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 4(e)(ii)(1) in the future and (ii) would not subject such Participant to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Participant. The Lessee hereby agrees to pay all reasonable costs and expenses incurred by any Participant in connection with any such designation or assignment.

(2) If any Participant requests compensation under Section 4(e)(ii) or if any Participant defaults in its obligation to fund Loans or Equity Amounts hereunder, then the Lessee may, at its sole expense and effort, upon notice to such Participant and the Agent, require such Participant to assign and delegate, without recourse, all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Participant, if a Participant accepts such assignment); provided, however, that (i) the Lessee shall have received the prior written consent of the Agent, which consent shall not unreasonably be withheld, (ii) such Participant shall have received payment of an amount equal to the outstanding principal of its Loans or outstanding Equity Balance (as applicable), accrued interest or Yield thereon, accrued fees and all other amounts payable to it hereunder (including Break Costs), from the assignee (to the extent of such outstanding principal or Equity Balance and accrued interest or Yield and fees) or the Lessee (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 4(e)(ii), such assignment will result in a reduction in such compensation or payments. A Participant shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Participant or otherwise, the circumstances entitling the Lessee to require such assignment and delegation cease to apply.

(iv) If it becomes illegal for any Participant to continue its participation in the transaction contemplated by the Operative Documents (the "OVERALL TRANSACTION"), the

Participant shall give notice promptly to the Agent, Certificate Holders, Owner Trustee, each other Participant and the Lessee (including in such notice reasonable details as to the basis of such illegality). Each Participant agrees for the benefit of the Lessee and (in the case of a Lender) the Certificate Holders, if so required by the Lessee, to consult in good faith with the Lessee and such other parties and to use its reasonable best efforts to avoid such illegality (including by assigning its rights hereunder and under the other Operative Documents to an Affiliate or branch of the Participant, and providing that such Affiliate or branch shall assume its obligations hereunder and thereunder); provided, however, that such Participant shall not in this connection be obligated to take any action which would be materially prejudicial to the operations of the Participant; provided further, however, that the portion of the Loan or Equity Amount held by such Participant shall be prepaid on or prior to the date (the "ILLEGALITY PREPAYMENT DATE") which is the earlier of the 180th day subsequent to the giving by such Participant of such notice and the date upon which the Participant is obligated under Applicable Law to terminate its participation in the Overall Transaction if such illegality has not been avoided or the portion of the Loan or Equity Amount held by such Participant has not been prepaid prior to the Illegality Prepayment Date.

(v) During the Construction Period, any amounts payable pursuant to this Section 4(e) will be paid only from proceeds of the Advances in accordance with the Approved Budget; provided, that, in accordance with Section 14(a)(12) hereof, the Construction Agent has indemnified Lessor with respect to any such amounts or costs.

(f) NOTICE OF YIELD AND INTEREST.

(i) The Agent shall deliver to the Lessee from time to time written notice of the amount of Basic Rent and the due date therefor (i) promptly (and in any event within three (3) Business Days) after the commencement of each LIBO period, and (ii) promptly (and in any event within three (3) Business Days) after determination of Accrued Interest and Yield determined by reference to the Alternate Base Rate.

(ii) During the Basic Term, subject to Section 4(e) hereof, on or before 10:00 a.m., Chicago time, on the date that is three (3) Business Days prior to the expiration of any Interest Period, Lessee shall, from time to time, upon written notice to the Lessor and the Agent, select whether or not interest and Yield will accrue at the Alternate Base Rate or the LIBO Rate. If Lessee's selects the LIBO Rate, Lessee shall also select the term of the next succeeding Interest Period. If Lessee does not specify the length of any Interest Period as set forth in the immediately preceding sentence, then Lessee shall be deemed to have a selected the then expiring Interest Period. During the Construction Period, the Lessee shall be allowed to maintain a maximum of two (2) separate LIBOR tranches at any time; provided, that only (1) LIBOR tranche shall exist upon the expiration of the Construction Period. During the Basic Term, the Lessee shall be allowed to maintain only one (1) LIBOR tranche.

SECTION 5. CERTAIN INTENTIONS OF THE PARTIES; DISCLOSURE; DISTRIBUTIONS

(i) NATURE OF TRANSACTION. (i) The parties hereto intend that (1) for financial accounting purposes with respect to the Lessee, the Lessor will be treated as the owner and the lessor of the Property, including the Equipment, and the Lessee will be treated as the lessee of the Property, including the Equipment, and (2) for all other purposes, including Federal and all state and local income tax purposes, state real estate and commercial law, bankruptcy and Environmental Law purposes, (x) the Lease will be treated as a financing arrangement, (y) the Participants will be deemed lenders making loans to the Lessee in an amount equal to the sum of the Equity Amounts and the outstanding principal amount of the Loans, which loans are secured by the Property, and (z) the Lessee will be treated as the owner of the Property and will be entitled to all tax benefits ordinarily available to an owner of property like the Property for such tax purposes. Nevertheless, the Lessee acknowledges and agrees that neither the Lessor nor any of the Participants has made any representations or warranties to the Lessee concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate.

(ii) Specifically, without limiting the generality of clause (i), the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any State or Commonwealth thereof affecting the Lessee, the Lessor or the Participants or any collection actions, the transactions evidenced by the Operative Documents are loans made to the Lessee by the Participants in each case as unrelated third party lenders.

(b) AMOUNTS DUE UNDER LEASE. Anything else herein or elsewhere to the contrary notwithstanding, it is the intention of the Lessee, the Certificate Holders, the Owner Trustee, the Lessor and the Lenders that: (1) the amount and timing of installments of Basic Rent due and payable from time to time from the Lessee under the Lease shall be equal to the aggregate payments due and payable as interest on the Loans and Yield on the Equity Amounts on each Payment Date, subject to Section 4(c); (2) if the Lessee becomes obligated or otherwise elects to purchase the Property under the Lease, the Loans, the Equity Amounts, all interest, Yield and Facility Fees thereon and all other obligations of the Lessee owing to the Lessor, the Certificate Holders, the Owner Trustee and the Lenders shall be paid in full by the Lessor out of funds paid to the Lessor by the Lessee; (3) if the Lessee properly elects the Sale Option with respect to the Property, the Lessee shall only be required to pay to the Participants the proceeds of the sale of the Property, the Final Rent Payment and any amounts due pursuant to Sections 13 and 14 hereof and Section 6(d) of the Lease (which aggregate amounts may be less than the Property Balance), together with any accrued Basic Rent and Supplemental Rent then due and owing; and (4) upon an Event of Default resulting in an acceleration of the Lessee's obligation to purchase the Property under the Lease, the amounts then due and payable by the Lessee under the Lease shall include all amounts necessary to pay in full the Property Balance, plus all other amounts then due from the Lessee to the Participants under the Operative Documents.

(c) DISCLOSURE. The parties hereto agree that none of them is limited in any way by an express or implied understanding or agreement with or for the benefit of any person who would be treated as a tax shelter promoter (within the meaning of Internal Revenue Code Section 6111(d)) (a "Promoter") from disclosure of the structure or tax aspects (within the meaning of Treas. Reg. Section 301.6111-2T(c)(1)) of the transaction which is the subject of this Participation Agreement. Furthermore, no party hereto who would be treated as a Promoter (x) claims, knows, or has reason to know, (y) knows or has reason to know that any other person (other than the parties hereto) claims or (z) will cause another person to claim, that the transaction which is the subject of this Participation Agreement is proprietary to any person other than the parties hereto or is otherwise protected from disclosure of the foregoing by others.

(d) DISTRIBUTION.

(i) Subject to Section 5(d)(vii)(4), each payment of Basic Rent (and any payment of interest on overdue installments of Basic Rent) received by the Agent shall be distributed by the Agent to the Participants, pro rata in accordance with, and for application to, the Tranche A Lender Basic Rent, Tranche B Lender Basic Rent and Equity Basic Rent then due, as well as any overdue interest due to each such Participant (to the extent permitted by Applicable Law).

(ii) Subject to Section 5(d)(vii)(4), any payment received by the Lessor or the Agent as a result of:

(1) the purchase of any Property in connection with the Lessee's exercise of its option under Section 6(b) or 6(e) of the Lease (or the Construction Agent's exercise of its option under Section 5.4 of the Construction Agency Agreement), or

(2) the Lessee failing to fulfill one or more of the conditions to the exercise of the Sale Option pursuant to Section 6(d) of the Lease and the Lessor's receipt of the Property Balance from the Lessee pursuant to Section 6(d)(3) of the Lease;

shall be promptly remitted by the Lessor to the Agent (if received by the Lessor) and in each case, shall be distributed by the Agent to pay in full the Participant Balance of each Participant.

(iii) The payment by the Lessee of Final Rent Payment and all Supplemental Rent due in accordance with Section 6(d)(3) of the Lease upon the Lessee's exercise of the Sale Option and the payment by the Lessee of the Construction Recourse Amount in accordance with Section 5.2 of the Construction Agency Agreement shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent, and shall be distributed by the Agent in the following amounts and order of priority: first, so much of such payments or amounts as shall constitute Supplemental Rent, to the Persons entitled thereto in accordance with Section 5(d)(v); and second, to the Tranche A Lenders for application to pay in full the Tranche A Loan Balance of each Tranche A Lender, and in the case where the amount so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche A Lenders without priority of one Tranche A Lender

over the other in the proportion that each such Participant's Tranche A Loan Balance bears to the aggregate Tranche A Loan Balances of all Tranche A Lenders, and third, to the Tranche B Lenders for application to pay in full the Tranche B Loan Balance of each Tranche B Lender, and in the case where the amount so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche B Lenders without priority of one Tranche B Lender over the other in the proportion that each such Participant's Tranche B Loan Balance bears to the aggregate Tranche B Loan Balances of all Tranche B Lenders, and fourth, to the Certificate Holders for application to pay in full the Equity Balance, and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among Certificate Holders without priority of one Certificate Holder over the other in the proportion that each such Participant's Equity Balance bears to the aggregate Equity Balances of all Certificate Holders.

(iv) Any payments received as proceeds from the sale of the Property sold pursuant to the Lessee's exercise of the Sale Option pursuant to Section 6(c) of the Lease and any payment received as proceeds from the sale of the Property sold pursuant to Section 5.2 of the Construction Agency Agreement or sold by the Agent on behalf of the Participants (after netting out payment of Closing Costs and reasonable costs and expenses incurred by the Agent in connection with such sale and the payment to the then existing or prior Participants, the Lessor or Wilmington Trust Company of amounts payable to them pursuant to any expense reimbursement or indemnification provisions of the Operative Documents), shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent, and shall be distributed by the Agent in the funds so received in the following order of priority: first, to the Lenders which funded any Loan Excluded Amounts, for application to pay in full the Loan Excluded Amounts of each such Lender, and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among such Lenders without priority of one such Lender over the other in the proportion that each such Lender's portion of Loan Excluded Amounts bears to the aggregate Loan Excluded Amounts of all such Lenders; second, to the Tranche B Lenders for application to pay in full the Tranche B Loan Balance of each Tranche B Lender, and in the case where the amount so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche B Lenders without priority of one Tranche B Lender over the other in the proportion that each such Participant's Tranche B Loan Balance bears to the aggregate Tranche B Loan Balances of all Tranche B Lenders, and third, to the Tranche A Lenders for application to pay in full the Tranche A Loan Balance of each Tranche A Lender, and in the case where the amount so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche A Lenders without priority of one Tranche A Lender over the other in the proportion that each such Participant's Tranche A Loan Balance bears to the aggregate Tranche A Loan Balances of all Tranche A Lenders, and fourth, to the Certificate Holders, personally, for application to pay in full the Equity Balance, and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among Certificate Holders without priority of one Certificate Holder over the other in the proportion that each such Participant's Equity Balance bears to the aggregate Equity Balances of all Certificate Holders and fifth, the balance, if any, shall be promptly distributed to, or as directed by, the Lessee.

(v) All payments of Supplemental Rent received by the Lessor shall promptly be remitted to the Agent. All payments of Supplemental Rent received by the Agent (excluding any amounts payable pursuant to the preceding provisions of this Section 5(d), other than clause "first" of Section 5(d)(iii)) shall be distributed promptly by the Agent upon receipt thereof to the Persons entitled thereto pursuant to the Operative Documents.

(vi) Notwithstanding any other provision of this Section 5(d), any Excepted Payment received at any time by the Lessor or the Agent shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent, and shall be distributed by the Agent to the Person entitled to receive such Excepted Payment pursuant to the Operative Documents.

(1) (1)All amounts received by the Lessor or the Agent in connection with any sale or reletting of all or any part of the Property after the occurrence of a Lease Event of Default shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent, and shall be distributed by the Agent in the following order of priority: first, so much of such payments or amounts as shall be required to pay the then existing or prior Participants, the Lessor and Wilmington Trust Company the amounts payable to them pursuant to any expense reimbursement or indemnification provisions of the Operative Documents and reimbursement of Costs of Carry shall be distributed to each such Person without priority of one over the other in accordance with the amount of such payment or payments payable to each such Person; second, to the Lenders which funded any Loan Excluded Amounts, for application to pay in full the Loan Excluded Amounts of each such Lender, and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among such Lenders without priority of one such Lender over the other in the proportion that each such Lender's portion of Loan Excluded Amounts bears to the aggregate Loan Excluded Amounts of all such Lenders; third, to the Tranche B Lenders for application to pay in full the Tranche B Loan Balance of each Tranche B Lender, and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche B Lenders without priority of one Tranche B Lender over the other in the proportion that each such Participant's Tranche B Loan Balance bears to the aggregate Tranche B Loan Balances of all Tranche B Lenders; fourth, to the Tranche A Lenders for application to pay in full the Tranche A Loan Balance of each Tranche A Lender, and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche A Lenders without priority of one Tranche A Lender over the other in the proportion that each such Participant's Tranche A Loan Balance bears to the aggregate Tranche A Loan Balances of all Tranche A Lenders; fifth, to the Certificate Holders for application to pay in full the Equity Balance and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Certificate Holders without priority of one Certificate Holder over the other in the proportion that each such Participant's Equity Balance bears to the aggregate Equity Balances of all Certificate Holders; and sixth, the balance, if any, of such payment or amounts remaining thereafter shall be promptly distributed to, or as directed by, (i) the Lessee for any surplus

realized at any foreclosure sale of the Property or otherwise realized in connection with the exercise of remedies under the Lease or (ii) in any other case, pro rata among the Participants.

(2) All payments received and amounts realized by the Lessor or the Agent in connection with any Casualty or Condemnation after the occurrence of a Lease Event of Default shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent and shall be distributed by the Agent in accordance with Section 5(d)(vii)(3).

(3) All payments received and amounts realized (other than payments or amounts described in clause (1) above) by the Lessor or the Agent after the occurrence of a Lease Event of Default shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent and shall be distributed by the Agent in the following order of priority: first, so much of such payments or amounts as shall be required to pay the then existing or prior Participants, the Lessor and Wilmington Trust Company the amounts payable to them pursuant to any expense reimbursement or indemnification provisions of the Operative Documents shall be distributed to each such Participant without priority of one over the other in accordance with the amount of such payment or payments payable to each such Person; second, to the Tranche A Lenders, pro rata in accordance with, and for application to, the Tranche A Loan Balance of each Tranche A Lender (first to the payment of interest (pro rata based upon the aggregate amount of interest then outstanding), and then to principal, in each case pro rata), and third to the Tranche B Lenders, pro rata in accordance with, and for application to, the Tranche B Loan Balance of each Tranche B Lender (first to the payment of interest (pro rata based upon the aggregate amount of interest then outstanding), and then to principal, in each case pro rata), and fourth, to the Certificate Holders, pro rata in accordance with, and for application to, the Equity Balance of each Certificate Holder (first to the payment of Yield (pro rata based upon the aggregate amount of Yield then outstanding), and then to principal, in each case pro rata), and fifth, after payment in full of the Participant Balances and all other amounts due and owing, the balance, if any, of such payment or amounts remaining thereafter shall be promptly distributed to, or as directed by, the Lessee.

(4) During the occurrence and continuance of a Lease Event of Default, all amounts (other than Excepted Payments) received or realized by the Lessor or the Agent shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent and all such amounts otherwise distributable by the Agent pursuant to Sections 5(d)(i), 5(d)(ii) and 5(d)(ix) shall be distributed by the Agent as provided for in clauses (1), (2) and (3) above.

(5) (1)Subject to Sections 5(d)(viii)(2) and 5(d)(viii)(3), any payment received by the Lessor or the Agent for which no provision as to the application thereof is made in the Operative Documents or elsewhere in this Section 5(d) shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent

and shall be distributed by the Agent as follows: first, to the Tranche A Lenders for application to pay in full the Tranche A Loan Balance of each Tranche A Lender, and in the case where the amount so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche A Lenders without priority of one Tranche A Lender over the other in the proportion that each such Participant's Tranche A Loan Balance bears to the aggregate Tranche A Loan Balances of all Tranche A Lenders, and second, to the Tranche B Lenders for application to pay in full the Tranche B Loan Balance of each Tranche B Lender, and in the case where the amount so distributed shall be insufficient to pay in full as aforesaid, then pro rata among the Tranche B Lenders without priority of one Tranche B Lender over the other in the proportion that each such Participant's Tranche B Loan Balance bears to the aggregate Tranche B Loan Balances of all Tranche B Lenders, and third, to the Certificate Holders for application to pay in full the Equity Balance, and in the case where the amounts so distributed shall be insufficient to pay in full as aforesaid, then pro rata among Certificate Holders without priority of one Certificate Holder over the other in the proportion that each such Participant's Equity Balance bears to the aggregate Equity Balances of all Certificate Holders.

(6) Except as otherwise provided in Section 5(d)(vii), all payments received and amounts realized by the Lessor or the Agent under the Lease or otherwise with respect to the Property, or any proceeds thereof to the extent received or realized at any time after an indefeasible payment in full of the Participant Balances of all of the Participants and any other amounts due and owing to the Participants, the Lessor or Wilmington Trust Company, shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent and shall be distributed forthwith by the Agent in the order of priority set forth in Section 5(d)(vii)(3), except that such payment shall be distributed omitting clause "second" of such Section 5(d)(vii)(3).

(7) Any payment received by the Lessor or the Agent for which provision as to the application thereof is made in an Operative Document but not elsewhere in this Section 5(d) shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent and shall be distributed forthwith by the Agent to the Person and for the purpose for which such payment was made in accordance with the terms of such Operative Document.

(vii) Subject to Section 5(d)(vii)(4), any amounts payable to the Lessor or the Agent as a result of a Casualty or Condemnation pursuant to Section 11 of the Lease shall be promptly remitted by the Lessor (if received by the Lessor) to the Agent and shall be distributed by the Agent as follows:

(1) all amounts that are to be applied to the purchase price of the Property in accordance with Section 11 and Section 6 of the Lease shall be distributed by the Agent in accordance with Section 5(d)(ii).

(2) all amounts payable to the Lessee for the repair of damage caused by such Casualty or Condemnation in accordance with Section 11(b) of the Lease shall be distributed to, or as directed by, the Lessee.

(viii) To the extent any payment made to any Participant is insufficient to pay in full the Participant Balance of such Participant, then each such payment shall first be applied to accrued interest or Yield and then to principal or the Equity Amounts, as applicable.

(ix) Notwithstanding anything to the contrary contained in this Section 5(d), any payments received by the Agent in connection with the Partial Option Closing pursuant to Section 24 of this Participation Agreement shall be distributed by the Agent in the following order of priority: first, an amount equal to all Other Amounts, all Excluded Amounts and all costs and expenses payable by or on behalf of Lessee pursuant to clause (z) of Section 24(a)(v) of this Participation Agreement shall be distributed by the Agent to the Persons entitled to those amounts pursuant to the Operative Documents; second, an amount equal to (x) the Partial Option Percentage of all accrued but unpaid interest on the aggregate of all Loans and (y) the Partial Percentage of all accrued but unpaid Yield on the aggregate of all Equity Amounts for the period from the last Payment Date and through and including the Partial Option Closing Date shall be distributed by the Agent to the Participants, in accordance with, and for application to the payment of such amounts; and third, an amount equal to the Partial Option Percentage of the aggregate Participant Balance of all Participants shall be distributed by the Agent to the Participants, pro rata in accordance with and for application to the payment of such amounts.

SECTION 6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE PARTICIPANTS

(a) REPRESENTATIONS AND WARRANTIES. Each Participant hereby represents and warrants as to itself to the other Participants and the Lessee that:

(i) STATUS; DUE ORGANIZATION. It (i) is either a corporation duly organized and validly existing in good standing under the laws of the State of Delaware or a commercial bank, branch or agency of a foreign bank or other similar financial institution, or an Affiliate thereof and (ii) has all requisite power and authority to enter into, and perform its obligations under, each of the Operative Documents to which it is or will become a party.

(ii) DUE AUTHORIZATION; ENFORCEABILITY. Each of the Operative Documents to which it is or will become a party has been duly authorized by all appropriate corporate action, and has been or will be executed and delivered by it, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes or will constitute upon the due execution thereof the Participant's legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and (ii) general

principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) NO VIOLATION. The execution and delivery by the Participant of each of the Operative Documents to which it is or will become a party are not, and the performance by the Participant of its obligations under each, do not and will not contravene its Organic Documents or any Applicable Law applicable to the Participant (it being understood that the Participant makes no representation or warranty relating to the nature of the Property or any part thereof or any Applicable Law relating thereto), and do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage or other material contract or other instrument to which the Participant is a party or by which it or its property is bound or require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any Governmental Authority or other Person (it being understood that the Participant makes no representation or warranty relating to the nature of the Property or any part thereof or any Applicable Law relating thereto), except such as have been obtained, given or accomplished.

(iv) NO LITIGATION. There are no pending or, to the knowledge of the Participant, threatened actions or proceedings by or before any court or administrative agency or other Governmental Authority to which the Participant is or will become a party which (i) involves any of the transactions contemplated hereunder or by any of the Operative Documents or (ii) if determined adversely to it, would reasonably be likely to materially adversely affect its ability to perform its obligations under each of the Operative Documents to which the Participant is or will become a party.

(v) PERFORMANCE DOES NOT CREATE LIENS. The performance by the Participant of its obligations under each of the Operative Documents to which the Participant is or will become a party do not subject the Trust Estate to any Lien (other than the Liens created by the Operative Documents) under any indenture, mortgage, contract or other instrument to which the Participant is a party or by which the Participant is bound.

(vi) ERISA. It is not and will not be making its Loans or funding Equity amounts hereunder, and is not performing its obligations under the Operative Documents with the assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or "plan" (as defined in Section 4975(e)(1) of the Code).

(vii) THIRD PARTY FEES. It has not authorized or employed any Person to act as agent, broker, finder, financial advisor or otherwise in connection with the transactions contemplated by the Operative Documents other than the Agent and its Affiliates, including the Arranger.

(b) ADDITIONAL REPRESENTATIONS AND WARRANTIES. Each Certificate Holder additionally represents, warrants and agrees:

(i) ACQUISITION FOR INVESTMENT. It is acquiring its interest in the Trust Estate, including the trust certificates, for its own account for investment and not with a view to, or for sale in connection with, any distribution thereof, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control.

(ii) NO OFFERING. Neither such Certificate Holder nor anyone acting on its behalf has offered, directly or indirectly, any interest in the Trust Estate, including the trust certificates, for sale to, or solicited any offer to acquire any of the same from, anyone (it being understood that neither the Lessee nor any other Person has been authorized to act on behalf of any Certificate Holder in connection with any such offer or solicitation).

(iii) LESSOR LIENS. The Property is free of Lessor Liens attributable to such Certificate Holder.

(iv) CONSOLIDATED CAPITALIZATION. During the Construction Period, such Certificate Holder has stockholders equity (or the equivalent) (on a consolidated basis) of at least $5,000,000.

(v) INVESTMENT COMPANY. Such Certificate Holder is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(vi) TRANSFER AND ASSIGNMENTS. Any transfer or assignment of its interest in the Trust Estate (including the trust certificates) shall be subject to, and shall be effected in accordance with, the terms and provisions of Section 12.

(vii) TRANSFERS. It will not transfer its interest in the Trust or the Trust Estate, including the trust certificates, except as expressly provided in Section 8.1 of the Trust Agreement.

(viii) LESSOR LIENS. It will not directly or indirectly create, incur, assume or suffer to exist any Lessor Liens attributable to it on the Trust Estate. It will, at its own cost and expense, promptly take such action as may be necessary to discharge fully all such Lessor Liens on the Trust Estate, other than Lessor Liens being contested by a Permitted Contest. It shall make restitution to the Trust Estate for any diminution in the value of the Trust Estate as a result of its failure to discharge any such Lessor Liens. It shall promptly, and in no event later than thirty days after its Certificate Holder Officer shall have obtained actual knowledge of the attachment of any Lessor Lien for which it is responsible, notify the Lessee and the Owner Trustee of the attachment of such Lessor Lien and the particulars thereof. The term "CERTIFICATE HOLDER OFFICER" shall mean an officer of each Certificate Holder having responsibility for the administration of such Certificate Holder's interest in the Operative Documents.

(ix) SOURCE OF FUNDS. The investment in the Trust Estate to be made by such Certificate Holder will be made from equity held by such Certificate Holder, or if such funds are to be borrowed by such Certificate Holder, such borrowing is recourse to such

Certificate Holder and such Certificate Holder's knowledge, it has assets (other than its interest in the Overall Transaction) to pay in full such debt and all amounts due with respect thereto when due.

(c) COVENANTS OF THE PARTICIPANTS. Each of the Participants hereby agrees as follows so long as this Participation Agreement is in effect:

(i) NO CREATION OF LESSOR LIENS. It will not create, incur, assume or suffer to exist any Lessor Lien attributable to such Participant upon the Lease or any of the Property;

(ii) REMOVAL OF LESSOR LIENS. It will remove any Lessor Lien created or incurred by it and use its best efforts to remove any Lessor Lien attributable to it assumed or suffered to exist by it upon the Lease or any of the Property (other than the Lender Mortgage and such other Liens as are contemplated by any of the Operative Documents); provided, however, that any action taken pursuant to this clause (ii) shall not limit the Lessee's rights or remedies under any of the Operative Documents.

(iii) QUIET ENJOYMENT. It will not, through its own actions or inactions, interfere with the peaceful and quiet enjoyment of the use or nonuse of the Property by the Lessee in accordance with the terms of the Lease, it being understood and agreed by the parties hereto that the rights of the Lessee under this Section 6(c)(iii) shall not be impaired by the Certificate Holders' breach of any covenant, agreement or condition contained in any Operative Document to which such Person is a party, or any misrepresentation or breach of warranty by such Person or, to the maximum extent permitted by Applicable Law, the bankruptcy or insolvency of any such Person or the appointment of a trustee, receiver, liquidator, custodian or other similar official with respect to such Person or any substantial part of such Person's property.

(iv) AMENDMENT. For so long as no Lease Event of Default shall have occurred and be continuing, it will not (and will not direct the Agent or the Lessor to) amend or modify any Operative Document to which the Lessee is not a party in a manner which is adverse to the Lessee without its prior consent.

(d) COVENANTS OF THE AGENT. The Agent hereby agrees that upon repayment in full of all Loans, the Agent shall execute and deliver to the Lessee a release of the Lender Mortgage, releases of the Construction Agency Agreement Assignment and Assignment of Leases and Rents and releases of all other Liens created by the Operative Documents, and termination statements for any UCC Financing Statements relating to the Property which are then of record naming the Agent as secured party or assignee thereof.

(e) COVENANTS OF THE CERTIFICATE HOLDERS. Each Certificate Holder hereby agrees that so long as this Participation Agreement is in effect (unless a Lease Event of Default shall have occurred and be continuing) until expiration or earlier termination of the Lease, it will not, and will not cause or direct the Owner Trustee to, terminate the Trust Agreement without the prior written consent of the Lessee.

SECTION 7. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF WILMINGTON TRUST COMPANY AND OWNER TRUSTEE

(a) WILMINGTON TRUST COMPANY REPRESENTATIONS AND WARRANTIES. Wilmington Trust Company hereby represents and warrants in its individual capacity that:

(i) DUE ORGANIZATION. Wilmington Trust Company (i) is a Delaware banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, and (ii) has the power and authority to enter into and perform its obligations under the Trust Agreement and to serve as trustee thereunder.

(ii) TRUST AGREEMENT; PARTICIPATION AGREEMENT. Each of the Trust Agreement and this Participation Agreement (insofar as Wilmington Trust Company is a party thereto and hereto) has been duly executed and delivered by Wilmington Trust Company and, assuming due authorization, execution and delivery by the other parties thereto, the Trust Agreement and this Participation Agreement constitute Wilmington Trust Company's legal, valid and binding obligations, enforceable against it in accordance with their respective terms, except as enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) DUE AUTHORIZATION. Each Operative Document to which Wilmington Trust Company is or will become a party has been duly authorized, and has been or will be duly executed and delivered by Wilmington Trust Company.

(iv) NO VIOLATION. Assuming due authorization, execution and delivery of the Trust Agreement by the Certificate Holders, the execution and delivery by either the Owner Trustee or Wilmington Trust Company, of each Operative Document to which the Owner Trustee or Wilmington Trust Company, as the case may be, is or will become a party, are not, and the performance by the Owner Trustee or Wilmington Trust Company, as the case may be, of their obligations under each, is not, and will not be, inconsistent with the Organic Documents of Wilmington Trust Company and, taking into account the responsibilities of the Owner Trustee, do not and will not contravene the provisions of Applicable Law of the United States or Delaware (including any rules and regulations of governmental agencies and authorities thereto and therein and any judgment or order applicable to Wilmington Trust Company) governing the banking and trust powers of Wilmington Trust Company or result in any violation of or conflict with or constitute a default under, or subject the Trust Estate or any of the Property to any Lien of, any indenture, mortgage or other agreement or instrument to which Wilmington Trust Company is a party or by which Wilmington Trust Company or its properties are bound, or, taking into account the responsibilities of the Owner Trustee, require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any Federal or State agency, authority or Person governing the banking and trust powers of Wilmington Trust Company or any other local Governmental Authority of the State of Delaware, except such as have been obtained, given or accomplished.

(v) NO LITIGATION. There is no action, suit, investigation or proceeding by or before any court, arbitrator, administrative agency or other Governmental Authority pending or, to the knowledge of Wilmington Trust Company, threatened against or affecting Wilmington Trust Company or any of its properties which (i) involves any of the transactions contemplated hereunder or by any of the Operative Documents or (ii) affects its ability to perform its respective obligations under the Operative Documents to which it is or will become a party.

(vi) LESSOR LIENS. There are no Lessor Liens arising by, through or under Wilmington Trust Company, other than relating to or in connection with the Operative Documents.

(vii) SECURITIES. Wilmington Trust Company has not offered directly or indirectly any interests in the Trust Estate or any part thereof, including the trust certificates, for issue or sale to, or solicited any offer to acquire any of the same from, anyone, other than as contemplated in the Operative Documents.

(b) WILMINGTON TRUST COMPANY AGREEMENTS. Wilmington Trust Company hereby agrees that:

(i) LESSOR LIENS. Wilmington Trust Company will not directly or indirectly create, incur, assume or suffer to exist any Lessor Liens attributable to it on the Trust Estate not resulting from or related to the transactions contemplated by the Operative Documents. Wilmington Trust Company will, at its own cost and expense, promptly take such action as may be necessary to discharge duly all such Lessor Liens on any part of the Trust Estate attributable to Wilmington Trust Company other than Lessor Liens being contested by a Permitted Contest. Wilmington Trust Company shall make restitution to the Trust Estate for any diminution in the value of the Trust Estate as a result of its failure to discharge any such Lessor Liens attributable to Wilmington Trust Company. It shall promptly, and in no event later than thirty (30) days after an Owner Trustee Officer shall have obtained actual knowledge of the attachment of any such Lessor Lien for which it is responsible, notify the Lessee and the Certificate Holders of the attachment of such Lien and the particulars thereof. The term "OWNER TRUSTEE OFFICER" shall mean an officer in the Corporate Trust Administration department of the Owner Trustee having responsibility for the administration of Wilmington Trust Company's and the Owner Trustee's interest in the Operative Documents.

(ii) NO ISSUANCE. Wilmington Trust Company agrees that neither Wilmington Trust Company nor anyone acting on its behalf has offered or will offer any interests in the Trust Estate or any part thereof (including the trust certificates) or any securities similar thereto for issue or sale to, or has solicited or will solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the interests in the Trust Estate (including the trust certificates) within the provisions of Section 5 of the Securities Act or any similar provisions under any applicable state "blue sky" or similar state securities laws.

(c) OWNER TRUSTEE AND TRUST REPRESENTATIONS AND WARRANTIES. The Owner Trustee and the Trust hereby represent and warrant on the date hereof that:

(i) DUE ORGANIZATION. Assuming the due authorization, execution and delivery of the Trust Agreement by the Certificate Holders, the Owner Trustee has the power and authority under the Trust Agreement to enter into and perform its obligations under each Operative Document to which the Owner Trustee is or will become a party

(ii) DUE AUTHORIZATION; ENFORCEABILITY. Assuming due authorization, execution and delivery of the Trust Agreement by the Participants and Wilmington Trust Company, each Operative Document (other than the Trust Agreement) to which the Trust or the Owner Trustee is or will become a party constitutes or will constitute upon the due execution thereof a legal, valid and binding obligation of the Owner Trustee and the Trust, enforceable against the Owner Trustee and the Trust, in accordance with its terms, except as enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) NO LIENS. On each Funding Date, the Property to be acquired with all or a portion of the Advances made on such Funding Date shall be free and clear of Lessor Liens arising by, through or under the Owner Trustee (other than Permitted Liens).

(iv) CHIEF EXECUTIVE OFFICE. The principal place of business and chief executive office (as such term is used in Article 9 of the Uniform Commercial Code) of Owner Trustee and the Trust is located in Wilmington, Delaware.

(v) DUE ORGANIZATION. The Trust has been duly formed and is validly existing and in good standing as a statutory business trust under the laws of the State of Delaware, and has the power and authority to enter into and perform its obligations under each of the Operative Documents, including this Participation Agreement and the Lease to which it is or is to become a party.

(vi) ASSIGNMENT. It has not assigned or transferred any of its right, title or interest in or under the Lease or the Construction Agency Agreement except in accordance with the Operative Documents.

(vii) USE OF PROCEEDS. The proceeds of the Loans and the Equity Amounts shall be applied by the Trust in its capacity as the Lessor solely in accordance with the provisions of the Operative Documents.

(viii) SECURITIES ACT. Neither the Trust in its capacity as the Lessor nor any Person authorized by the Trust to act on its behalf has offered or sold any interest in the Notes or Equity Amounts, or in any similar security relating to the Property, or in any security the offering of which for the purposes of the Securities Act of 1933, as amended, would be deemed to be part of the same offering as the offering of the aforementioned securities to, or solicited any offer to acquire any of the same from, any Person other than, in the case of the Notes, the Lenders, and neither the Trust in its capacity as the

Lessor nor any Person authorized by the Trust to act on its behalf will take any action which would subject the issuance or sale of any interest in the Notes or Equity Amounts to the provisions of Section 5 of the Securities Act.

(ix) FEDERAL RESERVE REGULATIONS. The Trust is not engaged principally in, and does not have as one of its important activities, the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulation U of the F.R.S. Board), and no part of the proceeds of the Loans or the Equity Amounts will be used by it to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates, or is inconsistent with, the provisions of Regulation G, T, U or X of the F.R.S. Board. Terms for which meanings are provided in F.R.S. Board Regulation G, T, U or X or any regulations substituted therefor, as from time to time in effect, are used in this clause (9) with such meanings.

(x) INVESTMENT COMPANY ACT. The Trust is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(d) OWNER TRUSTEE AND TRUST AGREEMENTS. Owner Trustee and the Trust agree that:

(i) LESSOR LIENS. The Owner Trustee and the Trust will not directly or indirectly create, incur, assume or suffer to exist any Lessor Liens arising by, through or under it on the Trust Estate. The Owner Trustee shall, at the cost and expense of the Trust Estate, promptly take such action as may be necessary to discharge duly all Lessor Liens attributable to it on any part of the Trust Estate, other than Lessor Liens being contested by a Permitted Contest. The Owner Trustee shall make restitution to the Trust Estate for any diminution in the value of the Trust Estate as a result of its failure to discharge any Lessor Liens attributable to it.

(ii) NOTICES. In the event any claim with respect to any liabilities is filed against the Owner Trustee or the Trust, the Owner Trustee shall promptly notify the Certificate Holders and the Lessee thereof.

(iii) TITLE. On the Documentation Date and each Funding Date the Trust will take whatever interest in the Trust Estate and whatever rights to and interests in the Lease as were granted or conveyed to it, free and clear of any Lessor Liens attributable to it.

(iv) INTENTIONALLY OMITTED.

(v) TRUST AGREEMENT. The Owner Trustee agrees that (unless a Lease Event of Default shall have occurred and be continuing) until expiration or earlier termination of the Lease, it will not terminate the Trust Agreement without the prior written consent of the Lessee.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF LESSEE, CONSTRUCTION AGENT, GUARANTOR AND PARENT GUARANTOR

(a) GENERAL REPRESENTATIONS AND WARRANTIES. Each of the Lessee (in its capacity as Lessee, Construction Agent and Guarantor) and the Parent Guarantor hereby represents and warrants to each of the other parties hereto that:

(i) DUE ORGANIZATION. Lessee is a corporation duly organized and validly existing in good standing under the laws of either the State of Delaware. Parent Guarantor is a corporation duly organized and validly existing in good standing under the laws of the State of Minnesota. Each of the Lessee and Parent Guarantor (i) has all requisite corporate power and authority to own, hold under lease and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted and to enter into, and perform its obligations under, each of the Operative Documents to which it is or will become a party, and (ii) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in the State of Texas and in each state or other jurisdiction where a failure to so qualify would have a Material Adverse Effect.

(ii) DUE AUTHORIZATION; ENFORCEABILITY. Each of the Operative Documents to which it is or will become a party has been or will be, when executed and delivered, duly authorized by all appropriate corporate action, and has been or will be executed and delivered by the Lessee or Parent Guarantor, as the case may be, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes or will constitute upon the due execution thereof the Lessee's or Parent Guarantor's, as the case may be, legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) NO VIOLATION. The execution and delivery by the Lessee or Parent Guarantor, as the case may be, of each of the Operative Documents to which it is or will become a party are not, and the performance by each of the Lessee and Parent Guarantor of its obligations under each will not be, inconsistent with its Organic Documents, do not and will not contravene any Applicable Law of the United States of America, the State of Illinois, the State of Delaware or the State of Minnesota applicable to the Lessee or the Parent Guarantor, as the case may be, or the transactions contemplated by the Operative Documents, and do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage or other material contract or other instrument to which the Lessee or Parent Guarantor, as the case may be, is a party or by which it or its property is bound or require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any Governmental Authority or other Person, except such as have been obtained, given or accomplished or such as will, pursuant to paragraph (iv) below, be obtained, given or accomplished not later than the dates required by Applicable Law.

(iv) GOVERNMENTAL ACTIONS. The Lessee or Parent Guarantor, as the case may be, has made or will make all filings, recordings and registrations required by any Governmental Authority in connection with, and has obtained or will obtain, all Governmental Actions necessary or appropriate for the performance by the Lessee or the Parent Guarantor, as the case may be, of the transactions contemplated hereby and by the other Operative Documents which are then or theretofore required by Applicable Law; the Lessee or Parent Guarantor, as the case may be, will make all filings, recordings and registrations required by any Governmental Authority in connection with, and will obtain, all material Governmental Actions necessary or appropriate for the performance by the Lessee or Parent Guarantor, as the case may be, of the transactions contemplated hereby and by the other Operative Documents not later than the dates required by Applicable Law.

(v) NO LITIGATION. There are no pending or, to the best knowledge of the Lessee or Parent Guarantor, as the case may be, threatened actions or proceedings by or before any court or administrative agency or other Governmental Authority to which the Lessee or Parent Guarantor, as the case may be, is or may become a party which (i) involves any of the transactions contemplated hereunder or by any of the Operative Documents or (ii) if determined adversely to it, would reasonably be likely to materially adversely affect the Lessee's or Parent Guarantor's ability to perform its obligations under each of the Operative Documents to which it is or will become a party.

(vi) PERFORMANCE. Neither the Lessee nor the Parent Guarantor is in violation of any Applicable Law the violation of which is reasonably likely materially and adversely to affect the transactions contemplated by this Participation Agreement and the other Operative Documents or which would materially adversely affect Lessee's or Parent Guarantor's ability to perform its obligations under each of the Operative Documents.

(vii) NO ADVERSE CONTRACTS OR APPLICABLE LAW. Neither the Lessee nor the Parent Guarantor is a party to, or bound by, any contract or agreement or instrument, or subject to any charter or other corporate restriction or any Applicable Laws which materially and adversely affects the transactions contemplated by this Participation Agreement or the Operative Documents or which would materially adversely affect its ability to perform its obligations under each of the Operative Documents.

(viii) TAXES. All tax returns required to be filed by the Lessee or the Parent Guarantor in any jurisdiction have been filed where the failure to so file would have a Material Adverse Effect, and all Taxes upon the Lessee or the Parent Guarantor, as the case may be, or upon any of its properties, income or franchises, which are shown on such returns to be due and payable have been paid, other than Taxes (i) which are being contested in good faith by appropriate proceedings which have the effect of staying the enforcement of the lien for such Taxes and the sale, forfeiture or other loss of the Property during the pendency of such contest, (ii) for which none of the Lessor, the Owner Trustee, the Agent and the Participants shall be subject to any risk of criminal liability or material civil liability by virtue of the matters being contested or such proceedings, and (iii) for which the Lessee or the Parent Guarantor, as the case may be, in

accordance with prudent practice, has set aside adequate reserves for the payment thereof and has provided evidence reasonably acceptable to the Agent, the Lessor and the Participants of such reserves. No material controversy in respect of additional income taxes due is pending or, to the knowledge of the Lessee threatened, which controversy if determined adversely would materially and adversely affect the financial condition of the Lessee or the Parent Guarantor.

(ix) INVESTMENT COMPANY ACT. Neither the Lessee nor the Parent Guarantor is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(x) DISCLOSURE. Neither the financial statements referred to in Section 8(A)(XVIII) nor any written statement furnished by or on behalf of the Lessee or the Parent Guarantor, as the case may be, in connection with the negotiation of the Lease or any other Operative Document contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to Lessee or the Parent Guarantor that has not been disclosed in writing to the other parties hereto that materially and adversely affects the ability of Lessee or the Parent Guarantor to perform its obligations under the Operative Documents.

(xi) HOLDING COMPANY. Neither the Lessee nor the Parent Guarantor is subject to regulation as a "holding company", an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(xii) ERISA. The execution and delivery by the Lessee and the Parent Guarantor of the Operative Documents to which it is or will become a party, will not involve any prohibited transaction within the meaning of ERISA or Section 4975 of the Code. The representations by the Lessee and the Parent Guarantor in this paragraph is made in reliance upon and subject to the accuracy of the representations of the Participants in Section 6(a)(vi) hereof as to the source of funds for the Participant's Loans or Equity Amounts, as applicable.

(xiii) PATENTS AND TRADEMARKS. Each of the Lessee and the Parent Guarantor owns or possesses or has the right to use all the patents, patent rights, trademarks, service marks, trade names, copyrights, licenses and similar rights necessary for the performance of its obligations under the Operative Documents, without any conflict known to it with the actual or asserted rights of others which materially and adversely affect the Lessee's or the Parent Guarantor's ability to perform its obligations under the Operative Documents to which it is or will become a party. It is understood and agreed by the parties hereto that no interest in any trademark, trade name, copyright or service mark of the Lessee or an Affiliate thereof is being conveyed or transferred to the Owner Trustee or any other Person pursuant to any Operative Document.

(xiv) REGULATORY JURISDICTION. None of the Participants or Owner Trustee or Wilmington Trust Company will become, (i) solely by reason of entering into this

Participation Agreement or the other Operative Documents or (except with respect to the exercise by any Person of any control over the Property upon the occurrence of a Lease Event of Default or the expiration or other termination of the Lease) the consummation of any of the transactions contemplated hereby or thereby, subject to regulation by any Governmental Authority which regulates or otherwise has jurisdiction over any facilities for the retail distribution of petroleum products; or (ii) except for regulation the applicability of which depends on the existence of facts in addition to the ownership of the Property upon the exercise of remedies under the Lease or upon the expiration of the Lease, subject to ongoing regulation of its operations by any Governmental Authority.

(xv) PRIVATE OFFERING. Neither the Lessee, the Parent Guarantor, nor any Person authorized to act on Lessee's or Parent Guarantor's behalf has offered, either directly or indirectly, the Notes or any interest in the Trust Estate (including the trust certificates) for sale to, or solicited offers to buy any thereof from or otherwise approached or negotiated with respect thereto with any prospective purchaser, other than the Participants. Neither the Lessee nor the Parent Guarantor has authorized or employed any Person to act as agent, broker, finder, financial advisor or otherwise in connection with the offering of interests in the Notes or the Trust Estate (including the trust certificates).

(xvi) NO DEFAULTS. No Lease Default or Lease Event of Default has occurred and is continuing.

(xvii) FEES. Neither the Lessee, the Parent Guarantor, nor any Person authorized or employed by the Lessee or the Parent Guarantor as agent or otherwise has taken any action the effect of which would be to cause the Certificate Holders, the Trust Estate, or the Owner Trustee to be liable for any brokers', finders', agents', or advisors' fees or commissions or costs of any nature or kind claimed by or on behalf of brokers, finders, agents or advisors in respect of the transactions contemplated by the Operative Documents.

(xviii) FINANCIAL STATEMENTS. The consolidated annual financial statements of the Parent Guarantor and its Consolidated Subsidiaries, certified by Arthur Andersen, independent certified public accountants, for the year ended December 31, 2000 and the consolidated un-audited financial statements of the Parent Guarantor and its Subsidiaries, including the Lessee, for the period from January 1, 2001 to June 30, 2001 (collectively, the "Financial Reports") present fairly, in all material respects, the financial condition of the Parent Guarantor and its Consolidated Subsidiaries, as of the dates indicated therein and the results of operations and changes in financial position or, if applicable, changes in cash flow for the periods therein specified subject, in the case of interim financial statements, to year-end adjustment. Since June 30, 2001, there has been no material adverse change in the financial condition of the Lessee or the Parent Guarantor, as the case may be.

(xix) The pro forma financial statements of the Parent Guarantor and its Consolidated Subsidiaries, dated as of October, 2001 present fairly on a pro forma basis the financial position of the Parent Guarantor and its Consolidated Subsidiaries as of such

date and the pro forma financial results for the periods covered thereby, and are based on good faith assumptions believed by the management of the Parent Guarantor to be reasonable at the time made.

(xx) CHIEF EXECUTIVE OFFICE. The principal place of business and chief executive office (as such term is used in Article 9 of the Uniform Commercial Code) of the Lessee and the Parent Guarantor is located at 400 N Sam Houston Parkway E, Suite 400, Houston, Texas 77060. The federal employer identification number of the Lessee is 76-0413713 and the organizational identification number of the Lessee, as designated by the State of Delaware is 2310719.

(xxi) USE OF LOANS AND PROCEEDS. No part of any Advance will be used directly or indirectly for the purpose of purchasing or carrying, or for payment in full or in part of indebtedness that was incurred for the purposes of purchasing or carrying, any margin security as such term is defined in Section 207.2 of Regulation G of the F.R.S. Board (12 C.F.R., Chapter II, Part 207).

(xxii) REGULATIONS T, U AND X. No proceeds of any of the Advances will be used for a purpose which violates, or would be inconsistent with, F.R.S. Board Regulation T, U or X. Terms for which meanings are provided in F.R.S. Board Regulation T, U or X or any regulations substituted therefor, as from time to time in effect, are used in this clause (xxi) with such meanings.

(xxiii) GOVERNMENTAL LEASES. The Governmental Leases remain in full force and effect and neither the Lessee nor the Parent Guarantor is aware of any fact or circumstance which could have a Material Adverse Effect on the ability of the Lessee or any licensee of same to exercise its rights and enjoy the benefits of such Governmental Leases including, without limitation, locating the Platform on the Site.

(xxiv) JOINT OPERATING AGREEMENT. The Joint Operating Agreement is in full force and effect, and the Lessee and, to Lessee's knowledge, Kerr-McGee Oil & Gas Corporation and Nexen Petroleum Offshore U.S.A. Inc., are in compliance with the terms thereof in all material respects. The Development Plan and the current Annual Operating Plan (as each of those terms are defined in the Joint Operating Agreement) are each in full force and effect.

(xxv) AMENDMENTS. Neither the Joint Operating Agreement, the Development Plan or the current Annual Operating Plan (as each of those terms are defined in the Joint Operating Agreement) has been amended except as expressly permitted pursuant to the terms of this Agreement.

(xxvi) POLICIES OF INSURANCE. All Policies of Insurance required to be obtained pursuant to the terms of this Agreement or the Lease are in full force and effect and the Lessee is in compliance with all Insurance Requirements in connection therewith.

(xxvii) PERFECTION. Lessee has taken or is in the process of taking all action as is necessary to cause the perfection of the security interest of the Lenders in the Trust Estate including the actions set forth in Exhibit M.

(xxviii) PERFECTION. INFORMATION. All Certificates, financial statements and other information as is required to be delivered to the Lessor and/or the Participants in connection with the satisfaction of the conditions precedent with respect to the Documentation Date is true and accurate in all material respects and there has been no material adverse change in such Certificates, financial statements or other information since the date thereof.

(xxix) INFORMATION PROVIDED TO CONSULTANTS. All information and materials which have been provided by the Lessee in connection with the Platform and the Overall Transaction to the Appraiser, the Construction Consultant, the Engineering Consultant, the Environmental Consultant, the Reserve Engineer and the Insurance Consultant in connection with the reports to be delivered by them is true and accurate in all material respects on the date as of which such information and materials are dated or certified and are not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided.

(xxx) OWNERSHIP OF LESSEE SHARES. Parent Guarantor owns 100% of the issued and outstanding stock of the Lessee.

(b) AVAILABILITY DATE REPRESENTATIONS AND WARRANTIES. As of the Availability Date, each of the Lessee (in its capacity as Lessee, Construction Agent and Guarantor) and the Parent Guarantor hereby represents and warrants to each of the other parties hereto that:

(i) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Lessee and the Parent Guarantor in the Operative Documents and in Section 8(a) hereof are true and accurate on and as of such Availability Date, as though made on and as of such Availability Date (or, if stated to relate to an earlier date, shall have been true and accurate as of such earlier date). No Event of Default has occurred and is continuing and no Default of which the Lessee or the Parent Guarantor has knowledge and that has not been previously disclosed to the Participants has occurred and is continuing under the Lease or the Construction Agency Agreement or any other Operative Document.

(ii) DUE AUTHORIZATION; ENFORCEABILITY. Each of the Operative Documents to which it is or will become a party with respect to the Availability Date has been or will be, when executed and delivered, duly authorized by all appropriate corporate action, and has been or will be executed and delivered by the Lessee or the Parent Guarantor, as the case may be, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes or will constitute upon the due execution thereof the Lessee's or Parent Guarantor's, as the case may be, legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) NO VIOLATION. The execution and delivery by the Lessee or Parent Guarantor, as the case may be, of each of the Operative Documents to which it is or will

become a party with respect to the Availability Date are not, and the performance by the Lessee or Parent Guarantor, as the case may be, of its obligations under each will not be, inconsistent with its Organic Documents, do not and will not contravene any Applicable Law of the United States of America, the State of Illinois, the State of Delaware, the State of Minnesota or any jurisdiction applicable to the Lessee or the Parent Guarantor, as the case may be, or the Property or the transactions contemplated by the Operative Documents, and do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage or other material contract or other instrument to which the Lessee or the Parent Guarantor, as the case may be, is a party or by which it or its property is bound or require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any Governmental Authority or other Person, except such as have been obtained, given or accomplished or such as will, pursuant to paragraph (iv) below, be obtained, given or accomplished not later than the dates required by Applicable Law.

(iv) GOVERNMENTAL ACTIONS. The Lessee or the Parent Guarantor, as the case may be, has made or will make all filings, recordings and registrations required by any Governmental Authority in connection with, and has obtained or will obtain, all Governmental Actions necessary or appropriate for the construction and commercial operation and use of the Platform and the performance by the Lessee of the transactions contemplated hereby and by the other Operative Documents which are then or theretofore required by Applicable Law; the Lessee or the Parent Guarantor, as the case may be, will make all filings, recordings and registrations required by any Governmental Authority in connection with, and will obtain, all material Governmental Actions necessary or appropriate for the construction and commercial operation and use of the Platform and the performance by the Lessee or the Parent Guarantor, as the case may be, of the transactions contemplated hereby and by the other Operative Documents not later than the dates required by Applicable Law.

(v) PERFORMANCE. Neither the Lessee nor the Parent Guarantor is in violation of any Applicable Law the violation of which is reasonably likely materially and adversely to affect the Platform or the transactions contemplated by this Participation Agreement and the other Operative Documents or which would materially adversely affect the Lessee's or the Parent Guarantor's ability to perform its obligations under each of the Operative Documents.

(vi) CONSTRUCTION CONTRACTS. The Lessee has delivered to the Lessor copies of all Construction Contracts in effect as of the Availability Date and all such Construction Contracts do not differ materially from the most recent drafts of such Construction Contracts delivered to the Lessor.

(vii) APPROVED BUDGET. The Approved Budget remains in full force and effect, there has been no material change in the Approved Budget since the date of approval by the Participants, and the Lessee is not aware of any fact or circumstance which could have a Material Adverse Effect on the ability of the Construction Agent to cause the construction of the Platform within the parameters set forth in the Approved Budget.

(c) FUNDING DATE REPRESENTATIONS AND WARRANTIES. As of each Funding Date, on which an Advance is made and with respect to the Platform and/or the Property, each of the Lessee (in its capacity as Lessee, Construction Agent and Guarantor) and the Parent Guarantor represents and warrants that:

(i) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Lessee and the Parent Guarantor, as the case may be, in the Operative Documents and in Section 8(a) and Section 8(b) hereof are true and accurate on and as of such Funding Date, as though made on and as of such Funding Date (or, if stated to relate to an earlier date, shall have been true and accurate as of such earlier date). No Event of Default has occurred and is continuing and no Default of which the Lessee or the Parent Guarantor has knowledge and that has not been previously disclosed to the Participants has occurred and is continuing under the Lease or the Construction Agency Agreement or any other Operative Document. No Default or Event of Default under the Lease or the Construction Agency Agreement or, to the knowledge of the Lessee, any other Operative Document, will occur as a result of, or after giving effect to, the Advance requested by the Funding Request on such date.

(ii) SUPPORT AGREEMENTS. The ownership and use of the Property by the Trust, the Owner Trustee or the Certificate Holders does not require the execution by, or assignment to, any such party of any easement, utility, maintenance or other support agreements.

(iii) APPLICABLE LAWS. The Platform and the commercial operation thereof for its intended purposes and use thereof are and/or will be in compliance with all Applicable Laws, including, without limitation, zoning, planning, building, occupational safety and health laws and Environmental Laws of any Governmental Authority (other than in connection with the business of banking or which may be applicable to activity or transactions of the Participants not relating to the Operative Documents) having jurisdiction over the Platform, the Property, the Trust, the Owner Trustee, the Lessor or the Lessee other than such non-compliance that would not, individually or in the aggregate, (i) have a Material Adverse Effect, or (ii) impose any material penalty on, or result in the imposition of any criminal liability on, any Indemnified Person. All requirements thereof necessary for the use, occupancy and operation of the Platform which are then or theretofore required by Applicable Laws have been satisfied in all material respects.

(iv) NO TAXES. No sales, use, transfer, documentation, real estate or similar taxes, fees or other charges are payable with respect to the Platform or the Property under the laws of any State or any governmental subdivision thereof in which Platform or the Property is located in connection with (A) the entering into, or performance under, or enforcement of any Operative Document with respect thereto or (B) the lease to the Lessee of the Property, except such taxes, fees and other charges as have been paid or will be paid by the Lessee when due or are included in Estimated Allocated Construction Cost or Transaction Expenses.

(v) NO EVENTS OF LOSS. Except as disclosed in writing to the Certificate Holders in accordance with the Operative Documents, no Event of Loss with respect to the Platform has occurred and no event or condition has occurred which would, with the passage of time or the giving of notice, or both, constitute an Event of Loss with respect to the Platform.

(vi) ADVANCE. The amount of the Advance requested represents amounts owed by the Lessee or Construction Agent in respect of Allocated Construction Costs or Transaction Expenses, as the case may be, incurred prior to the date of such Advance and for which the Lessee has not previously been reimbursed by an Advance or represent amounts with respect to Facility Fees. The conditions precedent to such Advance and the related Equity Amount and Loans set forth in Section 9 have been satisfied or waived by the Participants.

(vii) CONSTRUCTION OF PROPERTY, DESCRIPTION OF AND TITLE TO PROPERTY. On the Funding Date, all material approvals of any Governmental Authority necessary for the construction operation of the Platform have been received and are in full force and effect with respect to work performed or to be performed in connection with the Advance to be made on such Funding Date. On each Funding Date, after giving effect to the transactions contemplated hereby, the Trust will have good and marketable title to and ownership of Property related to the Advance made in connection with such Funding Date, subject to no Title Defects, free and clear of all Liens, except Permitted Liens.

(viii) COMPLIANCE WITH ENVIRONMENTAL PROTECTION REQUIREMENTS. On the Funding Date (except as disclosed in the Environmental Audits delivered by Lessee to the Certificate Holders, Lessor and the Lenders) and during the Lease Term, the Platform is in compliance in all material respects with all Environmental Laws which are applicable to the Platform including, without limitation, Environmental Laws pertaining to design and performance standards and quality criteria for air, water and reclamation, and the use, storage, disposal and transportation of Hazardous Substances. Lessee shall cause asbestos to be abated as required in connection with its Construction of the Platform, as applicable.

(ix) INFORMATION PROVIDED TO CONSTRUCTION CONSULTANT. All information and materials which have been provided by the Lessee to the Construction Consultant in connection with the Construction Consultant Report delivered in connection with the Funding Date is true and accurate in all material respects on the date as of which such information and materials are dated or certified and are not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided.

(x) ENVIRONMENTAL LAWS. Except as described in the Environmental Audit delivered by the Lessee to the Certificate Holders, the Lessor and the Lenders, to the best of the Lessee's and Parent Guarantor's knowledge:

(1) there are no pending or threatened claims, complaints, notices or requests for information relating to the Platform or the Property received by the

Lessee or the Parent Guarantor with respect to any alleged violation of any Environmental Law, which may reasonably be expected to have a material adverse effect on the financial condition, operations, assets, business or properties of the Lessee or the Parent Guarantor or which may reasonably be expected to have a material adverse effect on the Platform or the Property, and

(2) there are no pending or threatened complaints, notices or inquiries to the Lessee or the Parent Guarantor relating to the Platform or the Property regarding potential liability of the Lessee or the Parent Guarantor under any Environmental Law, which may reasonably be expected to have a material adverse effect on the financial condition, operations, assets, business or properties of the Lessee or the Parent Guarantor.

(xi) PLATFORM. The contemplated use of the Platform by the Lessee and its respective agents, assignees, employees, lessees, licensees and tenants will comply in all material respects with all Requirements of Law (including, without limitation, all zoning and land use laws and Environmental Laws) and Insurance Requirements.

(xii) PLANS AND SPECIFICATIONS. There is no action, suit or proceeding (including any proceeding in condemnation or eminent domain or under any Environmental Law) pending or, to the best knowledge of the Lessee or the Parent Guarantor, threatened with respect to the Platform which adversely affects the title to, or materially and adversely affects the use, operation or value of, the Platform or the Property. With respect to the Platform, all material licenses, approvals, authorizations, consents, permits (including, without limitation, building, demolition and environmental permits, licenses, approvals, authorizations and consents), easements and rights-of-way, including dedication, required for (x) the use, treatment, storage, transport, disposal or disposition of any Hazardous Substance on, at, under or from the Platform during the construction thereof, and (y) construction of such Platform in accordance with the related Plans and Specifications and the Construction Agency Agreement have either been obtained from the appropriate Governmental Authorities having jurisdiction or from private parties, as the case may be, or will be obtained from the appropriate Governmental Authorities having jurisdiction or from private parties, as the case may be, prior to the time required by such Governmental Authority or private party.

(xiii) INSURANCE. The Lessee has obtained insurance coverage covering the Property which meets the requirements of Section 12 of the Lease, and such coverage is in full force and effect. The Lessee carries insurance with reputable insurers in respect of the Property and its Material Assets, in such manner, in such amounts and against such risks as is customarily maintained by the Lessee or its Affiliates that own or operate similar properties.

(xiv) CONSTRUCTION MILESTONES. Each Construction Milestone required to have been completed prior to the Funding Date is substantially complete and each Construction Milestone required to have been completed in connection with previous Advances on previous Funding Dates remains substantially complete.

(d) AGREEMENTS. The Lessee hereby agrees that:

(i) INFORMATION. During the Lease Term, the Lessee and/or the Parent Guarantor, as the case may be, shall furnish to the Agent, the Participants and the Owner Trustee:

(1) promptly upon a Responsible Employee of the Lessee becoming aware of the existence of a Lease Default, or Lease Event of Default, written notice specifying the nature of such Lease Default or Lease Event of Default and what action the Lessee is taking or proposes to take with respect thereto;

(2) within 120 days after the close of each Fiscal Year of the Parent Guarantor, an audited consolidated balance sheet and consolidated statements of retained earnings and cash flows of the Parent Guarantor and its Consolidated Subsidiaries at the end of such Fiscal Year, together with an audited consolidated statement of income of the Parent Guarantor and its Consolidated Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year and accompanied by an opinion of a firm of independent certified public accountants of recognized national standing stating that such audited financial statements present fairly in all material respects the financial condition of the companies being reported upon and have been prepared in accordance with GAAP and that the audit by such accountants in connection with such audited financial statements has been made in accordance with generally accepted auditing standards;

(3) within sixty (60) days after the close of each of the first three quarters of each Fiscal Year of the Parent Guarantor, an unaudited consolidated balance sheet and consolidated statements of cash flows of the Parent Guarantor and its Consolidated Subsidiaries, at and as of the end of such year-to-date period, together with an unaudited consolidated statement of income of the Parent Guarantor and its Consolidated Subsidiaries, for such year-to-date period, setting forth in each case in comparative form the amount for the corresponding period of the preceding Fiscal Year (for the balance sheet, the comparative period shall be the end of the preceding Fiscal Year), all in reasonable detail;

(4) promptly upon their becoming available, one copy of each financial statement, report, or proxy statement sent by the Parent Guarantor to its shareholders generally, and of each regular or periodic report filed by the Parent Guarantor with any securities exchange or with the Securities and Exchange Commission or any successor agency;

(5) promptly, and in any event within ten (10) days, notice to the Agent of any amendment to the Joint Operating Agreement;

(6) from time to time, such other financial information as Certificate Holders, Owner Trustee or the Agent may reasonably request; and

(7) together with the financial statements delivered pursuant to clauses (ii) and (iii) above, a certificate substantially in the form of Exhibit N attached hereto (and with no exceptions set forth therein other than those acceptable to the Agent and the Required Participants) from the Chief Financial Officer of the Parent Guarantor, which shall, in addition, show a calculation of the financial covenants set forth in Section 8(d)(vii);

(ii) PLATFORM COSTS AND ALLOCATED CONSTRUCTION COSTS; USE OF ADVANCES. The Lessee, as Construction Agent, will maintain a record of the Property Balance and the Allocated Construction Cost, and shall certify the same periodically to the Lessor, the Agent and the Participants from time to time upon request. In no event shall the Lessee or Construction Agent use the proceeds of the Advances for any purpose other than paying or reimbursing Allocated Construction Costs.

(iii) OFFICER'S CERTIFICATE. During the Lease Term with respect to the Property, within sixty (60) days after each quarterly period ending on each of March 31, June 30, September 30, within one hundred twenty (120) days after the end of each Fiscal Year of the Parent Guarantor and on December 31 of each year, the Lessee shall deliver to the Certificate Holders, the Agent and the Owner Trustee a certificate in the form of Exhibit C hereto of a Responsible Employee of the Lessee stating that such Responsible Employee has reviewed the required insurance coverages, the relevant terms of the Lease and the other Operative Documents and has made, or caused to be made, under such Responsible Employee's supervision, a review of the transactions and conditions of the Lessee from the beginning of the fiscal period stated in such request to the date of the certificate and (i) that such review has not disclosed the existence during such period of any condition or event which constitutes a Lease Default or Lease Event of Default or, if any such condition exists, specifying the nature and period of existence and what action the Lessee has taken or proposes to take with respect thereto, and (ii) certifying as to the satisfaction of the financial covenants set forth in (vii) below, and providing a schedule of the calculations and data used in determining such compliance.

(iv) DEFENSE OF TITLE. The Lessee will, at all times, at its own cost and expense, warrant and defend that the title of the Trust or the Owner Trustee, as the case may be, to the Property is free and clear of Liens, except for Permitted Liens.

(v) LIENS. The Lessee will not, directly, or indirectly, create, incur, assume or suffer to exist any Liens on the Property, except for Lessor Liens, and further except for Liens being contested by a Permitted Contest.

(vi) NON-DISCRIMINATION. The Lessee will operate and otherwise deal with the Platform and the Property using the Lessee's same general business practices as are applicable generally to its owned and leased properties which are similar to such Platform or such Property.

(vii) COVENANTS. The Parent Guarantor shall, and shall cause each of its Subsidiaries and the Lessee shall, and shall cause each of its Subsidiaries, to observe and perform the covenants set forth in SCHEDULE IV attached hereto.

(viii) SPECIAL EVENTS. The Lessee will not permit or suffer to occur any Special Events.

(ix) ERISA. Neither the Lessee nor the Parent Guarantor will, in the future, cause directly or indirectly any employee benefit plan (other than a governmental plan) with respect to which it or one of its Affiliates is a party in interest, all within the meaning of ERISA, to become a party to any of the Operative Documents or to have any interest in any of the transactions contemplated thereby, directly or indirectly. As used in this Section, the terms "EMPLOYEE BENEFIT PLAN" and "PARTY IN INTEREST" shall have the meanings assigned to them in ERISA.

(x) NO ISSUANCE. The Lessee and the Parent Guarantor agree that neither the Lessee nor anyone acting on its behalf will offer any interests in the Trust Estate (including the trust certificates) or any part thereof or any securities similar thereto for issue or sale to, or solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the interests in the Trust Estate (including the trust certificates) within the provisions of Section 5 of the Securities Act or any similar provisions under any applicable state "blue sky" or similar state securities laws.

(xi) GOVERNMENTAL LEASES. The Lessee agrees to duly and timely perform all obligations under each Governmental Lease (including, without limitation, the payment of all royalties or other amounts due thereunder from time to time) and to comply with all provisions of such Governmental Leases. The Lessee will forward to Lessor, and the Agent and the Participants all copies of all notices delivered to any party to the Governmental Leases within ten days of receipt or dispatch, as the case may be.

(xii) LESSEE'S COVENANT TO NOTIFY OF RELOCATION. Each of the Lessee and the Parent Guarantor covenants and agrees to give the Owner Trustee and the Certificate Holders at least 30 days' prior written notice of any relocation of its chief executive office, principal place of business or the place where its records concerning the Platform or the Property is located.

(xiii) CORPORATE FRANCHISES. Each of the Lessee and the Parent Guarantor covenants and agrees that it will at all times maintain its corporate existence and all material franchises and qualifications in good standing and at all times comply in all respects with any Applicable Law, rule, regulation, order or decree applicable to Lessee or its operations or properties the failure to comply with which, in each case or in the aggregate, would have a Material Adverse Effect upon Lessee.

(xiv) COMPLETION AND OPERATION. Lessee covenants and agrees that the Platform shall be operated for the use intended by the Lessee upon the Lessor's Completion of the Platform. Lessee shall deliver to the Certificate Holders and the Owner Trustee, on or before the Outside Completion Date applicable to the Platform, a certificate of a Responsible Employee of the Lessee stating that such Platform is operating for the use intended by the Lessee and all Construction has been completed on or before such date.

(xv) COMPLIANCE WITH ENVIRONMENTAL PROTECTION REQUIREMENTS; ACCESS TO ENVIRONMENTAL AUDITS. During the Lease Term, the Lessee will cause the Platform to be in compliance in all material respects with all Environmental Laws which are applicable to the Platform including, without limitation, Environmental Laws pertaining to design and performance standards and quality criteria for air, water and reclamation, and the use, storage, disposal and transportation of Hazardous Substances. During the Lease Term, the Lessee shall furnish to the Agent, the Participants and the Owner Trustee, any Environmental Audits and all environmental reports, filings or notices (given or received by it) related to the Platform which are obtained or made by it.

(xvi) CREATION AND MAINTENANCE OF LIEN. The Lessee will obtain and maintain on behalf of the Lessor and the Lenders a first priority perfected security interest in the Property located on the Construction Sites or the Site or, to the extent practicable, while in transit between such locations and in the Construction Documents, subject to Permitted Liens. The Lessee will deliver and/or file or cause to be delivered and/or filed such opinions, registrations, supplements or other documents as shall be necessary to evidence and confirm the lien of the Lessor and the Lenders or as shall otherwise be reasonably confirmed by the Agent, including, without limitation, such documentation as is reasonably necessary to perfect the security interests of the Lessor and the Agent in the bill of lading or substantially equivalent document with respect to the Platform while in transit from Finland to Texas or Louisiana and from Texas or Louisiana to its intended location in Garden Banks Block 668. During the Construction Period, Lessee agrees that any and all filings of financing statements, mortgages, deeds of trust of other security documents shall be updated quarterly with revised schedules so as to reflect progress of the construction or otherwise, all of such documents to be in form and substance satisfactory to the Lessor, the Agent and the Participants.

(xvii) CHARACTERIZATION OF PROPERTY. The parties hereto intend that the Platform be characterized as personalty and not as real estate. The Lessee hereby agrees that it shall not contest such characterization in a court of law or otherwise.

(xviii) SUPPORT ARRANGEMENTS. If the Lease is terminated and the Property is not purchased by the Lessee, the Lessee will provide commercially reasonable and customary support to the Lessor in connection with Lessor's ownership of the Platform reasonably required by the Lessor including, without limitation, the right to access the Platform and the Site, all items necessary to use the Platform and realize value from the Platform (including pipeline access), but not including an obligation to (a) dedicate reserves beyond those provided in the amendment to the Joint Operating Agreement pertaining to the Platform, (b) obtain Governmental Actions which are not obtainable with commercially reasonable efforts or (c) provide items or service which are readily available to the Lessor in the market. In connection with items provided by Lessee, Lessor shall pay Lessee the fair market value of such items upon delivery. The Lessor's right to the support arrangements shall survive termination of the Lease and is assignable by the Lessor to third parties.

(xix) JOINT OPERATING AGREEMENT PLATFORM AMENDMENT. (a) The Lessee will observe and perform its obligations under the Joint Operating Agreement, including, (x)

causing an Annual Operating Plan and the Development Plan (as each of those terms are defined in the Joint Operating Agreement) to remain in full force and effect at all times and (y) complying with the terms of the Second Amendment to the Joint Operating Agreement pertaining to the Platform (commonly known as the "PLATFORM AMENDMENT") on and after the date such Platform Amendment is effective, (b) the Lessee will not waive or amend any provisions of the Joint Operating Agreement relating to the Platform without the written consent of the Agent and the Required Participants if such proposed waiver or amendment would have a Material Adverse Effect on their interests therein and herein, and (c) for the purposes of Section 14.5.1 of the Platform Amendment, voting rights in respect of the Operator shall be as set forth in such Section 14.5.1.

(xx) INSURANCE. The Lessee will comply with the provisions relating to insurance set forth in the Lease and will not without the written consent of the Agent materially alter insurance coverage with respect to the Platform from that set forth in the Insurance Consultant's Report.

(xxi) OWNERSHIP OF LESSEE SHARES. The Lessee shall cause Parent Guarantor, and Parent Guarantor shall continue to own, 100% of the issued and outstanding stock of Lessee.

SECTION 9. CONDITIONS PRECEDENT TO DOCUMENTATION DATE, AVAILABILITY DATE AND ADVANCES

(a) CONDITIONS PRECEDENT TO THE DOCUMENTATION DATE. The obligations of the Lessor, the Participants and the Agent to enter into the Operative Documents on the Documentation Date, are subject to each of the following conditions precedent, with all documents to be in form and substance acceptable to the Agent and the Participants:

(i) CORPORATE PROCEEDINGS. Each of the Participants, the Agent, the Owner Trustee and the Lessee shall have received evidence of the corporate existence and the incumbency of officers, and copies of such corporate resolutions and authorizations, of each of the other parties as each such party shall reasonably request.

(ii) OPINION OF COUNSEL FOR LESSEE AND PARENT GUARANTOR. Each of the Participants, the Agent and the Owner Trustee shall have received a favorable opinion, dated such date, addressed to each of them from Andy Becher, in-house counsel to the Lessee and Parent Guarantor (which opinions shall be substantially in the form of Exhibit D-1 and F-1, respectively), Phelps Dunbar L.L.P., special local Louisiana counsel of the Lessee and Parent Guarantor, Dittmar & Indrenius, special Finland counsel to the Lessee and Parent Guarantor (which opinions shall be substantially in the form of Exhibits, F-2, and F-3 hereto, respectively).

(iii) OPINION OF COUNSEL FOR OWNER TRUSTEE. Each of the Certificate Holders and the Lessee shall have received a favorable opinion, dated such date addressed to each of them from Morris, James, Hitchens & Williams, LLP, special counsel for Wilmington

Trust Company and the Owner Trustee, which opinion shall be substantially in the form of Exhibit E hereto.

(iv) ILLEGALITY. There is no Applicable Law which would make it illegal for the Certificate Holders, the Owner Trustee, or the Lessee to participate in any of the transactions contemplated by the Operative Documents.

(v) DOCUMENTS IN FULL FORCE AND EFFECT. Each of this Participation Agreement and each of the Operative Documents delivered on the Documentation Date shall be in form and substance reasonably satisfactory to the Agent, the Lessee, the Participants and the Owner Trustee, shall be in full force and effect on the Documentation Date, and an executed counterpart of each thereof shall have been delivered to each such party.

(vi) NO DEFAULT. No Default or Event of Default shall have occurred and be continuing on the Documentation Date.

(vii) GOVERNMENTAL ACTIONS. There shall be no Governmental Actions by, from or with any Governmental Authority that are necessary or, in the reasonable opinion of the Agent, the Lessee, any Participant or the Owner Trustee, advisable (i) in connection with the due execution, delivery and performance by the parties to each of the Operative Documents of such Operative Documents to which it is or will become a party or with respect to the transactions contemplated hereby or thereby except for Governmental Actions which are not then required to be obtained under Applicable Law, and (ii) so that none of the Participants, the Agent, Owner Trustee or Wilmington Trust Company will become, (x) solely by reason of entering into this Participation Agreement or the other Operative Documents or (except with respect to the exercise by any Person of any control over the Platform or the Property upon the occurrence of a Lease Event of Default or the expiration or other termination of the Lease) the consummation of any of the transactions contemplated hereby or thereby, subject to regulation by any Governmental Authority which regulates or otherwise has jurisdiction over any facilities for the retail distribution of petroleum products; or (y) except for regulation the applicability of which depends on the existence of facts in addition to the ownership of the Platform or the Property upon the exercise of remedies under the Lease or upon the expiration of the Lease, subject to ongoing regulation of its operations by any Governmental Authority.

(viii) NO LITIGATION. There shall be no legal action, suit, investigation or proceeding by or before any Governmental Authority pending or threatened against or affecting each of the Lessee, Parent Guarantor or any of its respective properties, which materially and adversely affects any of the transactions contemplated by this Participation Agreement or the other Operative Documents or the ability of the Lessee or the Parent Guarantor, as the case may be, to perform its obligations hereunder or under the other Operative Documents.

(ix) NO VIOLATION. The Lessee shall be in compliance with all Applicable Laws the violation of which is reasonably likely to affect materially and adversely the

transactions contemplated by this Participation Agreement and the other Operative Documents, including, without limitation, all Environmental Laws.

(x) REPRESENTATIONS AND WARRANTIES. The representations and warranties of each of the Participants, Wilmington Trust Company, the Owner Trustee and the Lessee contained herein or in any other Operative Document executed and delivered on or prior to such date shall be true and accurate on and as of the Documentation Date, as though made on and as of such date (or, if stated to have been made as of an earlier date, shall have been true and accurate as of such date).

(b) CONDITIONS TO THE AVAILABILITY DATE. The occurrence of the Availability Date and, therefore, the obligation of the Certificate Holders to fund any Equity Amount and the obligation of each Lender to make any Loan, are subject to satisfaction or waiver of the following conditions precedent, with all documents to be in form and substance acceptable to the Agent and the Participants:

(i) DOCUMENTATION DATE CONDITIONS PRECEDENT. The conditions precedent set forth in Section 9(a) (except Sections 9(a)(ii), (iii) and, except as to the Lessee, (x)) shall have been satisfied or waived on and as of such Availability Date it being understood that such conditions precedent shall be applied to the Availability Date by replacing the term "Documentation Date" in Section 9(a) with the term "Availability Date."

(ii) TAXES. All Taxes, if any, due and payable on or prior to the Availability Date in connection with the execution, delivery, recording and filing or performance of the Operative Documents and in connection with the consummation of the transactions contemplated thereby shall have been paid in full on or prior to the Availability Date.

(iii) APPRAISAL. The Appraisal of the Platform shall (a) be delivered to each Participant, the Lessor, the Agent and the Owner Trustee at least one (1) week prior to the Availability Date, and (b) be in form and substance satisfactory to the Participants.

(iv) RECORDATION. The Lessor, the Certificate Holders and the Lenders shall have received evidence reasonably satisfactory to it that the Lender Mortgages and, Assignment of Leases and Rents and other security documentation as agreed by the parties hereto have been, or are being, recorded (or satisfactory arrangements have been made for prompt recordation) in a manner sufficient to properly secure each of their interests therein and fees payable in connection therewith have been paid by Lessee.

(v) EVIDENCE OF INSURANCE. The Agent, the Lessor and the Certificate Holders shall have received evidence that the insurance maintained by the Lessee with respect to the Platform satisfies the requirements set forth in Section 12 of the Lease, setting forth the respective coverage, limits of liability, carrier, policy number and period of coverage.

(vi) GOVERNMENTAL LEASES. Permission is hereby granted to the Lessor by the Lessee to locate the Property on the Site.

(vii) SUPPLEMENTAL OPINIONS OF COUNSEL OF LESSEE. On or prior to the applicable Availability Date, the Lessee shall have delivered to the Agent, each Participant and the Lessor (i) a supplement to each of the opinions of in-house counsel to the Lessee and Parent Guarantor, (ii) a supplement to the opinion of Phelps Dunbar L.L.P., special Louisiana counsel to the Lessee and the Parent Guarantor, (iii) a supplement to the opinion of Dittmar & Indrenius, special Finland counsel to the Lessee and the Parent Guarantor, and (iv) a supplement to the opinion of applicable counsel (or new opinion of applicable local counsel, each acceptable to the Agent and the Certificate Holders) hereto, which supplements, opinions and questionnaires shall cover matters required by the Agent.

(viii) UCC FINANCING STATEMENTS. Lessee and Lessor shall have executed and submitted for filing or recording, as applicable, Uniform Commercial Code financing statements (which may be in the form of amendments to existing financing statements) with respect to the Property and the Trust Estate.

(ix) OTHER DOCUMENTS. The Lessee shall have delivered or caused to be delivered such other documents as the Lessor and Agent may reasonably request.

(x) PLANS AND SPECIFICATIONS; CONSTRUCTION SCHEDULE; CONSTRUCTION MILESTONES. On or prior to the applicable Availability Date, the Lessee shall have delivered to the Agent the Plans and Specifications, a schedule for Construction completion for the Platform, and the Construction Milestones, certified by the Construction Agent;

(xi) CONSTRUCTION BUDGET. On or prior to the applicable Availability Date, the Lessee shall have delivered to the Agent the Approved Budget for the Platform, certified by the Construction Agent; and

(xii) CONSTRUCTION CONTRACT. On or prior to the applicable Funding Date, the Lessee shall have delivered to the Agent the Construction Contract and any Material Construction Contracts for the Construction of the Platform which are in existence, which Construction Contract and Material Construction Contracts and the contractors party thereto shall have been approved by the Required Participants, and under which Construction Contracts, the cost of design of the Platform, including, without limitation, the applicable Plans and Specifications and the Construction Cost of such Platform in accordance with such Plans and Specifications shall not exceed the Approved Budget.

(xiii) REPORTS. The following reports shall (a) have been delivered to each Participant, the Lessor, the Agent and the Owner Trustee at least one (1) week prior to the Availability Date, and (b) shall be in form and substance satisfactory to the Participants: the Reserve Report, a Construction Consultant's Report, the Insurance Consultant's Report, and the Environmental Consultant's Report and the Engineering Report.

(xiv) CONSTRUCTION CONSULTANT CERTIFICATE. The Construction Consultant shall deliver to the Lessor and the Agent a certificate to the effect that the Approved Budget, the schedule for Construction and the Construction Milestones conform with prudent

industry practice and are not unreasonable in the context of the construction of a production platform of a type similar to the Platform.

(xv) SECTION 8(B) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Lessee set forth in Section 8(b) shall be true and accurate on and as of such Availability Date.

(xvi) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Lessee and the Parent Guarantor contained herein or in any other Operative Document executed and delivered on or prior to such date shall be true and accurate on and as of such Availability Date, as though made on and as of such date (or, if stated to have been made as of an earlier date, shall have been true and accurate as of such date) and each of the Certificate Holders, Wilmington Trust Company, the Owner Trustee, the Agent and the lessee shall have received an Officer's Certificate, dated such date, to such effect from each of such parties. All documents and instruments required to be delivered on the Availability Date shall be delivered at the offices of Mayer, Brown & Platt, 190 South LaSalle Street, Chicago, Illinois 60603, or at such other location as may be determined by the Agent and the Lessee.

(c) CONDITIONS PRECEDENT TO EACH ADVANCE. The obligations of the Participants to make an Advance on each Funding Date, the obligation of the Certificate Holders to fund the related Equity Amount on each Funding Date and the obligation of the Lenders to make the related Loan on such Funding Date are subject to satisfaction or waiver of the following conditions precedent, with all documents to be in form and substance acceptable to the Agent and the Participants:

(i) AVAILABILITY DATE CONDITIONS PRECEDENT. The Availability Date shall have occurred and the conditions precedent set forth in Section 9(b)(i), (ii), and, except as to the Lessee, (ix) shall have been satisfied or waived on as of such Funding Date, it being understood that such conditions precedent shall be applied to such Funding Date by replacing the term "Availability Date" in such Section 9(b) with the term "Funding Date", as applicable.

(ii) FUNDING REQUEST. Each of the Agent and the Certificate Holders shall have received a fully executed counterpart of the applicable Funding Request, executed by the Lessee, in accordance with Section 3(c). Each of the delivery of a Funding Request and the acceptance by the Lessee of the proceeds of such Advance shall constitute a representation and warranty by the Lessee and the Parent Guarantor that on the applicable Funding Date (both immediately before and after giving effect to the making of such Advance and the application of the proceeds thereof), the statements made in Section 8(c) are true and correct.

(iii) CONSTRUCTION CERTIFICATE. With respect to any Allocated Construction Costs to be paid or reimbursed using the proceeds of such Advance, the Certificate Holders and Agent shall have received, at least three (3) days prior to the applicable Funding Date, a Construction Certificate in the form of Exhibit J hereto (a "CONSTRUCTION CERTIFICATE"), together with all attachments thereto.

(iv) GOVERNMENTAL PERMITS, ETC. The Certificate Holders and Agent shall have received evidence satisfactory to it that all permits, licenses and consents required by any Governmental Authority in connection with the Construction for which the Advance is being requested have been obtained and are in full force and effect on the applicable Funding Date.

(v) FEES. The Certificate Holders shall have received all fees due and payable pursuant to the Fee Letter, and each Participant shall have received all Facility Fees due and payable pursuant to Section 4(d).

(vi) EVENT OF DEFAULT. There shall not have occurred and be continuing any Lease Event of Default, and no Lease Event of Default will have occurred after giving effect to the making of the Advance requested by such Funding Request.

(vii) AVAILABLE COMMITMENTS. After giving effect to the applicable Advance, the condition set forth in the last sentence of Section 3(a) shall not be violated.

(viii) CONSTRUCTION COSTS. After giving effect to the applicable Advance, the Allocated Estimated Construction Costs as yet unpaid of completing the Construction pursuant to the Construction Documents shall not exceed the Available Commitments and shall be in accordance with the Approved Budget.

(ix) CONSTRUCTION CONSULTANT'S REPORT. The Agent and the Certificate Holders shall have received a Construction Consultant's Report in connection with such Funding Date in form and substance satisfactory to each of them and, if the Advance is to occur during the months of March, June, September and December, commencing March, 200_, such Consultant's Report shall include a more detailed quarterly review of the Construction activities and progress.

(x) OTHER FUNDING. Funds in respect of the aggregate amount of construction costs of the Platform not contemplated to be financed pursuant to the terms of the Operative Documents shall have been advanced (or otherwise provided) in an amount at least equal to the Allocated Construction Costs to be funded pursuant to the Advance requested pursuant to such Funding Request.

(xi) EVIDENCE AS TO COSTS AND EXPENSES. Delivery to the Agent and the Lessor of evidence, in form and substance satisfactory to the Agent and the Lessor, to support the Allocated Construction Costs and Transaction Expenses to be funded pursuant to such Funding Request.

SECTION 10. COMPLETION DATE CONDITIONS; APPRAISAL; TAKE-OUT

(a) COMPLETION DATE. The Completion Date with respect to the Platform shall be deemed to have occurred for purposes of the Operative Documents on the earliest date on which each of the following events shall have occurred:

(1) the Construction relating to the Platform shall have been substantially completed in accordance with the Plans and Specifications and all Applicable Law;

(2) the Platform shall be ready for occupancy and operation for its intended purpose in accordance with the Plans and Specifications, as evidenced by the issuance of the applicable approved "Structural Permit" and a Facilities Permit" by the Minerals Management Service for the Platform contemplated by the Plans and Specifications; and

(3) the Lessor and the Agent shall have received a Completion Certificate from the Construction Agent substantially in the form of Exhibit G hereto (a "COMPLETION CERTIFICATE").

(b) REAPPRAISAL UPON COMPLETION. Within sixty (60) days from the Completion Date for the Platform, the Agent shall obtain, at Lessee's sole cost and expense, a new Appraisal of the Property taking into account such Completion (the "COMPLETION APPRAISAL") which Completion Appraisal shall be delivered to the Agent within sixty (60) days after the Completion Date. Such Completion Appraisal shall use methodology similar to that of the Appraisal delivered in connection with the Availability Date, with appropriate changes in assumptions and taking into account the terms of Joint Operating Agreement, as amended. In the event such Completion Appraisal shall conclude that the Fair Market Sales Value of the Platform upon such Completion, multiplied by Lessor's Percentage Undivided Interest, is less than the Property Balance (such amount, a "FMV SHORTFALL"), Lessee shall make a special lease payment of Supplemental Rent to the Agent equal to such FMV Shortfall.

Such Completion Appraisal shall also specify the expected Fair Market Sales Value of the Property as of the date which is the fifth anniversary of commencement of the Interim Term, applying a straight line depreciation method. The excess of the Fair Market Sales Value as of the Completion Date over the projected Fair Market Sales Value as of such fifth anniversary shall be amortized on a straight line basis over the time period from the commencement of the Basic Term to the Expiration Date (assuming the Lease Term is not earlier terminated) and shall be paid annually as Supplemental Rent on each anniversary of the Completion Date and on the last day of the Lease Term.

(c) TAKE-OUT FINANCING. Notwithstanding anything to the contrary contained in this Participation Agreement or the other Operative Documents, if, on or prior to the 90th day following the Completion Date (the "TAKE-OUT DATE"), the Lessee does not purchase the Property pursuant to and in accordance with the provisions of Section 6(e) of the Lease, the Applicable Margins set forth in Schedule II hereto shall be increased by 50 basis points.

SECTION 11. TRANSFERS OF LENDERS' INTERESTS

(a) PERMITTED ASSIGNMENTS. Any Lender may, in the ordinary course of its business and in accordance with Applicable Law, at any time assign to one or more banks or other entities ("Transferees") all or any part of its rights and obligations under the Operative Documents or the Property. Such assignment shall be substantially in the form of Exhibit L-1 or in such other form

as may be agreed to by the parties thereto. During the Construction Period, the consent of the Lessee shall be required prior to an assignment becoming effective with respect to a Transferee which is not a Participant or an Affiliate thereof; provided, however, that if an Event of Default has occurred and is continuing, the consent of the Lessee shall not be required; provided, further, that participations in Loans shall not require the consent of the Lessee. The consent of the Agent shall be required prior to an assignment becoming effective with respect to a Transferee which is not a Participant or an Affiliate thereof. The consent of Lessee and Agent shall not be unreasonably withheld or delayed. Each such assignment with respect to a Transferee which is not a Participant or an Affiliate thereof shall (unless each of the Lessee and the Agent otherwise consents) be in an amount not less than the lesser of (i) $5,000,000 or (ii) the remaining amount of the assigning Lender's Commitment (calculated as at the date of such assignment) or outstanding Loans (if the applicable Commitment has been terminated).

(b) EFFECT; EFFECTIVE DATE. Upon (i) delivery to the Agent of an assignment, together with any consents required by Section 11(a), and (ii) payment of a $4,000 fee to the Agent for processing such assignment (unless such fee is waived by the Agent), such assignment shall become effective on the effective date specified in such assignment. The assignment shall contain a representation by the Transferee to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Transferee in and under the Operative Documents or the Property will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Transferee shall for all purposes be a Lender party to this Agreement and any other Operative Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Operative Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Lessee, the Lenders or the Agent shall be required to release the transferor Lender with respect to the percentage of the aggregate Commitments and Loans assigned to such Transferee. Upon the consummation of any assignment to a Transferee pursuant to this Section 11(b), the transferor Lender, the Agent and the Lessee shall, if the transferor Lender or the Transferee desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Transferee, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

(c) RIGHTS OF TRANSFEREES. Each of the Lessee and the Lessor acknowledges and agrees that each Transferee, for purposes of Sections 13 and 14, shall be considered a Lender; provided, however, that each of the Lessee and the Lessor shall have no greater liability to any Transferee than it would have had to the applicable Lender, except as reflected in amounts necessary to indemnify such Person on an After-Tax Basis.

(1) WITHHOLDING TAXES; DISCLOSURE OF INFORMATION; PLEDGE UNDER REGULATION A.If any Lender (or the assignee in any Note, each a "Transferee") is organized under the laws of any jurisdiction other than the United States or any State thereof, then such Participant or Transferee, as applicable, shall (as a condition precedent to acquiring or participating in such Loan and so long as it shall be legally entitled to an exemption from withholding as a continuing

obligation to the Lessor and the Lessee), furnish on a timely basis to the Agent, the Lessor and the Lessee in duplicate, for each taxable year of such Lender or Transferee during the Lease Term of the Lease, a properly completed and executed copy of either Internal Revenue Service Form W-8ECI or Internal Revenue Service Form W8-BEN or Internal Revenue Service Form W-9 and any additional form (or such other form) as is necessary to claim complete exemption from United States withholding taxes (wherein such Lender or Transferee claims entitlement to complete exemption from United States withholding taxes on all payments hereunder), and provide on a timely basis to the Agent, the Lessor and the Lessee a new Internal Revenue Service Form W-8ECI or Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-9 and any such additional form (or any successor form or forms) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable United States laws and regulations and amendments duly executed and completed by such Lender or Transferee, and to comply from time to time with all applicable United States laws and regulations with regard to such withholding tax exemption. By its acceptance of a participation or assignment of a Lender's Note, each Transferee shall be deemed bound by the provisions set forth in this Section 11.

(2) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11, disclose to the assignee or participant or proposed assignee or participant any information relating to the Lessee.

(3) Anything in this Section 11 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of the Notes held by it to any Federal Reserve Bank, the United States Treasury or to any other financial institution as collateral security pursuant to Regulation A of the F.R.S. Board and any operating circular issued by the Federal Reserve System and/or the Federal Reserve Bank or otherwise.

SECTION 12. TRANSFERS OF CERTIFICATE HOLDERS' INTEREST

(a) ASSIGNMENTS. All or any part of the interest of any Certificate Holder in, to or under this Participation Agreement, the other Operative Documents, the Property or the Trust may be assigned or transferred by such Certificate Holder at any time, subject, during the Construction Period, to the consent of Lessee, which consent shall not be unreasonably withheld, to (i) any Affiliate of such Certificate Holder, (ii) any other Participant or any Affiliate of any such other Participant, or (iii) with the consent of the Agent (such consent not to be unreasonably withheld), to any other Person; provided, however, that (A) prior to a Lease Event of Default, no interest shall be assigned to Lessee or any Affiliate of Lessee; (B) except as provided in (C) below, each such assignment is in an amount equal to not less than twenty percent (20%) of the sum of the aggregate amount of the Available Equity Commitments and the outstanding Equity Amounts of all Certificate Holders (the "PERMITTED EQUITY ASSIGNMENT AMOUNT"); (C) with respect to an assignment to a Lender or an Affiliate of a Lender, each such assignment is in an amount equal to not less than the product of (x) the sum of the Available Equity Commitment, if

any, and outstanding Equity Amounts of the assignor Certificate Holder and (y) the fraction, expressed as a decimal, obtained by dividing the sum of the Available Loan Commitments and outstanding principal amount of Loans of such Lender by the sum of the aggregate amounts of the Available Loan Commitments and Loans of all Lenders; and (D) in any event, the assignor Certificate Holder retains an interest equal to not less than the Permitted Equity Assignment Amount; and, provided, further, that notice is given to the Owner Trustee and (A) each assignment or transfer shall comply with all applicable securities laws; and (B) the assignee, if it is not a Participant immediately prior to such assignment, will deliver to the Agent a completed administrative questionnaire in form and substance acceptable to the Agent. Notwithstanding the above, participations in Certificates shall not require the consent of the Lessee. The Agent shall receive an administrative fee of $4,000 from the applicable transferor or transferee in connection with any assignment or participation under this Section 12. Each assignee or transferee acknowledges that the obligations to be performed from and after the date of such transfer or assignment under this Participation Agreement and all other Operative Documents are its obligations, including the obligations imposed by this Section 12(a) (and the transferor and transferee Participant shall deliver to the Lessee and the Lessor an Assignment Agreement, in substantially the form of Exhibit L-2, executed by the assignee or transferee) and further represents and warrants to each Participant and the Lessee as set forth in Section 6 and that:

(i) it has a net worth or combined capital and surplus of not less than $5,000,000 (or shall provide a guaranty of its obligations under the Operative Documents from a Person which has such net worth or combined capital and surplus);

(ii) it has the requisite power and authority to accept such assignment or transfer;

(iii) it will not transfer any interest in the Trust unless the proposed transferee makes the foregoing representations and covenants;

(iv) it will not take any action with respect to such interest in the Trust that would violate any applicable securities laws;

(v) it will not assign or transfer any interest in the Trust except in compliance with this Section 12; and

(vi) it is not and will not be funding, and is not and will not be performing its obligations under the Operative Documents with the assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or "plan" (as defined in Section 4975(e)(1) of the Code).

(b) RIGHTS OF TRANSFEREES. Each of the Lessee and the Lessor acknowledges and agrees that each Transferee, for purposes of Sections 13 and 14, shall be considered a Certificate Holder and Section 13.2 of the Trust Agreement shall be amended accordingly to reflect the notice address of such Transferee; provided, however, that each of the Lessee and the Lessor shall have no greater liability to any Transferee than it would have had to the applicable Certificate Holder transferor, except as reflected in amounts necessary to indemnify such Person on an After-Tax Basis.

(c) Withholding Taxes; Disclosure of Information; Pledge Under Regulation A

(1) If any Certificate Holder (or the assignee of any Equity Amount, each also a "TRANSFEREE") is organized under the laws of any jurisdiction other than the United States or any State thereof, then such Participant or Transferee, as applicable, shall (as a condition precedent to acquiring or participating in such Equity Amount and so long as it shall be legally entitled to an exemption from withholding as a continuing obligation to the Lessor and the Lessee), furnish on a timely basis to the Agent, the Lessor and the Lessee in duplicate, for each taxable year of such Certificate Holder or Transferee during the Lease Term of the Lease, a properly completed and executed copy of either Internal Revenue Service Form W-8ECI or Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-9 and any additional form (or such other form) as is necessary to claim complete exemption from United States withholding taxes (wherein such Lender, the Lessor or Transferee claims entitlement to complete exemption from United States withholding taxes on all payments hereunder), and provide on a timely basis to the Agent, the Lessor and the Lessee a new Internal Revenue Service Form W-8ECI or Internal Revenue Service Form W-8BEN or Internal Revenue Service Form W-9 and any such additional form (or any successor form or forms) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable United States laws and regulations and amendments duly executed and completed by such Certificate Holder or Transferee, and to comply from time to time with all applicable United States laws and regulations with regard to such withholding tax exemption. By its acceptance of a participation or assignment of all or any portion of a Certificate Holder's Equity Amounts, each Transferee shall be deemed bound by the provisions set forth in this Section 12.

(2) Any Certificate Holder may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 12, disclose to the assignee or participant or proposed assignee or participant any information relating to the Lessee.

(3) Anything in this Section 12 to the contrary notwithstanding, any Certificate Holder may assign and pledge all or any portion of its interest in the Trust held by it to any Federal Reserve Bank, the United States Treasury or to any other financial institution as collateral security pursuant to Regulation A of the F.R.S. Board and any operating circular issued by the Federal Reserve System and/or the Federal Reserve Bank or otherwise.

SECTION 13. GENERAL TAX INDEMNITY

(a) TAX INDEMNITEE DEFINED. For purposes of this Section 13, "TAX INDEMNITEE" means (x) each Participant, the Lessor and the Affiliates of each of the foregoing, Wilmington Trust Company and the Owner Trustee, both in its individual capacity and as trustee, and each of their respective successors, assigns, servants, agents, officers, directors and employees and the Trust Estate, and (y) except with respect to any Taxes relating to the Platform or the Property

during the Construction Period, each Lender and its Affiliates, and each of their respective successors, assigns, servants, agents, officers, directors and employees.

(b) TAXES INDEMNIFIED. The Lessee agrees to pay promptly when due, and will indemnify and hold harmless each Tax Indemnitee on an After-Tax Basis against, all taxes, fees, withholdings, and governmental charges attributable to the transactions contemplated herein including all license, recording, documentary, registration and other fees and all taxes (including, without limitation, income, adjusted gross income, gross receipts, franchise, net worth, capital, sales, rental, use, value added, property (tangible and intangible), ad valorem, excise and stamp taxes), fees, levies, imposts, recording duties, charges, assessments or withholdings of any nature whatsoever, together with any assessments, penalties, fines, additions to tax or interest thereon (individually, a "TAX" and collectively called "TAXES"), however imposed (whether imposed upon any Tax Indemnitee, the Lessee, or all or any part of the Platform or the Property or any payment made in connection with the transactions contemplated hereunder), by any Federal, state or local government or taxing authority in the United States of America, or by any government or taxing authority of a foreign country, of any political subdivision or taxing authority thereof or by a territory or possession of the United States of America or an international taxing authority, upon or with respect to, based upon or measured by:

(1) the Platform or the Property or any part thereof;

(2) the location, replacement, conditioning, refinancing, control, purchase, repossession, improvement, maintenance, redelivery, manufacture, acquisition, purchase, ownership, acceptance, rejection, delivery, non-delivery, leasing (including the Governmental Leases), subleasing, transportation, insuring, inspection, registration, assembly, abandonment, preparation, installation, possession, use, operation, return, presence, storage, repair, transfer of title, modification, rebuilding, import, export, alteration, addition, replacement, assignment, overhaul, transfer or registration, imposition of any lien, sale or other disposition of the Platform or the Property or any part thereof or interest therein;

(3) the rentals, receipts or earnings arising from the Operative Documents or from the purchase, ownership, delivery, leasing (including the Governmental Leases), possession, use, operation, return, storage, transfer of title, sale or other disposition of the Sites or any part thereof;

(4) any or all of the Operative Documents;

(5) the income or other proceeds received with respect to the Property, held by the Owner Trustee under the Trust Agreement; or

(6) otherwise with respect to or by reason of the transactions described in or contemplated by the Operative Documents.

(c) TAXES EXCLUDED. The indemnity provided for in paragraph 13(b) above shall not extend to any of the following (in each case, except in the case of Taxes otherwise indemnifiable under the Operative Documents, additional amounts necessary to indemnify a Tax Indemnitee for such Taxes on an After-Tax Basis):

(1) Federal income taxes;

(2) in the case of each Tax Indemnitee which is a Lender, (i) net income taxes and (ii) other taxes that would not have been incurred but for such Indemnitee or a person related thereto being organized in the jurisdiction imposing such taxes or conducting activities therein that are unrelated to the contemplated transactions;

(3) in the case of each Certificate Holder, (i) net income taxes other than net income taxes imposed by jurisdictions in which such Indemnitee is not otherwise subject to such taxes to the extent such net income taxes exceed the net income taxes that would have been payable if the Lease had been treated as a secured loan and (ii) other taxes that would not have been incurred but for such Indemnitee or a person related thereto being organized in the jurisdiction imposing such taxes or conducting activities therein that are unrelated to the contemplated transactions;

(4) in the case of the Lessor, income, franchise, conduct of business or similar taxes that are imposed on the Lessor and not the Certificate Holders and that, if imposed on the Certificate Holders, would not have been indemnified against (including all Taxes imposed on Lessor by any taxing authority as a result of being treated as an entity other than a "flow-through" entity or a "disregarded" entity, but subject to the final "notwithstanding" provision at the end of this Section 13(c));

(5) Taxes imposed on or measured by the net or gross income, excess profits, receipts, minimum or alternative minimum taxable income, capital, net worth, tax preferences, accumulated earnings or capital gains of a Tax Indemnitee or that are conduct of business, doing business or franchise Taxes of such Tax Indemnitee (other than any Taxes which are, or are in the nature of, sales, use, transfer, excise, rental, license, ad valorem or property Taxes imposed by reason of the location, use, operation or presence of the Property or any part thereof or a Person which is the Lessee, any sublessee, any sub-sublessee, assignee or any other Person using through any of the foregoing (including any Affiliate of any of the foregoing, but excluding the Lessor, any Participant or any Affiliate of any such excluded Person) (each, a "LESSEE PERSON") in such jurisdiction or the fact that any payment by a Lessee Person contemplated by the Operative Documents is made from such jurisdiction) ("INCOME TAXES") imposed by the United States or any state or local government or taxing authority within the United States or by any governmental or taxing authority of a foreign country, or any political subdivision or taxing authority thereof, or by any international taxing authority); provided, however, provisions of this clause (5) relating to Income Taxes shall not exclude from the indemnity described in this Section 13 any state or local Income Taxes (other than Taxes based on or measured by net income) imposed by reason of the location, use, operation or presence of any Improvement or any part thereof in any state in which the Platform or the Property is located, other than any other state which such Tax Indemnitee agrees in writing (on or prior to any

Improvements becoming subject to the Operative Documents) is excluded from the indemnity otherwise implied by the proviso to this clause 5;

(6) Taxes arising out of or measured by acts, omissions, events or periods of time (or any combination of the foregoing) which occur after (and are not attributable to acts, omissions or events occurring contemporaneously with or prior to) the payment in full of all amounts payable by the Lessee pursuant to and in accordance with the Operative Documents, or the earlier discharge in full of the Lessee's payment obligations under and in accordance with the Lease and the other Operative Documents, and the earliest of (x) the expiration of the Lease Term and return of the Property in accordance with the return provisions of the Lease, (y) the termination of the Lease in accordance with the applicable provisions of the Lease and return or disposition of the Property in accordance with the Lease, or (z) the termination of the Lease in accordance with the applicable provisions of the Lease and the transfer of all right, title and interest in the Property to the Lessee pursuant to its exercise of any of its purchase options (other than sales or other transfer taxes as imposed thereon) except that, notwithstanding anything to the contrary, Taxes incurred in connection with the exercise of any remedies following the occurrence of a Lease Event to Default shall not be excluded from the indemnity;

(7) Taxes imposed on a Tax Indemnitee as a result of the willful misconduct or gross negligence of such Tax Indemnitee (other than gross negligence or willful misconduct not actually committed by but instead imputed to, such Indemnitee by reason of such Tax Indemnitee's participation in the transactions and entering into the Operative Documents) or the breach by any Tax Indemnitee of any representation, warranty or covenant set forth in the Operative Documents;

(8) Taxes imposed on a Tax Indemnitee which became payable by reason of any transfer or disposition by such Tax Indemnitee of any interest in some or all of the Platform or the Property, the Operative Documents, any other Tax Indemnitee or the Trust Estate other than (A) Taxes that result from transfers or dispositions which occur while a Lease Event of Default has occurred and is continuing or (B) Taxes that result from any transfer or disposition to the Lessee or at the Lessee's direction pursuant to the terms of the Lease (other than Section 19(b) thereof if clause (A) of this Section 13(c)(8) is not applicable);

(9) Taxes imposed upon the Owner Trustee with respect to any trustee's fees for services rendered in its capacity as trustee;

(10) Taxes that have been included in Allocated Construction Cost or Transaction Expenses;

(11) Taxes that would not have been imposed but for the situs of organization of a Tax Indemnitee, the place of business of a Tax Indemnitee or the activities of a Tax Indemnitee that are unrelated to the transactions

contemplated by the Operative Documents, in each case, in the jurisdiction imposing such Taxes (other than any such place of business or activities attributable to any Lessee Person's activities or the use, location, operation or registration of the Property or any part thereof in such jurisdiction);

(12) Taxes that result from a failure by a Tax Indemnitee to comply with any certification or other procedure reasonably required by any applicable law as a condition to any exemption from, or reduction of, such Tax to which such Tax Indemnitee would be entitled, so long as (a) Lessee shall have notified such Tax Indemnitee promptly of such requirement, (b) no such procedure would expose such Tax Indemnitee, in its good faith determination, to any materially adverse consequences and (c) such failure is not due to Lessee's failure to provide information reasonably requested or reasonable assistance in complying with such requirement, it being understood that all certification requirements with respect to United States withholding taxes shall be deemed to be reasonably required and the foregoing clauses (a) through (c) shall be deemed to have been satisfied by the Lessee;

(13) Except with respect to the additional amount necessary to indemnify Taxes, otherwise required to be indemnified under the Operative Documents on an After-Tax Basis, on an After-Tax Basis, Taxes imposed on or against or payable by a transferee of a Tax Indemnitee to the extent of the excess of such Taxes over the amount of such Taxes which would have been imposed and indemnified hereunder had there not been a transfer by the original Tax Indemnitee from which such transferee derives its interest in the Property, any part thereof, such Indemnitee or the Operative Documents, other than a transfer following a Lease Event of Default; and

(14) Taxes imposed on Lessor that arise as a result of Lessor not being considered a US Person as defined in 7701(a)(30) of the Code, except if as a result of a change in a US tax law or treaty. Notwithstanding any of the exclusions otherwise set forth in Section 13(c)(1) through (14), the indemnity set forth in Section 13(b) shall apply to any Texas franchise taxes imposed on or with respect to the Lessor if:

(x) the Lessor is a Delaware business trust and (i) files its relevant Texas tax returns and reports in a manner consistent with such status or (ii) files its relevant Texas tax returns and reports in a manner inconsistent with such status as the result of, or in response to, any act, omission or breach of any representation, warranty or covenant of a Lessee Person;

(y) any Lessee Person prepares or files a Filing (within the meaning of Section 13(g) pursuant to Section 13(g)) in a manner inconsistent with the status of the Lessor as a Delaware business trust; or

(z) the Lessor changes its status from that of a Delaware business trust as the result of, or in response to, any act, omission or breach of any representation, warranty or

covenant of a Lessee Person or in connection with the exercise of any remedies following the occurrence of a Lease Event of Default.

(d) PAYMENTS TO THE LESSEE.

(1) If any Tax Indemnitee or any Affiliate of any Tax Indemnitee actually shall realize a Tax benefit (whether by way of deduction, credit, allocation or apportionment or otherwise) with respect to a Tax not indemnifiable hereunder which would not have been realized but for any Tax, Claim or other cost or expense with respect to which Lessee has reimbursed or indemnified such Tax Indemnitee on an After-Tax Basis pursuant to the Operative Documents, which benefit was not previously taken into account in determining the amount of the Lessee's payment to such Tax Indemnitee, such Tax Indemnitee shall pay to the Lessee, on an After-Tax Basis, an amount equal to the amount of such Tax benefit; provided, however, that no payment shall be made as long as a Payment Default or a Lease Event of Default is continuing; provided further, however, that no Tax Indemnitee shall be required to pay to the Lessee any Tax benefit to the extent such payment is greater than the amount of such Taxes, Claims, costs or expenses in respect of which the reimbursement or indemnification was paid by Lessee, reduced by all prior payments by such Tax Indemnitee under this Section 13(d) in respect of such amount; any payment to the Lessee which is so limited shall, to the extent of such unpaid excess, be carried over and shall be available to offset any future obligations of the Lessee under this Section 13). If such repaid Tax benefit is thereafter lost, the additional Tax payable shall be treated as a Tax indemnifiable hereunder without regard to the exclusions set forth in Section 13 (other than clause (c)(7)).

(2) Upon receipt by a Tax Indemnitee of a refund or credit of all or part of any Taxes paid or indemnified against by the Lessee, which refund or credit was not previously taken into account in determining the amount of the Lessee's payment to such Tax Indemnitee, such Tax Indemnitee shall pay to the Lessee, on an After-Tax Basis, an amount equal to the amount of such refund, plus any interest received by or credited to such Tax Indemnitee with respect to such refund; provided, however, that no such payment shall be made as long as a Payment Default or a Lease Event of Default is continuing.

(3) The Tax Indemnitee will, at the Lessee's expense, pursue refunds and tax benefits that would result in any such payments to the Lessee, but only if the Tax Indemnitee has been notified in writing by the Lessee that such refunds or tax benefits are available.

(e) PROCEDURES. Any amount payable to a Tax Indemnitee pursuant to paragraph 13(b) shall be paid within thirty (30) days after receipt of a written demand therefor from such Tax Indemnitee accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable, provided, however, that such amount need not be paid prior to the later of (i) the date on which such Taxes are due or (ii) in the case of amounts which are being contested pursuant to paragraph 13(f) hereof, the time

such contest (including all appeals permitted hereunder) is finally resolved; provided, further, that with respect to Taxes of a recurring nature, the Tax Indemnitee shall only be required to provide one such written notice. Any amount payable to the Lessee pursuant to paragraph 13(d) shall be paid within twenty (20) days of the day on which a return (including estimated tax returns) is filed reflecting such Tax benefit or promptly after the Tax Indemnitee actually receives a refund giving rise to a payment under paragraph 13(d), and shall be accompanied by a written statement by the Tax Indemnitee setting forth in reasonable detail the basis for computing the amount of such payment. Within thirty (30) days following the Lessee's receipt of any computation from the Tax Indemnitee, the Lessee may request that an accounting firm reasonably acceptable to the Lessee determine whether such computations of the Tax Indemnitee are correct. Such accounting firm shall be requested to make the determination contemplated by this paragraph 13(e) within thirty (30) days of its selection. In the event such accounting firm shall determine that such computations are incorrect, such firm shall determine what it believes to be the correct computations. The Tax Indemnitee shall cooperate with such accounting firm and supply it with all information necessary to permit it to accomplish such determination. The computations of such accounting firm shall be final, binding and conclusive upon the parties and the Lessee shall have no right to inspect the books, records or tax returns of the Tax Indemnitee to verify such computation or for any other purpose. All fees and expenses of the accounting firm payable under this Section 13(e) shall be borne by the Lessee, except that if such accounting firm's computation shall result in a decrease in the amount due from, or an increase in the amount payable to, the Lessee by more than the greater of 5% of the amount claimed by the Tax Indemnitee or $10,000, then the Tax Indemnitee shall bear the cost of such accounting firm.

(f) CONTEST. If any claim shall be made against any Tax Indemnitee or if any proceeding shall be commenced against any Tax Indemnitee (including a written notice of such proceeding) for any Tax as to which the Lessee may have an indemnity obligation, or if any Tax Indemnitee shall determine that any Tax as to which the Lessee may have an indemnity obligation may be payable, such Tax Indemnitee shall promptly notify the Lessee in writing and shall not take any action with respect to such claim, proceeding or Tax without the consent of the Lessee for thirty (30) days after receipt of such notice by the Lessee unless the failure to take action could result in the imposition of penalties or fines or material danger of sale, forfeiture or loss of, or the creation of any Lien on, the Platform or the Property or any portion thereof or interest therein; provided, however, that any failure to provide such notice shall not relieve the Lessee of any obligation to indemnify any Tax Indemnitee hereunder unless the Lessee is materially adversely affected as a result of such failure and such failure arises out of or is caused by the misconduct or negligence (excluding imputed negligence) of such Tax Indemnitee; provided, further, however, that if such Tax Indemnitee shall be required by law or regulation to take action with respect to any such claim, proceeding or Tax prior to the end of such thirty (30) day period such Tax Indemnitee shall, in such notice to the Lessee, so inform the Lessee and such Tax Indemnitee shall not take any action with respect to such claim, proceeding or Tax without the consent of the Lessee before the date on which such Tax Indemnitee shall be required to take action. If, within thirty (30) days after its receipt of such notice (or such shorter period referred to in the preceding sentence), the Lessee shall request in writing that such Tax Indemnitee contest the imposition of such Tax, the Tax Indemnitee shall, at the expense of the Lessee, in good faith contest (including by pursuit of appeals, excluding any requirement to appeal to the U.S. Supreme Court), and shall not settle without the Lessee's consent, or if such contest can be pursued independently from any other proceeding involving a Tax liability of such

Tax Indemnitee (a "LESSEE-CONTROLLED CONTEST"), the Tax Indemnitee shall allow the Lessee to contest (in its own name, if permitted by law to do so) the validity, applicability or amount of such Tax (other than U.S. withholding or net income Taxes indemnifiable hereunder) by, in the sole discretion of the Person conducting such contest:

(1) resisting payment thereof;

(2) not paying the same except under protest, if protest shall be necessary and proper; or

(3) if payment shall be made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings; provided, however, that in no event shall such Tax Indemnitee be required to contest (or permit the Lessee to contest) the imposition of any Tax for which the Lessee may be obligated unless: (t) if a Payment Default or a Lease Event of a Default shall have occurred and be continuing, Lessee shall either (I) provide security for such tax indemnity obligations that is reasonably acceptable to such Tax Indemnitee or (II) pay such Tax, (u) in the case of net income Taxes indemnifiable hereunder, the amount of the claim and all future related claims exceeds $25,000, (v) in the case of net income and U.S. withholding Taxes indemnifiable hereunder, the Lessee shall have delivered to the Certificate Holders an opinion of tax counsel chosen by the Lessee and reasonably acceptable to the Certificate Holders to the effect that there is a reasonable basis to contest such claim, (w) in the case of a Lessee-Controlled Contest, the Lessee shall have acknowledged in writing its liability hereunder if the contest is unsuccessful; provided that such acknowledgment shall be of no force and effect if the final determination of the contest clearly articulates that the cause of the unfavorable disposition is one for which the Lessee is not otherwise liable hereunder, (x) the Lessee shall have agreed to pay such Tax Indemnitee all costs and expenses that such Tax Indemnitee shall incur in connection with contesting such claim (including all reasonable legal and accounting fees and disbursements and internally allocated time charges), (y) the Certificate Holders shall have reasonably determined that action to be taken will not result in any material danger of sale, forfeiture or loss of the Platform or any portion thereof or interest therein, and (z) if such contest shall involve payment of the claim, the Lessee shall advance the amount thereof, plus interest, penalties and additions to Tax with respect thereto, to such Tax Indemnitee on an interest-free basis and on an After-Tax Basis to such Tax Indemnitee. The party in control of any contest shall consult in good faith and cooperate with the other party regarding the conduct of any contest and the Tax Indemnitee shall allow the Lessee to attend all hearings at which unrelated issues are not discussed and to comment upon all related submissions in such Tax Indemnitee-controlled contests and vice versa. Notwithstanding the above, a Tax Indemnitee may settle and will not be required to contest the imposition of any Taxes if such Tax Indemnitee shall waive its right to indemnity with respect to such Taxes and all future related Taxes and shall have paid to the Lessee any and all funds paid by the Lessee to such Tax Indemnitee with regard to such contested amount (other than those described in clause (x) of this Section 13(f)) plus any

interest which the Lessee paid on such funds. Any contest by the Lessee or at the Lessee's request shall be subject to the following requirements: (i) such contest shall be conducted in good faith by appropriate proceedings which have the effect of staying the enforcement of the lien for such Taxes and the sale, forfeiture or other loss of the Platform during the pendency of such contest, (ii) none of the Lessor, the Owner Trustee, the Agent and the Participants shall be subject to any risk of criminal liability or material civil liability by virtue of the matters being contested or such proceedings, and (iii) the Lessee, in accordance with prudent practice, has set aside adequate reserves for the payment thereof and has provided evidence reasonably acceptable to the Agent, the Lessor and the Participants of such reserves.

(g) REPORTS. In the event any report, return or statement or any certification or procedure (a "FILING") with respect to Taxes is required to be made with respect to any Tax that may be subject to indemnification under this Section 13, the Lessee will, at the Lessee's expense, either prepare and file such Filing or, if it shall not be permitted to file the same, it will notify each Tax Indemnitee of such reporting requirements, prepare such Filing in such manner as shall be reasonably satisfactory to each Tax Indemnitee and deliver the same to each Tax Indemnitee within a reasonable period prior to the date the same is to be filed; provided, however, that the relevant Tax Indemnitees shall have furnished the Lessee, at the Lessee's request and expense, within a reasonable time, with such information, not within the control of (nor reasonably available to) the Lessee, in such Tax Indemnitee's control (or which is reasonably available to such Tax Indemnitee) and is necessary to complete such Filing.

(h) NON-PARTIES. If a Tax Indemnitee is not a party to this Agreement, Lessee may require the Tax Indemnitee to agree in writing, in a form reasonably acceptable to Lessee, to the terms of this Section 13 prior to making any payment to such Tax Indemnitee under this Section 13.

(i) SURVIVAL. The provisions of this Section 13 shall continue in full force and effect, notwithstanding the expiration or termination of any Operative Document, until all obligations hereunder have been met and all liabilities hereunder paid in full.

(j) CONSTRUCTION PERIOD. Notwithstanding the foregoing, during the Construction Period, (i) the Lessor, in lieu of the Lessee, shall indemnify all Lender Indemnitees under this Section 13, to the same extent that the Lessee is obligated to so indemnify such parties absent the provisions of this subsection (j), (ii) the Lessee will indemnify the Lessor for all obligations of the Lessor under this subsection (j), and (iii) the Lessor hereby assigns to each of the Lender Indemnitees the Lessor's right to indemnification by the Lessee under this subsection (j) to the extent of any claim by the respective Lender Indemnitee under this Section 13. Any indemnification by the Lessor shall be subject to all of the provisions of this Section 13 to the same extent as applicable to indemnification by the Lessee under this Section 13.

SECTION 14. GENERAL INDEMNITY

(a) INDEMNIFICATION. The Lessee does hereby assume liability for, and does hereby agree to indemnify, defend, protect, save and keep harmless, on an After-Tax Basis, each

Indemnified Person from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability in tort, warranty claims, claims based on negligence, products liability or statutory liability or claims for enforcement, cleanup, removal, response, remedial or other actions or damages, contribution, indemnification, cost recovery, compensation or injunctive relief pursuant to any Environmental Law or alleged injury or threat of injury, to health, safety, the environment or natural resources), actions, suits, costs, expenses and disbursements (including, without limitation, reasonable legal fees and expenses and Owner Trustee's Expenses) of any kind and nature whatsoever (all of the foregoing being referred to as "CLAIMS") which may be imposed on, incurred by or asserted against such Indemnified Person, whether or not such Indemnified Person shall also be indemnified as to any such Claim by any other Person, in any way relating to or arising out of:

(1) this Participation Agreement or any other Operative Document, or any document contemplated hereby or thereby; or the execution, delivery or performance or non-performance or enforcement of any of the terms of this Participation Agreement or any other Operative Document by the Lessee, the Parent Guarantor, the Owner Trustee or the Participants or any other Person;

(2) the Platform, the Property or any part thereof or the purchase, manufacture, design, financing, refinancing, construction, acceptance, rejection, ownership, acquisition, delivery, non-delivery, occupancy, lease, ground lease, sublease, rental, preparation, installation, modification, substitution, possession, use, non-use, operation, maintenance, condition, registration, repair, transportation, transfer of title, any action taken by Lessee or requested by Lessee under Section 8(d) of the Lease, abandonment, rental, importation, exportation, sale (including, without limitation, any sale pursuant to the Lease), retirement, return, storage or other disposition of the Platform, the Property or any part thereof or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable, whether preexisting or not and any Claim for patent, trademark or copyright infringement) or the failure of the Platform to be located wholly within the Site;

(3) the performance of any labor or services or the furnishing of any materials or other property in respect of the Platform or any part thereof by or on behalf of or with the knowledge of the Lessee or any Affiliate;

(4) any negligence or tortious acts on the part of the Lessee or any Affiliate or any agents, contractors, sublessee, franchisees, licensees or invitees thereof;

(5) any alterations, changes, modifications, new construction or demolition of the Platform or any part thereof;

(6) any violation of law; or any breach of any covenant, warranty or representation in any Operative Document or any certificate required to be delivered pursuant to any Operative Document by the Lessee or any Affiliate;

(7) subject to the accuracy of any Certificate Holder's representation in Section 7(b) concerning acquisition for investment, to the extent permitted by Applicable Law, the offer, issue, sale, purchase or delivery of any interest in the Trust Estate (including the trust certificates) or the Trust Agreement or any similar interest or in any way resulting from or arising out of the Trust Agreement and the Trust Estate (including Claims arising under or resulting from applicable Federal, state or foreign securities laws or common law);

(8) the imposition of any Lien on the Platform or the Property (other than Permitted Liens or Lessor Liens) or the enforcement of any agreement, restriction or legal requirement affecting the Platform or the Property;

(9) a disposition of the Property or any part thereof in connection with a termination of the Lease pursuant to Section 16 of the Lease and, after the Construction Period, Section 11 of the Lease;

(10) subject to the accuracy of any Participant's representation set forth in Section 6(a)(vi) concerning ERISA, as to such Participant, the transactions contemplated by the Lease or by any other Operative Document, in respect of the application of Parts 4 and 5 of Subtitle B of Title I of ERISA and any prohibited transaction described in Section 4975(c) of the Code;

(11) the presence, Release or threat of Release into the environment of any Hazardous Substances; the presence on, under or around the Property, wherever located, of any Hazardous Substances, or any Releases, threats of Release or discharges of any Hazardous Substances on, under, around or from any Sites, irrespective of when such presence, Release, threat of Release or discharge of Hazardous Substances occurred or originated; any activity carried on or undertaken on or off the Platform in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Substances (including, without limitation, from any corrective action plan and the development and implementation thereof); any residual contamination on, under, around or from the Platform and affecting any natural resources or any property of others; in any and all such circumstances irrespective of whether any of such activities were undertaken in accordance with Applicable Law, or whether claims with respect thereto are made pursuant to Environmental Law;

(12) in its capacity as Construction Agent, the amounts and costs referred to in Section 4(e)(iii); provided that, in connection with the indemnification obligations described in this sub-paragraph 12, Lessor also hereby indemnifies the Participants on a non-recourse basis with respect to such amounts or costs; or

(13) the misapplication of insurance or condemnation proceeds by the Construction Agent, the Operator, the Lessee or any other Construction Agency Person.

DURING THE LEASE TERM OF THE PROPERTY, THE LESSEE AGREES THAT NEITHER THE CERTIFICATE HOLDERS NOR THE OWNER TRUSTEE (INCLUDING WILMINGTON TRUST COMPANY, INDIVIDUALLY) SHALL BE LIABLE TO THE LESSEE FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF SUCH PROPERTY OR ANY PART THEREOF FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR ANY FAILURE OF TITLE WITH RESPECT THERETO (OTHER THAN BY VIRTUE OF LESSOR LIENS OR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE CERTIFICATE HOLDERS OR THE OWNER TRUSTEE) OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS, ALL OF WHICH SHALL BE THE RISK AND RESPONSIBILITY OF THE LESSEE.

(b) SURVIVAL. Unless otherwise expressly provided in the Operative Documents, the obligations, agreements, rights and liabilities of the Lessee, the Owner Trustee and each Indemnified Person arising under this Section shall continue in full force and effect, notwithstanding the expiration or other termination of the Lease or this Participation Agreement. Until all obligations have been met, all liabilities arising under this Section 14 shall be enforceable by the Lessee, the Owner Trustee and each Indemnified Person and their successors, assigns and agents.

(c) CERTAIN EXCEPTIONS. Notwithstanding the foregoing, the Lessee shall not assume liability for or indemnify, defend, protect, save and keep harmless pursuant to Section 14(a) hereof (i) any Indemnified Person from and against any Claims to the extent arising out of any act, occurrence or omission (other than (x) an act or omission of, or an occurrence caused by, or attributable to, the Lessee or (y) for the Property, if the Lessee shall duly exercise and consummate the Sale Option with respect to the Property, occurring during or attributable to any period ending on or before the consummation of such Sale Option) on, under, in or from the Property after the Return Date with respect to the Property; (ii) any Indemnified Person for any Claim that is a Tax or a loss of Tax benefits or the costs and expenses of contesting any Tax or loss of tax benefits, except to provide indemnification under this Section 14 on an After-Tax Basis; (iii) any Indemnified Person for any Claim to the extent it results from the material incorrectness of, or any failure on the part of such Indemnified Person to comply with, any representation, warranty, agreement or covenant of such Indemnified Person in favor of the Lessee in any Operative Document unless such failure to comply resulted in whole or in part from any default by the Lessee under any Operative Document; provided, however, that the material incorrectness of, or the failure of any Indemnified Person to comply with, any such representation, warranty, agreement or covenant shall not affect the rights of any other Indemnified Person hereunder; (iv) any Indemnified Person for any Claim to the extent resulting from acts which would constitute the willful misconduct or gross negligence of such Indemnified Person or a related Indemnified Person; (it being agreed that for purposes of this clause (iv) the Owner Trustee shall be deemed a related Indemnified Person of the Certificate Holders only to the extent it acts on the written instructions of the Certificate Holders) provided that: (A) negligence or gross negligence or willful misconduct will not be imputed to such Indemnified Person, the Certificate Holders or any related Indemnified Person solely as a result

of the Owner Trustee's ownership the Property; (B) the willful misconduct or gross negligence of an Indemnified Person shall not affect the rights of any other Indemnified Person hereunder; and (C) with respect to the Owner Trustee, it shall not constitute willful misconduct or gross negligence of Wilmington Trust Company to rely on the written instructions of the Certificate Holders; (v) any Indemnified Person for an offer, sale or other disposition of all or part of an interest in the Trust Estate, any Equity Certificate or any Note by Certificate Holders or Owner Trustee (other than to Lessee or an Affiliate of Lessee or as the result of or during a Lease Event of Default or an Event of Loss); (vi) any Indemnified Person for any Claim to the extent resulting from the imposition of any Lessor Lien; or (vii) any Indemnified Person for Transaction Costs to the extent Lessee is liable therefor under this Section 14.

The indemnities set forth in this Section shall not constitute a guarantee, representation or warranty to any Indemnified Person of or as to the value or useful life of the Platform or the Property.

(d) CLAIMS PROCEDURE. An Indemnified Person shall, after obtaining actual knowledge thereof, promptly notify Lessee of any Claim as to which indemnification is sought (unless Lessee theretofore has notified such Indemnified Person of such Claim); provided, however, that the failure to give such notice shall not release Lessee from any of its obligations under this Section 14, except to the extent that failure to give notice of any action, suit or proceeding against such Indemnified Person is shown to increase Lessee's liability under such Claim from that which would have existed if the failure to give notice had not occurred. Subject to the following paragraph, Lessee agrees to defend such Claim and shall at its sole cost and expense be entitled to control, and shall assume full responsibility for, the defense of such Claim; provided, however, that Lessee shall keep the Indemnified Person that is the subject of such proceeding fully apprised of the status of such proceeding and shall provide such Indemnified Person with all information with respect to such proceeding as such Indemnified Person reasonably requests; and provided, further, that in the event Lessee fails to defend such Claim, Lessee shall pay the reasonable costs and expenses (including reasonable legal fees and expenses) of the Indemnified Person in defending such Claim. Where the Lessee is obligated hereunder to pay the expenses of an Indemnified Person or Indemnified Persons, the Lessee shall not be liable for the fees and expenses of more than one counsel in each relevant jurisdiction for each of (A) the Certificate Holders and (B) the Owner Trustee. Notwithstanding any of the foregoing to the contrary, Lessee shall not be entitled to control and assume responsibility for the defense of such Claim if (1) a Lease Default or Lease Event of Default exists, and the Indemnified Person notifies Lessee that it is no longer permitted to control the defense of such Claim, (2) such proceeding involves any material danger of the sale, forfeiture or loss of, or the creation of any Lien (other than any Permitted Lien or bonded liens which would become liens under item (vi) of the definition of Permitted Liens) on, the Platform or the Property, (3) in the good faith opinion of such Indemnified Person, there exists an actual or potential conflict of interest such that it is advisable for such Indemnified Person to retain control of such proceeding or (4) such Claim or liability involves a risk of criminal actions or liability to such Indemnified Person. In the circumstances described in clauses (1) through (4), the Indemnified Person shall be entitled to control and assume responsibility for the defense of such Claim or liability at the expense of Lessee. In addition, any Indemnified Person, at its own expense, may (A) participate in any proceeding controlled by Lessee pursuant to this Section 14(d) and (B) employ separate counsel. Lessee may in any event participate in all such proceedings at its own cost. Nothing

contained in this Section 14(d) shall be deemed to require an Indemnified Person to contest any Claim or to assume responsibility for or control of any judicial proceeding with respect thereto.

(e) SUBROGATION. If a Claim indemnified by Lessee under this Section 14 is paid in full by Lessee and/or an insurer under a policy of insurance maintained by Lessee, or if payment of the Claim has otherwise been provided for in full in a manner reasonably satisfactory to the Indemnified Person, Lessee and/or such insurer, as the case may be, shall be subrogated to the extent of such payment (or provision) to the rights and remedies of the Indemnified Person (other than under insurance policies maintained by such Indemnified Person) on whose behalf such Claim was paid (or provided for) with respect to the act or event giving rise to such Claim. So long as no Payment Default and no Lease Event of Default exists, if an Indemnified Person receives any refund, in whole or in part, with respect to any Claim paid by Lessee hereunder, it shall promptly pay over the amount refunded (but not in excess of the amount Lessee or any of its insurers has paid in respect of such Claim paid or payable by such Indemnified Person on account of such refund) to Lessee; provided, however, if any Payment Default or Lease Event of Default exists, any such refund shall be retained by, or paid over to, the Lessor to be held and applied against amounts payable by the Lessee hereunder and under the other Operative Documents.

(f) INSURED CLAIMS. In the case of any Claim indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by or for the benefit of the Lessee, each Indemnified Person agrees to cooperate, at the expense of the Lessee, with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim (but the failure to do so shall not relieve the Lessee of its obligation to indemnify such Indemnified Person except to the extent that the Lessee or its insurer is materially prejudiced as a result of such failure).

(g) WAIVER OF CERTAIN CLAIMS. Lessee hereby waives and releases any Claim now or hereafter existing against any Indemnified Person out of death or personal injury to personnel of Lessee (including its directors, officers, employees, agents and servants), loss or damage to property of Lessee or its Affiliates, of the loss of use of any property of Lessee or its Affiliates, which may result from or arise out of the condition, use or operation of the Platform or the Property during the Lease Term and the Renewal Term, if any, including, without limitation, any latent or patent defect whether or not discoverable.

(h) CONSENT. Unless a Lease Default or a Lease Event of Default exists, the Lessee shall not be liable hereunder for any settlement of any loss, claim, damage, liability or action effected without its consent.

(i) CONSTRUCTION PERIOD. Notwithstanding the foregoing, during the Construction Period, with respect to all matters described in Section 14(a) other than those described in subparagraph (11) of Section 14(a):(i) the Lessor, in lieu of the Lessee, shall indemnify all Lender Indemnitees under this Section 14, to the same extent that the Lessee is obligated to so indemnify such parties absent the provisions of this subsection (i), (ii) the Lessee will indemnify the Lessor for all obligations of the Lessor under this subsection (i), and (iii) the Lessor hereby assigns to each of the Lender Indemnitees the Lessor's right to indemnification by the Lessee under this subsection (i) to the extent of any claim by the respective Lender Indemnitee under

this Section 14. Any indemnification by the Lessor shall be subject to all of the provisions of this Section 14 to the same extent as applicable to indemnification by the Lessee under this Section 14. Amounts payable during the Construction Period in payment of the indemnifications provided by the Lessee in Section 14(a) above (other than those described in subparagraph (11) of Section 14(a)) are limited to those matters as shall arise in connection with an act or failure to act on the part of the Construction Agent or a Construction Agency Person.

SECTION 15. TRANSACTION EXPENSES

The Lessee agrees, for the benefit of the Lessor, the Certificate Holders and the Lenders, that:

(a) TRANSACTION EXPENSES.

(1) The Lessee shall pay, or cause to be paid, from time to time all Transaction Expenses in respect of the transactions on the Documentation Date, the Availability Date and each Funding Date; provided, however, that if the Lessee has not received written invoices therefor at least five (5) Business Days prior to such date, such Transaction Expenses shall be paid within thirty (30) days after the Lessee has received written invoices therefor. Transaction Expenses may, subject to the conditions hereof (including without limitation the last sentence of Section 3(a)(1)), be paid with the proceeds of an Advance.

(2) The Lessee shall pay or cause to be paid all Transaction Expenses incurred by the Agent, the Lessor, any Lender or any Certificate Holder in entering into any future amendments or supplements with respect to any of the Operative Documents, whether or not such amendments or supplements are ultimately entered into, or giving or withholding of waivers of consents hereto or thereto, in each case which have been requested by or approved by the Lessee, all Transaction Expenses incurred by the Lessee, the Lessor, the Agent, the Lenders or the Certificate Holders in connection with any purchase of the Property by the Lessee or other Person pursuant to Section 6 of the Lease and all Transaction Expenses incurred by any of the other parties hereto in respect of enforcement of any of their rights or remedies against the Lessee or any other Affiliate of the Lessee in respect of the Operative Documents.

(b) BROKERS' FEES AND STAMP TAXES. The Lessee shall pay or cause to be paid any fees and any and all stamp, transfer and other similar taxes, fees and excises, if any, including any interest and penalties, which are payable in connection with the transactions contemplated by this Participation Agreement and the other Operative Documents.

SECTION 16. CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL; SERVICE OF PROCESS

(a) CHOICE OF LAW. The parties hereto hereby irrevocably each (i) agree that any legal or equitable action, suit or proceeding against the Lessee arising out of or relating to this Participation Agreement or any other Operative Document governed by the Laws of the State of Illinois or any transaction contemplated hereby or thereby or the subject matter of any of the

foregoing may be instituted in any state court of competent jurisdiction in the State of Illinois or Federal court in Chicago, Illinois, (ii) to the extent permitted by Applicable Law, waives any objection which it may now or hereafter have to the venue of any such action, suit or proceeding, including, without limitation, inconvenient forum and (iii) submits itself to the jurisdiction of any state court of competent jurisdiction in the State of Illinois or Federal court in Chicago, Illinois for purposes of any such action, suit or proceeding. Nothing contained in this Section shall be deemed to affect the rights of the Certificate Holders, Lenders, the Agent or the Owner Trustee to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Lessee in any other jurisdiction.

(b) CONSENT TO JURISDICTION. THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY OPERATIVE DOCUMENTS AND SUCH PARTIES HEREBY IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVE ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT, ANY LENDER OR ANY CERTIFICATE HOLDER TO BRING PROCEEDINGS AGAINST THE LESSEE OR THE CONSTRUCTION AGENT IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE LESSEE OR THE CONSTRUCTION AGENT AGAINST THE AGENT, ANY LENDER OR ANY CERTIFICATE HOLDER OR ANY AFFILIATE OF THE AGENT, ANY LENDER OR ANY CERTIFICATE HOLDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY OPERATIVE DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS UNLESS THE AGENT, SUCH LENDER, SUCH CERTIFICATE HOLDER OR SUCH AFFILIATE SHALL OTHERWISE AGREE.

(c) WAIVER OF JURY TRIAL. THE PARTIES HERETO VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS PARTICIPATION AGREEMENT OR ANY OTHER OPERATING DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY OF THE PARTIES HEREUNTO AND THEREUNTO. THE PARTIES HEREUNTO HEREBY AGREE THAT THEY WILL NOT SEEK TO CONSOLIDATE ANY SUCH LITIGATION WITH ANY OTHER LITIGATION IN WHICH A JURY TRIAL HAS NOT OR CANNOT BE WAIVED. THE PROVISIONS OF THIS SECTION 16 HAVE BEEN FULLY NEGOTIATED BY THE PARTIES HERETO AND SHALL BE SUBJECT TO NO EXCEPTIONS.

(d) SERVICE OF PROCESS. Each of the Lessee, the Construction Agent, the Guarantor and the Parent Guarantor hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of Illinois may be made upon CT Corporation System (the "PROCESS AGENT"), presently located at 208 South LaSalle Street, Chicago, Illinois

60604 and each of the Lessee, the Construction Agent, the Guarantor and the Parent Guarantor hereby irrevocably appoints the Process Agent its true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to the Lessee, the Construction Agent, the Guarantor or the Parent Guarantor, as the case may be, shall not impair or affect the validity of such service or of any proceeding. Each of the Lessee, the Construction Agent, the Guarantor and the Parent Guarantor hereby further irrevocably consents to the service of process in any such suit, action or proceeding in said courts by the transmitting thereof by the Agent, the Lenders or the Certificate Holders or their respective assignees by facsimile, telex or telegram, to the Lessee, the Construction Agent, the Guarantor or the Parent Guarantor, as the case may be, addressed as provided herein if such process is actually received by such party. Nothing herein shall in any way be deemed to limit the ability of the Agent, the Lenders or the Certificate Holders or their respective assignees to serve any such writs, process or summonses in any manner permitted by Applicable Law or to obtain jurisdiction over the Lessee, the Construction Agent, the Guarantor or the Parent Guarantor, as the case may be, in such other jurisdictions, and in such manner, as may be permitted by Applicable Law. Each of the Lessee, the Construction Agent, the Guarantor and the Parent Guarantor agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by any suit on the judgment or in any other manner provided by Applicable Law. Each of the Lessee, the Construction Agent, the Guarantor and the Parent Guarantor agrees to pay, as and when due, all fees and costs of the Process Agent from time to time.

SECTION 17. LIMITATIONS OF LIABILITY OF OWNER TRUSTEE

It is expressly understood and agreed by and among the parties hereto that, except as otherwise expressly provided herein or therein, each of this Participation Agreement and the other Operative Documents is executed by Wilmington Trust Company, not individually or personally but solely as Owner Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Owner Trustee, that each and all of the representations, undertakings and agreements herein or therein made on the part of the Owner Trustee or the Trust are intended not as personal representations, undertakings and agreements by Wilmington Trust Company, or for the purpose or with the intention of binding Wilmington Trust Company, personally, but are made and intended for the purpose of binding only the Trust Estate, that nothing herein contained shall be construed as creating any liability of Wilmington Trust Company, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of Wilmington Trust Company, to perform any covenant either express or implied contained herein or in the other Operative Documents to which the Owner Trustee or the Trust is a party, and that so far as Wilmington Trust Company is concerned, any Person shall look solely to the Trust Estate for the performance of any obligation hereunder or thereunder or under any of the instruments referred to herein or therein; provided, however, that nothing contained in this Section shall be construed to limit in scope or substance the general corporate liability of Wilmington Trust Company, expressly provided (i) to the Certificate Holders under the Trust Agreement, (ii) in respect of those representations, warranties, agreements and covenants of Wilmington Trust Company expressly set forth in Section 7(a) hereof or in any Operative Document to which it is a party or (iii) pursuant to the Trust Agreement, for the gross negligence or willful misconduct of Wilmington Trust Company

or to exercise the same degree of care and skill as is customarily exercised by similar institutions in the receipt and disbursement of moneys actually received by it in accordance with terms of the Operative Documents under similar circumstances.

SECTION 18. LIMITATION OF LIABILITY OF CERTIFICATE HOLDERS

The Certificate Holders shall not have any obligation or duty to Owner Trustee, the Lessee, Wilmington Trust Company or to others with respect to the transactions contemplated hereby, or for any loss arising under the Operative Documents in respect of a Title Defect, except those obligations or duties of Certificate Holders expressly set forth in this Participation Agreement and the other Operative Documents and the Certificate Holders shall not be liable for performance by any other party of such other party's obligations or duties hereunder or thereunder. Without limiting the generality of the foregoing, under no circumstances whatsoever shall the Certificate Holders be liable for any action or inaction on the part of Owner Trustee in connection with the transactions contemplated herein, whether or not such action or inaction is caused by the willful misconduct or gross negligence of Owner Trustee, unless such action or inaction is taken upon the written instructions of the Certificate Holders or in violation of the covenants of the Certificate Holders in the Operative Documents.

SECTION 19. NOTICES

All communications, demands, notices and consents provided for herein shall be given in writing (either by mail, reputable overnight courier, personal delivery or by telecopier) and shall become effective, if given by personal delivery or telecopier, when given, if given by overnight courier, on the first Business Day after delivery to said courier, all fees therefor prepaid, and if given by mail, five (5) days after deposit in the United States mail, with proper postage for first-class mail prepaid, addressed: (i) if to the Certificate Holders, at their respective Designated Offices set forth on Schedule III; (ii) if to the Owner Trustee, at Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, telecopier number (302) 651-8882 Attention: Corporate Trust Administration; (iii) if to the Lessee or Parent Guarantor, at 400 N. Sam Houston Parkway E., Suite 400, Houston, Texas 77060, telecopier number (281) 618-0505, Attention: Chief Financial Officer; or (iv) if to the Agent or the Lenders at their respective Designated Offices set forth on Schedule III, or at such other address as any party hereto may from time to time designate by notice duly given in accordance with the provisions of this Section to the other parties hereto. In accordance with Section 14.5.9 of the Joint Operating Agreement, the parties hereto acknowledge that the Agent shall give notice to the IPS Parties (as defined in the Joint Operating Agreement) of the occurrence of an Event of Default hereunder.

SECTION 20. SURVIVAL OF REPRESENTATIONS; BINDING EFFECT

All agreements, representations and warranties contained in this Participation Agreement, or in any agreement, document or certificate delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Participation Agreement and the expiration or other termination of this Participation Agreement and shall be considered relied upon by each other party hereto regardless of any knowledge or investigation made by or on behalf of any such party. All agreements, representations and warranties in this Participation Agreement shall bind

the party making the same and its successors and permitted assigns and shall inure to the benefit of each party for whom made and all their respective successors and permitted assigns and all Indemnified Persons.

SECTION 21. THE AGENT

(a) APPOINTMENT; NATURE OF RELATIONSHIP. The Agent is hereby appointed by each of the Participants as its contractual representative hereunder and under each other Operative Document, and each of the Participants irrevocably authorizes the Agent to act as the contractual representative of such Participant with the rights and duties expressly set forth herein and in the other Operative Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this Section 21. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Participant by reason of this Participation Agreement or any other Operative Document and that the Agent is merely acting as the contractual representative of the Participants with only those duties as are expressly set forth in this Participation Agreement and the other Operative Documents. In its capacity as the Participants' contractual representative, the Agent (i) does not hereby assume any fiduciary duties to any of the Participants, (ii) is a "representative" of the Participants within the meaning of Section 9-105 of the Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Operative Documents. Each of the Participants hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Participant hereby waives.

(b) POWERS. The Agent shall have and may exercise such powers under the Operative Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Participants, or any obligation to the Participants to take any action thereunder except any action specifically provided by the Operative Documents to be taken by the Agent.

(c) GENERAL IMMUNITY. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Lessee, the Lessor, the Participants or any Participant for any action taken or omitted to be taken by it or them hereunder or under any other Operative Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

(d) NO RESPONSIBILITY FOR RECITALS, ETC. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Operative Document or any advances thereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Operative Document, including, without limitation, any agreement by an obligor to furnish information directly to each Participant; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Agent; (d) the existence or possible existence of any Default or Event of Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any

Operative Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of the Lessee or any guarantor of any of the Obligations or of any of the Lessee's or any such guarantor's respective Subsidiaries. The Agent shall have no duty to disclose to the Participants information that is not required to be furnished by the Lessee to the Agent at such time, but is voluntarily furnished by the Lessee to the Agent (either in its capacity as Agent or in its individual capacity).

(e) ACTION ON INSTRUCTIONS OF PARTICIPANTS. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Operative Document in accordance with written instructions signed by the Required Participants (or all Participants to the extent required by Section 23(c)), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Participants. The Participants hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Participation Agreement or any other Operative Document unless it shall be requested in writing to do so by the Required Participants. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Operative Document unless it shall first be indemnified to its satisfaction by the Participants pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

(f) EMPLOYMENT OF AGENTS AND COUNSEL. The Agent may execute any of its duties as Agent hereunder and under any other Operative Document by or through employees, agents, and attorneys in fact and shall not be answerable to the Participants, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys in fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Agent and the Participants and all matters pertaining to the Agent's duties hereunder and under any other Operative Document.

(g) RELIANCE ON DOCUMENTS; COUNSEL. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

(h) AGENT'S REIMBURSEMENT AND INDEMNIFICATION. The Participants agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Lessee for which the Agent is entitled to reimbursement by the Lessee under the Operative Documents, (ii) for any other expenses incurred by the Agent on behalf of the Participants, in connection with the preparation, execution, delivery, administration and enforcement of the Operative Documents (including, without limitation, for any expenses incurred by the Agent in connection with any dispute between the Agent and any Participant or between two or more of the Participants) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Operative Documents or

any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Agent in connection with any dispute between the Agent and any Participant or between two or more of the Participants), or the enforcement of any of the terms of the Operative Documents or of any such other documents, provided that no Participant shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Agent. The obligations of the Participants under this Section 21(h) shall survive payment of the Obligations and termination of this Participation Agreement.

(i) NOTICE OF DEFAULT. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received written notice from a Participant or the Lessee referring to this Agreement describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Participants.

(j) RIGHTS AS A PARTICIPANT. In the event the Agent is a Participant, the Agent shall have the same rights and powers hereunder and under any other Operative Document with respect to its Commitment and its Loans as any Participant and may exercise the same as though it were not the Agent, and the term "Participant" or "Participants" shall, at any time when the Agent is a Participant, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Operative Document, with the Lessee or any of its Subsidiaries in which the Lessee or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Participant.

(k) PARTICIPANT CREDIT DECISION. Each Participant acknowledges that it has, independently and without reliance upon the Agent, the Arranger or any other Participant and based on the financial statements prepared by the Lessee and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Participation Agreement and the other Operative Documents. Each Participant also acknowledges that it will, independently and without reliance upon the Agent, the Arranger or any other Participant and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Participation Agreement and the other Operative Documents.

(l) SUCCESSOR AGENT. The Agent may resign at any time by giving written notice thereof to the Participants and the Lessee, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign (subject, during the Construction Period, to the consent of the Lessee unless a Lease Event of Default or Payment or Bankruptcy Default shall have occurred and be continuing). The Agent may be removed at any time with or without cause by written notice received by the Agent from the Required Participants, such removal to be effective on the date specified by the Required Participants. Upon any such resignation or removal, the Required Participants shall have the right to appoint, on behalf of the Lessee and the Participants, a successor Agent. If no successor Agent shall have been so appointed by the

Required Participants within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Lessee and the Participants, a successor Agent. Notwithstanding the previous sentence, the Agent may at any time without the consent of the Lessee or any Participant, appoint any of its Affiliates which is a commercial bank as a successor Agent hereunder. If the Agent has resigned or been removed and no successor Agent has been appointed, the Participants may perform all the duties of the Agent hereunder and the Lessee shall make all payments in respect of the Obligations to the applicable Participant and for all other purposes shall deal directly with the Participants. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of the Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Operative Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this Section 21 shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Operative Documents. In the event that there is a successor to the Agent by merger, or the Agent assigns its duties and obligations to an Affiliate pursuant to this Section 21(l), then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Agent.

(m) AGENT'S FEE. The Lessee agrees to pay to the Agent, for its own account, the fees agreed to by the Lessee and the Agent pursuant to the Fee Letter and the Agent's reasonable fees, costs and expenses for the performance of Agent's obligations hereunder; provided, that during the Construction Period such fees, costs and expenses shall be paid only out of proceeds of an Advance in accordance with the Approved Budget and such amounts shall not, during the Construction Period, represent direct recourse obligations of the Lessee.

(n) DELEGATION TO AFFILIATES. The Lessee and the Participants agree that the Agent may delegate any of its duties under this Participation Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Agent is entitled under Section 13 and 14.

(o) EXECUTION OF COLLATERAL DOCUMENTS. The Participants hereby empower and authorize the Agent to execute and deliver to the Lessee on their behalf any security documents and all related financing statements and any financing statements, agreements, documents or instruments as shall be necessary or appropriate to effect the purposes of the Operative Documents.

(p) COLLATERAL RELEASES. The Participants hereby empower and authorize the Agent to execute and deliver to the Lessee on their behalf any agreements, documents or instruments as shall be necessary or appropriate to effect any releases of Collateral which shall be permitted by the terms hereof or of any other Operative Document or which shall otherwise have been

approved by the Required Participants (or, if required by the terms of Section 22(c), all of the Participants) in writing.

SECTION 22. LESSEE DIRECTIONS; REPLACEMENT OF PARTICIPANTS

Each of the Participants, Lessor and Lessee hereby agree that, so long as no Default or Event of Default exists:

(a) Agent, with the approval of Lessee (acting reasonably), shall have the right to replace any Certificate Holder or any Lender with respect to which (i) the right to pay interest by reference to LIBO Rate shall be suspended under Section 4(e), or (ii) there is or could be any claim to reimbursement or compensation under Section 4;

(b) Agent, with the approval of Lessee (acting reasonably), shall have the right to replace any Certificate Holder or any Lender that breached its obligations under Section 3 to fund a Certificate Amount or make a Loan.

(c) Agent hereby grants Lessee the right to exercise any right of Lessor under Section 22(b) upon not less than (3) Business Days' prior written notice from Lessee to Certificate Trustee and the Agent, unless Agent objects to such exercise within two (2) Business Days of receipt of such notice and Lessor agrees in its notice of objection to comply with Section 22(b); provided that notwithstanding the exercise of rights by the Lessee under this paragraph (c), any new Certificate Holder nominated by the Lessee is subject to the reasonable approval of the Agent.

SECTION 23. MISCELLANEOUS

(a) COUNTERPART EXECUTION. This Participation Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(b) GOVERNING LAW. THE OPERATIVE DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

(c) AMENDMENTS, SUPPLEMENTS, WAIVERS. Neither this Participation Agreement nor any of the terms hereof may be amended, supplemented, waived or modified orally, or terminated in any manner whatsoever except by written instrument signed by the Lessee (if such action adversely affects the Lessee), the Agent, majority (by Loan Balance) of the Lenders, majority (by Tranche A Loan Balance) of the Tranche A Lenders (if such action adversely affects the Tranche A Lenders), majority (by Tranche B Loan Balance) of the Tranche B Lenders (if such action adversely affects the Tranche B Lenders), majority (by Equity Amount) of the Certificate Holders (if such action adversely affects the Certificate Holders) and the Owner

Trustee (if such action adversely affects the Owner Trustee) and Wilmington Trust Company (if such action adversely affects Wilmington Trust Company); provided, however, that the following actions may not be taken without the consent of the applicable party:

(1) any action which will modify the timing or amount of any payment to such party;

(2) any action which requires the consent of such party in its sole discretion if such party has not provided its consent (including, without limitation, consents under the provisions of Section 13(f) above and any action that will result in an increase in any party's maximum Commitment);

(3) any action which will modify any of the provisions of this Section 23(c), change the definition of "Required Participants" or modify or waive any provision of any Operative Document requiring action by any of the foregoing, or release any collateral (except as otherwise specifically provided in any Operative Document);

(4) any action which will reduce, modify, amend or waive any indemnities in favor of any Participant, the Agent or the Owner Trustee;

(5) modify, amend, waive or supplement any of the provisions of Sections 11, 12, 14, 15 or 16 of the Lease;

(6) consent to any assignment of the Lease or other Operative Document releasing the Lessee or Parent Guarantor from its obligations thereunder or changing the absolute and unconditional character of such obligations;

(7) permit the creation of any Lien on the Platform, the Property or any part thereof except as contemplated by the Operative Documents, or deprive any Participant of the benefit of the security interest and lien encumbering the Platform or the Property.

Notwithstanding the foregoing, whether or not a Lease Event of Default shall have occurred and be continuing, the parties hereto agree that no modification to an Operative Document to which the Lessee is not a party will increase the obligations of the Lessee or of the Construction Agent without the prior written consent of the Lessee.

(d) HEADINGS. The headings of the sections and paragraphs of this Participation Agreement and the table of contents have been inserted for convenience of reference only and shall not affect the construction or interpretation of this Participation Agreement.

(e) BUSINESS DAY. If the date on which any payment is to be made pursuant to this Participation Agreement or any other Operative Document is not a Business Day, then (except as otherwise expressly provided herein of in any other applicable Operative Document) the payment otherwise payable on such date shall be payable on the next succeeding Business Day, and, except as may otherwise be required by the Lease, without any additional amount accruing

with respect thereto, with the same force and effect as if made on the date when such payment is due.

(f) REPRODUCTION OF DOCUMENTS. This Participation Agreement, all documents constituting exhibits hereto, and all documents relating hereto received by a party hereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by Certificate Holders in connection with Owner Trustee's purchase of the Property, and (c) financial statements, certificates, and other information previously or hereafter furnished to Certificate Holders or Owner Trustee may be reproduced by the party receiving the same by any photographic, photostatic, microfilm or other similar process. Each party hereto agrees and stipulates that, to the extent permitted by law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not such reproduction was made by such party in the regular course of business) and that, to the extent permitted by law, any enlargement, facsimile, or further reproduction of such reproduction shall likewise be admissible in evidence.

(g) OPINIONS. The parties to this Participation Agreement hereby acknowledge that they have irrevocably instructed their respective counsel to deliver to and for the benefit of the addressees thereof, the opinions of such counsel referred to in and required by Section 9 and Section 13(f) of this Participation Agreement.

(h) SURVIVAL OF AGREEMENTS. All agreements, indemnities, representations and warranties contained in this Participation Agreement or in any agreement, document or certificate delivered pursuant hereto following or in connection herewith shall survive the execution and delivery of this Participation Agreement and the expiration or other termination of this Participation Agreement

(i) ENFORCEMENT. Any provision of this Participation Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(j) ENTIRE AGREEMENT. This Participation Agreement, together with the other Operative Documents, represents the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any and all prior understandings.

(k) CONFIDENTIALITY. Without limiting the provisions of Section 5(c), the Agent and the Lessee each agree that the existence of the Operative Documents (other than the Operative Documents which are intended by the parties to be filed of record) and the terms and conditions hereof are confidential and may not be disclosed by either party (the "DISCLOSING PARTY") to any third party (expressly excluding the Participants, the Owner Trustee and any other party to any of the Operative Documents), without the other party's prior written consent, except to the extent that such disclosure (i) is required by law, regulation, supervisory authority, or other applicable judicial or governmental order, (ii) was or becomes generally available to the public other than as

a result of a disclosure by the Disclosing Party, (iii) is made in connection with the services to be provided by the Agent pursuant to the Operative Documents, (iv) is made on a confidential basis to either party's Subsidiaries and Affiliates and, on a need to know basis, its and their respective attorneys, accountants, consultants and tax or other advisors (collectively, "RELATED PARTIES") or (v) is made on a confidential basis to any assignee or potential assignee of a Lender or Certificate Holder.

(i) HIGHEST LAWFUL RATE. (i) It is the intention of the parties hereto to conform strictly to applicable usury laws and, anything herein to the contrary notwithstanding, the obligations of (x) Lessee to Certificate Holders under this Agreement and the Lease, (y) Owner Trustee to the Certificate Holders under the Trust Agreement and the Certificates and to the Lenders under the Loan Agreement and the Notes and (z) either Lessee, Lessor or Owner Trustee or any other party under any other Operative Documents, shall be subject to the limitation that payments of interest or of other amounts constituting interest under applicable law shall not be required to the extent that receipt thereof would be in excess of the Highest Lawful Rate (as defined below), or otherwise contrary to provisions of law applicable to the recipient limiting rates of interest which may be charged or collected by the recipient. Accordingly, if the transactions or the amount paid or otherwise agreed to be paid for the use, forbearance or detention of money under this Participation Agreement, the Lease, the Trust Agreement, the Certificates, the Loan Agreement, the Notes or any other Operative Document would exceed the Highest Lawful Rate or otherwise be usurious under Applicable Law (including without limitation the federal and state laws of the United States of America, or of any other jurisdiction whose laws may be mandatorily applicable) with respect to the recipient of any such amount, then, in the event, notwithstanding anything to the contrary in this Participation Agreement, the Lease, the Trust Agreement, the Certificates, the Loan Agreement, the Notes or any other Operative Document, it is agreed at followings as to the recipient of any such amount:

(ii) the provisions of this Section 23(l) shall govern and control over any other provision in this Participation Agreement, the Lease, the Trust Agreement, the Certificates, the Loan Agreement, the Notes or any other Operative Document and each provision set forth therein is hereby so limited;

(iii) the aggregate of all consideration which constitutes interest under Applicable Law that is contracted for, charged or received under this Participation Agreement, the Lease, the Trust Agreement, the Certificates, the Loan Agreement, the Notes or any other Operative Documents shall under no circumstances exceed the maximum amount of interest allowed by Applicable Law (such maximum lawful interest rate, if any, with respect to such recipient herein called the "HIGHEST LAWFUL RATE"), and all amounts owed under this Participation Agreement, the Lease, the Trust Agreement, the Certificates, the Loan Agreement, the Notes or any other Operative Document shall be held subject to reduction and (i) the amount of interest which would otherwise be payable to the recipient hereunder and under the Lease, the Trust Agreements, the Certificates, the Loan Agreement, the Notes and any other Operative Documents, shall be automatically reduced to the amount allowed under Applicable Law and (ii) any unearned

interest paid in excess of the Highest Lawful Rate shall be credited to the payor by the recipient (or, if such consideration shall have been paid in full, refunded to the payor);

(iv) all sums paid, or agreed to be paid for the use, forbearance and detention of the money under this Participation Agreement, the Lease, the Trust Agreement, the Certificates, the Loan Agreement, the Notes or any other Operative Documents shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in fill so that the actual rate of interest is uniform throughout the full term thereof;

(v) if at any time the interest, together with any fees, late charges and other sums payable pursuant to or in connection with this Participation Agreement, the Lease, the Trust Agreement, the Certificates, the Loan Agreement, the Notes or any other Operative Document, and deemed interest under Applicable Law, exceeds that amount which would have accrued at the Highest Lawful Rate, the amount of interest any such fees, charges and sums to accrue to the recipient of such interest, fees, charges and sums pursuant to the Operative Documents shall be limited, notwithstanding anything to the contrary in the Operative Documents to that amount which would have accrued at the Highest Lawful Rate for the recipient, but any subsequent reductions, as applicable, shall not reduce the interest to accrue pursuant to the Operative Documents below the recipient's Highest Lawful Rate until the total amount of interest payable to the recipient (including all considerations which constitute interest) equals the amount of interest which would have been payable to the recipient (including all consideration which constitutes interest) plus the amount of fees which would have been received but for the effect of this Section 23(l).

(l) ACCOUNTING CHANGES. Although neither Lessor, the Agent, any Certificate Holder, nor any Lender makes any representation or warranty with respect to the Lessee's accounting treatment of this transaction, in the event that Lessee shall determine that any change in the applicable rules and interpretations of the Financial Accounting Standards Board and/or the Securities Exchange Commission (the "LEASE ACCOUNTING RULES") will preclude the Lessee (or raise a substantial question as to whether the Lessee is precluded) from continuing to account for this Lease as an operating lease with substantially the same financial accounting benefits as before the change in Lease Accounting Rules, then the Lessee shall so notify the Lessor and the Agent in writing of such determination; and (i) Lessee may attempt to renegotiate the structure of the transaction contemplated by the Operative Documents (provided that nothing contained in this Section 23(m) shall require any Person to agree to any new structure); or (ii) Lessee may elect (by delivery of irrevocable written notice of such election to the Lessor and the Agent) to purchase all of the Property or to cause all of the Property to be transferred to a third party transferee designated by Lessee (such purchase or transfer to be consummated on a date (the "ACCOUNTING CHANGE TRANSFER DATE") specified by Lessee in such notice and in any event within sixty (60) days after the date of such notice). On the Accounting Change Transfer Date (whether the Property is to be purchased by Lessee or transferred to a third party), Lessee shall pay or cause to be paid to Lessor an amount equal to the Property Balance. Upon receipt of such amount, Lessor shall transfer to Lessee (or to the third party designated by Lessee) all of Lessor's right, title and interest in and to the Property in accordance with the Transfer Protocol and the Expiration Date shall be deemed to have occurred on the date of such transfer.

SECTION 24. PARTIAL PURCHASE OPTION. Notwithstanding any other provision to the contrary contained in the Operative Documents and subject to the fulfillment of each of the conditions set forth in Section 24(a) below, Lessee shall have the one (1) time option (the "Partial Purchase Option") to cause to be purchased by a third party purchaser which is not an Affiliate of the Lessee (the "Partial Option Purchaser") up to (but not more than) 50% of the Property for an amount equal to the portion (expressed as a percentage of the Property) (the "Partial Option Percentage") of the Property that Lessee has elected to purchase pursuant to the Partial Purchase Option (the "Partial Option Property") multiplied by the Property Balance as of Partial Option Closing Date (the "Partial Option Purchase Price").

(a) The Lessee's effective exercise and consummation of the Partial Purchase Option shall be subject to the due and timely fulfillment of each of the following conditions:

(i) The Lessee shall provide the Agent with a written notice of its election to exercise the Partial Purchase Option which notice shall specify (x) the date (the "Partial Option Closing Date") upon which the Partial Purchase Option is expected to be consummated (the "Partial Option Closing"); (y) the identity of the Partial Option Purchaser; and (z) the Partial Option Property; provided, that (i) the Partial Purchase Option must be consummated prior to the date that is 365 days prior to the Lease Termination Date; and (ii) the Partial Option Closing Date shall not be less than thirty (30) days nor more than ninety (90) days after the date that Agent receives Lessee's written notice of its election to exercise the Partial Purchase Option;

(ii) No Event of Default or Default shall exist on the date of the exercise of the Partial Purchase Option, and no Default or Event of Default shall exist at any time between the date of such exercise and the Partial Option Closing;

(iii) The Lessee shall have provided to the Agent a true, correct and complete copy of the agreement of purchase and sale (the "Partial Option Purchase Agreement"), pursuant to which Lessee has agreed to cause to be sold to the Partial Option Purchaser and such Partial Option Purchaser has agreed to purchase, the Partial Option Property;

(iv) The Lessee shall have provided the Agent with evidence that Kerr-McGee and Nexen Petroleum Offshore U.S.A., Inc. have each consented to (i) the Partial Option Purchase Agreement and the transaction contemplated by the Partial Option Purchase Agreement and (ii) the admission of the Partial Option Purchaser as a party to the Joint Operating Agreement;

(v) The Lessee shall have paid or caused to be paid to the Agent (for distribution pursuant to Section 5(d)(xi)), out of Lessee's or the Partial Option Purchaser's funds (and not from Advances), the sum of (x) the Partial Option Purchase Price, (y) all Excluded Amounts and (z) all costs and expenses incurred by the Agent, the Lessor, the Owner Trustee and the Participants in connection with the Partial Option Closing and the preparation, execution and delivery of the documents evidencing Partial Purchase Option transaction (including the matters described in Section 24(a)(vi) and Section 24(b), including, all reasonable attorneys' fees and expenses incurred in connection with such transaction; and

(vi) The Lessee shall have provided the Agent with such other documents, instruments, information, agreements, consents, opinions of counsel and assurances, including, without limitation, any amendments to the Joint Operating Agreement or any of the Construction Documents, as may from time to time be reasonably requested by the Agent in connection with the Partial Purchase Option.

(b) Subject to the satisfaction of each of the conditions set forth in Section 24(a), at the Closing, the Lessor shall transfer to the Partial Option Purchaser by a quitclaim bill of sale, all of the Lessor's right, title and interest in and to the Partial Option Property on an "as is" "where is" and "with all faults" basis, without representation or warranty. Lessor and the Agent, as appropriate, shall also execute and deliver any appropriate and required partial releases of the Liens of (v) the Assignment of Leases and Rents, (w) the Lender Mortgage, (x) the Memorandum of Lease, (y) related UCC Financing Statements and (z) such other Operative Documents as Lessee shall reasonably require. Each of the foregoing documents and instruments shall be acceptable, in form and substance, to the Lessor and the Agent.

(c) Lessee acknowledges and agrees that if for any reason the Partial Purchase Option Closing is not consummated on the Partial Option Closing Date then, the portion of the Property Balance equal to the Partial Option Purchase Price will accrue interest or Yield, as the case may be, at the Alternate Base Rate until such time as Lessee elects or is otherwise able to convert such rate of interest or Yield to the LIBO Rate pursuant to the Operative Documents.

SECTION 25. SALE OF WORKING INTEREST. Lessee covenants and agrees that it shall not directly or indirectly sell, convey, assign, transfer, encumber, or alienate all or any portion of its Working Interest (as defined in the Joint Operating Agreement); provided, that: (a) Lessee may sell a portion of its Working Interest to the Partial Option Purchaser in conjunction with the consummation of the Partial Purchase Option under Section 24 of this Participation Agreement (it being understood and agreed that Lessee shall only be entitled to sell to the Partial Option Purchaser a percentage of its Working Interest that is equal to and in the same proportion as the Partial Option Percentage); and (b) Lessee may sell its Working Interest contemporaneously with its purchase of the Property pursuant to Section 6(e) of the Lease.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have each caused this Participation Agreement to be duly executed by their respective officers hereunto duly authorized as of the date first above written.

ENERGY RESOURCE TECHNOLOGY, INC., a Delaware corporation, as Lessee, Construction Agent and Guarantor

BY: ---

NAME: ---

TITLE: ---

CAL DIVE INTERNATIONAL, INC., a Minnesota corporation, as Parent Guarantor

BY: ---

NAME: ---

TITLE: ---

CAL DIVE/GUNNISON BUSINESS TRUST NO. 2001-1-1, a Delaware business trust, as Lessor and Owner Trustee

BY:

NAME:

TITLE:

Wilmington Trust Company, not in its individual capacity, but solely as trustee of CAL DIVE/GUNNISON Business Trust No. 2001-1-1

BY:

NAME:

TITLE:

WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except to the extent expressly provided herein, but solely as Owner Trustee

BY:

NAME:

TITLE:

BANK ONE, NA, as a Lender and as Agent
for the Lenders

BY:

Ken Fatur
Director, Capital Markets

BANC ONE LEASING SERVICES CORP., as a
Certificate Holder

BY:

William Lacy
President

EXHIBIT 4.4

CREDIT AGREEMENT

dated as of August 16, 2000

among

CAL DIVE I - TITLE XI, INC.,
as Shipowner

GOVCO INCORPORATED,
as Primary Lender

CITIBANK, N.A.,
as Alternate Lender

CITIBANK INTERNATIONAL plc,
as Facility Agent

and

CITICORP NORTH AMERICA, INC.,
as Administrative Agent for the Primary Lender and
the commercial paper holders of the Primary Lender.

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Exhibits

Annexes

THIS CREDIT AGREEMENT, dated as of August __, 2000 is made by and among CAL DIVE I - TITLE XI, INC., a Texas corporation (the "Shipowner"), GOVCO INCORPORATED, a Delaware corporation (the "Primary Lender"), CITIBANK, N.A., a national banking association (the "Alternate Lender"), CITIBANK INTERNATIONAL plc, a bank organized and existing under the laws of England, as facility agent for both the Primary Lender and the Alternate Lender (and their respective successors and assigns) with respect to the Floating Rate Note, and its permitted successors and assigns (in such capacity, the "Facility Agent"), and CITICORP NORTH AMERICA, INC., a Delaware corporation, as administrative agent for the Primary Lender and the commercial paper holders of the Primary Lender (and their respective successors and assigns) (in such capacity, together with its permitted successors and assigns, the "Administrative Agent," and together with the Facility Agent, the "Agents"). As used herein, the term "Lender" shall mean either the Primary Lender or the Alternate Lender, as the case may be, depending on which of the two parties made or will make the relevant disbursement of funds under this Agreement; provided, however, that if the Primary Lender assigns its rights under this Agreement to the Alternate Lender, the term "Lender," as used herein, shall mean only the Alternate Lender. The term "Lenders," as used herein, shall mean collectively the Primary Lender and the Alternate Lender.

BACKGROUND

WHEREAS:

(A) by this Agreement, the Lenders have established a credit facility (the "Credit Facility") in the amount of $138,478,000, pursuant to which the Primary Lender may, in its discretion, subject to the terms and conditions hereof, extend financing to the Shipowner (i) for the manufacture, construction, fabrication, financing and purchase by the Shipowner of the Vessel; (ii) for the payment of the related Construction Period Interest; and (iii) for the payment of the Guarantee Fees;

(B) the establishment of the Credit Facility is in reliance upon the commitment of the United States to guarantee the payment of the unpaid interest on, and the unpaid balance of the principal of, the Floating Rate Note, including interest accruing between the date of an Indenture Default under the Floating Rate Note and the payment in full of the Guarantee;

(C) a condition to the Lenders' extension of the Credit Facility under this Agreement is the Facility Agent's timely receipt of Certificates Authorizing Disbursement and issuance of the Guarantee of the Floating Rate Note;

(D) the Facility Agent will serve as facility agent for the benefit, and on behalf, of each of the Lenders in connection with the Credit Facility, this Agreement and the other related documents and the Administrative

Agent will act as an administrative agent for the Primary Lender and the Primary Lender's commercial paper holders; and

(E) the Credit Facility may be utilized by the Shipowner in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1. DEFINITIONS AND PRINCIPLES OF CONSTRUCTION

1.01 Defined Terms. For the purposes of this Agreement, unless otherwise defined herein, defined terms shall have the meanings specified in Exhibit 1 hereto.

1.02 Principles of Construction.

(a) The meanings set forth for defined terms in this Agreement shall be equally applicable to both the singular and plural forms of the terms defined.

(b) Unless otherwise specified, all references in this Agreement to Annexes or Exhibits are to Annexes or Exhibits in or to this Agreement.

(c) The headings of the Sections in this Agreement are included for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

SECTION 2. THE CREDIT FACILITY

2.01 Amount. The Lenders hereby establish the Credit Facility, upon the terms and conditions set forth in this Agreement, in favor of the Shipowner in the maximum amount of $138,478,000 (the "Credit Facility Amount"), to enable the Shipowner to finance: (i) the manufacture, construction, fabrication, financing and purchase of the Vessel; (ii) Construction Period Interest; and (iii) the Guarantee Fees; all as set forth in Certificates Authorizing Disbursements submitted in accordance with this Agreement. The Primary Lender intends (but is not obligated) to fund the Credit Facility through the issuance and sale of Commercial Paper to investors which is exempt from the registration requirements of the United States Securities Act of 1933, as amended. The Primary Lender may, at its option, elect at any time not to fund the Credit Facility or the undisbursed portion thereof, in which case the Alternate Lender shall, subject to the terms and conditions provided herein, fund the Credit Facility in the amount (the "Available Amount") which is equal to the excess, if any, of the Credit Facility Amount over the outstanding principal amount evidenced by the Floating Rate Note, plus the aggregate outstanding principal amount evidenced by Fixed Rate Bonds ("Outstanding Principal").

2.02 Availability. Disbursements under the Credit Facility may be made once a calendar month and up to and including the Final Disbursement Date. "Final Disbursement Date" shall mean the earliest of (x) January 28, 2002, (y) the date upon which the Trigger Event (as defined in Section 2.05) shall occur or, (z) the date on which the Available Amount under the Credit Facility is canceled in accordance with Section 9.01 or reduced to zero.

2.03 Disbursements and Minimum Amount of Utilizations. Upon satisfaction of Sections 3.01, 5.01 and 5.02, disbursements shall be made by advances from the Primary Lender or the Alternate Lender to the Shipowner ("Disbursements") in accordance with Section 3.01. Notwithstanding anything in this Agreement to the contrary, the Shipowner may not request a Disbursement under the Credit Facility for an amount (a) less than the smaller of (i) $1,000,000 or (ii) the Available Amount or (b) more than the Available Amount.

2.04 Relationship of Floating Rate Note and Fixed Rate Bond(s). Disbursements from the Credit Facility shall become the indebtedness of the Shipowner to the Lenders under the Floating Rate Note. The Shipowner shall redeem the Floating Rate Note in full by causing to be issued one or more Fixed Rate Bonds and using the proceeds thereof to repay the Floating Rate Note in full no later than the earliest of (i) the Payment Date next preceding four years from the Delivery Date, (ii) January 28, 2006, or (iii) the date upon which the Trigger Event shall occur. At its option, and from time to time, the Shipowner may redeem all or any portion of the indebtedness under the Floating Rate Note by causing a Fixed Rate Bond or series of Fixed Rate Bonds to be issued at any time during or after the construction of the Vessel, so long as such redemption of the Floating Rate Note does not occur later than the earliest of (i) the Payment Date next preceding four years after the Delivery Date, (ii) January 28, 2006, or (iii) the date upon which the Trigger Event shall occur, and except for the final redemption or in the case of the Trigger Event, each redemption is in a minimum amount of $50,000,000; and the Shipowner shall have paid any amount payable under Section 4.04(a)(iv) or any other provision hereof in connection therewith.

2.05 Trigger Event. (a) The Shipowner shall redeem the Floating Rate Note in full by causing to be issued one or more Fixed Rate Bonds with a Maturity date no later than (i) January 28, 2027, or (ii) the twenty fifth anniversary of the Delivery Date upon the occurrence of a Trigger Event. A "Trigger Event" shall mean (x) three hundred and sixty five (365) days from the date when the ten (10) year Treasury constant maturity rate as reported by the Federal Reserve Board in statistical release H.15 (519) (the "Treasury Rate") first equals or exceeds eleven percent (11%) per annum, or (y) fifteen (15) Business Days from the date at any time during said three hundred and sixty five (365) day period when the Treasury Rate first equals or exceeds twelve percent (12%) per annum; provided however, that in the event interest rates have improved at the end of said three hundred and sixty five (365) day period, the Shipowner may request the Secretary, at that

time, to extend the three hundred and sixty five (365) day period, and the Secretary, in his sole discretion, may grant or deny such request. If a Trigger Event should occur, the Shipowner shall redeem the Floating Rate Note in full by causing to be issued one or more Fixed Rate Bonds and using the proceeds thereof to repay the Floating Rate Note in full.

(b) Nothing in this Section 2.05 shall prevent the Shipowner from redeeming the Floating Rate Note by issuance of a fixed-rate obligation at any time prior to maturity, including without limitation, the three hundred and sixty five (365) day period referred to in Section 2.05(a).

(c) The failure of the Shipowner to redeem the Floating Rate Note and to borrow the Available Amount by issuance of a fixed-rate obligation pursuant to this Section 2.05, unless subsequently waived in writing by the Secretary, shall constitute an Indenture Default without further notice to the Shipowner or the Lenders being required under the Indenture or this Agreement.

(d) The Shipowner covenants for the benefit of the Secretary that it shall arrange for an independent reporting service or bank acceptable to the Secretary to send the Secretary, the Facility Agent, and the Shipowner a written interest rate report once a month on the first business day of every month (until such time as the Floating Rate Note is prepaid in full by a fixed rate obligation). This interest rate report shall specify the Treasury Rate as of the date of the report.

SECTION 3. DISBURSEMENT REQUIREMENTS

3.01 Disbursement Procedures. Upon receipt by the Facility Agent of each Certificate Authorizing Disbursement at least five (5) Business Days prior to the proposed disbursement date, the Primary Lender may, and if the Primary Lender elects not to, the Alternate Lender shall, disburse funds in accordance with the terms of such Certificate Authorizing Disbursement to the Shipowner, or the Shipowner's designee, subject to the terms of this Agreement and such Certificate Authorizing Disbursement; provided that, if the Certificate Authorizing Disbursement and the request for disbursement referred to therein do not specify a disbursement date, then the disbursement date shall be the fifth Business Day (or such earlier or later Business Day as is requested by the Shipowner and is acceptable to the disbursing Lender) following the Facility Agent's receipt of such Certificate Authorizing Disbursement. Promptly following each Disbursement, the Facility Agent shall transmit to the Indenture Trustee and the Shipowner a copy of the Certificate Authorizing Disbursement, a confirmation that the Disbursement was made, and a copy of Exhibit A to the Floating Rate Note, updated to reflect such Disbursement and other intervening, related events.

SECTION 4. TERMS OF THE CREDIT

4.01 Principal Repayment. The Shipowner shall repay the Outstanding Principal of the Floating Rate Note as follows:

(i) in installments in the principal amounts set forth in the Amortization Schedule, Attachment 1 to the Indenture, on each Payment Date commencing with the Payment Date occurring on the earlier of the Payment Date next succeeding the Delivery Date of the Vessel or January 28, 2002, and continuing until the Payment Date before the earlier of (x) the Payment Date next preceding four years from the Delivery Date, or (y) January 28, 2006, and

(ii) the full amount of remaining Outstanding Principal, on the earliest of (x) the Payment Date next preceding four years from the Delivery Date, (y) January 28, 2006, or (x) the date upon which the Trigger Event shall occur.

4.02 Interest Payment.

(a) On each Interest Payment Date, the Shipowner shall pay to the Indenture Trustee, on behalf of the Person(s) entitled thereto, interest on the Outstanding Principal in arrears, calculated at an interest rate per annum equal to the Applicable Interest Rate therefor, as determined for each successive Interest Period. The Indenture Trustee shall calculate the Applicable Interest Rate based on information provided (i) by the Administrative Agent to the Facility Agent if the Primary Lender is the Lender, or (ii) by the Facility Agent if the Alternate Lender is the Lender. From time to time, the Administrative Agent or Facility Agent will confirm CP Rate, LIBOR, Base Rate, and Applicable Interest Rate to the Indenture Trustee. In the event that the Primary Lender assigns the financing of all or any portion of the amount outstanding under the Credit Facility (whether or not evidenced by a Note) to the Alternate Lender or other assignee permitted by the terms of this Agreement, the interest rate on such amount shall be determined by the Facility Agent (and the Facility Agent shall notify the Indenture Trustee thereof and the Indenture Trustee shall confirm such interest rate based on information provided by the Facility Agent) pursuant to clause (i) of the definition of Applicable Interest Rate for the period prior to the effective date of such assignment and pursuant to clause (ii) of such definition for all periods after such date.

(b) The Shipowner shall pay to the Facility Agent, on behalf of the Person(s) entitled to any Unpaid Amount, on demand, interest on such Unpaid Amount (to the extent permitted by applicable law) for each Post Maturity Period at an interest rate per annum equal to the sum (the "Post Maturity Interest Rate") of (1) two percent (2%), plus (2) the Applicable Interest Rate; provided, that if such Unpaid Amount consists of principal on the Floating Rate Note as to which guaranteed interest continues to accrue, the Post-Maturity Interest Rate on such Unpaid Amount shall be limited to

the incremental amount of additional interest required to be paid under this Section 4.02(b) and shall equal two percent (2.0%) per annum. In the absence of an Indenture Default, any interest which shall have accrued under this Section 4.02(b) in respect of an Unpaid Amount shall be due and payable and shall be paid by the Shipowner on demand on such dates as the Person to whom such Unpaid Amount is owed may specify by written notice to the Shipowner, or if there is an Indenture Default, any interest which shall have accrued under this Section 4.02(b) in respect of an Unpaid Amount shall be due and payable immediately and shall be paid by the Shipowner without demand and any payment by, or on behalf of, the Shipowner hereunder shall be governed by Section 7.02 and the provisions of the last paragraph of Section 9.02.

As used herein, "Unpaid Amount" means all or any part of principal, accrued interest, fees or other amounts owing to the Agents or the Lenders under this Agreement or the Floating Rate Note which is not paid in full when and as due and payable, whether at Stated Maturity, by acceleration or otherwise, or any sum due and payable by the Shipowner to the Agents or the Lenders under any judgment of any court or arbitral tribunal in connection with this Agreement which is not paid on the date of such judgment. "LIBOR" shall mean, in relation to any Post Maturity Period (other than the first Post Maturity Period contemplated by clause (iii) of Section 4.02(b)), an interest rate per annum equal to (i) the rate of interest per annum (rounded upward, if necessary, to the nearest 1/16 of 1%) last quoted by the principal London office of CITIBANK, N.A., prior to the close of business at such London office on the Quotation Date for the offering to leading banks in the London interbank market of U.S. Dollar deposits on an overnight basis and in an amount comparable to the Unpaid Amount to which LIBOR is to apply divided by (ii) one hundred percent (100%) minus the Eurodollar Reserve Percentage. "Accelerated Repayment" shall mean any part of the principal of the Floating Rate Note that became due and payable on a day other than its Payment Date. "Post Maturity Period" shall mean with respect to the period from the date an Unpaid Amount was due until such amount shall have been paid in full, each successive period, the first of which shall start on the date such Unpaid Amount was due (or the date of any such judgment or arbitral award, if earlier) and each other of which shall start on the last day of the preceding such period, and the duration of each of which shall be one day, or if LIBOR applies, then from and including the Quotation Date for such Post Maturity Period to but excluding the next Quotation Date or such other duration selected by the Person to whom such Unpaid Amount is due; provided, however, that in the case of any Accelerated Repayment, the first such Post Maturity Period applicable thereto shall be of a duration equal to the unexpired portion of its then applicable Interest Period. "Quotation Date" in relation to any Post Maturity Period means the day on which quotations would ordinarily be given by CITIBANK, N.A. in the London interbank market for dollar deposits for delivery on the first day of that period; provided, however, that if, for any such Post Maturity Period, quotations would ordinarily be given on more than one date, the Quotation Date for that period shall be the last of those dates.

4.03 Prepayment. (a) The Shipowner may from time to time prepay on any Interest Payment Date all or any part of the Outstanding Principal evidenced by the Floating Rate Note, provided that: (i) any partial prepayment shall be in a minimum principal amount of $10,000,000, unless otherwise required by the Indenture; (ii) the Shipowner shall have given the Facility Agent and the Indenture Trustee prior written notice of such prepayment (which shall be not less than 40 nor more than 60 days); (iii) the Shipowner shall have paid in full all amounts due under this Agreement as of the date of such prepayment, including, without limitation, interest which has accrued to the date of prepayment on the amount prepaid and all other amounts payable hereunder relating to such prepayment; (iv) any amount prepaid hereunder (other than the Outstanding Principal amount thereof prepaid through the issuance of Fixed Rate Bonds, the Outstanding Principal amount of which is subtracted from the Credit Facility pursuant to the last sentence of Section 2.01) shall not be considered part of the Available Amount; and (v) subject to Section 4.03(c), if the Lender is the Primary Lender, the Shipowner shall pay to the Facility Agent, for the benefit of the Primary Lender an amount equal to (x) the amount of yield that the Primary Lender is required to pay to holders of its Commercial Paper during the Liquidation Period (as defined below) on an amount of Commercial Paper having an aggregate issue price equal to the amount of the Shipowner's prepayment less (y) the amount of the estimated investment earnings, as reasonably determined by the Facility Agent, on the prepayment amount during the Liquidation Period. The "Liquidation Period" means the period from the date on which a prepayment is made to the earliest date on which the Primary Lender's total amount of Commercial Paper related to the funding of the Disbursements can be reduced (without prepayment thereof) by an amount equal to the amount of the Shipowner's prepayment. Prepayments shall be applied to the installments of principal of the Credit Facility in the inverse order of their maturity, and, in cases where more than one Note is outstanding, pro rata to each Note.

(b) Upon delivery to the Shipowner and the Secretary of the instrument satisfying and discharging the Indenture contemplated by Section 12.01 of the Exhibit 1 to the Indenture, all of the Shipowner's indebtedness, liabilities and obligations under this Agreement and the Fee Letter shall become immediately due and payable without demand upon, or notice to, the Shipowner.

(c) Notwithstanding any other provision to the contrary herein, the Shipowner or the Secretary (after the Secretary's assumption of the Floating Rate Note pursuant to Section 6.09 of Exhibit 1 to the Indenture) may from time to time prepay all or any part of the principal amount of the Floating Rate Note without any prepayment penalty or premium in accordance with Article III of Exhibit 1 to the Indenture.

(d) Notwithstanding any other provision to the contrary herein, the Shipowner shall have the right to prepay any portion of the Floating Rate Note and redeem the Floating Rate Note by issuing one or more Fixed Rate

Bonds and using the proceeds thereof to prepay the Floating Rate Note so long as it first obtains the Secretary's consent to the interest rate applicable to the Fixed Rate Bond and, except for the final disbursement, such redemption equals or exceeds $50,000,000 principal; and the Shipowner shall have paid any amount payable under Section 4.04(a)(iv) or any other provision hereof in connection therewith.

4.04 Recapture. (a) Upon the written request of the Facility Agent, the Shipowner shall pay to the Facility Agent for the benefit of the applicable Lender, such amounts as shall be sufficient (in the reasonable judgment of such Lender) to compensate such Lender for any loss, expense or liability (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or redeployment of deposits from third parties or in connection with obtaining funds to make or maintain any Disbursement) which such Lender reasonably determines is attributable to:

(i) any failure by the Shipowner to make scheduled payments on a Payment Date or any payment due in connection with any Redemption; or

(ii) any failure by the Shipowner to borrow any advance for which a Certificate Authorizing Disbursement has been issued; or

(iii) any revocation of a notice of prepayment given pursuant to Section 4.03(a); or

(iv) subject to the provisions of Section 4.03(c), any prepayment of the Floating Rate Note (including, without limitation, due to the issuance of any fixed rate bonds) other than on an Interest Payment Date after giving five (5) Business Days' prior written notice to such Lender, the Facility Agent, and the Indenture Trustee.

(b) Without prejudice to any other provision hereof (and at the Shipowner's expense), such Lender shall use such reasonable efforts as it shall determine in its sole discretion to minimize any loss, expense or liability to the extent possible; provided that no Lender shall be obligated to take any actions under this Section 4.04 if such Lender has determined, that such actions would cause it to incur any material costs or expenses or would otherwise be disadvantageous to it in any material respect.

(c) With respect to the Shipowner's obligations under Section 4.04(a)(iv), if the Shipowner shall at any time notify the Facility Agent and the applicable Lender of its intention to pursue any such prepayment, the Facility Agent and the applicable Lender shall reasonably cooperate with the Shipowner in assessing and quantifying any loss, expense or liability the Lender may incur pursuant to Section 4.04(a)(iv), so that the Shipowner may make an informed decision as to the cost to it of any such prepayment.

4.05 Evidence of Debt. The Shipowner agrees that to evidence further its obligation to repay all amounts disbursed under the Credit Facility, with interest accrued thereon, it shall issue and deliver to the

Facility Agent, in accordance with the written instructions of the Facility Agent, the Floating Rate Note. The Floating Rate Note shall (i) be in the form of Exhibit 2 to the Indenture; (ii) bear the Secretary's Guarantee, and (iii) be valid and enforceable as to its principal amount at any time only to the extent of the aggregate amounts then disbursed and outstanding thereunder, and, as to interest, only to the extent of the interest accrued thereon at the rate guaranteed by the Secretary, with any interest in excess thereof being evidenced by this Agreement.

4.06 Limit of United States Guarantee. None of the incremental amount of interest required to be paid under Section 4.02(b), none of the fees, and expenses arising under Sections 4.03, 4.04 and 6, and none of the Indemnified Amounts, commissions, Taxes, Other Taxes, Post Maturity Interest Rate, or any other charges, costs, expenses, or indebtedness owed by the Shipowner under this Agreement to any Person is guaranteed by the United States. The Guarantee of the United States extends only to the principal and interest owed under the Obligations and only to the extent specified therein.

SECTION 5. CONDITIONS PRECEDENT

5.01 Conditions Precedent to Lenders' Obligations Under this Agreement. (a) The obligations of the Lenders under this Agreement shall be subject to the delivery to the Facility Agent of the documents indicated below on or before the Closing Date:

(i) This Agreement, the Floating Rate Note and the Fee Letter. This Agreement and the Fee Letter, each fully executed by the parties thereto in form and substance satisfactory to the Lenders, which shall be in full force and effect and the Floating Rate Note shall have been fully executed by the Shipowner, endorsed by, or on behalf of, the United States, and delivered to the Facility Agent, and all amounts then payable under the Fee Letter shall have been paid to the Person entitled thereto.

(ii) Existence. Evidence in form and substance satisfactory to the Lenders, that the Shipowner is duly organized, validly existing and in good standing under the laws of the State of Texas, with full power, authority and legal right to own its property and to carry on its business as now conducted.

(iii) Authority. Evidence in form and substance satisfactory to the Lenders, of the authority of the Shipowner to execute, deliver, perform and observe the terms and conditions of this Agreement, the Floating Rate Note, the Fee Letter, and the Indenture and evidence of authority (including specimen signatures) for each Person who, on behalf of the Shipowner, signed this Agreement, the Floating Rate Note, the Fee Letter, and the Indenture, or will otherwise act as representatives of the Shipowner in the operation of the Credit Facility.

(iv) Governmental and Other Authorizations. Copies, certified as true copies by a duly authorized officer of the Shipowner, of each consent,

license, authorization or approval of, and exemption by, any Governmental Authority and any governmental authorities within the United States or elsewhere, which are necessary or advisable (a) for the execution, delivery, performance and observance by the Shipowner of this Agreement, the Floating Rate Note, the Fee Letter, and the Indenture; and (b) for the validity, binding effect and enforceability of this Agreement, the Floating Rate Note, the Fee Letter, and the Indenture, or if none is necessary, a written certification from the Shipowner that none is necessary.

(v) Legal Opinions. (1) Opinion of legal counsel for the Shipowner concerning this Agreement, the Floating Rate Note, the Fee Letter, and the Indenture; (2) Opinion of the Chief Counsel of the Maritime Administration dated the Closing Date, signed by or on behalf of such Chief Counsel, addressed to the Lenders and the Agents to the effect that the Guarantees and the Authorization Agreement have been or will be duly authorized, executed and delivered by the United States of America, and constitute legal, valid, and binding obligations of the United States of America enforceable in accordance with their respective terms; and (3) Opinion of Sher & Blackwell addressed to the Lenders and the Agents concerning this Agreement, the Fee Letter, the Indenture and the Floating Rate Note.

(vi) Guarantee Commitment. A copy of the fully executed Guarantee Commitment, which shall be in full force and effect until completion of the Closing.

(vii) Authorization Agreement. The fully executed Authorization Agreement, which shall be in full force and effect.

(viii) Indenture. The fully executed Indenture, which shall be in full force and effect.

(ix) No Proceedings Letter. A letter from the Secretary in the form of Annex B hereto agreeing to be bound by the covenants set forth in Section 11.15 hereof regarding the filing of certain proceedings against the Primary Lender.

(x) Closing Documents. A letter from the Shipowner to provide the Facility Agent within a reasonable time after the Closing Date, with two (2) originals or certified copies of the documents indicated in Section 5.01(a) and each of the appendices and exhibits thereto executed on or prior to such date.

(b) In addition to the foregoing, the agreement of the Primary Lender to make any Disbursements under this Agreement and any obligations of the Alternate Lender to fund any Disbursements under this Agreement shall be subject to the following additional conditions precedent being satisfied as of the Closing Date:

(i) Fees and Expenses. All "Up-Front Fees" described in the Fee Letter and all accrued fees and out-of-pocket expenses due and payable to the Facility Agent or its counsel in accordance with the terms of this Agreement shall have been fully paid or provisions satisfactory to the Facility Agent shall have been made for payment of such amounts concurrently with the making of the initial Disbursement.

(ii) No Restrictions. No law, regulation, ruling or other action of any Governmental Authority shall be in effect or shall have occurred, the effect of which would be to restrain, prevent or otherwise impose any materially adverse conditions on any party's ability to fulfill its obligations under this Agreement.

5.02 Conditions Precedent to Each Disbursement. The agreement of the Primary Lender to fund any Disbursement under this Agreement and any obligations of the Alternate Lender to fund any Disbursement under this Agreement shall be subject only to the Facility Agent's receipt of a Certificate Authorizing Disbursement, upon which each such Lender may conclusively rely.

SECTION 6. FEES AND EXPENSES

6.01 Fees. The Shipowner shall pay or cause to be paid to the Person entitled thereto such fees and other amounts as are set forth in that certain Fee Letter (as amended, restated or otherwise modified from time to time with the prior written consent of the Secretary, the "Fee Letter") dated as of August __, 2000 between the Shipowner and the Agents, in each case when and as due.

6.02 Taxes.

(a) The Shipowner agrees to pay all amounts owing by it under this Agreement or the Floating Rate Note free and clear of and without deduction for any and all present and future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it in lieu of income taxes, by either (i) the jurisdiction under the laws of which such Lender is organized or any political subdivision thereof, or (ii) the jurisdiction of such Lender's applicable lending office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter referred to as "Taxes"). In addition, the Shipowner agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Floating Rate Note or from the execution, delivery, or registration of, or otherwise with respect to, this Agreement or the Floating Rate Note (hereinafter referred to as "Other Taxes").

(b) The Shipowner further agrees:

(i) that, if the Shipowner is prevented by operation of law from paying any such Taxes or Other Taxes, or if any such Taxes or Other Taxes are required to be deducted or withheld, then the fees or expenses required to be paid under this Agreement shall, on an after-tax basis, be increased by the amount necessary to yield to the Lenders fees or expenses in the amounts provided for in this Agreement after the provision for the payment of all such Taxes and Other Taxes;

(ii) that the Shipowner shall, at the request of any Lender or any Agent, execute and deliver to such Lender or Agent, as the case may be, such further instruments as may be necessary or desirable to effect the payment of the increased amounts as provided for in subsection (i) above; provided, however, that the Shipowner may not amend the Floating Rate Note without the prior written consent of the Secretary;

(iii) that the Shipowner shall hold the Lenders and the Agents harmless from and against the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 6.02) and any and all liabilities (including, without limitation, penalties, interest and expenses) arising from, or with respect to, any Taxes or Other Taxes (whether or not properly or legally asserted) and whether paid, or payable, by the Shipowner, the Lenders, or any other Person;

(iv) that, at the request of any Lender or any Agent, the Shipowner shall provide such Lender or Agent within the later of thirty (30) calendar days after such request or thirty (30) calendar days after the payment of such Taxes or Other Taxes, a copy evidencing the payment of any Taxes or Other Taxes by the Shipowner; and

(v) that each payment under this Section 6.02 shall be made within thirty (30) days from the date the Facility Agent on behalf of the applicable Lender makes written demand therefor. Each demand for payment by such Lender under Section 6.02(b)(v) for amounts paid or incurred by the Lenders or itself shall be accompanied by a certificate (with accompanying documentation supporting the demand) showing in reasonable detail the basis for the calculation of the amounts demanded, which certificate, in the absence of manifest error, shall be conclusive and binding for all purposes.

(c) Notwithstanding anything to the contrary contained herein, the agreements in this Section 6.02 shall survive the termination of this Agreement and the payment of the Floating Rate Note and all other amounts due hereunder.

6.03 Expenses. The Shipowner agrees, whether or not the transactions hereby contemplated shall be consummated, to pay, or reimburse the Agents and the Lenders, respectively, promptly upon demand for the payment of all reasonable and duly documented costs and expenses arising in connection

with the preparation, printing, execution, delivery, registration, implementation, modification of or waiver or consent under this Agreement, the Floating Rate Note or the Indenture, including, without limitation, the reasonable and duly documented out-of-pocket expenses of the Agents and the Lenders (incurred in respect of telecommunications, mail or courier service, and travel), and the fees and expenses of counsel for the Agents and the Lenders. The Shipowner shall also pay all of the costs and expenses (including, without limitation, the fees and expenses of counsel) incurred by or charged to the Agents or the Lenders in connection with the amendment or enforcement of this Agreement, the Floating Rate Note or the Indenture or the protection or preservation of any right or claim of the Agents or the Lenders arising out of this Agreement, the Floating Rate Note or the Indenture.

6.04 Additional or Increased Costs.

(a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation, or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining the Disbursements or the Credit Facility, then the Shipowner shall from time to time, upon demand by such Lender, pay to such Lender additional amounts sufficient to compensate such Lender for such increased cost.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender, the Shipowner shall immediately pay to the Facility Agent (for the benefit of such Lender), from time to time as specified by the Facility Agent (on behalf of such Lender), additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of its commitment to lend hereunder.

(c) Each Lender shall take such reasonable steps as it shall determine to minimize amounts demanded under this Section 6.04; provided that no Lender shall be obligated to take any actions under this Section 6.04 if such Lender has determined, that such actions would cause it to incur any material costs or expenses or would otherwise be disadvantageous to it in any material respect. In the event that a Lender transfers the booking office of the Credit Facility or the Floating Rate Note to minimize amounts demanded under this Section 6.04, any costs and expenses incurred in such transfer shall be paid by the Shipowner on demand by such Lender, provided, however, that any requirements imposed by this Section 6.04 on the Shipowner shall be no more burdensome than those imposed by the Lender on its highest rated and most favored customers who are subject to similar requirements.

(d) Each demand for payment by the Facility Agent (on behalf of any Lender) under this Section 6.04 shall be accompanied by a certificate showing in reasonable detail the basis for the calculation of the amounts demanded, which certificate, in the absence of manifest error, shall be conclusive and binding for all purposes.

(e) The Facility Agent on behalf of each Lender shall notify the Shipowner of any event occurring after the date of this Agreement which entitles such Lender to compensation pursuant to this Section 6.04, as promptly as practicable, and in any event within ninety (90) days after it has knowledge of such event and has determined that a request for compensation hereunder shall be made. The Shipowner shall not be obligated to reimburse any Lender for any loss or cost incurred more than ninety (90) days prior to delivery of notice to the Shipowner by the Lender requesting compensation under this Section 6.04.

SECTION 7. PAYMENTS

7.01 Method of Payment.

(a) (i) All payments to be made by the Shipowner under this Agreement and the Floating Rate Note shall be made without set-off or counterclaim in Dollars in immediately available and freely transferable funds no later than 11:00 A.M. (New York City time) on the date on which due. Payments made after such time on any date shall be deemed to have been received on the next succeeding Business Day. Except as provided in Section 7.01(a)(ii), all payments to be made by the Shipowner or the Agents hereunder shall be made to (A) the Primary Lender (for the account of Govco Incorporated, its successors and assigns), (B) the Alternate Lender (for the account of Citibank, N.A., its successors and assigns), (C) the Facility Agent (for the account of Citibank International plc, its successors and assigns), (D) the Administrative Agent (for the account of Citicorp North America, Inc., its successors and assigns), or (E) any other Lender (for the account of such Lender, its successors and assigns), in each case to the Facility Agent (for the account of Citibank International plc, its successors and assigns) at Citibank, N.A., 399 Park Avenue, New York, New York 10043, DDA. Account No. 10963054, Attn: Loans Agency - - Cal Dive. Upon receipt thereof by the Facility Agent, the Facility Agent shall forthwith forward such funds to the party entitled thereto pursuant to the written instructions provided by such party to the Facility Agent in accordance with Section 11.02.

(ii) The Shipowner shall pay the principal and the guaranteed amount of the Applicable Interest Rate on the Floating Rate Note to the Indenture Trustee and all other amounts due under this Agreement directly to the Person entitled thereto, in each case, by wire transfer in same day and immediately available and freely transferable funds. Wire transfer instructions shall be provided to the Shipowner. Until further notice, wire instructions for the Indenture Trustee are as follows: Wilmington Trust Company, ABA #031100092, A/C #52091-0, Re: CAL DIVE I, Attention Mary St. Amand.

(b) Except as otherwise provided herein, whenever any payment would otherwise fall due on a day that is not a Business Day, the due date for payment shall be the immediately succeeding Business Day, and interest and fees shall be computed in accordance with Section 11.01.

(c) Whenever a sum is required to be paid to the Facility Agent under this Agreement for the account of another Person, the Facility Agent shall not be obligated to make such sum available to such other Person unless and until the Facility Agent shall have established to its satisfaction that it has actually received payment of such sum. Notwithstanding the foregoing, unless it has received actual notice to the contrary, the Facility Agent may (but shall not be obligated to) assume on the date of any Disbursement or any other payment required to be made by any Lender hereunder that such Lender has made available to the Facility Agent such Disbursement or other payment and the Facility Agent may (but shall not be required to) make available to the Shipowner on such date a corresponding amount in reliance upon such assumption. Additionally, the Facility Agent may (but shall not be obligated to) assume on the date of any payment required to be made by the Shipowner hereunder that the Shipowner has made available to the Facility Agent such payment and the Facility Agent may (but shall not be required to) make available to the Lenders on such date a corresponding amount in reliance upon such assumption. If and to the extent that either (i) the Lender shall not in fact have made such Disbursement or other payment available to the Facility Agent and the Facility Agent has made available a corresponding amount to the Shipowner in reliance on the above-described assumptions or (ii) the Shipowner has not in fact made such payment and the Facility Agent has made available a corresponding amount to the Lender in reliance on the above-described assumptions, then, in either such case, such Lender agrees to repay to the Facility Agent forthwith on demand such corresponding amount together with an amount sufficient to indemnify the Facility Agent against any cost or loss it may have suffered or incurred by reason of its having paid out such sum prior to receipt thereof.

7.02 Application of Payments. In the absence of an Indenture Default, the Lenders shall each apply payments received by them under this Agreement and the Floating Rate Note (whether at Stated Maturity, by reason of acceleration, prepayment or otherwise), in the following order of priority: (i) interest due pursuant to Section 4.02(a); (ii) installments of principal due; (iii) interest due pursuant to Section 4.02(b) other than the amount described in clause (i) above; (iv) all amounts due under the Fee Letter; and (v) all other amounts due under this Agreement and not otherwise provided for in this Section 7.02. Upon the occurrence of an Indenture Default, the Lenders shall each hold any payments they receive after an Indenture Default from, or on behalf of, the Shipowner under this Agreement, the Fee Letter and any related agreement (excluding the Floating Rate Note) and shall promptly deliver such payments to the Secretary if the Secretary has been required to honor a Guarantee as a result of said Indenture Default. All such amounts received during an Indenture Default and delivered to the Secretary in accordance with

the preceding sentence shall be applied first to pay, satisfy and discharge all amounts owed by the Shipowner to the Secretary under the Secretary's Note and the Mortgage and then to pay, satisfy and discharge any and all amounts owed to the Lenders or the Agents.

SECTION 8. REPRESENTATIONS AND WARRANTIES BY THE SHIPOWNER

8.01 Representations and Warranties of the Shipowner. The Shipowner represents and warrants to the Agents and the Lenders that, as of the Closing Date:

(a) Existence and Authority. The Shipowner is duly organized, validly existing under the laws of the State of Texas, is in good standing under the laws of the State of Texas, has been duly qualified to do business in, and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business or the ownership of its properties requires it to be so qualified, and has full power, authority and legal right to own its properties and conduct its business as it is presently conducted.

The Shipowner has full power, authority and legal right (i) to execute and deliver this Agreement, the Floating Rate Note and the Indenture, (ii) to perform and observe the terms and provisions of each of said documents to be performed or observed by it, (iii) to consummate the transactions contemplated thereby and (iv) to own its properties (including, without limitation, the Vessel owned or to be owned by it) and conduct its business as presently conducted.

(b) Government and Other Authorizations. All consents, licenses, authorizations and approvals of, and exemptions by, any Governmental Authority and any governmental authorities within the United States or elsewhere, having jurisdiction over the Shipowner, and any other Persons that are required: (i) for the execution, delivery, performance and observance by the Shipowner of this Agreement, the Floating Rate Note, and the Indenture; and (ii) for the validity, binding effect and enforceability of this Agreement, the Floating Rate Note, and the Indenture have been obtained and are in full force and effect; except that no representation or warranty is made with respect to state security or Blue Sky laws in connection with the issuance or distribution of the Floating Rate Note.

(c) Restrictions. The execution, delivery and performance or observance by the Shipowner of the terms of, and consummation by the Shipowner of the transactions contemplated by, this Agreement, the Floating Rate Note, and the Indenture do not and will not conflict with or result in a breach or violation of: (i) the charter, by-laws or other organizational documents of the Shipowner; (ii) any federal or state law of the United States or any other constitutional provision or regulation of any Governmental Authority having jurisdiction over the Shipowner (including, without limitation, any restriction on interest that may be paid by the Shipowner); or (iii) any order, writ, injunction, judgment or decree of any court or other tribunal having jurisdiction over the Shipowner. Further, the execution, delivery and performance or observance by the Shipowner of the terms of, and

consummation by the Shipowner of the transactions contemplated by, this Agreement, the Floating Rate Note, and the Indenture does not and will not conflict with or result in a breach of any agreement or instrument to which the Shipowner is a party, or by which it or any of its revenues, properties or assets may be subject, or (except as contemplated by the Shipowner's Documents) result in the creation or imposition of any Lien upon any of the revenues, properties or assets of the Shipowner pursuant to any such agreement or instrument. "Lien" shall mean any lien, lease, mortgage, pledge, hypothecation, preferential arrangement relating to payments, or other encumbrance or security interest.

(d) Binding Effect. This Agreement, the Floating Rate Note, and the Indenture, which have been executed on or before the date hereof, have been duly executed and delivered by the Shipowner. Each of the Agreement, the Floating Rate Note, and the Indenture constitutes, and each of the Agreement, the Floating Rate Note, and the Indenture as it may hereafter be amended will constitute, an obligation of the Shipowner which is legal, valid and binding upon the Shipowner and enforceable against the Shipowner in accordance with its respective terms, except to the extent limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws of general application relating to or affecting the enforcement of creditors rights are from time to time in effect. All obligations evidenced by the Floating Rate Note will be entitled to the benefits of the Guarantees and the Authorization Agreement.

(e) Choice of Law. The Shipowner hereby releases any right it has, or may have, to revoke or challenge the choice of law and forum selection provisions set forth in this Agreement.

(f) Legal Proceedings. No legal proceedings are pending or, to the best of the Shipowner's knowledge, threatened before any court or governmental agency which might: (i) materially and adversely affect the Shipowner's financial condition, business or operations; (ii) restrain or enjoin or have the effect of restraining or enjoining the performance or observance of the terms and conditions of any of this Agreement, the Indenture or the Floating Rate Note; or (iii) in any other manner question the validity, binding effect or enforceability of any of the provisions of this Agreement, the Indenture or the Floating Rate Note.

(g) Use of the Vessel. The Vessel will be used for lawful purposes.

(h) Shipowner Financial Statements. The Shipowner Financial Statements present fairly the financial condition of the Shipowner at the date of such statements. The Shipowner Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States consistently applied. Except as fully reflected in the Shipowner Financial Statements, there are no liabilities or obligations with respect to the Shipowner of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) for the period to which the Shipowner Financial Statements relate that, either individually or in the aggregate, would be material to the Shipowner. Since the date of the most recent Shipowner

Financial Statements, there has been no material adverse change in the financial condition, business prospects or operations of the Shipowner. "Shipowner Financial Statements" shall mean the financial statements of the Shipowner furnished to the Facility Agent prior to the date of this Agreement.

(i) No Taxes. There is no Tax imposed on or in connection with: (i) the execution, delivery or performance of this Agreement, the Indenture or the Floating Rate Note; (ii) the enforcement of this Agreement, the Indenture or the Floating Rate Note; or (iii) on any payment to be made to any Lender under this Agreement or the Floating Rate Note.

(j) Laws. None of the Indenture, the Floating Rate Note, the transactions contemplated thereunder nor any Person party to the Indenture or the Floating Rate Note is required to qualify under the Trust Indenture Act or register or qualify under any federal securities law. Neither this Agreement, nor the transactions contemplated hereunder, to the extent the same relate to the Shipowner's obligation and duties hereunder, is required to qualify under the Trust Indenture Act or register or qualify under any federal securities law.

(k) Defaults. No Event of Default has occurred and is continuing and no event or circumstance has occurred and is continuing which with the passage of time, the giving of notice or both would constitute an Event of Default.

8.02 Agreements of the Shipowner. The Shipowner agrees that until all amounts owing under this Agreement and the Floating Rate Note have been paid in full, the Shipowner will, unless the Agents and the Lenders shall have consented in writing:

(a) Notice of Defaults. Promptly, but in no event later than ten (10) days after the occurrence of an Indenture Default or an Event of Default of which the Shipowner has knowledge, notify the Facility Agent and the Indenture Trustee of any report required by the Shipowner Documents (or any other document entered into by the Shipowner in connection therewith), and send a copy thereof to the Facility Agent, in each case by facsimile or hand delivery.

(b) Financial Reports. Beginning with the fiscal year in which this Agreement is executed and continuing until all amounts owing under this Agreement and the Floating Rate Note have been paid in full, the Shipowner shall furnish to the Facility Agent (and the Facility Agent, upon receipt thereof, shall furnish to each Lender and the Administrative Agent) a copy of all financial reports furnished to the Secretary pursuant to the Title XI Reserve Fund and Financial Agreement.

(c) Other Acts. From time to time, do and perform any and all acts and execute any and all documents as may be necessary or as reasonably requested by the Facility Agent or the Indenture Trustee in order to effect the purposes of this Agreement and to protect the interests of the

Lenders in the Floating Rate Note and the interests of the Lenders in the Guarantees.

(d) Use of Proceeds. Use proceeds from each Disbursement solely to finance: (i) the manufacture, construction, fabrication, financing and purchase of the Vessel; (ii) Construction Period Interest; and (iii) the Guarantee Fees. Use the proceeds from the issuance of any Fixed Rate Bonds to repay amounts owed under the Floating Rate Note or to finance: (i) the manufacture, construction, fabrication, financing and purchase of the Vessel; (ii) Construction Period Interest; and (iii) the Guarantee Fees.

(e) Successors. Require that any successor to all or substantially all of its business as a result of any merger or consolidation with any other entity, dissolution or termination of legal existence, sale, lease, transfer or other disposal of any substantial part of its properties or any of its properties essential to the conduct of its business or operations, as now or hereafter conducted, any change in control, any agreement to do any of, or any combination of, the foregoing, to assume all of the Shipowner's indebtedness, liabilities and obligations under this Agreement, the Indenture and the Floating Rate Note.

SECTION 9. CANCELLATION, SUSPENSION AND EVENTS OF DEFAULT

9.01 Cancellation. The Shipowner may cancel at any time all or any part of the Available Amount of the Credit Facility, provided that (i) thirty (30) days' prior irrevocable written notice is given to the Agents, the Indenture Trustee, and the Secretary and (ii) the Shipowner shall have paid to the Lenders any commitment fees accrued and unpaid under Section 6.01 and all other amounts due and payable under this Agreement and the Floating Rate Note as of the proposed date of cancellation. In the absence of an Indenture Default, the Lenders may not for any reason cancel at any time any part of the Available Amount of the Credit Facility, and in the event of an Indenture Default, the Lenders shall be governed by the provisions of Section 9.02 hereof with respect to the Available Amount.

9.02 Events of Default. Upon the occurrence of any of the following events or conditions (each, an "Event of Default"):

(a) any failure by the Shipowner to pay when and as due any amount owing under this Agreement, but which is not guaranteed by the Secretary; or

(b) any failure by the Shipowner to comply with its obligations under Section 8.02(a) or 8.02(d); or any failure by the Shipowner to perform or comply with any of its agreements set forth in this Agreement (exclusive of any events specified as an Event of Default in any other subsection of this Section 9.02 , which failure, if capable of being cured, remains uncured for a period of thirty (30) days after written notice thereof has been given to the Shipowner by the Facility Agent; or

(c) the Shipowner shall be unable to pay its debts when and as they fall due or shall admit in writing its inability to pay its debts as they fall due or shall become insolvent; or the Shipowner shall apply for or consent to the appointment of any liquidator, receiver, trustee or administrator for all or a substantial part of its business, properties, assets or revenues; or a liquidator, receiver, trustee or administrator shall be appointed for the Shipowner and such appointment shall continue undismissed, undischarged or unstayed for a period of thirty (30) days, or the Shipowner shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, arrangement, readjustment of debt, dissolution, liquidation or similar executory or judicial proceeding; or a bankruptcy, arrangement, readjustment of debt, dissolution, liquidation or similar executory or judicial proceeding shall be instituted against the Shipowner and shall remain undismissed, undischarged or unstayed for a period of thirty (30) days; or

(d) an Indenture Default has occurred;

then, and in any such event, and at any time thereafter, if such event is continuing, and if there is no Indenture Default (or if there is an Indenture Default, only after the Secretary has received all payments due under the Secretary's Note and the Mortgage), any Agent or any Lender (by written notice to the Shipowner), shall have the right to institute any judicial or other proceedings under this Agreement to recover all amounts owing under this Agreement. The Lenders agree that so long as an Indenture Default exists, all amounts received during such period from, or on behalf of, the Shipowner shall be applied in the manner set forth in Section 7.02. Notwithstanding an Event of Default, the Lenders may not terminate the Available Amount of the Credit Facility without the Secretary's consent; provided, however, that the Shipowner's use of the Available Amount of the Credit Facility shall remain subject to the requirements of Sections 2.02, 3.01, and 5.02. Except as expressly provided above in this Section 9.02, presentment, demand, protest and all other notices of any kind are hereby expressly waived. Notwithstanding any other provision of this Agreement, if Section 9.02(c) is applicable, the Lender may file appropriate claims in connection therewith, but shall apply any funds collected as a consequence of said filings in accordance with the provisions of Section 7.02 of this Agreement.

SECTION 10. GOVERNING LAW AND JURISDICTION

10.01 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.02 Submission to Jurisdiction. Each of the Shipowner and the Lenders hereby irrevocably agrees that any legal suit, action or proceeding arising out of or relating to this Agreement, or any of the transactions contemplated hereby, may be instituted by the other parties hereto in the

Courts of the State of New York or the Federal Courts sitting in the Borough of Manhattan, City of New York, State of New York. Each of the Shipowner and the Lenders hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may have now or hereafter to the laying of the venue or any objection based on forum non conveniens, or based on the grounds of jurisdiction with respect to any such legal suit, action or proceeding and irrevocably submits generally and unconditionally to the jurisdiction of any such court in any such suit, action or proceeding. Each of the Shipowner and the Lenders agrees that a judgment, after exhaustion of all available appeals, in any such action or proceeding shall be conclusive and binding upon it and may be enforced in any other jurisdiction by suit upon such judgment, a certified copy of which shall be conclusive evidence of the judgment. Each of the Shipowner and the Lenders waives personal service of any summons, complaint, or other process, which service may be made by such or any other means permitted by New York law.

10.03 Waiver of Security Requirements. To the extent the Shipowner may, in any action or proceeding arising out of or relating to this Agreement be entitled under applicable law to require or claim that the Agents or the Lenders post security for costs or take similar action, the Shipowner hereby irrevocably waives and agrees not to claim the benefit of such entitlement.

10.04 No Limitation. Nothing in this Section 10 shall affect the right of the Agents or any Lender to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against the Shipowner in any jurisdiction; provided, however, that except as provided in Section 9.02, in the event of an Indenture Default, the Agents and the Lenders may not proceed against the Shipowner without the Secretary's consent unless the Secretary has received full payment under the Secretary's Note.

SECTION 11. MISCELLANEOUS

11.01 Computations. Except for interest rates determined by the Indenture Trustee as provided in the Indenture, each determination of an interest rate by the Administrative Agent or the Facility Agent, or any other Person pursuant to any provision of this Agreement, the Fee Letter or the Floating Rate Note, in the absence of error, shall be conclusive and binding on the Shipowner. Each determination of a fee or other amounts (excluding interest rates) by the Facility Agent, any Lender, or any other Person pursuant to any provision of this Agreement, the Fee Letter or the Floating Rate Note, in the absence of manifest error, shall be conclusive and binding on the Shipowner. All computations of interest and fees hereunder and under the Floating Rate Note shall be made on the basis of a year of three hundred sixty (360) days and actual days elapsed. The Secretary and Indenture Trustee may request supporting documentation for the information provided by the Facility Agent or the Administrative Agent to the Indenture Trustee.

11.02 Notices. Except as otherwise specified, all notices given hereunder shall be in writing, and shall be given by mail, facsimile, telex, air or other courier service, or personal delivery and shall be deemed to be given for

the purposes of this Agreement on the day that such notice is received by the intended recipient thereof. Unless otherwise specified in a notice delivered in accordance with this Section 11.02, all notices shall be delivered to the parties hereto and to the Indenture Trustee and the Secretary at their respective addresses indicated below:

To the Facility Agent and the Lenders:

Address: Citibank International plc, as Facility Agent
P.O. Box 242
336 Strand
London, England WC2R 1HB
Attention: Loans Agency
Telephone: 011 44 20 7500 4274/4242
Facsimile: 011 44 20 7500 4482/4484

With a copy to:

Citibank, N.A., as the Alternate Lender
399 Park Avenue
New York, New York 10043
Attention: Structured Trade Finance
Facsimile (212) 793-2330
Telephone: (212) 559-6787

With a copy to the Administrative Agent

To the Administrative Agent

Address: Citicorp North America, Inc.
399 Park Avenue
New York, New York 10043
Attention: Structured Trade Finance
Facsimile (212) 793-2330
Telephone: (212) 559-6787

To the Shipowner

Address: CAL DIVE I - TITLE XI, INC.
Suite 400
400 North Sam Houston Parkway East
Houston, Texas 77060
Attention: Andrew C. Becher, Esq.
Senior Vice President, General Counsel & Secretary
Telephone: (281) 618-0416
Facsimile: (281) 618-0505

To the Secretary

Address: SECRETARY OF TRANSPORTATION
c/o Maritime Administrator
400 Seventh Street, S.W.
Washington, D.C. 20590
Attention: Office of Ship Finance
Telephone: (202) 366-5744
Facsimile: (202) 366-7901

To the Indenture Trustee

Address: Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Attention: Corporate Trust Administration
Telephone: (302) 651-1100
Facsimile: (302) 651-8882

11.03 Disposition of Indebtedness. Once the Shipowner has completely drawn down on the Credit Facility and the Available Amount is zero, each Lender may sell, assign, transfer, negotiate, or otherwise dispose of all or any part of its interest in all or any part of the Shipowner's indebtedness under this Agreement and the Floating Rate Note to any party (collectively, a "Disposition of Indebtedness"), and any such party shall enjoy all the rights and privileges of such Lender under this Agreement and the Floating Rate Note; provided, however, that each Disposition of Indebtedness to any Person other than another Lender or a domestic Affiliate of a Lender shall require the prior written consent of the Shipowner (which consent shall not be unreasonably withheld or delayed); provided, further, however, that each Lender may pledge or grant participation in all or any part of its interest in all or any part of the Shipowner's indebtedness under this Agreement and the Floating Rate Note to any party at any time so long as such Lender's commitment to lend the Available Amount under this Agreement is not affected thereby. The Shipowner shall, at the request of the Facility Agent, execute and deliver to the Facility Agent or to any party that the Facility Agent may designate, any such further instruments as may be necessary or desirable to give full force and effect to a Disposition of Indebtedness by the applicable Lender.

11.04 Disclaimer. Neither the Agents nor the Lenders shall be responsible in any way for the performance of the Construction Contract or any other Shipowner Document, and no claim against the Shipbuilder or any other Person with respect to the performance of the Construction Contract will affect the obligations of the Shipowner under this Agreement or the Floating Rate Note.

11.05 No Waiver; Remedies Cumulative. No failure or delay on the part of any Agent or any Lender in exercising any right, power or privilege under this Agreement, the Floating Rate Note or the Indenture and no course of dealing between or among the Shipowner and any Agent or any Lender shall operate as a waiver of the rights of the Shipowner and such Lenders against each other under this Agreement; nor shall any single or partial exercise of any right, power or privilege hereunder or under the Floating Rate Note or the Indenture preclude the Shipowner, the Agents, or the Lenders from exercising against each other any other right, power or privilege hereunder. The rights and remedies expressly provided herein are cumulative and not exclusive of any rights or remedies that the Agents or the Lenders would otherwise have. No notice to or demand on the Shipowner in any case shall entitle the Shipowner to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of any Agent or any Lender under this Agreement to any other or further action in any circumstances without notice or demand. Notwithstanding any other provision to the contrary herein, no provision in this Agreement or any other related agreement preserves any rights in favor of the parties against the Secretary in the event that either party fails or delays to exercise any rights, powers, or privileges under this Agreement, the Floating Rate Note or the Indenture or engages in any particular course of dealing.

11.06 Currency. All payments of principal, interest, fees or other amounts due hereunder and under the Floating Rate Note shall be made in Dollars, regardless of any law, rule, regulation or statute, whether now or hereafter in existence or in effect in any jurisdiction, which affects or purports to affect such obligations.

11.07 Severability. To the extent permitted by applicable law, the illegality or unenforceability of any provision of this Agreement shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement.

11.08 Amendment or Waiver. This Agreement may not be changed, discharged or terminated without the written consent of the parties hereto, and no provision hereof may be waived without the written consent of the party to be bound thereby. There may be no change, discharge, termination or claim of waiver of the terms of this Agreement without the prior written consent of the Secretary, who is entitled to enforce his rights under this Agreement as an intended third party beneficiary to this Agreement. The parties hereto acknowledge, however, that nothing in this Agreement creates in either the Shipowner or the Lenders any right whatsoever against the Secretary.

11.09 Indemnification. Without limiting any other rights that any Agent or any Lender may have hereunder or under applicable law, the Shipowner hereby agrees to indemnify each of the Agents and the Lenders (each, an "Indemnified Party") from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by such Indemnified

Party arising out of or as a result of this Agreement or the Floating Rate Note excluding, however, Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party. In the event of an Indenture Default, all amounts received by such Indemnified Party pursuant to such indemnification after an Indenture Default shall be held and paid in the manner required by Section 7.02.

11.10 Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Shipowner may not assign any of its rights or obligations hereunder without the prior written consent of the Lenders, and, to the extent set forth in paragraph 11.03 hereof, the Secretary.

11.11 Waiver of Jury Trial. Each of the Shipowner and the Lenders waives its respective rights to a trial by jury of any claim or cause of action based upon or arising out of or related to this Agreement, any assignment or the transactions contemplated hereby, in any action, proceeding or other litigation of any type brought by any party against the other parties, whether with respect to contract claims, tort claims, or otherwise. Each of the Shipowner and the Lenders agrees that any such claim or cause of action shall be tried by a court trial without a jury. Without limiting the foregoing, the parties further agree that their respective right to a trial by jury is waived by operation of this section as to any action, counterclaim or other proceeding which seeks, in whole or in part, to challenge the validity or enforceability of this Agreement, any assignment or any provision hereof or thereof. This waiver shall apply to any subsequent amendments, renewals, supplements or modifications to this Agreement or any assignment.

11.12 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

11.13 Shipowner Documents. Notwithstanding the provisions of this Agreement, in any conflict between this Agreement and the provisions of the Shipowner Documents, the Shipowner Documents shall govern the agreement between the parties hereto, but only with respect to the subject matter thereof. Notwithstanding the previous sentence, any provision in the Indenture (or any other agreement the Shipowner has entered into with any other Person) purporting to release the Shipowner of any indebtedness, liability or obligation shall not apply to any indebtedness, liability or obligation of the Shipowner hereunder and no termination of the Indenture (or any other agreement the Shipowner has entered into with any other Person) shall affect the continued effectiveness of this Agreement, which shall continue in full force and effect until the Credit Facility has been terminated and all indebtedness, liabilities and obligations of the Shipowner have been fully discharged and satisfied, the Floating Rate Note have been paid, satisfied and discharged in full, and there

has elapsed a year and a day from the last payment received from, or on behalf, of the Shipowner. However, this Section 11.13 shall have no affect on the relationships established and the agreements entered into by the parties to the Shipowner Documents (and such other agreements the Shipowner has entered into with any other Person), in each case to which the Lenders are not parties in their capacities as the Lenders hereunder.

11.14 Entire Agreement. This Agreement, the Fee Letter and the Floating Rate Note contain the entire agreement among the parties hereto regarding the Credit Facility.

11.15 No Proceedings. Each of the Shipowner, the Alternate Lender and the Agents hereby agrees that it will not institute against, or join any other Person in instituting against, the Primary Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any other proceeding under any federal or state bankruptcy or similar law, so long as any Commercial Paper issued by the Primary Lender shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such Commercial Paper shall have been outstanding.

SECTION 12. ARRANGEMENTS AMONG THE AGENTS AND THE LENDERS

12.01 Appointment. Each Lender hereby appoints the Facility Agent to act as its agent in connection herewith and in connection with the Floating Rate Note and the Indenture and authorizes the Facility Agent to exercise such rights, powers and discretions as are specifically delegated to the Facility Agent by the terms hereof and thereof, together with all such rights, powers and discretions as are reasonably incidental thereto. Without limiting the foregoing, all notices to be delivered to, and approvals to be given by, a Lender under the disbursement procedures described in Section 3.01 hereof shall be delivered to and given by the Facility Agent on behalf of such Lender.

12.02 Rights of Facility Agent. The Lenders and the Facility Agent agree that the Facility Agent may:

(i) assume that (a) any representation made by the Shipowner in connection herewith is true; (b) no event which is or may become an Event of Default has occurred; (c) the Shipowner is not in breach of or default under its obligations hereunder; (d) any right, power, authority or discretion vested herein upon the Lenders or any other person or group of persons has not been exercised; unless it has, in its capacity as Facility Agent, notice or actual knowledge to the contrary;

(ii) engage and pay for the advice or services of any lawyers, accountants, surveyors or other experts whose advice or services may to it seem necessary, expedient or desirable and rely upon any advice so obtained;

(iii) rely as to any matters of fact that might reasonably be expected to be within the knowledge of the Shipowner upon a certificate signed by or on behalf of the Shipowner;

(iv) rely upon any communication or document believed by it to be genuine;

(v) refrain from exercising any right, power or discretion vested in it as facility agent hereunder unless and until instructed by a Lender as to whether or not such right, power or discretion is to be exercised and, if it is to be exercised, as to the manner in which it should be exercised; and

(vi) refrain from acting in accordance with any instructions of any Lender to begin any legal action or proceeding arising out of or in connection with this Agreement until it shall have received such security as it may require (whether by way of payment in advance or otherwise) for all costs, claims, expenses (including legal fees) and liabilities which it will or may expend or incur in complying with such instructions.

12.03 Duties. The Facility Agent shall:

(i) promptly inform each Lender of the contents of any notice or document received by it from the Shipowner hereunder;

(ii) promptly notify each Lender of the occurrence of any Event of Default or any default by the Shipowner in the due performance of or compliance with its obligations under this Agreement of which the Facility Agent has notice from any other party hereto;

(iii) save as otherwise provided herein, act as facility agent hereunder in accordance with any instructions given to it by any Lender, which instructions shall be binding on all of the Lenders; and

(iv) if so instructed by any Lender, refrain from exercising any right, power or discretion vested in it as facility agent hereunder.

12.04 Limitation on Obligations of Facility Agent. Notwithstanding anything to the contrary expressed or implied herein, the Lenders and the Facility Agent agree that the Facility Agent shall not:

(i) be bound to inquire as to:

(a) whether or not any representation made by the Shipowner in connection herewith is true;

(b) the occurrence or otherwise of any event which is or may become an Event of Default;

(c) the performance by the Shipowner of its obligations hereunder; or

(d) any breach of or default by the Shipowner or under its obligations hereunder;

(ii) be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account;

(iii) be bound to disclose to any other person any information relating to the Shipowner or any of its agencies if such disclosure would or might in its opinion constitute a breach of any law or regulation or be otherwise actionable at the suit of any person; or

(iv) be under any obligations other than those for which express provision is made herein.

12.05 Indemnification by Lenders. The Alternate Lender shall, from time to time on demand by the Facility Agent, indemnify the Facility Agent, against any and all costs, claims, expenses (including legal fees) and liabilities (collectively, "Liabilities") together with any tax thereon which the Facility Agent may incur, otherwise than by reason of its own gross negligence or willful misconduct, in acting in its capacity as facility agent hereunder (including, without limitation, any Liabilities in anyway relating to or arising out of certifications made with respect to either (a) the due authorization, execution or delivery of a Floating Rate Note, or (b) laws and/or regulations of any Governmental Authority, in each case in connection with any request by the Facility Agent to the Indenture Trustee or the Secretary for the Secretary to endorse its guarantee on a Floating Rate Note or for the Indenture Trustee to authenticate a Floating Rate Note).

12.06 Limitation on Responsibility. The Facility Agent accepts no responsibility to the Lenders for the accuracy and/or completeness of any information supplied by the Shipowner in connection herewith or for the legality, validity, effectiveness, adequacy or enforceability of this Agreement, and the Facility Agent shall be under no liability to the Lenders as a result of taking or omitting to take any action in relation to this Agreement, save in the case of its own negligence or willful misconduct.

12.07 No Claims on Employees of Facility Agent. Each Lender agrees that it will not assert or seek to assert against any director, officer or employee of the Facility Agent any claim that it might have against it in respect of the matters referred to in Clause 12.06.

12.08 Banking Business. The Lenders agree that the Facility Agent may accept deposits from, lend money to and generally engage in any kind of banking or other business with the Shipowner.

12.09 Resignation or Termination of Facility Agent.

(i) The Facility Agent may (after consultation with the Shipowner and the Lenders) resign its appointment hereunder at any time without assigning any reason therefor by giving not less than thirty (30) days' prior written notice to that effect to each of the other parties hereto; provided, that no such resignation shall be effective until a successor for the Facility Agent is appointed in accordance with the succeeding provisions of this Section 12;

(ii) The Lenders and the Shipowner may jointly seek the termination of the appointment of the Facility Agent hereunder at any time by giving not less than thirty (30) days prior written notice to that effect to the Facility Agent; provided that no such termination shall be effective until a successor for the Facility Agent is appointed in accordance with the succeeding provisions of this Section 12; provided, further that any such notice of termination must be signed by all of the Lenders and the Shipowner; and

(iii) For the avoidance of doubt, the parties hereto agree that the provisions of this Section 12.09 shall at no time apply to or restrict the ability of the Administrative Agent to resign its position of Administrative Agent.

12.10 Successor to Facility Agent. If the Facility Agent gives notice of its resignation pursuant to Section 12.09(i) or receives notice of termination pursuant to Section 12.09(ii), then any reputable and experienced bank or other financial institution may be appointed as a successor to the Facility Agent by the Lenders with the consent of the Secretary and Shipowner (which consent of the Shipowner shall not be unreasonably withheld or delayed) during the period of such notice but, if no such successor is so appointed, the Facility Agent may appoint such a successor itself with the consent of the Secretary and Shipowner (which consent of the Shipowner shall not be unreasonably withheld or delayed).

12.11 Discharge of Obligations. If a successor to the Facility Agent is appointed under the provisions of Section 12.10, then (i) the retiring Facility Agent shall be discharged from any further obligation hereunder but shall remain entitled to the benefits of the provisions of this Section 12 and (ii) its successor and each of the other parties hereto shall have the same rights and obligations amongst themselves as they would have had if such successor had been a party hereto.

12.12 Responsibilities of Lenders. It is understood and agreed by each Lender that it is, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, condition, affairs, status and nature of the Shipowner, the Secretary and the United States of America and, accordingly, each Lender warrants to the Facility Agent that it has not relied and will not hereafter rely on the Facility Agent:

(i) to check or inquire on its behalf into the adequacy, accuracy or completeness of any information provided by

the Shipowner in connection with this Agreement or the transaction herein contemplated (whether or not such information has been or is hereafter circulated to such Lender by the Facility Agent); or

(ii) to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Shipowner.

12.13 Agency Division. In acting as Facility Agent for the Lenders, the Facility Agent's agency division shall be treated as a separate entity from any other of its divisions or departments and, notwithstanding the foregoing provisions of this Section 12, in the event that the Facility Agent should act for the Shipowner in any capacity in relation to any other matter, any information given by the Shipowner to the Facility Agent in such other capacity may be treated as confidential by the Facility Agent.

12.14 Administrative Agent. Each party hereto (other than the Administrative Agent) acknowledges that the Administrative Agent is a party hereto only in its capacity as administrative agent of the Primary Lender and the Primary Lender's commercial paper holders.

12.15 Facility Agent Only Agent for the Lenders. The Facility Agent is not authorized to, nor shall it, act as the agent for the Secretary, the Indenture Trustee, the Shipowner or any of their successors in interest or assigns in any of the capacities provided for herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and delivered as of the date first above written.

CAL DIVE I - TITLE XI, INC., as the Shipowner

By: _____
(Signature)

Name: _____
(Print)

Title: _____
(Print)

GOVCO INCORPORATED, as the Primary Lender, by Citicorp North America, Inc., its attorney-in-fact.

By: _____
(Signature)

Name: P.A. Botticelli
(Print)

Title: Vice President
(Print)

CITIBANK INTERNATIONAL plc, as Facility Agent

By: _____
(Signature)

Name: P. A. Botticelli
(Print)

Title: Vice President
(Print)

CITIBANK, N.A., as the Alternate Lender

By: _____
(Signature)

Name: Ae Kyong Chung
(Print)

Title: Vice President
(Print)

CITICORP NORTH AMERICA, INC., as the Administrative Agent

By: _____
(Signature)

Name: P. A. Botticelli
(Print)

Title: Vice President
(Print)

ANNEX A

CERTIFICATE AUTHORIZING DISBURSEMENT

Date

CITIBANK INTERNATIONAL plc, as Facility Agent
Attention: Gillian Barnfather
GOVCO INCORPORATED, as Primary Lender
CITIBANK, N.A., as Alternate Lender
New York, New York

Subject: Credit Agreement dated August __, 2000
CAL DIVE I - TITLE XI, INC.
Certificate Authorizing Disbursement No. ____

Ladies and Gentlemen:

In accordance with the terms and conditions of the Security Agreement between CAL DIVE I - TITLE XI, INC., a Texas corporation (the "Shipowner" or "Borrower") and the Secretary and with respect to the Shipowner's Request for Disbursement pursuant to the Credit Agreement ("Agreement"), dated as of August __ 2000, by and among, the Shipowner, GOVCO INCORPORATED, a Delaware corporation (the "Primary Lender"), CITIBANK, N.A., a national banking association (the "Alternate Lender" and, together with the Primary Lender, the "Lenders"), CITIBANK INTERNATIONAL PLC, a bank organized and existing under the laws of England (the "Facility Agent"), and CITICORP NORTH AMERICA, INC., a Delaware corporation (the "Administrative Agent"), we hereby authorize the Primary Lender or the Alternate Lender, as determined in accordance with Section 2.01 of the Agreement, to make a Disbursement under the Credit Facility in the amount of U.S. $_____ on or after _____ , 200_, by paying to such Lender from the proceeds of the Disbursement the Construction Period Interest payable to such Lender in the amount of U.S. $_____, and then paying the balance of the proceeds of the Disbursement to the account of [identify the Shipowner's, Shipyard's or Vendor's account as it is carried on the books of the payee bank] at [complete name and address of the payee bank].

The defined terms in this Certificate shall have the respective meanings specified in the Credit Agreement.

(Seal) UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION

ATTEST: By: Maritime Administration

By:
- ---
Assistant Secretary
Maritime Administration

Secretary
Maritime Administration

ANNEX B

August __, 2000

To: Citicorp North America, Inc.
as Agent under the Credit Agreement referred to below

Re: Cal Dive I - Title XI, Inc.

Ladies and Gentlemen:

Reference is hereby made to that certain Credit Agreement (the "Credit Agreement") dated as of even date herewith by and among Cal Dive I - Title XI, Inc. (the "Shipowner"), GOVCO Incorporated (the "Primary Lender"), Citibank, N.A. (the "Alternate Lender"), Citibank International plc (the "Facility Agent") and Citicorp North America, Inc., in its capacity as Agent (the "Agent"). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement.

The Credit Agreement provides, among other things, for the making of certain Disbursements by the Primary Lender to be evidenced by a Floating Rate Note which has been or will be guaranteed by the United States of America pursuant to Title XI of the Merchant Marine Act, 1936, as amended. A condition to such Disbursements is the undersigned's execution of this letter agreement. In consideration of the foregoing, the undersigned hereby agrees that it will not institute against, or join any other person in instituting against, the Primary Lender, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any other proceeding under any federal or state bankruptcy or similar law as a result of any claim it may have against the Primary Lender arising under or in connection with the transactions contemplated by the Credit Agreement, so long as any commercial paper issued by the Primary Lender shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such commercial paper shall have been outstanding. IT IS EXPRESSLY UNDERSTOOD THAT THIS LETTER DOES NOT BIND ANY AGENCY OF THE UNITED STATES OF AMERICA OTHER THAN THE DEPARTMENT OF TRANSPORTATION, ACTING THROUGH THE MARITIME ADMINISTRATION, AND THAT THIS LETTER DOES NOT BIND THE UNDERSIGNED WITH RESPECT TO ANY CLAIMS IT MAY HAVE AGAINST THE PRIMARY LENDER AS A RESULT OF ANY OTHER TRANSACTION WE HAVE ENTERED INTO WITH THE PRIMARY LENDER WHICH IS UNRELATED TO THE CREDIT AGREEMENT EXCEPT TO THE EXTENT THAT WE HAVE ENTERED INTO A SIMILAR AGREEMENT WITH RESPECT TO SUCH OTHER TRANSACTION.

This letter agreement has been executed and delivered by the undersigned in connection with the issuance of the Floating Rate Note for the benefit of the Primary Lender and the Agent on behalf of the Primary Lender and no other Person shall be entitled to any rights hereunder.

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION

(SEAL OF THE DEPARTMENT
OF TRANSPORTATION)

By:

Maritime Administrator

EXHIBIT 1 TO
CREDIT AGREEMENT

Schedule of Definitions to Credit Agreement
Dated as of August __, 2000

"Accelerated Repayment" shall have the meaning set forth in Section 4.02(b) of the Credit Agreement.

"Act" means the Merchant Marine Act, 1936, as amended and in effect on the Closing Date.

"Administrative Agent" means CITICORP NORTH AMERICA, INC., a Delaware corporation, as administrative agent for the Primary Lender and the commercial paper holders of the Primary Lender (and their respective successors and assigns), and its permitted successors and assigns.

"Affiliate" or "Affiliated" means any Person directly or indirectly controlling, controlled by, or under common control with, another Person.

"Agent" means each of the Administrative Agent and the Facility Agent, individually, and "Agents" means the Administrative Agent and the Facility Agent, collectively.

"Alternate Lender" shall have the meaning set forth in the preamble to the Credit Agreement.

"Amortization Schedule" means the schedule set forth as Attachment 1 to the Indenture, as the same may be revised as provided in the Special Provisions of the Indenture.

"Applicable Interest Rate" shall mean

(i) with respect to any Disbursement or portion thereof that is funded by the Primary Lender through its issuance of commercial paper notes and so long as the Primary Lender is the holder of the indebtedness related to such funded portion, a rate (the "CP Rate") equal to the sum of (A) the Primary Lender's weighted average cost (defined below) related to the issuance of commercial paper notes and other short-term borrowings or the sale of participation interests (collectively, "Commercial Paper"), which in each case have been allocated by the

Primary Lender to the Credit Facility, which rate includes related issuance costs incurred by the Primary Lender, plus (B) two-tenths of one percent (.20%) as calculated by the Administrative Agent for each Interest Period and specified in a notice sent by the Administrative Agent to the Facility Agent and by the Facility Agent to the Shipowner and the Indenture Trustee at least five (5) Business Days prior to each Interest Payment Date on which the interest so calculated is payable (For purposes of the foregoing, the Primary Lender's "weighted average cost" of Commercial Paper shall consist of (i) the actual interest rate or discount paid to purchasers of Commercial Paper, (ii) the costs associated with the issuance of the Commercial Paper and (iii) other borrowings the Primary Lender may incur, including the amount to fund small or odd dollar amounts that are not easily accommodated in the commercial paper market); and

(ii) with respect to any Disbursement or portion thereof funded by the Alternate Lender or to the extent that a Disbursement held by the Primary Lender is assigned to the Alternate Lender or to any other assignee, then, from and after the applicable Disbursement Date or the effective date of such assignment, as the case may be, a rate per annum equal to LIBOR plus fifteen one hundredths of one percent (0.15%) per annum; provided, however, that, if the Alternate Lender shall have determined, prior to the commencement of any Interest Period that: (A) Dollar deposits of sufficient amount and maturity for funding a Disbursement are not available to such Lender in the London interbank market in the ordinary course of business; or (B) by reason of circumstances affecting the relevant market, adequate and fair means do not exist for ascertaining the rate of interest to be applicable to a Disbursement; or (C) the relevant rate of interest referred to in the definition of LIBOR which is to be used to determine the rate of interest for a Disbursement does not cover the funding cost to the Lender of making or maintaining the Disbursement, then the Lender shall so notify the Indenture Trustee, who shall give notice to the Shipowner of such condition and interest shall, effective as of the date of such notice and so long as such condition shall exist, accrue during each applicable Interest Period at the Base Rate; provided, further, however that if, in the Lender's reasonable judgment, it becomes unlawful at any time for such Lender to make or maintain Disbursements based upon LIBOR, the Lender shall so notify the Indenture Trustee, who shall give notice to the Shipowner of such determination and, effective as of the date of such notice and so long as such condition shall exist, interest shall thereafter accrue during each applicable Interest Period at the Base Rate.

"Authorization Agreement" means the Authorization Agreement, Contract No. MA-13598, dated the Closing Date, between the Secretary and the Indenture Trustee, whereby the Secretary authorizes the Guarantee of the United States of America to be endorsed on the Floating Rate Note, as the same is originally executed, or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Available Amount" shall have the meaning set forth in Section 2.01 of the Credit Agreement.

"Base Rate" means, for any Interest Period or any other period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank, N.A. in New York, New York, from time to time, as Citibank, N.A.'s base rate; or

(b) one-half of one percent (0.50%) per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank, N.A. on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York, or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank, N.A. from three New York certificate of deposit dealers of recognized standing selected by Citibank, N.A., in either case adjusted to the nearest one-fourth of one percent (0.25%) or, if there is no nearest one-fourth of one percent, to the next higher one-fourth of one percent.

"Business Day" shall mean any day on which dealings in Dollar deposits are carried on in the London interbank market and on which commercial banks in London, Texas and New York City are open for domestic and foreign exchange business.

"Certificate Authorizing Disbursement" shall mean, with respect to a Disbursement, the United States Certificate Authorizing Disbursement substantially in the form set forth in Annex A to the Credit Agreement.

"Closing Date" means August __, 2000.

"Commercial Paper" shall have the meaning set forth in clause (a)(i)of the definition of Applicable Interest Rate herein.

"Construction Contract" means that certain Contract for Semi-Submersible, Multi-Service Vessel (Amfels Hull No. P182), effective July 16, 1999, by and between Cal Dive International, Inc. and the Shipyard, as the same may be amended, modified or supplemented and assigned to the Shipowner in accordance with the applicable provisions thereof.

"Construction Period" shall mean the period from the date hereof to the Delivery Date.

"Construction Period Interest" shall mean all interest that accrues on the Outstanding Principal during the Construction Period.

"CP Rate" shall have the meaning set forth in clause (a)(i) of the definition of Applicable Interest Rate herein.

"Credit Agreement" or "Agreement" shall mean the Credit Agreement, dated as of the Closing Date, among the Shipowner, the Lenders, and the Agents, including any Exhibit, Annex, or other attachment thereto, as the same may be amended, modified or supplemented in accordance with the applicable provisions thereof.

"Credit Facility" shall have the meaning set forth in Whereas Clause (A) of the Credit Agreement.

"Credit Facility Amount" shall have the meaning set forth in Section 2.01 of the Credit Agreement.

"Delivery Date" means the date on which the Vessel is delivered to and accepted by the Shipowner.

"Depository Agreement" means the Depository Agreement, Contract No. MA-13602, dated as of the Closing Date, between the Shipowner, UNITED STATES TRUST COMPANY, as Depository, and the Secretary, as the same is originally executed, or amended, modified or supplemented in accordance with the applicable provisions thereof.

"Disbursements" shall have the meaning set forth in Section 2.03 of the Credit Agreement.

"Disbursement Date" shall mean, in relation to any Disbursement, the Business Day on which the Lender shall make such Disbursement.

"Disposition of Indebtedness" shall have the meaning set forth in Section 11.03 of the Credit Agreement.

"Dollars", "U.S. Dollars", "U.S.D.", "U.S. $" or "$" shall mean the lawful currency of the United States of America.

"Eurodollar Reserve Percentage" shall mean with respect to any Interest Period or Post Maturity Period the reserve percentage applicable to Citibank, N.A. during such period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such period during which such reserve shall be so applicable) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or marginal reserve requirement) for Citibank, N.A. in respect of liabilities or assets consisting of or including Eurocurrency Liabilities as that term is used in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Event of Default" shall have the meaning set forth in Section 9.02 of the Credit Agreement.

"Facility Agent" means CITIBANK INTERNATIONAL plc, a bank organized and existing under the laws of England, as facility agent for both the Primary Lender and the Alternate Lender (and their respective successors and assigns), and its permitted successors and assigns.

"Fee Letter" shall have the meaning set forth in Section 6.01 of the Credit Agreement.

"Final Disbursement Date" shall have the meaning set forth in Section 2.02 of the Credit Agreement.

"Fixed Rate Bond" shall mean an Obligation in the form of a Serial Bond substantially in the form of Exhibit 3 to the Indenture, and an Obligation in the form of a Sinking Fund Bond substantially in the form of Exhibit 4 to the Indenture, each as appropriately completed.

"Floating Rate Note" shall mean the Note substantially identical to the form of Exhibit 2 to the Indenture, appropriately completed.

"Governmental Authority" shall mean the government of any country, any agency, department or other administrative authority or instrumentality thereof, and any local or other governmental authority within any such country.

"Guarantee" or "Guarantees" means the guarantee of an Obligation by the United States of America pursuant to Title XI of the Act, as provided in the Authorization Agreement.

"Guarantee Commitment" means the Commitment to Guarantee Obligations, Contract No. MA-13597, dated as of the Closing Date, executed by the Secretary and accepted by the Shipowner with respect to the Guarantees, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Guarantee Fees" shall mean the amounts described in the Guarantee Commitment payable in consideration for the commitment therein described and payable as provided in such Guarantee Commitment.

"Holder" means each holder of an Obligation.

"Indemnified Amounts" shall have the meaning set forth in Section 11.09 of the Credit Agreement.

"Indemnified Party" shall have the meaning set forth in Section 11.09 of the Credit Agreement.

"Indenture" means the Trust Indenture dated as of the Closing Date, between the Shipowner and the Indenture Trustee, as the same is originally executed, or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Indenture Default" has the meaning specified in Article VI of Exhibit 1 to the Indenture.

"Indenture Trustee" means Wilmington Trust Company, a Delaware banking corporation, and any successor trustee permitted under the Indenture.

"Interest Payment Date" means, with respect to the Floating Rate Note, the date when any installment of interest on such Note is due and payable, which are January 28 and July 28 of each year, beginning on January 28, 2001, and the date of any prepayment of the Floating Rate Note.

"Interest Period" shall mean, with respect to any Disbursement, (i) the period commencing on the Disbursement Date and extending up to, but not including, the next Interest Payment Date; and (ii) thereafter the period commencing on each Interest Payment Date and extending up to, but not including, the next Interest Payment Date.

"Lender" shall have the meaning set forth in the preamble to the Credit Agreement.

"Lenders" means collectively the Primary Lender and the Alternate Lender.

"Liabilities" shall have the meaning set forth in Section 12.05 of the Credit Agreement.

"LIBOR" means, in relation to any Interest Period, an interest rate per annum equal to (i) the rate of interest per annum (rounded upward, if necessary, to the nearest 1/16 of 1%) quoted by the principal London office of Citibank, N. A., at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for the offering to leading banks in the London interbank market of U.S. Dollar deposits for a period and in an amount comparable to such Interest Period and the principal amount upon which interest is to be paid during such Interest Period; divided by (ii) one hundred percent (100%) minus the Eurodollar Reserve Percentage, as specified by the Facility Agent in a written notice to the Shipowner, the Indenture Trustee and the Secretary given not later than one Business Day prior to such Interest Period (or, if such Interest Period commences as a result of an assignment from the Primary Lender to the Alternate Lender, given not later than the second Business Day of such Interest Period).

"Lien" shall have the meaning set forth in Section 8.01(c) of the Credit Agreement.

"Liquidation Period" shall have the meaning set forth in Section 4.03(a) of the Credit Agreement.

"Maturity" when used with respect to any Obligation, means the date on which the principal of, or interest on, such Obligation becomes due and payable as therein provided, whether on a Payment Date, at the Stated Maturity or by prepayment, repayment, redemption or declaration of acceleration or otherwise.

"Mortgage" means the first preferred ship mortgage on the Vessel, Contract No. MA-13600, between the Shipowner and the Secretary, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Note" shall mean the Floating Rate Note.

"Obligation" or "Obligations" shall mean the Floating Rate Note and the Fixed Rate Bond(s) of the Shipowner bearing a Guarantee and authenticated and delivered pursuant to the Indenture and the Authorization Agreement.

"Other Taxes" shall have the meaning set forth in Section 6.02(a) of the Credit Agreement.

"Outstanding Principal" shall have the meaning set forth in Section 2.01 of the Credit Agreement.

"Payment Date" shall mean January 28 and July 28 of each year, beginning on the earlier of the Payment Date next succeeding the Delivery Date of the Vessel or January 28, 2002.

"Payment Default" has the meaning specified in Section 6.01(a) of Exhibit 1 to the Indenture.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Post Maturity Interest Rate" shall have the meaning set forth in Section 4.02(b) of the Credit Agreement.

"Post Maturity Period" shall have the meaning set forth in Section 4.02(b) of the Credit Agreement.

"Primary Lender" shall have the meaning set forth in the preamble to the Credit Agreement.

"Quotation Date" shall have the meaning set forth in Section 4.02(b) of the Credit Agreement.

"Redemption" means with respect to the redemption of the Floating Rate Note, the repayment or prepayment of the Floating Rate Note as applicable.

"Redemption Date" means, with respect to the Floating Rate Note, a date fixed for the prepayment, repayment or redemption of such Note by or pursuant to Section 4 of the Credit Agreement, Article Fourth of the Indenture, or Article III of Exhibit 1 to the Indenture.

"Redemption Price" means, with respect to the Floating Rate Note, the price at which the Floating Rate Note is to be prepaid, repaid, or redeemed pursuant to Section 4 of the Credit Agreement, Article Fourth of the Indenture, or Article III of Exhibit 1 to the Indenture.

"Secretary" means the Secretary of Transportation or any official or official body from time to time duly authorized to perform the duties and functions of the Secretary of Transportation under Title XI of the Act (including the Maritime Administrator, the Acting Maritime Administrator, and to the extent so authorized, the Deputy Maritime Administrator and other officials of the Maritime Administration).

"Secretary's Note" means a promissory note or promissory notes issued and delivered by the Shipowner to the Secretary described in Article Third of the Special Provisions of the Security Agreement and shall also mean any promissory note issued in substitution for and replacement thereof pursuant to the Security Agreement.

"Security Agreement" shall mean that certain security agreement, Contract No. MA-13599, dated as of the Closing Date, with respect to the Vessel, executed by the Shipowner and the Secretary relating to the security in respect to the Guarantees, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Shipowner" means CAL DIVE I - TITLE XI, INC., a Texas corporation, and for purposes of the Indenture and the Floating Rate Note, subject to the provisions of Sections 6.09, 8.01 and 8.02 of Exhibit 1

to the Indenture, shall also include its successors and assigns; provided, however, that for purposes of the Credit Agreement, the term Shipowner shall also include the Shipowner's permitted successors and assigns under the Credit Agreement.

"Shipowner's Documents" means the Security Agreement, the Mortgage, the Title XI Reserve Fund and Financial Agreement, the Depository Agreement, and the Secretary's Note.

"Shipowner Financial Statements" shall have the meaning set forth in Section 8.01(h) of the Credit Agreement.

"Shipyard" or "Shipbuilder" means AMFELS, INC., a Texas corporation.

"Stated Maturity," when used with respect to the Floating Rate Note, means the date determinable as set forth in such Note as the final date on which the principal of such Note is due and payable, which shall include, without limitation, each of the Payment Dates.

"Taxes" shall have the meaning set forth in Section 6.02(a) of the Credit Agreement.

"Title XI Reserve Fund and Financial Agreement" means that certain Title XI Reserve Fund and Financial Agreement, Contract No. MA-13601, dated as of the Closing Date, executed by the Shipowner and the Secretary, as amended, modified or supplemented in accordance with the applicable provisions thereof.

"Trigger Event" has the meaning set forth in Section 2.05 of the Credit Agreement.

"United States" means the United States of America.

"Unpaid Amount" shall have the meaning set forth in Section 4.02(b) of the Credit Agreement.

"Vessel" means the Shipowner's ultra-deepwater, semi submersible, multi-service vessel denominated Q4000 and constructed by AMFELS, INC. in accordance with the Construction Contract, including all work and material heretofore or hereafter performed upon or installed in or placed on board such vessel, together with related appurtenances, additions, improvements, and replacements.

DOCUMENT 2

AMENDMENT NO. 1
TO
CREDIT AGREEMENT

THIS AMENDMENT NO. 1, dated as of January 25, 2002 (this "Amendment No. 1"), to that certain Credit Agreement, dated as of August 16, 2000 (the "Credit Agreement"), is made by and among CAL DIVE I-TITLE XI, INC., a Texas corporation (the "Shipowner"), GOVCO INCORPORATED, a Delaware corporation (the "Primary Lender"), CITIBANK, N.A., a national banking association (the "Alternate Lender"), CITIBANK INTERNATIONAL PLC, a bank organized and existing under the laws of England, as facility agent for both the Primary Lender and the Alternate Lender (and their respective successors and assigns) with respect to the Floating Rate Note, and its permitted successors and assigns (in such capacity, the "Facility Agent"), and CITICORP NORTH AMERICA, INC., a Delaware corporation, as administrative agent for the Primary Lender and the commercial paper holders of the Primary Lender (and their respective successors and assigns) (in such capacity, together with its permitted successors and assigns, the "Administrative Agent," and together with the Facility Agent, the "Agents").

WHEREAS, pursuant to Title XI of the Merchant Marine Act, 1936, the Secretary, pursuant to the Guarantee Commitment, determined that the aggregate of the Actual Cost of the Q4000 vessel (the "Vessel") was $158,260,932 as of the August 16, 2000 Closing Date, and agreed to guarantee Obligations in an amount which will not exceed 87-1/2% of Actual Cost, as determined pursuant to the Security Agreement and as reflected in Table A thereto, as the same may be redetermined from time to time;

WHEREAS, on July 31, 2001, the Shipowner and AMFELS, Inc. (the "Shipyard") entered into Amendment No. 2 to the Construction Contract (the "Amendment No. 2") for the Vessel, providing for additional work to be performed on the Vessel pursuant to change orders, and a revised Delivery Date for the Vessel, which Amendment No. 2 was approved by the Secretary;

WHEREAS, pursuant to Amendment No.1 to Security Agreement, dated the date hereof, the Secretary has agreed to a redetermination of the Actual Cost relating to such additional work on the Vessel, for a total revised Actual Cost of $183,065,667. The Shipowner has entered into Supplement No. 1 to Trust Indenture, dated the date hereof, providing for the issuance of Obligations up to the aggregate principal amount of $160,182,000, and the Secretary has agreed to the revisions to the Indenture reflecting the revised Delivery Date and certain other technical amendments; and

WHEREAS, the Parties wish to amend the Credit Agreement pursuant to which the Lenders will agree inter alia to revise the Available Amount thereunder to $160,182,000, and to change the Final Disbursement Date, Interest Payment Dates, Payment Dates and Stated Maturity of the Floating Rate Note.

NOW THEREFORE, in consideration of the mutual rights and obligations set forth herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1.01. (a) Exhibit 1 to the Credit Agreement is hereby amended by amending the following definitions:

> "Interest Payment Date" means, with respect to the Floating Rate Note, the date or dates when any installment of interest on such Note is due and payable, which are January 28 and July 28 of each year, beginning on January 28, 2001, and ending on July 28, 2001, and each February 1 and August 1 thereafter, beginning on February 1, 2002, and the date of any prepayment of the Floating Rate Note.
>
> "Payment Date" shall mean February 1 and August 1 of each year, beginning on the earlier of the Payment Date next succeeding the Delivery Date of the Vessel, or February 1, 2003.
>
> "Floating Rate Note" shall mean the First Amended and Restated Floating Rate Note substantially identical to the form of Exhibit A to Supplement No. 1 to Trust Indenture, appropriately completed.

(b) Exhibit 1 to the Credit Agreement is hereby further amended by adding thereto the following definitions:

> "Amendment No. 1 to Credit Agreement" means the Amendment No. 1 to Credit Agreement, dated as of January 25, 2002, among the Shipowner, the Lenders and the Agents.

SECTION 1.02. Whereas Clause (A) and Section 2.01 of the Credit Agreement are hereby amended by changing the Credit Facility Amount from $138,478,000 to $160,182,000.

SECTION 1.03. The definition of "Final Disbursement Date" appearing in Section 2.02 of the Credit Agreement is hereby amended by changing the date "January 28, 2002" to "February 1, 2003."

SECTION 1.04. Sections 2.04 and 4.03(d) of the Credit Agreement are hereby amended by deleting the amount of "$50,000,000" appearing in each such Section, and by inserting in lieu thereof the amount "$20,000,000." Section 2.04 of the Credit Agreement is hereby further amended by changing the date "January 28, 2006" to "February 1, 2007."

SECTION 1.05. Section 2.05(a) of the Credit Agreement is hereby amended by deleting the date "January 28, 2027" appearing in clause (i) thereof and by inserting in lieu thereof the date "August 1, 2027."

SECTION 1.06. Section 4.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

"4.01 Principal Repayment. The Shipowner shall repay the Outstanding Principal of the Floating Rate Note as follows:

(i) In installments in the principal amounts set forth in the First Revised Amortization Schedule, Exhibit B to Supplement No. 1 to Trust Indenture, as the same may be revised in accordance with the Indenture, adopted in accordance with its terms, on each Payment Date commencing with the Payment Date occurring on the earlier of the Payment Date next succeeding the Delivery Date of the Vessel, or February 1, 2003, and continuing until the Payment Date before the earlier of (x) the Payment Date next preceding four (4) years from the Delivery Date, or (y) February 1, 2007; and

(ii) The full amount of remaining Outstanding Principal, on the earliest of (x) the Payment Date next preceding four (4) years from the Delivery Date, (y) February 1, 2007, or (x) the date upon which the Trigger Event shall occur."

SECTION 1.07. The second sentence of Section 4.05 of the Credit Agreement is revised to read as follows:

"The Floating Rate Note shall (ii) be in the form of Exhibit A to Supplement No. 1 to the Indenture, (ii) bear the Secretary's Guarantee, and (iii) be valid and enforceable as to its principal amount at any time only to the extent of the aggregate amounts then disbursed and outstanding thereunder, and, as to interest, only to the extent of the interest accrued thereon at the rate guaranteed by the Secretary, with any interest in excess thereof being evidenced by this Agreement."

All capitalized terms used herein and not defined shall have the meanings set forth in Exhibit 1 to the Credit Agreement.

Except as amended, the provisions of the Credit Agreement shall apply to and govern this Amendment No. 1.

This Amendment No. 1 may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, this Amendment No. 1 to Credit Agreement has been duly executed and delivered by the Parties hereto as of the day and year first above written.

CAL DIVE I-TITLE XI, INC.,
As the Shipowner

By

Name: A. Wade Pursell
Title: Vice President

GOVCO INCORPORATED,
as the Primary Lender, by
Citicorp North America,
Inc., its Attorney-in-fact

By

Name: Patrick A. Botticelli
Title: Vice President

CITIBANK INTERNATIONAL PLC,
as the Facility Agent

By

Name: Patrick A. Botticelli
Title: Vice President

CITIBANK, N.A.,
as the Alternate Lender

By

Name: Ae Kyong Chung
Title: Vice President

CITICORP NORTH AMERICA, INC.,
as the Administrative Agent

By

Name: Patrick A. Botticelli
Title: Vice President

CONSENT

Pursuant to Section 11.08 of the Credit Agreement, the Secretary hereby consents to this Amendment No. 1 to Credit Agreement and confirms the continued Guarantee of the Obligation of the United States of America pursuant to Title XI of the Merchant Marine Act, 1936, as amended.

(SEAL)

UNITED STATES OF AMERICA,
SECRETARY OF TRANSPORTATION

BY: MARITIME ADMINISTRATOR

ATTEST:

By

Secretary
Maritime Administration

By

Assistant Secretary
Maritime Administration

SUBSEA GROUP 2002
ANNUAL INCENTIVE COMPENSATION PROGRAM

==========

1. INTRODUCTION

CDI Incentive Compensation Plans were originally designed in 1993 to align the interests of employees with those of Cal Dive shareholders to the maximum extent possible. Employees share in the superior performance of the company recognizing that the shareholders are entitled to a threshold level of performance in exchange for base salaries. The threshold level is based on the Annual Budget established by management and approved by the Board of Directors. Incentives based upon performance above that threshold level can result in total cash compensation to CDI employees well above competitive levels for the industry.

For the subsea group there are two plans: one for onshore operational personnel - the Operations Plan; and one for executive management, accounting and administrative personnel - the Administrative Plan,

The general conditions of both plans are:

(i) ELIGIBILITY FOR PARTICIPATION

Participants must be on the payroll no later than June 30, 2002. Participants who are not on the payroll as of January 1, 2002, will have their opportunity prorated by their months of service.

Incentive compensation awards will be granted to those participants who have met the performance criteria set forth in this policy and who are on the payroll December 31, 2002, for incentive compensation under this plan. This plan is not to be construed in any way as a guarantee of employment or an employment contract.

(ii) METHOD OF PAYMENT

Any cash components of the two plans will be paid by March 15, 2003.

(iii) CLARIFICATION/INTERPRETATION/MODFICATION OF THE PLANS

The Compensation Committee of the Cal Dive Board of Directors shall have the right and the sole authority at any time and without restriction to clarify, interpret and/or modify plan.

2. OPERATIONS PLAN

The 2001 Operations Plan is designed to reward key Vice Presidents, Project Managers and Project Support personnel for the contribution made towards achieving the company's growth and profitability targets. Potential bonuses under this program are limited only by the success and cost effectiveness of COMBINED effort. As last year cash incentive compensation will be linked to exceeding a threshold above the budgeted expectation for earnings. Stock options will be awarded during the first quarter of 2002 to compensate participants for accepting this higher hurdle.

* THRESHOLD PERFORMANCE: Cash incentive compensation is earned, when financial performance exceeds 110% of the subsea contribution to the budgeted earnings estimate.

* BONUS POOL: The bonus pool of the Operations pool is in addition to a bonus pool for the Administrative Group.

* SG&A: Operations pool is increased or decreased by variances to budgeted SG&A expenses. This year SG&A cost targets are set for each Vice President.

* DISCRETIONARY COMPONENT: 40% of the allocated incentive award is based upon discretion of Senior management and achievement of individual goals.

* SUPPORT STAFF: Each Group may use a portion of their bonus pool or incentives not awarded in the discretionary component to make bonus payments to support staff.

* STOCKOPTIONS: As in 2001, stock options plus cash will be used in payment of potential bonuses earned. The proposed plan is in keeping with the authorized 10% level allocated for employee stock options.

Each eligible participant's incentive compensation OPPORTUNITY will be based on the following:

1. Attaining 2001 "Subsea Division" (exclusive of Canyon and ERT) gross profit of $45,000,000 will result in an OPPORTUNITY equal to 10% of the eligible participants base salary.

2. Variances to budgeted Subsea SG&A (as defined) will be added to (or deducted from) gross profit in determining 1 above.

3. A bonus pool will be established equal to 20% of all dollars of gross profit (as adjusted) in excess of $45,000,000.

The bonus pool will be divided into four weighted tiers and will be available as an incentive compensation OPPORTUNITY for each eligible participant within a tier in direct proportion to the ratio of the eligible participant base salaries.

TIER GROUP DESIGNATIONS:

Group 1 - Vice Presidents

Group 2 - Personnel in direct control of:

- Significant direct authorization control responsibility of costs, or
- Significant direct negotiation or contracting responsibility of costs or receivables.

Group 3 - Personnel in key roles of execution, operations with impact to the bottom line.

Group 4 - Personnel in supporting roles with impact on cost control.

Each participant's OPPORTUNITY will be awarded based as follows:

1. 60% of the total opportunity will be awarded based on achieving the financial goals.

2. From 0 to 40% of the total opportunity will be awarded based on an evaluation by Executive Management regarding the individual's efforts, contribution and success in achieving specific goals established by the President and appropriate Vice President. Any portion of the opportunity that is not awarded may be reallocated to other plan participants.

3. In 2002 the discretionary part of the bonus will be directly linked to: Safety Management performance, teamwork efforts, cost management effectiveness and other specific individual/departmental goals. In particular 10% of the bonus opportunity will be based on beating the safety incident rate target of 1.5.

4. Also for 2002, 20% of the bonus opportunity for Vice Presidents will be linked to achieving the attached SG&A targets.

5. Discretionary bonuses may be paid to support staff from the bonus pool or incentives not awarded in the discretionary component.

Stock options will also be used as a component of the incentive plan to compensate subsea operations personnel for accepting a higher than budgeted gross profit target.

STOCK OPTION POOL:

- 300,000 options shall be set aside for use in the incentive compensation plan.
- The options will be issued in lieu of a cash bonus for achieving budgeted gross profit, as in previous plans.
- Distribution of options: Stock options will be awarded to individuals depending on their bonus grouping.
- All options awards to vest over three (3) years with a total life of ten (10) years.
- Exercise price to be the market price on the date they are granted during the first quarter.

The gross profit goal reflects management's assessment of revenue producing assets on hand or expected to be acquired at the time the Business Plan is prepared. The goal shall NOT be adjusted should any of these assets be sold or not acquired subsequent to the Business Plan being approved by the Board of Directors. However, if the company subsequently purchases or otherwise acquires new assets with the expectation of increasing the gross profit of the Subsea Division, the gross profit levels will be adjusted to allow for a reasonable return to the company. This adjustment will be based on the economics presented to the Board of Directors as justification for the new equipment or service (the approved AFE) and will be prorated for months in service. In addition, the gross profit goal established in the approved budget will not be adjusted for changes in accounting policy made during a fiscal year.

2002 SG&A COST TARGETS

40% of bonus awards are discretionary. Half of this, or 20%, will be based on an individual manager's ability to manage SG&A costs for their respective group to a target % of relevant revenues in accordance with the following: (See budget and management guidelines (SG&A) for more detail).

GROUP MANAGER	TARGET % OF REVENUE
Scott Naughton	1.96%
Steve Brazda	8.50%
Mike Ambrose	2.20%
Wayne Bywater	1.46%
Ian Collie	0.60%
Mark McWatters	4.20%
Wade Pursell	2.00%
Jim Connor	2.00%

2. ADMINISTRATIVE PLAN

This program is for the benefit of certain members of executive management and corporate accounting and administrative personnel.

Each eligible participant's incentive compensation opportunity will be based upon the following:

1. Attaining the consolidated net income of $29,400,000 as budgeted in the 2002 Business Plan before consideration of bonuses paid under the Operations Group Plan.

2. Attaining consolidated net income above a "threshold" level (80% of Budget) and up to targeted net income (110% of Budget) will result in an opportunity equal to a specified percentage of base salary as set out below (calculated proportionately between each level):

% of Budget Net Income	Bonus Opportunity %
80	40
90	60
100	80
110	100

3. A bonus pool will be established based upon (a) 4% of the first $2 million of consolidated net income in excess of targeted net income, plus (b) 6% of any consolidated net income in excess of targeted net income plus $2 million.

The bonus pool will be available for each eligible participant in direct proportion to the ratio of eligible participant base salaries. Each participant's opportunity will be awarded based as follows:

1. 70% of the total opportunity will be awarded based upon achieving financial goals.

2. From 0 to 30% of the total opportunity will be awarded based upon a subjective evaluation by the Compensation Committee and Executive management regarding the individual's efforts, contribution and success in achieving specific goals established by the Group Vice President and Board of Directors. Any portion of the opportunity that is not awarded may be reallocated to other participants.

3. Discretionary bonuses may be paid to support staff from the bonus pool or incentives not awarded in the discretionary component.

If the company purchases or otherwise acquires new assets with the expectation of increasing the net income of the Company, consolidated net income will be adjusted to allow for a reasonable return to the company. This adjustment will be based on the economics presented to the Board of Directors for justification for the new equipment or service (the approved AFE) and will be prorated for months in service.

EXHIBIT 10.8

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Agreement") is made this 1st day of January, 2002, between Cal Dive International, Inc., a Minnesota corporation, ("Company") and A. Wade Pursell ("Employee"), an individual residing at 8614 Lanell, Houston, Texas 77055.

WHEREAS, Employee has extensive executive management skills and experience in the oil service industry, including valuable marketing, financial, technical and other experience, knowledge and ability and has been acting as Senior Vice President and Chief Financial Officer for the Company; and

WHEREAS, the Company wishes to continue to employ Employee as Senior Vice President and Chief Financial Officer of the Company and Employee is willing to accept such continued employment upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the parties hereto agree as follows:

SECTION 1. TERM OF EMPLOYMENT AND EMPLOYMENT DUTIES.

(a) Employee agrees to be employed by the Company on the terms and conditions contained herein, for a period commencing on the date hereof until February 28, 2004 and thereafter terminating one year after delivery to Employee of a written notice of termination by the Company (the "Employment Term"); provided, however, that the occurrence of any event described in Sections 7(a), 7(b) or 7(c) prior to the end of the Employment Term shall result in the immediate termination of Employee's employment and the Employment Term, subject to the terms of such applicable Section. Employee shall devote his time, energy and skill to the affairs of the Company and any of its affiliated business entities and to the promotion of their interests. Any provision of this Agreement to the contrary notwithstanding, Employee shall immediately resign from any offices held with the Company or its Affiliates upon written request by the Company. Any resignation made pursuant to a written request by the Company under this Section shall not affect Employee's rights under this Agreement for any compensation, benefits or payments.

(b) Employee's duties shall include all the normal duties associated with acting as Senior Vice President and Chief Financial officer of the Company and all other responsibilities assigned to that office from time to time by the Chairman , President and the Board of Directors.

(c) During the Employment Term, (i) Employee services shall be rendered on a full time basis, (ii) Employee shall have no other employment and no substantial outside business activities and (iii) the headquarters for the performance of Employee's services shall be the principal executive or operating offices of the Company, subject to travel for such reasonable lengths of time as the performance of his duties in the business of the Company may require.

SECTION 2. COMPENSATION.

(a) Salary. During the Employment Term, as compensation for his services and covenants and agreements hereunder and subject to such changes therein as the Board may make from time to time, the Company agrees to pay Employee an initial salary for the period from the date hereof to February 28, 2004 at the rate of One Hundred Fifty Thousand Six Hundred Dollars ($150,000), payable in equal semi-monthly installments in accordance with the Company's regular payroll practices for its principal executives, prorated for any partial employment and subject to normal increases as approved by the Board.

(b) Incentive Bonus. During the Employment Term, in addition to the to the annual salary payable to Employee pursuant to paragraph (a) above, Employee shall be entitled to an annual incentive bonus (the "Incentive Bonus"), payable not later than three months after the close of each fiscal year of the Company, commencing with the fiscal year ending December 31, 2002, as established annually or from time to time by the Board .

(c) Reimbursement of Expenses. During the Employment Term, Employee will be reimbursed by the Company for his reasonable business expenses incurred in connection with the performance of his duties hereunder,

including, without limitation, a home fax line, car mileage, cell phone and business calls and other expenses consistent with Company policy from time to time.

SECTION 3. BENEFITS.

During the Employment Term, Employee shall be entitled to participate in any medical/dental, life insurance, accidental death, long term disability insurance plan and 401(k) or other insurance and retirement plans which has been or which may be adopted by the Company (as long as such plan is not discontinued) for the general and overall benefit of executive employees of the Company, according to the participation or eligibility requirements of each such plan. During the Employment Term, Employee shall enjoy such vacation, holiday and similar rights and privileges as are enjoyed generally by the Company's principal executives.

SECTION 4. NONDISCLOSURE AND NONUSE OF CONFIDENTIAL INFORMATION

(a) During the period commencing with the date of this Agreement and ending on (i) the fifth anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by Employee or termination by the Company for "Cause" (as defined in Section 7 (a) hereof) and (ii) the date which is 18 months following the date of termination of Employee's employment with the Company if such termination arises for any reason other than as provided in subparagraph 4 (a) (i) above, Employee covenants and agrees with the Company that Employee shall not disclose or use any Confidential Information (as defined below) of which Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by Employee's performance of duties assigned to Employee by the Company. Employee shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft.

(b) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is or has been used, developed or obtained, either prior to or following the date of this Agreement, by the Company in connection with its businesses, including but not limited to (i) products or services, (ii) fees, costs and pricing structures, (iii) designs, (iv) analysis, (v) drawings, photographs and reports, (vi) computer software, including operating systems, applications and program listings, (vii) flow charts, manuals and documentation, (viii) data bases, (ix) accounting and business methods, (x) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xi) customers and clients and customer or client lists, (xii) other copyrightable works, (xiii) all technology and trade secrets, and (xiv) all similar and related information in whatever form. Confidential Information shall not include any information that has been published in a form generally available to the public prior to the date Employee proposes to disclose or use such information other than as a result of disclosure by Employee in violation of this Agreement. Information shall not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

SECTION 5. NON-COMPETITION AND NON-SOLICITATION.

(a) Employee acknowledges and agrees with the Company that his services to the Company are unique in nature and that the Company would be irreparably damaged if Employee were to provide similar services to any person or entity competing with the Company or engaged in a similar business. Employee accordingly covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of:

(i) February 28, 2007 and (ii) (A) the second anniversary of the date of the termination of Employee's employment with the Company if such termination arises as a result of voluntary termination or retirement by Employee or termination by the Company for "Cause", or (B) the first anniversary of the date of termination of Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(a) (ii) (A).

Employee shall not, directly or indirectly, either for himself or for any other individual, corporation, partnership, joint venture of other entity, participate in any business (including without limitation any division, group or franchise of a larger organization) which engages or which proposes to engage in the business of providing diving services in the Gulf

of Mexico or any other business actively engaged in by the Company on the date of termination of Employee's employment in the area or areas where the Company is conducting such business; provided that until such time as the Company waives in writing any rights it may have to enforce the terms of this Section 5 (the "Waiver), during the period commencing on the date of the termination of Employee's employment with the Company and ending on the date on which either the noncompetition provisions contained in this Section 5 terminate or the Waiver is delivered to Employee, whichever is earlier, the Company will pay to Employee either the amounts due under Section 7(d), if appropriate, or an amount equal to Employee's base salary as of the date his employment was terminated (which will be paid over time in accordance with the salary payment schedule in effect from time to time for senior executives of the Company) and during such time period Employee shall be entitled to all insurance benefits received by other senior executives of the Company. For purposes of this Agreement, the term "participate in" shall include without limitation having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise) but not ownership of 2% or less of the capital stock of a public company.

(b) Employee covenants and agrees with the Company that during the period commencing with the date of this Agreement and ending on the later to occur of (i) February 28, 2007 and (ii) (A) the second anniversary of the date of termination of Employee's employment with the Company if such termination arises as a result of voluntary termination by the Company or for "Cause", or (B) the date which is 18 months following the termination of Employee's employment with the Company if such termination arises for any reason other than as provided in the preceding subparagraph 5(b) (ii) (A) above, Employee shall not, directly or indirectly, for himself or for any other individual, corporation, partnership, joint venture or other entity, (x) make any offer of employment, solicit or hire any supervisor, employee of the Company or its affiliates or induce or attempt to induce any employee of the Company or its affiliates to leave their employ or in any way interfere with the relationship between the Company or its affiliates and any of their employees or (y) induce or attempt to induce any supplier, licensee, licensor, franchisee, or other business relation of the Company or its affiliates to cease doing business with them or in any way interfere with the relationship between the Company or its affiliates and any customer or business relation.

SECTION 6. COMPANY'S OWNERSHIP OF INTELLECTUAL PROPERTY.

(a) In the event that Employee as part of his activities on behalf of the Company generates, authors or contributes to any invention, design, new development, device, product, method or process (whether or not patentable or reduced to practice or comprising Confidential Information), any copyrightable work (whether or not comprising Confidential Information) or any other form of Confidential Information relating directly or indirectly to the Company's business as prior hereto, now or hereinafter conducted (collectively, "Intellectual Property"), Employee acknowledges that such Intellectual Property is the exclusive property of the Company and hereby assigns all right, title and interest in and to such Intellectual Property to the Company. Any copyrightable work prepared in whole or in part by Employee shall be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company shall own all of the rights comprised in the copyright therein. Employee shall promptly and fully disclose all Intellectual Property to the Company and shall cooperate with the Company to protect the Company's interest in and rights to such Intellectual Property, including without limitation providing reasonable assistance in securing patent protection and copyright registrations and executing all documents as reasonably requested by the Company, whether such requests occur prior to or after termination of Employee's employment with the Company.

(b) As requested by the Company from time to time and upon the termination of Employee's employment with the Company for any reason, Employee shall promptly deliver to the Company all copies and embodiments, in whatever form, of all Confidential Information or Intellectual Property in Employee's possession or within his control (including, but not limited to, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes and all other materials containing any Confidential Information or Intellectual Property) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company.

SECTION 7. TERMINATION OF AGREEMENT.

(a) Termination for "Cause". This Agreement may be terminated by the Company at any time during the Employment Term for "Cause", in which event Employee shall have no further rights under this Agreement (but the Company's rights shall survive as herein otherwise provided including, without limitation, under Sections 4, 5 and 6 hereof). For purposes of the preceding sentence, "Cause" shall mean: (i) any breach or threatened breach by Employee of any of his agreements contained in Section 4, 5 or 6 hereof; (ii) repeated or willful neglect by Employee in performing any duty or carrying out any responsibility assigned or delegated to him pursuant to Section 1(b) hereof, which neglect shall not have permanently ceased within ten (10) business days after written notice to Employee thereof; or (iii) the commission by Employee of any criminal act involving moral turpitude or a felony which results in an arrest or indictment, or the commission by Employee, based on reasonable proof, of any act of fraud or embezzlement involving the Company or its customers or suppliers. In the event that the Company elects to terminate this Agreement for Cause, it will give Employee written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(b) Termination Upon Death. This Agreement shall terminate automatically upon the death of Employee during the Employment Term. In such event, the Company shall be obligated to pay to Employee's estate, or to such person or persons as he may designate in writing to the Company, (i) through the last day of the fiscal year in which Employee's death shall have occurred, the salary (payable in the same manner as described in Section 2(a) hereof) to which Employee would have been entitled under Section 2(a) hereof had such death not occurred, and (ii) as soon as reasonably practicable after Employee's death, any accrued but, as of the date of such death, unpaid Incentive Bonus (or, if such death shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof).

(c) Termination Upon Disability. This Agreement may be terminated by the Company at any time during the Employment Term in the event that Employee shall have been unable, because of "Disability" (as hereinafter defined), to perform his principal duties for the Company for a cumulative period of six (6) months within any eighteen (18) month period. Prior to Employee's termination for Disability as provided herein, he shall remain eligible to receive the compensation and benefits set forth in Section 2 and Section 3 hereof. Upon such termination, Employee shall be entitled to receive as soon as reasonably practicable thereafter, any accrued, but as of the date of such termination, unpaid Incentive Bonus (or, if such termination shall have occurred after the first three (3) months of the Company's fiscal year, any prorated portion thereof). For purposes of this Section 7(c), "Disability" shall mean any physical or mental condition of Employee which shall substantially impair his ability to perform his principal duties hereunder. In the event that the Company elects to terminate this Agreement by reason of Disability under this Section 7(c), it will give written notice of such termination, and, at the Company's discretion, Employee's employment will terminate sixty (60) days thereafter.

(d) "Termination by the Company Without Cause After Change in Control." If the Company terminates this Agreement for any reason other than pursuant to the terms of Sections 7(a), 7(b), or 7(c), and such termination occurs within two years of the occurrence of a Change in Control and a Material Change in Senior Management (as defined in (e) 1 below), then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

A "CHANGE IN CONTROL"shall be deemed to have occurred at any time after the date of this Agreement that any person (including those persons who own more than 10% of the combined voting power of the Company's outstanding voting securities on the date hereof) becomes the beneficial owner, directly or indirectly, of 45% or more of the combined voting power of the Company's then outstanding voting securities.

(e) "Termination by Employee With Good Cause After Change in Control." If Employee terminates this Agreement for Good Cause (defined below) and such termination occurs within two years of the occurrence of a Change in Control, then, in addition to any amounts otherwise due under this Agreement, the Company shall: (1) pay to Employee an amount equal to 2 times the salary plus bonus paid to Employee for his last complete year of employment, (2) continue Employee's participation in the Company's medical, dental, accidental death, and life insurance plans, as provided in Section 3 of this Agreement, for two years, subject to COBRA required benefits thereafter, and (3) cause

Employee to be fully vested in any stock options or stock grants held by Employee. The Company shall make the payment due in one lump sum within 10 days of the effective date of termination.

"GOOD CAUSE" shall mean the occurrence of both of the following events:

1. a "Material Change in Senior Management" (which shall mean either one or all of the CEO, CFO and COO cease their employment with the Company); and

2. in addition, any of the following events occur:

(i) the assignment by the Company to Employee of duties that are materially inconsistent with Employee's office with the Company at the time of such assignment, or the removal by the Company from Employee of a material portion of those duties usually appertaining to Employee's office with the Company at the time of such removal;

(ii) a material change by the Company, without Employee's prior written consent, in Employee's responsibilities to the Company, as such responsibilities are ordinarily and customarily required from time to time of a senior officer of a corporation engaged in the Company's business;

(iii) any removal of Employee from, or any failure to reelect or to reappoint Employee to, the office stated in Section 1(b);

(iv) The Company's direction that Employee discontinue service (or not seek reelection or reappointment) as a director, officer or member of any corporation or association of which Employee is a director, officer, or member at the date of this Agreement;

(v) a reduction by the Company in the amount of Employee's salary in effect at the time of the occurrence of a Change in Control or the failure of the Company to pay such salary to Employee at the time and in the manner specified in this Agreement;

(vi) the discontinuance (without comparable replacement) or material reduction by the Company of Employee's participation in any bonus or other employee benefit arrangement (including, without limitation, any profit-sharing, thrift, life insurance, medical, dental, hospitalization, stock option or retirement plan or arrangement) in which Employee is a participant under the terms of this Agreement, as in effect on the date hereof or as may be improved from time to time hereafter;

(vii) the moving by the Company of Employee's principal office space, related facilities, or support personnel, from the Company's principal operating offices, or the Company's requiring Employee to perform a majority of his duties outside the Company's principal operating offices for a period of more than 30 consecutive days;

(viii) the relocation, without Employee's prior written consent, of the Company's principal Employee offices to a location outside the county in which such offices are located at the time of the signing of this Agreement;

(ix) in the event the Company requires Employee to reside at a location more than 25 miles from the Company's principal Employee offices, except for occasional travel in connection with the Company business to an extent and in a manner which is substantially consistent with Employee's current business travel obligations;

(x) in the event Employee consents to a relocation of the Company's principal Employee offices, the failure of the Company to (A) pay or reimburse Employee on an after-tax basis for all reasonable moving expenses incurred by Employee in connection with such relocation or (B) indemnify Employee on an after-tax basis against any loss realized by Employee on the sale his principal residence in connection with such relocation;

(xi) the failure of the Company to continue to provide Employee with office space, related facilities and support personnel (including, without limitation, administrative and secretarial assistance) that are commensurate with Employee's responsibilities to and position with the Company, and no less than those prior to this Agreement;

(xii) any significant change in Employee's reporting relationships or changes in senior management of the Company

(xiii) the failure by the Company to promptly reimburse Employee for the reasonable business expenses incurred by Employee in the performance of his duties for the Company, in accordance with this Agreement.

(f) Gross-Up Payments - Certain Additional Payments by the Company.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company or any of its affiliates (as that term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended) under this Agreement to or for the benefit of Employee (any such payments or distributions being individually referred to herein as a "PAYMENT," and any two or more of such payments or distributions being referred to herein as "PAYMENTS"), would be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such excise tax, and any interest in respect of such penalties, additions to tax or additional amounts, being collectively referred herein to as the "EXCISE TAX"), then Employee shall be entitled to receive an additional payment or payments (individually referred to herein as a "GROSS-UP PAYMENT" and any two or more of such additional payments being referred to herein as "GROSS-UP Payments") in an amount such that after payment by Employee of all taxes (as defined in Section 7(f)(xi) imposed upon the Gross-Up Payment, Employee retains an amount of such Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(ii) Subject to the provisions of Section 7(f)(iii) through 7(f)(ix), any determination (individually, a "DETERMINATION") required to be made under this Section 7(f)(ii), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall initially be made, at the Company's expense, by nationally recognized tax counsel mutually acceptable to the Company and Employee ("TAX COUNSEL"). Tax Counsel shall provide detailed supporting legal authorities, calculations, and documentation both to the Company and Employee within 15 business days of the termination of Employee's employment, if applicable, or such other time or times as is reasonably requested by the Company or Employee. If Tax Counsel makes the initial Determination that no Excise Tax is payable by Employee with respect to a Payment or Payments, it shall furnish Employee with an opinion reasonably acceptable to Employee that no Excise Tax will be imposed with respect to any such Payment or Payments. Employee shall have the right to dispute any Determination (a "DISPUTE") within 15 business days after delivery of Tax Counsel's opinion with respect to such Determination. The Gross-Up Payment, if any, as determined pursuant to such Determination shall, at the Company's expense, be paid by the Company to Employee within five business days of Employee's receipt of such Determination. The existence of a Dispute shall not in any way affect Employee's right to receive the Gross-Up Payment in accordance with such Determination. If there is no Dispute, such Determination shall be binding, final and conclusive upon the Company and Employee, subject in all respects, however, to the provisions of Section 7(f)(iii) through 7(f)(ix) below. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that Gross-Up Payments (or portions thereof) which will

not have been made by the Company should have been made ("UNDERPAYMENT"), and if upon any reasonable written request from Employee or the Company to Tax Counsel, or upon Tax Counsel's own initiative, Tax Counsel, at the Company's expense, thereafter determines that Employee is required to make a payment of any Excise Tax or any additional Excise Tax, as the case may be, Tax Counsel shall, at the Company's expense, determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee.

(iii) the Company shall defend, hold harmless, and indemnify Employee on a fully grossed-up after tax basis from and against any and all claims, losses, liabilities, obligations, damages, impositions, assessments, demands, judgements, settlements, costs and expenses (including reasonable attorneys', accountants', and experts' fees and expenses) with respect to any tax liability of Employee resulting from any Final Determination (as defined in Section 7(f)(x) that any Payment is subject to the Excise Tax.

(iv) If a party hereto receives any written or oral communication with respect to any question, adjustment, assessment or pending or threatened audit, examination, investigation or administrative, court or other proceeding which, if pursued successfully, could result in or give rise to a claim by Employee against the Company under this Section 7(f) ("CLAIM"), including, but not limited to, a claim for indemnification of Employee by the Company under Section 7(f)(iii), then such party shall promptly notify the other party hereto in writing of such Claim ("TAX CLAIM NOTICE").

(v) If a Claim is asserted against Employee ("EMPLOYEE CLAIM"), Employee shall take or cause to be taken such action in connection with contesting such Employee Claim as the Company shall reasonably request in writing from time to time, including the retention of counsel and experts as are reasonably designated by the Company (it being understood and agreed by the parties hereto that the terms of any such retention shall expressly provide that the Company shall be solely responsible for the payment of any and all fees and disbursements of such counsel and any experts) and the execution of powers of attorney, provided that:

(1) within 30 calendar days after the Company receives or delivers, as the case may be, the Tax Claim Notice relating to such Employee Claim (or such earlier date that any payment of the taxes claimed is due from Employee, but in no event sooner than five calendar days after the Company receives or delivers such Tax Claim Notice), the Company shall have notified Employee in writing ("ELECTION NOTICE") that the Company does not dispute its obligations (including, but not limited to, its indemnity obligations) under this Agreement and that the Company elects to contest, and to control the defense or prosecution of, such Employee Claim at the Company's sole risk and sole cost and expense; and

(2) the Company shall have advanced to Employee on an interest-free basis, the total amount of the tax claimed in order for Employee, at the Company's request, to pay or cause to be paid the tax claimed, file a claim for refund of such tax and, subject to the provisions of the last sentence of Section 7(f)(vii), sue for a refund of such tax if such claim for refund is disallowed by the appropriate taxing authority (it being understood and agreed by the parties hereto that the Company shall only be entitled to sue for a refund and the Company shall not be entitled to initiate any proceeding in, for example, United States Tax Court) and shall indemnify and hold Employee harmless, on a fully grossed-up after tax basis, from any tax imposed with respect to such advance or with respect to any imputed income with respect to such advance; and

(3) the Company shall reimburse Employee for any and all costs and expenses resulting from any such request by the Company and shall indemnify and hold Employee harmless, on fully grossed-up after-tax basis, from any tax imposed as a result of such reimbursement.

(vi) Subject to the provisions of Section 7(f)(v) hereof, the Company shall have the right to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim by all appropriate

proceedings, which proceedings shall be defended or prosecuted diligently by the Company to a Final Determination; provided, however, that (i) the Company shall not, without Employee's prior written consent, enter into any compromise or settlement of such Employee Claim that would adversely affect Employee, (ii) any request from the Company to Employee regarding any extension of the statute of limitations relating to assessment, payment, or collection of taxes for the taxable year of Employee with respect to which the contested issues involved in, and amount of, Employee Claim relate is limited solely to such contested issues and amount, and (iii) the Company's control of any contest or proceeding shall be limited to issues with respect to Employee Claim and Employee shall be entitled to settle or contest, in his sole and absolute discretion, any other issue raised by the Internal Revenue Service or any other taxing authority. So long as the Company is diligently defending or prosecuting such Employee Claim, Employee shall provide or cause to be provided to the Company any information reasonably requested by the Company that relates to such Employee Claim, and shall otherwise cooperate with the Company and its representatives in good faith in order to contest effectively such Employee Claim. the Company shall keep Employee informed of all developments and events relating to any such Employee Claim (including, without limitation, providing to Employee copies of all written materials pertaining to any such Employee Claim), and Employee or his authorized representatives shall be entitled, at Employee's expense, to participate in all conferences, meetings and proceedings relating to any such Employee Claim.

(vii) If, after actual receipt by Employee of an amount of a tax claimed (pursuant to an Employee Claim) that has been advanced by the Company pursuant to Section 7(f)(v)(2) hereof, the extent of the liability of the Company hereunder with respect to such tax claimed has been established by a Final Determination, Employee shall promptly pay or cause to be paid to the Company any refund actually received by, or actually credited to, Employee with respect to such tax (together with any interest paid or credited thereon by the taxing authority and any recovery of legal fees from such taxing authority related thereto), except to the extent that any amounts are then due and payable by the Company to Employee, whether under the provisions of this Agreement or otherwise. If, after the receipt by Employee of an amount advanced by the Company pursuant to Section 7(f)(v)(2), a determination is made by the Internal Revenue Service or other appropriate taxing authority that Employee shall not be entitled to any refund with respect to such tax claimed, and the Company does not notify Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payments and other payments required to be paid hereunder.

(viii) With respect to any Employee Claim, if the Company fails to deliver an Election Notice to Employee within the period provided in Section 7(f)(v)(1) hereof or, after delivery of such Election Notice, the Company fails to comply with the provisions of Section 7(f)(v)(2) and (3) and 7(f)(vi) hereof, then Employee shall at any time thereafter have the right (but not the obligation), at his election and in his sole and absolute discretion, to defend or prosecute, at the sole cost, expense and risk of the Company, such Employee Claim. Employee shall have full control of such defense or prosecution and such proceedings, including any settlement or compromise thereof. If requested by Employee, the Company shall cooperate, and shall cause its Affiliates to cooperate, in good faith with Employee and his authorized representatives in order to contest effectively such Employee Claim. the Company may attend, but not participate in or control, any defense, prosecution, settlement or compromise of any Employee Claim controlled by Employee pursuant to this Section 7(f)(viii) and shall bear its own costs and expenses with respect thereto. In the case of any Employee Claim that is defended or prosecuted by Employee, Employee shall, from time to time, be entitled to current payment, on a fully grossed-up after tax basis, from the Company with respect to costs and expenses incurred by Employee in connection with such defense or prosecution.

(ix) In the case of any Employee Claim that is defended or prosecuted to a Final Determination pursuant to the terms of this Section 7(f)(ix), the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim that have not theretofore been paid by the Company to Employee,

together with the costs and expenses, on a fully grossed-up after tax basis, incurred in connection therewith that have not theretofore been paid by the Company to Employee, within ten calendar days after such Final Determination. In the case of any Employee Claim not covered by the preceding sentence, the Company shall pay, on a fully grossed-up after tax basis, to Employee in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Employee Claim at least ten calendar days before the date payment of such taxes is due from Employee, except where payment of such taxes is sooner required under the provisions of this Section 7(f)(ix), in which case payment of such taxes (and payment, on a fully grossed-up after tax basis, of any costs and expenses required to be paid under this Section 7(f)(ix)) shall be made within the time and in the manner otherwise provided in this Section 7(f)(ix).

(x) For purposes of this Agreement, the term "FINAL DETERMINATION" shall mean (A) a decision, judgment, decree or other order by a court or other tribunal with appropriate jurisdiction, which has become final and non-appealable; (B) a final and binding settlement or compromise with an administrative agency with appropriate jurisdiction, including, but not limited to, a closing agreement under Section 7121 of the Code; (C) any disallowance of a claim for refund or credit in respect to an overpayment of tax unless a suit is filed on a timely basis; or (D) any final disposition by reason of the expiration of all applicable statutes of limitations.

(xi) For purposes of this Agreement, the terms "TAX" and "TAXES" mean any and all taxes of any kind whatsoever (including, but not limited to, any and all Excise Taxes, income taxes, and employment taxes), together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such taxes and any interest in respect of such penalties, additions to tax, or additional amounts."

(g) Effect of Termination. In the event that the Employee is terminated pursuant to any paragraph of this Section 7, Employee shall thereafter have no further rights under this Agreement, except for those explicitly set forth in the particular paragraph of this Section 7 which served as the basis for such termination. Notwithstanding any such termination, the covenants and agreements of Employee contained in Sections 4, 5 (a) (so long as payments under Section 5(a) are continued as therein described), 5 (b) and 6 hereof shall survive and remain in full force and effect.

SECTION 8. NOTICES.

All notices, requests, demands and other communications hereunder must be in writing and shall be deemed to have been duly given if delivered by hand, sent to the recipient by reputable express courier service (charge prepaid), or mailed by first class, registered mail, return receipt requested, postage and registry fees prepaid and addressed as follows:

If to Employee:
At the address set forth on page 1 hereof.

If to the Company :
Cal Dive International, Inc.
400 North Sam Houston Parkway East, Suite 400
Houston, Texas 77060
Attention: General Counsel

Addresses may be changed by notice in writing signed by the addressee.

SECTION 9. GENERAL PROVISIONS.

(a) Company Subsidiaries. For purposes of this Agreement, the term "Company" shall include all subsidiaries of the Company.

(b) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid,

illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of any other jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdictions if such invalid, illegal or unenforceable provision had never been contained herein. The parties agree that a court of competent jurisdiction making a determination of the invalidity or unenforceability of any term or provision of Sections 4, 5 and 6 of this Agreement shall have the power to reduce the scope, duration or area of any such term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision in Sections 4, 5, 6 with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

(c) Complete Agreement. This Agreement, embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(d) Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(e) Successors and Assigns. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the Company and Employee and their respective successors and assigns; provided that the rights and obligations of Employee under this Agreement shall not be assignable without the prior written consent of the Company.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto shall be governed by the internal law, and not the law of conflicts, of the State of Texas.

(g) Remedies. Each of the parties to this Agreement shall be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including reasonable attorneys fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that Employee's breach of any term or provision of this Agreement shall materially and irreparably harm the Company, that money damages shall accordingly not be an adequate remedy for any breach of the provisions of this Agreement and that any party in its sole discretion and in addition to any other remedies it may have at law or in equity may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

(h) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Employee.

IN WITNESS, WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

CAL DIVE INTERNATIONAL, INC.	EMPLOYEE
By:	
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Name: Martin R. Ferron	
Title: President and Chief Operating Officer	

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated February 18, 2002 included in this Form 10-K into the Company's previously filed Registration Statement File No. 333-50289, No. 333-50205 and No. 333-58817.

ARTHUR ANDERSEN LLP

Houston, Texas
March 27, 2002

EXHIBIT 23.2

[MILLER AND LENTS, LTD. LETTERHEAD]

March 27, 2002

Cal Dive International, Inc.
400 North Sam Houston Parkway East
Suite 400
Houston, TX 77060

Re: Cal Dive International, Inc.
Securities and Exchange Commission 2001 Form 10-K
Consent Letter

Gentlemen:

The firm of Miller and Lents, Ltd. consents to the naming of it as experts and to the incorporation by reference of its report letter dated January 30, 2002 concerning the proved reserves as of December 31, 2001 attributable to Energy Resource Technology, Inc. in the Annual Report of Cal Dive International, Inc. on Form 10-K to be filed with the Securities and Exchange Commission.

Miller and Lents, Ltd. has no interests in Cal Dive International, Inc. or in any of its affiliated companies or subsidiaries and is not to receive any such interest as payment for such report and has no director, officer, or employee employed or otherwise connected with Cal Dive International, Inc. We are not employed by Cal Dive International, Inc. on a contingent basis.

Very truly yours,

MILLER AND LENTS, LTD.

By /s/ GREGORY W. ARMES

Gregory W. Armes
President

GWA/hsd

[MILLER AND LENTS, LTD. LETTERHEAD]

March 27, 2002

Mr. Johnny Edwards
Cal Dive International, Inc.
400 North Sam Houston Parkway East
Suite 400
Houston, TX 77060

Re: Cal Dive International, Inc.
Securities and Exchange Commission 2001 Form 10-K
Consent Letter

Dear Mr. Edwards:

As you requested, enclosed is the consent letter to be used in connection with the filing of Cal Dive International, Inc's. Form 10-K. We provide this consent based on the Form 10-K we received via e-mail on March 27, 2002.

On completion of the filing, we request that you send us one copy of the final version of the Form 10-K for our files.

Please let us know if we can be of further assistance.

Very truly yours,

MILLER AND LENTS, LTD.

By: /s/ GREGORY W. ARMES

Gregory W. Armes
President

GWA/hsd

Enclosure

EXHIBIT 99.1

Cal Dive International, Inc.
400 N. Sam Houston Parkway E., Suite 400
Houston, Texas 77060

March 27, 2002

United States Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, D.C. 20549

Ladies and Gentlemen:

We have received a letter of representation from Arthur Andersen LLP stating that their audit of the financial statements contained in Cal Dive International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001, of which this Exhibit 99.1 is a part, was subject to their quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards, that there was appropriate continuity of Arthur Andersen personnel working on the audit and availability of national office consultation. Availability of personnel at foreign affiliates of Arthur Andersen LLP is not relevant to this audit.

Sincerely,

Cal Dive International, Inc.

/s/ A. Wade Pursell

A. Wade Pursell
Senior Vice President,
Chief Financial Officer